

Kalamazoo Valley Community College Foundation

Consolidated Financial Statements and Other Financial Information

Year Ended June 30, 2023

Kalamazoo Valley Community College Foundation

Audited Financial Statements and Other Financial Information

Year Ended June 30, 2023

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Independent Auditor's Report

To the Board of Directors
Kalamazoo Valley Community College Foundation

Opinion

We have audited the consolidated financial statements of Kalamazoo Valley Community College Foundation and its subsidiary (collectively, the "Foundation"), which comprise the consolidated balance sheet as of June 30, 2023 and 2022 and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023 and 2022 and the changes in its net assets, cash flows, and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

To the Board of Directors
Kalamazoo Valley Community College Foundation

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

October 20, 2023

Kalamazoo Valley Community College Foundation

Consolidated Balance Sheet

	June 30	
	2023	2022
Assets		
Cash (Note 1)	\$ 1,957,056	\$ 2,312,919
Restricted cash (Note 1)	-	100,750
Marketable securities (Note 2)	22,229,208	19,579,106
Accrued rent receivables	-	1,634,534
Capital assets (Note 4)	-	7,991,613
Total assets	\$ 24,186,264	\$ 31,618,922
Liabilities and Net Assets		
Liabilities		
Payable to Kalamazoo Valley Community College (Note 7)	\$ 970,057	\$ 972,142
Deferred revenue (Note 1)	42,400	62,700
Notes payable (Note 5)	-	7,720,000
Total liabilities	1,012,457	8,754,842
Net Assets		
Without donor restriction (Note 6)	7,639,650	8,806,338
With donor restriction (Note 6)	15,534,157	14,057,742
Total net assets	23,173,807	22,864,080
Total liabilities and net assets	\$ 24,186,264	\$ 31,618,922

See accompanying notes to consolidated financial statements.

Kalamazoo Valley Community College Foundation

Consolidated Statement of Activities

	Year Ended June 30, 2023			Year Ended June 30, 2022		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Revenues						
Contributions of cash and other financial assets	\$ 288,318	\$ 196,886	\$ 485,204	\$ 210,281	\$ 167,066	\$ 377,347
Income from investments	274,499	374,787	649,286	515,482	693,009	1,208,491
Contributed services (Note 7)	184,449	-	184,449	218,081	-	218,081
Rental income (Note 7)	156,734	-	156,734	313,467	-	313,467
Other income	8,556	-	8,556	-	-	-
Net gain (loss) from investments (Note 2)	873,534	1,222,906	2,096,440	(1,886,488)	(2,820,201)	(4,706,689)
Net assets released from restrictions:						-
Contributions receivable	-	-	-	560,000	(560,000)	-
College scholarships and grants	123,974	(123,974)	-	129,525	(129,525)	-
Museum grants	194,190	(194,190)	-	223,995	(223,995)	-
Total revenues	<u>2,104,254</u>	<u>1,476,415</u>	<u>3,580,669</u>	<u>284,343</u>	<u>(2,873,646)</u>	<u>(2,589,303)</u>
Expenditures						
Program expenditures:						
Grants to Kalamazoo Valley Community College (Note 7)	8,449,348	-	8,449,348	682,210	-	682,210
Grants to Kalamazoo Valley Museum (Note 7)	194,190	-	194,190	223,995	-	223,995
Other:						
Property management and rentals (Note 7)	358,338	-	358,338	571,284	-	571,284
Management and general	49,533	-	49,533	23,590	-	23,590
Fundraising	179,266	-	179,266	198,423	-	198,423
Total expenditures	<u>9,230,675</u>	<u>-</u>	<u>9,230,675</u>	<u>1,699,502</u>	<u>-</u>	<u>1,699,502</u>
Change in Net Assets - Before nonoperating activities	(7,126,421)	1,476,415	(5,650,006)	(1,415,159)	(2,873,646)	(4,288,805)
Nonoperating Activities						
Forgiveness of accrued rent receivable	(1,760,267)	-	(1,760,267)	-	-	-
Forgiveness of note payable	7,720,000	-	7,720,000	-	-	-
Total nonoperating activities	<u>5,959,733</u>	<u>-</u>	<u>5,959,733</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	(1,166,688)	1,476,415	309,727	(1,415,159)	(2,873,646)	(4,288,805)
Net Assets at Beginning of Year	<u>8,806,338</u>	<u>14,057,742</u>	<u>22,864,080</u>	<u>10,221,497</u>	<u>16,931,388</u>	<u>27,152,885</u>
Net Assets at End of Year	<u>\$ 7,639,650</u>	<u>\$ 15,534,157</u>	<u>\$ 23,173,807</u>	<u>\$ 8,806,338</u>	<u>\$ 14,057,742</u>	<u>\$ 22,864,080</u>

See accompanying notes to consolidated financial statements.

