Great Lakes Center Foundation and Subsidiaries

Years Ended December 31, 2014 and 2013

Consolidated Financial Statements

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GREAT LAKES CENTER FOUNDATION AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

April 30, 2015

Board of Directors
Great Lakes Center Foundation and Subsidiaries
Bay City, Michigan

We have audited the accompanying consolidated financial statements of ***Great Lakes Center Foundation and Subsidiaries*** (the "Foundation"), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities, changes in unrestricted net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the 2013 consolidated financial statements of GLCF Holding Inc. and Subsidiary (Great Lakes Center Foundation is the sole owner of GLCF Holding, Inc.), which statements reflect total assets of $5,471,022 as of December 31, 2013, and total revenues of $262,556 for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion insofar as it relates to the 2013 amounts included for GLCF Holding Inc. and Subsidiary, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on auditor judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the report of the other auditors for 2013, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ***Great Lakes Center Foundation and Subsidiaries*** as of December 31, 2014 and 2013, and the consolidated changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Rehmann Robson LLC

GREAT LAKES CENTER FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31 2014	December 31 2013
ASSETS		
Cash and cash equivalents	$ 150,829	$ 328,035
Accounts receivable	450	16,991
Notes receivable (Notes 3 and 10)	-	2,670,000
Prepaid expenses and other assets	5,311	56,798
Property and equipment, net (Note 4)	1,673,008	4,888,757
Investment in properties	298,475	646,467
Lease and debt origination costs, net	-	303,648
Total assets	**$ 2,128,073**	**$ 8,910,696**
LIABILITIES AND UNRESTRICTED NET ASSETS		
Liabilities		
Accounts payable	$ 24,382	$ 3,640
Term notes payable (Notes 6 and 10)	-	3,570,000
Accrued liabilities	3,950	2,625
Total liabilities	**28,332**	**3,576,265**
Commitments and contingency (Notes 7 and 11)		
Unrestricted net assets		
Foundation unrestricted net assets	2,099,741	4,532,867
Noncontrolling interest in unrestricted net assets	-	801,564
Total unrestricted net assets	**2,099,741**	**5,334,431**
Total liabilities and unrestricted net assets	**$ 2,128,073**	**$ 8,910,696**

The accompanying notes are an integral part of these consolidated financial statements.

GREAT LAKES CENTER FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES

	Year Ended December 31	
	2014	2013
Support and revenue		
Rental income	$ 91,933	$ 196,356
Interest income	6,819	27,374
Other income	8,428	-
Total support and revenue	**107,180**	**223,730**
Expenses		
Program related expenses		
Project expenses	-	51,700
Supporting services		
General and administrative	660,818	503,442
Fundraising	5,469	9,103
Bad debts	-	640,000
Total expenses	**666,287**	**1,204,245**
Change in net assets before real property losses and gains, and acquisition of noncontrolling interest	**(559,107)**	**(980,515)**
Impairment loss on Train Depot and investment in properties (Note 1)	(3,422,423)	-
Acquisition of noncontrolling interest (Note 1)	746,840	-
Change in unrestricted net assets	**(3,234,690)**	**(980,515)**
Change in unrestricted net assets attributable to noncontrolling interest	(54,724)	(104,649)
Change in unrestricted net assets attributable to the Foundation	**$ (3,179,966)**	**$ (875,866)**

The accompanying notes are an integral part of these consolidated financial statements.

GREAT LAKES CENTER FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN UNRESTRICTED NET ASSETS

	Foundation	Noncontrolling Interest	Total
Balances, January 1, 2013	**$ 5,408,733**	**$ 906,213**	**$ 6,314,946**
Decrease in unrestricted net assets	(875,866)	(104,649)	(980,515)
Balances, December 31, 2013	**4,532,867**	**801,564**	**5,334,431**
Change in unrestricted net assets	(3,179,966)	(54,724)	(3,234,690)
Acquisition of noncontrolling interest (Note 1)	746,840	(746,840)	-
Balances, December 31, 2014	**$ 2,099,741**	**$ -**	**$ 2,099,741**

The accompanying notes are an integral part of these consolidated financial statements.

