

Greater Gratiot Development, Inc.

Financial Statements

September 30, 2023 and 2022



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Independent Accountants' Review Report

Management and the Board of Directors
Greater Gratiot Development, Inc.
Ithaca, Michigan

We have reviewed the accompanying financial statements of Greater Gratiot Development, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Greater Gratiot Development, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Yeo & Yeo, P.C.

Alma, Michigan
January 15, 2024

Greater Gratiot Development, Inc.
Statement of Financial Position
September 30, 2023 and 2022

	2023			2022		
	Operating Fund	Revolving Loan Fund	Total	Operating Fund	Revolving Loan Fund	Total
Assets						
Current assets						
Cash and cash equivalents	\$ 914,435	\$ 1,355,937	\$ 2,270,372	\$ 800,075	\$ 1,340,906	\$ 2,140,981
Accounts receivable	2,709	-	2,709	-	-	-
Accrued interest receivable	1,696	-	1,696	16	407	423
Notes receivable, current portion	23,889	-	23,889	22,787	-	22,787
Loans receivable, current portion	-	45,866	45,866	-	19,580	19,580
Prepaid expenses	9,165	-	9,165	8,816	-	8,816
Total current assets	951,894	1,401,803	2,353,697	831,694	1,360,893	2,192,587
Restricted cash - Brownfield redevelopment	1,794	-	1,794	1,385	-	1,385
Notes receivable, net of current portion	277,197	-	277,197	301,119	-	301,119
Loans receivable, net of current portion	-	72,158	72,158	-	95,161	95,161
Property and equipment, net	64,690	-	64,690	69,500	-	69,500
Intangible assets, net	-	-	-	100	-	100
Total assets	\$ 1,295,575	\$ 1,473,961	\$ 2,769,536	\$ 1,203,798	\$ 1,456,054	\$ 2,659,852

See Accompanying Independent Accountants' Review Report and Notes to the Financial Statements

Greater Gratiot Development, Inc.
Statement of Financial Position
September 30, 2023 and 2022

	2023			2022		
	Operating Fund	Revolving Loan Fund	Total	Operating Fund	Revolving Loan Fund	Total
Liabilities and Net Assets						
Current liabilities						
Accounts payable	\$ 3,154	\$ -	\$ 3,154	\$ 987	\$ -	\$ 987
Accrued liabilities	21,866	-	21,866	14,692	-	14,692
Total liabilities	<u>25,020</u>	<u>-</u>	<u>25,020</u>	<u>15,679</u>	<u>-</u>	<u>15,679</u>
Net Assets						
Without donor restrictions						
Designated for loans	-	1,473,961	1,473,961	-	1,456,054	1,456,054
Undesignated	1,268,652	-	1,268,652	1,186,734	-	1,186,734
Total without donor restrictions	<u>1,268,652</u>	<u>1,473,961</u>	<u>2,742,613</u>	<u>1,186,734</u>	<u>1,456,054</u>	<u>2,642,788</u>
With donor restrictions	<u>1,903</u>	<u>-</u>	<u>1,903</u>	<u>1,385</u>	<u>-</u>	<u>1,385</u>
Total net assets	<u>1,270,555</u>	<u>1,473,961</u>	<u>2,744,516</u>	<u>1,188,119</u>	<u>1,456,054</u>	<u>2,644,173</u>
Total liabilities and net assets	<u><u>\$ 1,295,575</u></u>	<u><u>\$ 1,473,961</u></u>	<u><u>\$ 2,769,536</u></u>	<u><u>\$ 1,203,798</u></u>	<u><u>\$ 1,456,054</u></u>	<u><u>\$ 2,659,852</u></u>

See Accompanying Independent Accountants' Review Report and Notes to the Financial Statements

Greater Gratiot Development, Inc.
Statement of Activities
Years Ended September 30, 2023 and 2022