Kalamazoo Valley Community College Foundation

Statement of Functional Expenses

	2023					2022				
	Program Services	Property Management	Management and General	Fundraising	Total Expenses	Program Services	Property Management	Management and General	Fundraising	Total Expenses
College scholarships and grants	\$ 8,449,348	\$ -	\$ -	\$ -	\$ 8,449,348	\$ 682,210	\$ -	\$ -	\$ -	\$ 682,210
Museum grants	194,190	-	-	-	194,190	223,995	-	-	-	223,995
Salaries and related fringe benefits	-	-	30,249	139,816	170,065	-	-	19,658	184,097	203,755
Other	-	76,355	19,284	39,450	135,089	-	20,301	3,932	14,326	38,559
Depreciation	-	228,750	-	-	228,750	-	457,500	-	-	457,500
Interest	-	53,233	-	-	53,233	-	93,482	-	-	93,482
	<u>\$ 8,643,538</u>	<u>\$ 358,338</u>	<u>\$ 49,533</u>	<u>\$ 179,266</u>	<u>\$ 9,230,675</u>	<u>\$ 906,205</u>	<u>\$ 571,283</u>	<u>\$ 23,590</u>	<u>\$ 198,423</u>	<u>\$ 1,699,501</u>

See accompanying notes to consolidated financial statements.

Kalamazoo Valley Community College Foundation
Consolidated Statement of Cash Flows

	Year Ended June 30	
	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 309,727	\$ (4,288,805)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net (gain) loss from security transactions	(2,096,440)	4,706,689
Noncash gift of stock	(860)	(37,676)
Forgiveness of accrued rent receivable	1,760,267	-
Grants of capital assets	7,762,863	-
Forgiveness of notes payable	(7,720,000)	-
Contributions restricted for long-term investment	(161,288)	(82,838)
Depreciation expense	228,750	457,500
Changes in assets and liabilities:		
Contributions receivable	-	560,000
Accrued rent receivable	(125,733)	(251,467)
Accounts payable to Kalamazoo Valley Community College	(2,085)	69,614
Deferred revenue	(20,300)	62,700
Net cash (used in) provided by operating activities	(65,099)	1,195,717
Cash Flows from Investing Activities		
Purchases of investments	(1,225,869)	(2,526,612)
Proceeds from sale of investments	673,067	2,456,829
Net cash used in investing activities	(552,802)	(69,783)
Cash Flows from Financing Activities -		
Contributions restricted for long-term investment	161,288	82,838
Net (Decrease) Increase in Cash and Restricted Cash	(456,613)	1,208,772
Cash and Restricted Cash - Beginning of Year	2,413,669	1,204,897
Cash and Restricted Cash - End of Year	\$ 1,957,056	\$ 2,413,669

See accompanying notes to consolidated financial statements.

Kalamazoo Valley Community College Foundation

Notes to Consolidated Financial Statements Years Ended June 30, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

Kalamazoo Valley Community College Foundation (the "Foundation") was formed in 1980 to solicit, collect, and invest donations made for the promotion of educational activities at and on behalf of Kalamazoo Valley Community College (the "College").

In December 2015, FSIC, LLC ("FSIC") was formed and is wholly owned by the Foundation. FSIC was organized exclusively to acquire, own, and construct a 16,130 gross square foot food production and distribution building and a 9,504 gross square foot greenhouse (the "Project"). FSIC was leasing the Project to the College (see Note 7). The Project was initiated with \$3,639,883 of land, improvements, and building capital contributions from Kalamazoo Valley Community College and its component unit, the Kalamazoo Valley Community College Holding Company (the "Holding Company"). The Holding Company is a separate not-for-profit corporation established by the College to purchase, acquire title to, lease, develop, maintain, rent, and sell real estate and personal property within the College district, exclusively for the purpose of benefiting the College.