GREAT LAKES CENTER FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2014	2013
Cash flows from operating activities		
Decrease in unrestricted net assets	$ (3,234,690)	$ (980,515)
Adjustments to reconcile decrease in unrestricted net assets to net cash used in operating activities		
Bad debts	-	640,000
Loss on building and investment in properties (Note 1)	3,422,423	-
Acquisition of noncontrolling interest (Note 1)	(746,840)	-
Depreciation	141,318	215,243
Amortization of lease and debt origination costs	303,648	14,072
Changes in operating assets and liabilities which provided (used) cash		
Accounts receivable	16,541	(7,934)
Prepaid expenses and other assets	51,487	(5,103)
Accounts payable	20,742	(2,486)
Accrued liabilities	(80,835)	(1,025)
Net cash used in operating activities	**(106,206)**	**(127,748)**
Cash flows from investing activities		
Purchases of property and equipment	-	(5,665)
Cash paid for acquisition of noncontrolling interest (Note 1)	(71,000)	-
Net cash used in investing activities	**(71,000)**	**(5,665)**
Net decrease in cash and cash equivalents	**(177,206)**	**(133,413)**
Cash and cash equivalents, beginning of year	328,035	461,448
Cash and cash equivalents, end of year	**$ 150,829**	**$ 328,035**

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation and Nature of Operations

The accompanying consolidated financial statements include the accounts of Great Lakes Center Foundation and its subsidiaries, ***GLCF Holding Inc.***, and variable interest entity ***Marquette Train Depot, LLC***, (collectively, the "Foundation"). Great Lakes Center Foundation was a 100% owner in GLCF Holding Inc. Marquette Train Depot, LLC was a variable interest entity for which GLCF Holding Inc. was the primary beneficiary.

Great Lakes Center Foundation, a nonprofit organization tax-exempt under Internal Revenue Code Section 501(c)(3), receives and administers funds for the acquisition and development of real estate in Bay County in furtherance of the public welfare and betterment of the local community. The Bay Area Community Foundation ("BACF") controls the Foundation through a majority voting interest on its governing Board of Trustees.

Basis of Presentation

GLCF Holding Inc. held a 51 percent interest in Marquette Train Depot, LLC (MTD, LLC). GLCF Holding Inc. leased its operating facility as a master subtenant from the Master Tenant of MTD, LLC (Master Tenant). The Master Tenant was the investing member of MTD, LLC (49% owner) and also an entity for which GLCF Holding Inc. was the non-member manager. MTD, LLC was formed to acquire, own, rehabilitate, and operate a historically designated building known as the Pere Marquette Train Depot (the "Train Depot") located in Bay City, Michigan.

MTD, LLC was considered to be a variable interest entity because it did not have sufficient equity to carry out its principal activities without the subordinated financial support provided through the financial guarantees of the managing member, GLCF Holding Inc. and its owner, Great Lakes Center Foundation.

GLCF Holding Inc. determined that it was the primary beneficiary of MTD, LLC because of its role as the managing member and the debt guarantee provide it with (1) the power to direct the activities of MTD, LLC that most significantly impact its economic performance and (2) the obligation to absorb losses that could potentially be significant to MTD, LLC. As a result, MTD, LLC was included in the consolidated financial statements as a consolidated variable interest entity. All significant inter-entity accounts and transactions were eliminated in consolidation.

On March 25, 2014, MTD, LLC assigned all right, title, and interest to the Option Agreement to GLCF Holding Inc. Fifth Third Community Development Corporation (Fifth Third CDC) and MTD, LLC reached an agreement on a put price of $71,000. On March 28, 2014, Fifth Third CDC issued a Notice of Exercise pursuant to the Operating Agreement to purchase Fifth Third CDC's interest in Pere Marquette Investment Fund, LLC.

Simultaneously, on March 28, 2014, in connection with this transaction, Michigan Magnet Fund C, LLC (MMF C) was liquidated by distributing all of its assets and liabilities to Pere Marquette Investment Fund, LLC (Investment Fund) in full redemption of the Investment Fund's interest in MMF C. MMF C assigned its interest in the Investment Fund to GLCF Holding Inc. for $100. This resulted in GLCF Holding, Inc. being the sole owner of the Investment Fund. As the Investment Fund was the sole owner of Master Tenant, who held the 49% interest in MTD, LLC, the remaining 49% noncontrolling interest in MTD, LLC was acquired by GLCF Holding, Inc. in 2014. As a result of these actions, the noncontrolling interest was acquired at carrying value totaling $746,840 and is reported in the accompanying 2014 statement of activities (Note 10).

MTD, LLC and Master Tenant consented to the early termination of the Master Lease. As a result of the termination of the Master Lease, Master Tenant recognized ordinary income for federal income tax purposes of $685,693, which relates to the acceleration of the unamortized balance of the historic tax credits over the amount of tax credit amortization income recognized previously. Fifth Third CDC had agreed to recognize the ordinary income resulting from the termination of the Master Lease, when such income is passed-through to Fifth Third CDC by way of its interest in the Investment Fund.