	2023				2022			
	Without Donor Restrictions		Operating Fund		Without Donor Restrictions		Operating Fund	
	Operating Fund	Revolving Loan Fund	With Donor Restrictions	Total	Operating Fund	Revolving Loan Fund	With Donor Restrictions	Total
Support and revenue								
Public support								
Local government	\$ 518,778	\$ -	\$ -	\$ 518,778	\$ 507,678	\$ -	\$ -	\$ 507,678
Donations	10,500	-	-	10,500	9,156	-	-	9,156
Revenues								
Interest	26,434	18,284	-	44,718	15,892	6,884	-	22,776
Brownfield redevelopment	-	-	518	518	-	-	434	434
Miscellaneous	1,500	-	-	1,500	-	-	-	-
Total support and revenue	<u>557,212</u>	<u>18,284</u>	<u>518</u>	<u>576,014</u>	<u>532,726</u>	<u>6,884</u>	<u>434</u>	<u>540,044</u>
Expenses								
Program services	323,509	377	-	323,886	311,031	275	-	311,306
Management and general	151,785	-	-	151,785	135,608	-	-	135,608
Total expenses	<u>475,294</u>	<u>377</u>	<u>-</u>	<u>475,671</u>	<u>446,639</u>	<u>275</u>	<u>-</u>	<u>446,914</u>
Change in net assets	<u>81,918</u>	<u>17,907</u>	<u>518</u>	<u>100,343</u>	<u>86,087</u>	<u>6,609</u>	<u>434</u>	<u>93,130</u>
Net assets - beginning of the year	1,186,734	1,456,054	1,385	2,644,173	1,100,647	1,449,445	951	2,551,043
Net assets - end of the year	<u>\$ 1,268,652</u>	<u>\$ 1,473,961</u>	<u>\$ 1,903</u>	<u>\$ 2,744,516</u>	<u>\$ 1,186,734</u>	<u>\$ 1,456,054</u>	<u>\$ 1,385</u>	<u>\$ 2,644,173</u>

See Accompanying Independent Accountants' Review Report and Notes to the Financial Statements

Greater Gratiot Development, Inc.
Statement of Functional Expenses
Years Ended September 30, 2023 and 2022

	2023			2022		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Wages	\$ 194,341	\$ 80,268	\$ 274,609	\$ 177,818	\$ 68,504	\$ 246,322
Payroll taxes	13,830	7,779	21,609	12,890	7,250	20,140
Employee benefits	57,098	32,118	89,216	51,665	29,062	80,727
Total wages and related expenses	265,269	120,165	385,434	242,373	104,816	347,189
Building and equipment upgrade	2,006	1,128	3,134	6,363	3,579	9,942
Communications	4,145	2,331	6,476	3,034	1,706	4,740
Contracted services	13,502	7,595	21,097	11,407	6,416	17,823
Insurance	2,429	1,366	3,795	972	546	1,518
Meetings	-	1,451	1,451	-	645	645
Memberships and subscriptions	2,601	1,463	4,064	3,280	1,845	5,125
Miscellaneous	-	2,598	2,598	-	614	614
Postage	118	67	185	74	42	116
Printing and publications	355	229	584	-	-	-
Professional development	200	-	200	585	-	585
Promotion and advertising	10,600	-	10,600	11,891	-	11,891
Supplies	1,198	674	1,872	1,486	836	2,322
Tax chargeback and attorney expenses paid to Gratiot County	-	-	-	1,789	1,006	2,795
Travel	16,652	-	16,652	16,519	-	16,519
Loss on disposal of property and equipment	-	-	-	5,221	2,935	8,156
Utilities and maintenance	1,669	10,950	12,619	1,574	7,956	9,530
Total expenses before depreciation and amortization	320,744	150,017	470,761	306,568	132,942	439,510
Depreciation	3,078	1,732	4,810	3,973	2,235	6,208
Amortization	64	36	100	765	431	1,196
Total expenses	\$ 323,886	\$ 151,785	\$ 475,671	\$ 311,306	\$ 135,608	\$ 446,914

See Accompanying Independent Accountants' Review Report and Notes to the Financial Statements

Greater Gratiot Development, Inc.
Statement of Cash Flows
Years Ended September 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 100,343	\$ 93,130
Items not requiring cash		
Depreciation and amortization	4,910	7,404
Loss on disposal of property and equipment	-	8,156
Changes in operating assets and liabilities		
Accounts receivable	(2,709)	497
Accrued interest receivable	(1,273)	1,159
Notes receivable	22,820	22,086
Loans receivable	(3,283)	53,357
Prepaid expenses	(349)	299
Accounts payable	2,167	426
Accrued liabilities	7,174	113
	129,800	186,627
Cash flows from investing activities		
Purchase of property and equipment	-	(5,824)
	129,800	180,803
Change in cash, cash equivalents, and restricted cash		
	2,142,366	1,961,563
Cash, cash equivalents, and restricted cash beginning of year	\$ 2,272,166	\$ 2,142,366
Cash, cash equivalents, and restricted cash end of year	\$ 2,272,166	\$ 2,142,366
Reconciliation to Statement of Financial Position		
Cash and cash equivalents	\$ 2,270,372	\$ 2,140,981
Restricted cash - Brownfield redevelopment	1,794	1,385
	\$ 2,272,166	\$ 2,142,366

See Accompanying Independent Accountants' Review Report and Notes to the Financial Statements

Greater Gratiot Development, Inc.
Notes to the Financial Statements
September 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies

Nature of Activities

The purpose of Greater Gratiot Development, Inc. (Organization) is to retain, expand, and attract business and industry and to participate in activities which enhance the economic climate within the Gratiot County community. Activities to create jobs and enhance the local tax base are its highest priority. A substantive part of these activities is offering help to new and existing small business in obtaining financing and making low interest loans to industrial and industrial oriented firms. Addressing environmental conditions related to development, expansion, and business location is a substantial activity.