The Project is located in a census tract that makes a taxpayer eligible to receive new markets tax credits (NMTC) for making a qualified equity investment into a community development entity (CDE), if the CDE then makes an equity investment or a loan to a qualified active low-income community business and all other criteria of the NMTC are met. During 2016, New Markets Investment 94, LLC (the "Sub CDE") received a qualified equity investment of \$8,000,000, which they used to make a loan to the FSIC (See Note 5). Wells Fargo Community Investment Holdings, LLC New Markets Tax Credit Investor, as the single member of the investment fund that owns 99.99 percent of the Sub CDE, is projected to receive new markets tax credits totaling \$3,120,000 through 2021 in connection with qualified equity investments made to the Sub CDE. Under the new markets tax credit regulations, the owners of the Sub CDE will be required to recapture the new markets tax credits if, during the seven-year period after the qualified equity investment is made, (i) the Sub CDE fails to qualify as a CDE, (ii) the Sub CDE fails to maintain substantially all of the qualified equity investment invested, or (iii) the Sub CDE makes a distribution that is treated as a redemption.

Operations of FSIC were limited to the sublease of the Project to the College. During the fiscal year ending June 30, 2023, the NMTC was unwound, the capital assets were granted to the College, and FSIC was dissolved effective June 1, 2023.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and FSIC. All material intercompany accounts and transactions have been eliminated in consolidation.

Kalamazoo Valley Community College Foundation

Notes to Consolidated Financial Statements Years Ended June 30, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Foundation to report information regarding its financial position and activities according to the following net asset classification:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash

Cash on hand was \$1,957,056 and \$2,413,669 at June 30, 2023 and 2022, respectively. Included in cash on hand at June 30, 2022 was \$100,750 of restricted cash, which represents unspent note proceeds which are restricted by agreement with the lenders to be used only for subsequent management expenses. There was no restricted cash at June 30, 2023 due to the NMTC unwind.

Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheet.

Concentration of Credit Risk

The Foundation maintains balances at three banks. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Foundation evaluates the financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits.

Marketable Securities

Marketable securities are recorded at fair value based on quoted market price on the last day of the fiscal year. Realized gains and losses are determined using the specific identification method. Unrealized gains and losses are included in earnings. Donated marketable securities are recorded at fair value at the date of donation.

Capital Assets

Property and equipment are recorded at cost. However, gifts of property are recorded at fair market value at the time gifts are received. Expenditures for maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. No depreciation is recorded on land. Expenditures for major renewals and betterments that extend the useful lives of the assets are capitalized.

Kalamazoo Valley Community College Foundation

Notes to Consolidated Financial Statements Years Ended June 30, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Deferred Revenue

Deferred revenue is composed of amounts received for a fundraising event set to take place after the Foundation's fiscal year end.

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the consolidated financial statements. Actual results could differ from those estimates.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor 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.

Contributed property and equipment are recorded at fair value at the time gifts are received. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Rental Income

Rental income is recognized on a straight-line basis over the term of the operating lease with the College which was terminated effective December 31, 2022. The FSIC recognized rental income of \$156,734 and \$313,467 for the years ended June 30, 2023 and 2022.

Federal Income Taxes

The Foundation qualifies for exempt status for federal tax purposes under Section 501(c)(3) of the Internal Revenue Code. Therefore, it is not subject to tax under present federal and state tax laws. FSIC, LLC was a single-member limited liability company with the Foundation as the sole member. As a result, it is disregarded for tax purposes.

Functional Expenses

The Foundation is required to provide information about expenses by their functional classification. Functional classifications most likely to be used by the Foundation include grants to Kalamazoo Valley Community College, grants to Kalamazoo Valley Museum, fundraising, property management and rental, and other.

Grants to Kalamazoo Valley Community College result from distributions in support of student scholarships and grants and for grants made to the college in support of targeted initiatives, in congruence with the Foundation's mission. Grants to Kalamazoo Valley Museum result from distributions for museum programming and initiatives on behalf of donors. Fundraising and other expenses result from the costs of fundraising activities involved in soliciting gifts from donors and investment of Foundation funds. FSIC expenses result from its property management and rental activities.