On March 31, 2014, MTD, LLC, Master Tenant, and the Investment Fund dissolved. Additionally, on December 30, 2014, GLCF Holding Inc. also dissolved. During the recording of the dissolutions, it was determined that the Train Depot was impaired; a loss totaling $3,422,423 was incurred and is reported in the accompanying 2014 consolidated statement of activities. (See additional discussion in Note 10.)

Fund Accounting and External Reporting

To ensure observance of limitations and restrictions placed on the use of available resources, for internal accounting and stewardship purposes, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and internal reporting into funds established according to their nature and purpose.

For external financial reporting purposes, the Foundation reports resources classified into net asset categories according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into three classes of net assets - unrestricted, temporarily restricted, and permanently restricted net assets. Net assets and revenues, expenses and gains or losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions. Resources that are reported in this net asset category include unrestricted gifts and the investment earnings thereon, and related expenses associated with the operations of the Foundation.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that will be satisfied by actions of the Foundation or the passage of time. Resources reported in this net asset category include gifts for which restrictions have not been met. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled or time restrictions have elapsed) are reported as reclassifications between the applicable classes of net assets. The Foundation had no temporarily restricted net assets as of December 31, 2014 or 2013.

Permanently Restricted Net Assets - Resources subject to donor-imposed stipulations that the corpus (original principal value of endowment gifts) be maintained permanently by the Foundation. The donors of these assets permit the Foundation to spend only the income earned on the related investments. All such income is restricted by the donors for specific purposes. The Foundation had no permanently restricted net assets as of December 31, 2014 or 2013.

Use of Estimates
The preparation of consolidated financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the year. Actual results could differ from those estimates. Significant estimates include but are not limited to the determination of the fair value of investment in properties, the carrying value of real property, and the collectability of notes receivable.

Cash and Cash Equivalents
Cash and cash equivalents consist of demand deposits in banks. The Foundation maintains deposit accounts with various financial institutions, which at times may exceed the federally insured limits. Management does not believe the Foundation is exposed to any significant interest rate or other financial risk as a result of these deposits.

Fair Value Measurements
Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data, such as the reporting entity's own data (Level 3).

A description of each category in the fair value hierarchy is as follows:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

For a further discussion of Fair Value Measurements, refer to Note 2.

Accounts Receivable
Accounts receivable are unsecured. Management believes that all accounts receivable will be fully collected within one year. Accordingly, no allowance for doubtful accounts is necessary.

If amounts become uncollectible, they will be charged to expense in the period in which the determination is made.

Rental Income

Rental income is recognized when earned in accordance with lease agreements.

Property and Equipment and Depreciation

Property and equipment is stated at cost. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Management annually reviews these assets to determine whether carrying values have been impaired. (See Note 1 related to the impairment of the Train Depot in 2014). Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, which range from approximately 2 to 30 years.

Investment in Properties

Investment in properties is carried at the lower of cost or market value. Cost of purchased properties is determined based upon the purchase price. Donated properties are recorded at fair value when received. Major improvements are capitalized while ordinary costs to maintain the property are expensed as incurred. Management annually reviews these assets to determine whether carrying values have been impaired. (See Note 1 related to the impairment of the Train Depot in 2014.)

Lease and Debt Origination Costs

Lease and debt origination costs, with definite useful lives, were amortized over the life of the related lease or term of their related debt and were tested for impairment at least annually.

Prior to the dissolution of the entities discussed in Note 1, lease commissions and legal costs of $96,847 related to drafting and negotiated leases were capitalized and being amortized over the life of the lease to which they related. Amortization expense was $5,097 for 2013 and accumulated amortization totaled $28,034 at December 31, 2013. Additionally, debt issuance costs of $296,162 were incurred by the Foundation in connection with obtaining the permanent mortgage on rehabilitated property. Amortization expense was $8,975 for 2013 and accumulated amortization totaled $61,327 at December 31, 2013. Due to the lease and debt terminating for which the assets relate, the assets were fully amortized at December 31, 2014, with amortization expense totaling $303,648 recorded in 2014.

Functional Allocation of Expenses

The cost of providing the various programs and activities has been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Although the methods of allocation used are considered appropriate, other methods could be used that would produce a different amount.

Income Taxes

Great Lakes Center Foundation is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Although the Foundation was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business taxable income."