Basis of Accounting

The accompanying financial statements are stated on the accrual basis of accounting and have been prepared in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction

is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with maturity of three months or less to be cash equivalents. The Organization maintains cash balances at financial institutions in Michigan. At September 30, 2023, bank deposits amounted to \$2,272,960. Of that amount, \$1,377,203 was covered by federal depository insurance, \$895,757 was collateralized, and there were no amounts that were uninsured and uncollateralized.

Restricted cash includes amounts received that are required to be used for brownfield redevelopment.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees are deferred to the applicable period in which the performance obligations are met. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Prepaid Expenses

Payments to vendors for services that will benefit periods beyond the Organization's fiscal year end are recorded as prepaid expenses.

Greater Gratiot Development, Inc.
Notes to the Financial Statements
September 30, 2023 and 2022

Notes and Loans Receivable

Notes and loans receivable are carried at unpaid principal balances, less an allowance for losses, when applicable. Past due status is determined based on contractual terms. Notes and loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms.

The allowance for uncollectible loans is established through a provision for loan losses charged to expenses. Loans are charged against the allowance for uncollectible loans when management believes that the collectability of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectability of loans and prior loan loss experience. The evaluations take into consideration such factors as review of specific problem loans and current economic conditions that may affect the borrowers' ability to pay. The allowances for notes and loans losses were \$0 for the years ending September 30, 2023 and 2022.

Notes and loans are placed on nonaccrual when management believes, after considering economic conditions, business conditions, and collection efforts, that the notes or loans are impaired or collection of interest is doubtful. Uncollected interest previously accrued is charged off or an allowance is established by a charge to interest income. Interest income on nonaccrual notes and loans is recognized only to the extent cash payments are received.

Interest on notes and loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed on the straight-line method over the estimated useful life of the assets. The estimate useful life of assets is as follows:

Buildings	8-39 years
Furniture/fixtures	5-15 years

The Organization capitalizes all expenditures in excess of \$5,000 for property and equipment. Major improvements are capitalized while ordinary maintenance and repairs are expensed.

Gifts of land, buildings, equipment, and other long-lived assets are also reported as revenue without donor restrictions and net assets, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Intangible Assets

Intangible assets are recorded at the cost to acquire the assets and are amortized over the defined life of the assets. The defined life is five years.

Donated Materials and Services

The Organization records the value of donated goods or services when there is an objective basis available to measure their value. Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. No amounts have been reflected in the statements for donated services, as no objective basis is available to measure the value of such services.

Advertising

The Organization expenses all advertising costs as they are incurred. Total advertising costs for the years ended September 30, 2023 and 2022, were \$10,600 and \$11,891, respectively. Advertising is for promotional purposes, not fundraising.

Greater Gratiot Development, Inc.
Notes to the Financial Statements
September 30, 2023 and 2022

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated and the method of allocation include the following:

<u>Expense</u>	<u>Method and Allocation</u>
Wages and related expenses	Time and effort
Building and equipment upgrade	Time and effort
Communications	Time and effort
Contracted services	Time and effort
Insurance	Time and effort
Loss on disposal of property and equipment	Time and effort
Memberships and subscriptions	Time and effort
Postage	Time and effort
Printing and publications	Time and effort
Supplies	Time and effort
Tax chargeback and attorney expenses	Time and effort
Utilities and maintenance	Time and effort

Income Taxes

The Organization is considered an “other than private” foundation and is an exempt organization for federal income tax purposes under Section 501(c) (3) of the Internal Revenue Code. The Organization files informational returns in the U.S. federal jurisdiction, and the Michigan jurisdiction.

Long-Lived Assets

The Organization evaluated long-lived assets for impairment using the discounted cash flow method whenever events or circumstances indicated that the carrying amount of an asset may not be recoverable in accordance with generally accepted accounting principles in the United States of America.

Concentrations

Gratiot County levies a property tax to fund agriculture and economic development within the County. The Organization receives funding from the County through a contract with the Economic Development Corporation of Gratiot County. For the years ending September 30, 2023 and 2022, this funding accounted for 90% and 94% of total revenues, respectively.

Subsequent Events

Management has evaluated subsequent events through January 15, 2024, which is the date the financial statements were available to be issued.