Kalamazoo Valley Community College Foundation

Notes to Consolidated Financial Statements Years Ended June 30, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated are salaries and benefits. They are allocated on the basis of estimates of time and effort. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Subsequent Event

The consolidated financial statements and related disclosures include evaluation of events up through and including October 20, 2023, which is the date the consolidated financial statements were available to be issued.

Note 2 - Marketable Securities

Historical cost, market values, and unrealized appreciation of marketable securities as of June 30, 2023 and 2022 are summarized as follows:

Description	2023			2022		
	Cost	Market Value	Unrealized Gain	Cost	Market Value	Unrealized Gain
Mutual funds	<u>\$ 15,006,945</u>	<u>\$ 22,229,208</u>	<u>\$ 7,222,263</u>	<u>\$ 14,491,159</u>	<u>\$ 19,579,106</u>	<u>\$ 5,087,947</u>

Net gains from security transactions for the years ended June 30, 2023 and 2022 include net unrealized gains (losses) of \$2,134,316 and \$(5,878,656), respectively, and net realized (losses) gains of \$(37,876) and \$1,171,967, respectively.

Note 3 - Fair Value Measurements

The following table presents information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2023 and 2022 and the valuation techniques used by the Foundation to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities the Foundation has the ability to access. Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Foundation's policy is to recognize transfers in and transfers out of the Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer.

Kalamazoo Valley Community College Foundation

Notes to Consolidated Financial Statements Years Ended June 30, 2023 and 2022

Note 3 - Fair Value Measurements (Continued)

Disclosures concerning assets measured at fair value on a recurring basis are as follows:

Fair Value Measurements at June 30, 2023

Assets	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2022
International Mutual Funds	\$ 3,011,897	\$ -	\$ -	\$ 3,011,897
Small Cap Growth Mutual Fund	1,066,567	-	-	1,066,567
Small Cap Value Mutual Fund	1,702,340	-	-	1,702,340
Intermediate-Term Bond Fund	4,120,683	-	-	4,120,683
Mid Cap Growth Mutual Fund	1,058,538	-	-	1,058,538
Large Cap Value Mutual Fund	2,906,864	-	-	2,906,864
Large Cap Growth Mutual Fund	2,159,237	-	-	2,159,237
Large Cap Blend Mutual Fund	6,203,082	-	-	6,203,082
Total	<u>\$ 22,229,208</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,229,208</u>

Fair Value Measurements at June 30, 2022

Assets	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2021
International Mutual Funds	\$ 2,716,573	\$ -	\$ -	\$ 2,716,573
Small Cap Growth Mutual Fund	887,059	-	-	887,059
Small Cap Value Mutual Fund	1,494,809	-	-	1,494,809
Intermediate-Term Bond Fund	4,047,223	-	-	4,047,223
Mid Cap Growth Mutual Fund	930,904	-	-	930,904
Large Cap Value Mutual Fund	2,586,860	-	-	2,586,860
Large Cap Growth Mutual Fund	1,726,593	-	-	1,726,593
Large Cap Blend Mutual Fund	5,189,085	-	-	5,189,085
Total	<u>\$ 19,579,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,579,106</u>

Kalamazoo Valley Community College Foundation

Notes to Consolidated Financial Statements Years Ended June 30, 2023 and 2022

Note 4 - Capital Assets

The following table presents the capital assets as of June 30, 2023 and 2022:

	2023	2022	Depreciable Life - Years
Land	\$ -	\$ 529,894	-
Site improvements	-	4,718,730	10 years
Buildings	-	5,716,742	40 years
Total	-	10,965,366	
Less accumulated depreciation	-	(2,973,753)	
Net carrying amount	\$ -	\$ 7,991,613	

During the year ended June 30, 2023, the capital assets were granted to the College as part of the NMTC unwind and subsequent dissolution of FSIC. Depreciation expense for the years ended June 30, 2023 and 2022 was \$228,750 and \$457,500, respectively.