GLCF Holding Inc. was subject to income tax and was taxed as a “C” Corporation. Deferred income tax assets and liabilities were computed annually for differences between the financial statement and income tax basis of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Deferred income taxes arise from temporary basis differences principally related to the future benefit of net operating loss carryforwards. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense was the tax payable or refundable for the year plus or minus the change during the year in deferred tax assets and liabilities. Income tax expense is considered insignificant and therefore not presented separately in the consolidated statements of activities, but is included in general and administrative expenses.

MTD, LLC has elected to be taxed as an LLC, under the provisions of the Internal Revenue Code whereby taxable income, as well as tax credits, are passed directly to the members for inclusion in their tax returns.

The Foundation analyzes its income tax filing positions in the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions, to identify potential uncertain tax positions. The Foundation treats interest and penalties attributable to income taxes, and reflects any charges for such, to the extent they arise, as a component of its general and administrative expenses.

Subsequent Events

In preparing these consolidated financial statements, the Foundation has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2014, the most recent consolidated statement of financial position presented herein, through April 30, 2015, the date the accompanying consolidated financial statements were available to be issued. No significant such events or transactions were identified.

2. FAIR VALUE MEASUREMENTS

From time to time, the Foundation may be required to record at fair value other assets on a nonrecurring basis, such as notes receivable, property and equipment investment in properties, intangible assets and certain other assets. These nonrecurring fair value adjustments typically involve the application of lower of cost or market accounting or write downs of individual assets. The Foundation does not have assets or liabilities recorded at fair value on a recurring basis.

The following is a description of the valuation methodology and key inputs used to measure financial assets recorded at fair value and an indication of the level of the fair value hierarchy in which the assets are classified.

Building Improvements and Train Depot Investment in Properties

Building improvements which are carried at cost and the Train Depot investment in properties which are carried at the lower of cost or fair value were written down to fair value in 2014. Fair value measurement of these assets were determined through the income capitalization method based upon the income sources derived from the building at a capitalization rate of 7%. This valuation method is considered a Level 3 method under the fair value hierarchy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Foundation management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of these assets could result in a different fair value measurement at the reporting date.

Assets Recorded at Fair Value on a Nonrecurring Basis
The following table sets forth by level, within the fair value hierarchy, the recorded amount of assets measured at fair value on a nonrecurring basis as of December 31, 2014. No such assets were measured on a nonrecurring basis at December 31, 2013.

	Assets at Carrying Value			
	Level 1	Level 2	Level 3	Total
Building improvements and Train Depot investment in properties (1)	$ -	$ -	$ 1,818,768	$1,818,768

(1) Building improvements which are carried at cost and investment in properties which are carried at the lower of cost or fair value at December 31, 2014, were written down to fair value of $1,818,768. Impairment losses for building improvements and Train Depot investment in properties of $3,074,431 and $347,992, respectively, are included in the 2014 consolidated statement of activities.

Quantitative information about Level 3 fair value measurements is as follows as of December 31, 2014:

	Level 3 Instruments			
Instrument	Fair Value	Valuation Technique	Unobservable Input	Weighted Average and/or Range
Building improvements and Train Depot investment in properties	$ 1,818,768	Income Capitalization Method	Capitalization Rate	7%

3. NOTES RECEIVABLE (INCLUDING RELATED PARTY)

During 2002, the Foundation sold property with a carrying value of $703,217 in exchange for a $640,000 note receivable. The note was interest free for the first six months after occupancy, then interest only payments calculated at 4% were to be made through January 2016. As of December 31, 2014, the Foundation has not received any interest payments on this note.

Management believed that the interest on the note may not be collectible and wrote off accrued interest receivable as of December 31, 2007; interest has not been recorded since that date. A lump sum principal payment is due February 2016. In the event of default on the loan, interest will accrue at 6%. At December 31, 2014 and 2013, the Foundation recorded an allowance for doubtful accounts totaling $640,000.

During 2007, the Foundation made a promissory note for $2,670,000, with the proceeds to be used to renovate the Pere Marquette Train Depot. The note was settled in 2014 with the dissolution of the entities discussed in Notes 1 and 10. Interest income received on the note totaled $6,675 and $26,700 in 2014 and 2013, respectively.

4. PROPERTY AND EQUIPMENT

Net property and equipment consists of the following components at December 31:

	2014	2013
Land and building improvements	$ 2,804,699	$ 5,879,130
Office equipment	23,427	23,427
Furniture and fixtures	147,503	147,503
Total	2,975,629	6,050,060
Less accumulated depreciation	1,302,621	1,161,303
Net property and equipment	**$1,673,008**	**$4,888,757**

Depreciation expense was $141,318 and $215,243 for 2014 and 2013, respectively. During 2014, an impairment loss on the Train Depot building was recorded totaling $3,074,431, thereby reducing building improvements.