Greater Gratiot Development, Inc.
Notes to the Financial Statements
September 30, 2023 and 2022

Note 2 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,270,372	\$ 1,960,612
Accounts receivable	2,709	-
Restricted cash		
Brownfield redevelopment	1,794	1,385
Accrued interest receivable	1,696	423
Notes receivable	301,086	323,906
Loans receivable	118,024	114,741
Total financial assets - end of year	2,695,681	2,581,436
Less: financial assets unavailable for general expenditures within one year, due to:		
Designated for loans	(1,355,937)	(1,340,906)
Contractually restricted as to purpose	(1,794)	(1,385)
Receivables due in more than 1 year	(349,355)	(396,280)
Financial assets available to meet cash needs for general expenditures within one year	\$ 988,595	\$ 842,865

The Organization does not have a policy in place to manage liquidity. Informally, management's goal is to maintain enough liquid assets to cover the following three months' expenses.

Note 3 – Notes Receivable

The Organization sold property on land contracts. The interest rates charged range from 4% to 5%. All notes receivable are collateralized by liens on the property included in the land contracts. Notes receivable are included in the statement of financial position as follows:

	<u>2023</u>	<u>2022</u>
Notes receivable, current portion	\$ 23,889	\$ 22,787
Notes receivable, net of current portion	277,197	301,119
	<u>\$ 301,086</u>	<u>\$ 323,906</u>

Notes receivable are scheduled to be collected as follows:

Year Ended September 30,	<u>Principal</u>
2024	\$ 23,889
2025	25,072
2026	26,234
2027	26,734
2028	22,524
Thereafter	176,633
	<u>\$ 301,086</u>

Note 4 – Loans Receivable

The Organization operates a revolving loan fund that lends to new and existing business for the purposes of expansion and job creation in Gratiot County. These current loans are issued for a maximum term of nine years. Interest rates are set by the Board and range from 4% to 5.5%. All loans are collateralized by liens on fixed assets and personal guarantees. All principal payments and a board determined percentage of the interest are designated for the purpose of future loans. The majority of loan interest rates are below the going commercial rate.

Greater Gratiot Development, Inc.
Notes to the Financial Statements
September 30, 2023 and 2022

Loans receivable are included in the statement of financial position as follows:

	<u>2023</u>	<u>2022</u>
Loans receivable	\$ 118,024	\$ 114,741
Less: current portion	<u>(45,866)</u>	<u>(19,580)</u>
Loans receivable, net of current portion	<u>\$ 72,158</u>	<u>\$ 95,161</u>

Loans receivable are scheduled to be collected as follows:

Year Ended September 30,	Principal
2024	\$ 45,866
2025	15,216
2026	12,462
2027	13,016
2028	13,595
Thereafter	<u>17,869</u>
	<u>\$ 118,024</u>

Note 5 – Property and Equipment

Property and equipment is as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 3,000	\$ 3,000
Buildings	134,759	137,759
Furniture/fixtures	<u>15,131</u>	<u>20,625</u>
	<u>152,890</u>	<u>158,384</u>
Less: accumulated depreciation	<u>(88,200)</u>	<u>(88,884)</u>
Property and equipment, net	<u>\$ 64,690</u>	<u>\$ 69,500</u>

Note 6 – Intangible Assets

Intangible assets consist of the following:

	<u>2023</u>	<u>2022</u>
Website	\$ 5,983	\$ 5,983
Less: accumulated amortization	<u>(5,983)</u>	<u>(5,883)</u>
Intangible assets, net	<u>\$ -</u>	<u>\$ 100</u>

Note 7 – Compensated Absences

Paid time off, in which employees have a vested interest, is recognized as an expense when earned. Various policies exist governing paid time off. Those policies are as follows:

Annual leave for full-time employees is provided at 22 base days, and 1 additional day per each additional year of service. The maximum number of leave days allowed is 37. The equivalent of one year's leave allowance may be accrued and carried into the next fiscal year. Employees shall be paid for all earned leave time as calculated on a proration basis.

The total amounts due for compensated absences as of September 30, 2023 and 2022, were \$16,692 and \$10,788 respectively.

Note 8 – Pension Plan

The Organization has a money purchase pension plan covering all full-time employees. Contributions to the plan are based on 12.5% of gross wages of all eligible full-time employees. The contributions for the years ended September 30, 2023 and 2022, were \$33,375 and \$31,032, respectively.

Greater Gratiot Development, Inc.
Notes to the Financial Statements
September 30, 2023 and 2022

Note 9 – Net Assets with Donor Restrictions - Brownfield Redevelopment

Revenue and expenses were reported in the operating fund as pass through funds from the Brownfield Redevelopment Authority. These funds are to be used for approved project costs only. The activity for 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Net assets with donor restrictions, beginning of year	\$ 1,385	\$ 951
Brownfield revenue	<u>518</u>	<u>434</u>
Net assets with donor restrictions, end of year	<u>\$ 1,903</u>	<u>\$ 1,385</u>

Note 10 – Net Assets Released from Donor Restrictions

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose relating to funds received from the Brownfield Redevelopment Authority. Amounts released for the years ended September 30, 2023 and 2022 were \$0.