Note 5 - Notes Payable

	2023	2022
FSIC has a note payable to New Markets Investment 94, LLC in the amount of \$7,720,000 as of June 30, 2016. The note is evidenced by a note document and an agreement and bears an annual interest rate of 1.2109 percent. The note is collateralized by the real property assets of the Project. Interest-only payments totaling \$23,371 commenced on March 10, 2016 and are due quarterly through and including December 10, 2022. On December 10, 2022, a residual repayment in the amount of \$20,000 is due. On March 10, 2023, and quarterly thereafter, accrued interest and principal in the amount of \$96,017 are due. The note matures in December 2045, at which time all unpaid principal and interest are due.	\$ -	\$ 7,720,000

During the year ended June 30, 2023, the note payable was forgiven as part of the NMTC unwind. Interest expense is \$53,233 and \$93,482 for the years ended June 30, 2023 and 2022, respectively.

Kalamazoo Valley Community College Foundation

Notes to Consolidated Financial Statements Years Ended June 30, 2023 and 2022

Note 6 - Net Assets

The Foundation's net assets without donor restrictions for the years ended June 30 are as follows:

	2023	2022
Undesignated	\$ 6,842,880	\$ 8,063,516
Quasi-endowment	796,770	742,822
Net assets without donor restrictions	\$ 7,639,650	\$ 8,806,338

The Foundation's net assets with donor restrictions for the years ended June 30 are as follows:

	2023	2022
Subject to Expenditure for Specified Purposes or Time:		
Scholarships and grants	\$ 408,090	\$ 393,795
Museum support	10,677,945	9,743,240
	11,086,035	10,137,035
Subject to the Foundation's Spending Policy and Appropriation:		
Investments in perpetuity (including amounts above original gift amount of \$1,960,687 and \$1,799,399 as of June 30, 2023 and 2022, respectively), which, once appropriated, is expendable to support:		
Scholarships and grants	4,448,122	3,920,707
Net assets with donor restrictions	\$ 15,534,157	\$ 14,057,742

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, by occurrence of the passage of time, or other events specified by donors for the years ended June 30 as follows:

	2023	2022
Purpose Restrictions Accomplished:		
Scholarships and grants	\$ 20,927	\$ 49,833
Museum support	194,190	223,995
	215,117	273,828
Time Restrictions Accomplished:		
Contribution receivable	-	560,000
Release of Appropriated Endowment Amounts with Purpose Restrictions- scholarships and grants	103,047	79,692
Total releases of donor restrictions	\$ 318,164	\$ 913,520

Kalamazoo Valley Community College Foundation

Notes to Consolidated Financial Statements Years Ended June 30, 2023 and 2022

Note 7 - Related Party

Kalamazoo Valley Community College (KVCC or the “College”) is a public two-year institution offering a broad array of pre-baccalaureate programs as well as non-collegiate programs and services. Some of these services include general education, employment skills training, student and community services, and economic development activities. During the years ended June 30, 2023 and 2022, the Foundation made grants and distributions to and on behalf of the College totaling \$8,449,348 and \$682,210, respectively. The amount for 2023 includes the assets granted to the College as part of the NMTC unwind described in Note 1 and 4.

In addition, the College provides certain limited services to the Foundation. The value of the provided services was \$184,449 and \$218,081 for the years ended June 30, 2023 and 2022, respectively, and is included on the consolidated statement of activities as contributed services revenue and the corresponding management and general expense of \$30,249 and \$19,658 and fundraising expense of \$154,200 and \$198,423 as of June 30, 2023 and 2022, respectively.

The College has governance of the Kalamazoo Valley Museum (the “Museum”). During the years ended June 30, 2023 and 2022, the Foundation made grants and distributions to and on behalf of the Museum totaling \$194,190 and \$223,995, respectively.

The Foundation receives gifts and grants for the College as a “Recipient Agent” when the donor requires a 501(c)(3) organization as the recipient. Gifts and grants received by the Foundation as Recipient Agent are recorded as a liability to the College until the funds may be transferred. During the years ended June 30, 2023 and 2022, the Foundation received \$560,341 and \$435,343, respectively, as Recipient Agent for the College.

As of June 30, 2023 and 2022, the Foundation had program and fundraising payables due to KVCC \$970,057 and \$972,142, respectively.

During 2016, the FSIC entered into a 30-year operating lease with the College for exclusive use of the Project. The operating lease commenced on December 30, 2015. Rental payments are due quarterly, payable on the first day of each calendar quarter beginning on January 1, 2016. The payments are \$15,500 per quarter through December 31, 2022.

After December 31, 2022, the lease was mutually terminated as part of the unwind of the NMTC, forgiveness of the note payable, and grant of the capital assets to the College.