5. INVESTMENT IN PROPERTIES

Investment in properties consists of the following amounts at December 31:

	2014	2013
243, 245, and 247 Saginaw Street	$ 298,475	$ 298,475
Train Depot	-	347,992
Total investment in properties	**$ 298,475**	**$ 646,467**

6. TERM NOTES PAYABLE

The Foundation's term debt consisted of two notes payable to Michigan Magnet Fund, LLC with total outstanding balance of $3,570,000 at December 31, 2013. The loan was settled during 2014 in conjunction with the dissolution of entities discussed in Notes 1 and 10.

Interest expense totaled $51,700 for 2013. No interest expense was charged for 2014.

7. LEASES (INCLUDING RELATED PARTY)

Lease Expense
In 2008, the Foundation entered into an occupancy lease with a related party; such agreement was to expire in June 2019. Total rent expense was $29,913 and $97,160 for 2014 and 2013, respectively. The lease and all future payments were cancelled during 2014 in conjunction with the dissolution of entities discussed in Note 1.

Lease Revenue
The Foundation's leasing operations consisted of various commercial space non-cancelable leases with BACF which were to terminate at various dates through June 2027. Total lease revenue received was $91,933 and $196,356 in 2014 and 2013, respectively. The leases and all future revenues associated with the leases were cancelled during 2014 in connection with the dissolution of the entities discussed in Note 1 and new leases were arranged. The non-cancelable leases with related parties expire through December 2016.

The following is a summary of annual future lease payments anticipated to be received on non-cancelable operating leases for the years succeeding December 31, 2014, and thereafter:

Year	Amount
2015	$ 47,548
2016	48,975
Total minimum payments to be received	**$ 96,523**

8. DEFERRED INCOME TAXES

There is no net deferred tax assets at December 31, 2014, due to the dissolution of entities discussed in Note 1.

The net deferred tax asset was comprised of the following amounts at December 31, 2013:

Deferred tax asset - federal	$ 274,914
Valuation allowance recognized for federal deferred tax asset	(274,914)
Net deferred tax asset	**$ -**

The realization of the federal deferred tax asset was dependent on generating sufficient taxable income prior to the expiration of loss carryforwards. The Foundation has loss carryforwards for tax purposes of approximately $829,000, which expire through 2033. Due to uncertainty as to the realization of the net operating loss carryforwards, a valuation allowance had been recorded against the related federal deferred tax asset.

The Foundation has evaluated its income tax filing positions for fiscal years 2010 through 2014, the years which remain subject to examination as of December 31, 2014. The Foundation concluded that there are no significant uncertain tax positions requiring recognition or disclosure in these consolidated financial statements. The Foundation does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Foundation does not have any amounts accrued for interest and penalties related to UTBs at December 31, 2014 or 2013, and is not aware of any claims for such amounts by federal or state income tax authorities.

9. OTHER RELATED PARTY TRANSACTIONS

BACF controls the Foundation through a majority voting interest in its governing Board, and also shares management personnel, office space, and office equipment with the activities of the Foundation. During 2014 and 2013, BACF charged the Foundation for management services; such amounts were not considered material to the consolidated financial statements.

10. SUPPLEMENTAL CASH FLOWS INFORMATION

Non-Cash Investing and Financing Activities

As more fully described in Note 1, during 2014, several entities dissolved in relation to Fifth Third CDC issuing a Notice of Exercise pursuant to the Operating Agreement to purchase Fifth Third CDC's interest in Pere Marquette Investment Fund, LLC. As a result of these activities, the note receivable due from the Pere Marquette Investment Fund, LLC totaling $2,670,000 at December 31, 2013, appearing on the consolidated statement of financial position was settled (Note 3) and two notes payable due to Michigan Magnet Fund, LLC with a total outstanding balance of $3,570,000 at December 31, 2013, were also settled and removed (Note 6), in exchange for the payment by the Foundation of $71,000 in cash. The Foundation also assumed net other liabilities totaling $82,160 as of date of acquisition.

Other Cash Flows Information

Cash paid for interest amounted to $51,700 during 2013. No cash was paid for interest during 2014.

11. CONTINGENCY

Effective October 2, 2006, the Foundation entered into an agreement to receive TEA-21 grant reimbursements in relation to the restoration of the Train Depot. This agreement specified that if the Foundation is found to be in default of any of the specific restrictions noted in this agreement the grant amounts received totaling approximately $707,000 would have to be returned. Management has asserted that the Foundation is not in violation in relation to any of the requirements noted in the aforementioned agreement.

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