Kalamazoo Valley Community College Foundation

Notes to Consolidated Financial Statements Years Ended June 30, 2023 and 2022

Note 8 - Availability and Liquidity

The following reflects the Foundation's financial assets as of the balance sheet date, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing in the board designated endowment that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or board designated endowment for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

	2023	2022
Financial Assets		
Cash	\$ 1,957,056	\$ 2,312,919
Restricted cash	-	100,750
Marketable securities	22,229,208	19,579,106
Accrued rent receivables	-	1,634,534
	24,186,264	23,627,309
Less Those Unavailable for General Expenditures Within One Year, Due To:		
Contractual or donor-imposed restrictions:		
Rent receivable expected to be collected greater than a year from now	-	(1,634,534)
Restricted by donor with time or purpose restrictions	(546,544)	(516,192)
Restricted due to loan agreement	-	(100,750)
Subject to appropriation and satisfaction of donor restrictions	(4,448,122)	(3,920,707)
Board designations:		
Quasi-endowment funds and funds functioning as endowments	(11,336,261)	(10,363,665)
Financial assets available to meet cash needs for general expenditures within one year	\$ 7,855,337	\$ 7,091,461

The Foundation is supported by a combination of restricted and unrestricted contributions. Because a donor's restrictions require resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. The general expenditures requiring liquidity for the Foundation are minimal. The Foundation has designated a significant portion of its assets to be quasi-endowed with the purpose of being able to provide steady and sustainable funding. In the event of an unanticipated liquidity need, the Foundation could draw upon its quasi-endowment funds.

Kalamazoo Valley Community College Foundation

Notes to Consolidated Financial Statements Years Ended June 30, 2023 and 2022

Note 9 - Donor-restricted and Board-designated Endowments

Endowments include both donor-restricted endowment funds and funds designated by the Foundation Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Foundation Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Those funds listed as board-designated endowments represent funds designated by the Foundation Board to function as endowments. Those funds originally restricted by the donor for a specific purpose are with donor restriction and classified as funds functioning as endowments. The assets with donor restriction that the Foundation Board has designated as funds functioning as endowments are restricted for the Kalamazoo Valley Museum and are not currently needed due to other funding streams. The Foundation Board has determined to be prudent and has approved investing the restricted funds until needed for Museum operations and/or capital outlay.

Interpretation of Relevant Law

The Foundation Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The long-term and short-term needs of the Foundation in carrying out its charitable purpose
- (2) The present and anticipated financial requirements of the Foundation
- (3) The expected total return on investments
- (4) Price level trends
- (5) General economic conditions

Kalamazoo Valley Community College Foundation

Notes to Consolidated Financial Statements Years Ended June 30, 2023 and 2022

Note 9 - Donor-restricted and Board-designated Endowments (Continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2023

Type of Fund	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 1,960,687	\$ 1,960,687
Accumulated investment gains	-	2,487,435	2,487,435
Funds functioning as an endowment	-	10,539,490	10,539,490
Board-designated endowment	<u>796,770</u>	-	<u>796,770</u>
Total	<u>\$ 796,770</u>	<u>\$ 14,987,612</u>	<u>\$ 15,784,382</u>

Changes in Endowment Net Assets for Fiscal Year ended June 30, 2023

Type of Fund	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 742,822	\$ 13,541,551	\$ 14,284,373
Investment income	19,464	352,180	371,644
Net appreciation in market value	67,984	1,229,830	1,297,814
Appropriation of endowment net assets for expenditures	(33,500)	(297,237)	(330,737)
Contributions	<u>-</u>	<u>161,288</u>	<u>161,288</u>
Endowment net assets - End of year	<u>\$ 796,770</u>	<u>\$ 14,987,612</u>	<u>\$ 15,784,382</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2022

Type of Fund	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 1,799,399	\$ 1,799,399
Accumulated investment gains	-	2,121,308	2,121,308
Funds functioning as an endowment	-	9,620,844	9,620,844
Board-designated endowment	<u>742,822</u>	-	<u>742,822</u>
Total	<u>\$ 742,822</u>	<u>\$ 13,541,551</u>	<u>\$ 14,284,373</u>

Changes in Endowment Net Assets for Fiscal Year ended June 30, 2022

Type of Fund	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 894,893	\$ 15,869,086	\$ 16,763,979
Investment income	77,249	1,359,490	1,436,739
Net appreciation in market value	(197,820)	(3,466,425)	(3,664,245)
Appropriation of endowment net assets for expenditures	(31,500)	(303,438)	(334,938)
Contributions	<u>-</u>	<u>82,838</u>	<u>82,838</u>
Endowment net assets - End of year	<u>\$ 742,822</u>	<u>\$ 13,541,551</u>	<u>\$ 14,284,373</u>

Kalamazoo Valley Community College Foundation

Notes to Consolidated Financial Statements Years Ended June 30, 2023 and 2022

Note 9 - Donor-restricted and Board-designated Endowments (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature would be reported in net assets with donor restrictions.

As of June 30, 2023, deficiencies of this nature exist in two donor-restricted endowment funds, which together have an original gift value of \$20,318, a current fair value of \$19,660, and a deficiency of \$658.

As of June 30, 2022, deficiencies of this nature exist in three donor-restricted endowment funds, which together have an original gift value of \$28,378, a current fair value of \$26,029, and a deficiency of \$2,349.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Foundation Board, the endowment assets are invested in a manner that is intended to produce the following results:

1. Capital growth over the long term consistent with the preservation of capital;
2. To achieve the highest possible total return commensurate with the moderate level of risk assumed, over a three- to five-year cycle; and,
3. To accommodate a planned distribution according to the spending rule.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and interest and dividends. The Foundation targets a diversified asset allocation, placing a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation appropriates for distribution each year endowment funds pursuant to donor agreements. In establishing donor agreements, the Foundation considers the long-term expected return on its investments. Accordingly, over the long term, the Foundation expects donor-restricted funds to maintain their purchasing power as well as to provide additional real growth through new gifts and investment return.

The Foundation utilizes a total return method distribution policy. The total return method allows for a long-term investment approach in order to achieve an expected rate of return greater than the total of the distribution rate, inflation rate, and custodian fees and which will maintain the purchasing power of the unrestricted balance. Under the total return concept, the Foundation utilized a 4.50 percent distribution rate based on a rolling average for 2023 and 2022, respectively. This distributable amount is made available for grants and foundation operations.

Other Financial Information

Independent Auditor's Report on Supplemental Information

To the Board of Directors
Kalamazoo Valley Community College Foundation

We have audited the consolidated financial statements of Kalamazoo Valley Community College Foundation and its subsidiary (collectively, the "Foundation") as of and for the years ended June 30, 2023 and 2022 and have issued our report thereon dated October 20, 2023, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements that comprise the Foundation's basic consolidated financial statements. The other financial information is presented for the purpose of additional analysis and is not a required part of the basic consolidated financial statements.

The other financial information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other financial information, as identified in the table of contents, is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Plante & Moran, PLLC

October 20, 2023

Kalamazoo Valley Community College Foundation
Consolidating Balance Sheet
For Year Ended June 30, 2023

	KVCC Foundation	FSIC, LLC	Total
Assets			
Cash	\$ 1,957,056	\$ -	\$ 1,957,056
Marketable securities	<u>22,229,208</u>	<u>-</u>	<u>22,229,208</u>
Total assets	<u>\$ 24,186,264</u>	<u>\$ -</u>	<u>\$ 24,186,264</u>
Liabilities and Net Assets			
Liabilities			
Payable to Kalamazoo Valley Community College	\$ 970,057	\$ -	\$ 970,057
Deferred revenue	<u>42,400</u>	<u>-</u>	<u>42,400</u>
	1,012,457	-	1,012,457
Net Assets			
Without donor restrictions	7,639,650	-	7,639,650
With donor restrictions	<u>15,534,157</u>	<u>-</u>	<u>15,534,157</u>
Total net assets	<u>23,173,807</u>	<u>-</u>	<u>23,173,807</u>
Total liabilities and net assets	<u>\$ 24,186,264</u>	<u>\$ -</u>	<u>\$ 24,186,264</u>

See accompanying notes to financial statements.

Kalamazoo Valley Community College Foundation
Consolidating Statement of Activities
For Year Ended June 30, 2023

	KVCC Foundation			FSIC, LLC			Grand Total
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total	
Revenues							
Contributions of cash and other financial assets	\$ 288,318	\$ 196,886	\$ 485,204	\$ -	\$ -	\$ -	\$ 485,204
Income from investments	274,499	374,787	649,286	-	-	-	649,286
Contributed services	184,449	-	184,449	-	-	-	184,449
Rental income	-	-	-	156,734	-	156,734	156,734
Other income	8,556	-	8,556	-	-	-	8,556
Net gain/(loss) from investments	873,534	1,222,906	2,096,440	-	-	-	2,096,440
Net assets released from restrictions:							
College scholarships and grants	123,974	(123,974)	-	-	-	-	-
Museum grants	194,190	(194,190)	-	-	-	-	-
Total revenues	1,947,520	1,476,415	3,423,935	156,734	-	156,734	3,580,669
Expenditures							
Program expenditures:							
Grants to Kalamazoo Valley Community College	710,781	-	710,781	7,738,567	-	7,738,567	8,449,348
Grants to Kalamazoo Valley Museum	194,190	-	194,190	-	-	-	194,190
Other:							
Property management and rental	-	-	-	358,338	-	358,338	358,338
Management and general	49,533	-	49,533	-	-	-	49,533
Fundraising	179,266	-	179,266	-	-	-	179,266
Total expenditures	1,133,770	-	1,133,770	8,096,905	-	8,096,905	9,230,675
Change in Net Assets - Before nonoperating activities	813,750	1,476,415	2,290,165	(7,940,171)	-	(7,940,171)	(5,650,006)
Nonoperating Activities							
Forgiveness of accrued rent receivable				(1,760,267)		(1,760,267)	(1,760,267)
Forgiveness of notes payable	-	-	-	7,720,000	-	7,720,000	7,720,000
Total nonoperating activities	-	-	-	5,959,733	-	5,959,733	5,959,733
Change in Net Assets	813,750	1,476,415	2,290,165	(1,980,438)	-	(1,980,438)	309,727
Net Assets at Beginning of Year	6,825,900	14,057,742	20,883,642	1,980,438	-	1,980,438	22,864,080
Net Assets at End of Year	\$ 7,639,650	\$ 15,534,157	\$ 23,173,807	\$ -	\$ -	\$ -	\$ 23,173,807

See accompanying notes to financial statements.

Kalamazoo Valley Community College Foundation
Consolidating Statement of Cash Flows
For Year Ended June 30, 2023

	<u>KVCC Foundation</u>	<u>FSIC, LLC</u>	<u>Total</u>
Cash Flows from Operating Activities			
Change in net assets	\$ 2,290,165	\$ (1,980,438)	\$ 309,727
Adjustments to reconcile change in net assets to net cash from operating activities:			
Net loss from security transactions	(2,096,440)	-	(2,096,440)
Noncash gift of stock	(860)	-	(860)
Forgiveness of accrued rent receivable		1,760,267	1,760,267
Grants of capital assets	-	7,762,863	7,762,863
Forgiveness of notes payable	-	(7,720,000)	(7,720,000)
Contributions restricted for long-term investment	(161,288)	-	(161,288)
Depreciation expense	-	228,750	228,750
Changes in assets and liabilities:			
Accrued rent receivable	-	(125,733)	(125,733)
Accounts payable to Kalamazoo Valley Community College	42,961	(45,046)	(2,085)
Deferred revenue	<u>(20,300)</u>	<u>-</u>	<u>(20,300)</u>
Net cash provided by (used in) operating activities	54,238	(119,337)	(65,099)
Cash Flows from Investing Activities			
Purchase of investments	(1,225,869)	-	(1,225,869)
Proceeds from sale of investments	<u>673,067</u>	<u>-</u>	<u>673,067</u>
Net cash used in investing activities	(552,802)	-	(552,802)
Cash Flows from Financing Activities -			
Contributions restricted for long-term investment	<u>161,288</u>	<u>-</u>	<u>161,288</u>
Net Decrease in Cash and Restricted Cash	(337,276)	(119,337)	(456,613)
Cash and Restricted Cash - Beginning of Year	<u>2,294,332</u>	<u>119,337</u>	<u>2,413,669</u>
Cash and Restricted Cash - End of Year	<u>\$ 1,957,056</u>	<u>\$ -</u>	<u>\$ 1,957,056</u>

See accompanying notes to financial statements.