



# Kalamazoo Community Foundation

Combined Financial Statements and  
Supplementary Information  
Years Ended December 31, 2020 and 2019

# **Kalamazoo Community Foundation**

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Combined Financial Statements and Supplementary Information  
Years Ended December 31, 2020 and 2019

# Kalamazoo Community Foundation

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## Independent Auditor's Report

Kalamazoo Community Foundation  
Kalamazoo, Michigan

We have audited the combined financial statements of the Kalamazoo Community Foundation and Kalamazoo Community Foundation Real Estate Holdings, Inc. (the Foundation), which comprise the combined statements of financial position as of December 31, 2020 and 2019, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows 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 Audit of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our other 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 Financial Statements***

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

In preparing the combined 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 combined financial statements are issued or available to be issued.



### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the combined 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 an audit 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 combined financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 combined 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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, LLP

June 24, 2021

## **Combined Financial Statements**

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**Kalamazoo Community Foundation**  
**Combined Statements of Financial Position**

<i>December 31,</i>	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,515,601	\$ 769,537
Investments	572,594,283	534,871,536
Program related investments, net	1,876,179	2,189,393
Loan receivable	1,375,000	-
Contributions and pledges receivable, net	2,680,517	5,107,948
Prepaid scholarships	578,797	547,630
Accrued investment income	752,475	923,274
Beneficial interest in charitable perpetual trusts	12,580,507	11,846,918
Other assets	1,185,107	983,993
<b>Total Current Assets</b>	<b>596,138,466</b>	<b>557,240,229</b>
<b>Property and Equipment</b>		
Building and improvements	3,238,372	4,285,102
Software	626,818	626,818
Equipment	680,328	620,693
	4,545,518	5,532,613
Less: accumulated depreciation	1,779,387	1,711,630
<b>Net Property and Equipment</b>	<b>2,766,131</b>	<b>3,820,983</b>
<b>Total Assets</b>	<b>\$ 598,904,597</b>	<b>\$ 561,061,212</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Funds held as agency endowments	\$ 30,460,938	\$ 28,594,997
Annuities payable	2,849,085	2,985,093
Grants payable	476,535	1,013,052
Loan payable	155,000	200,000
Other	997,308	484,350
<b>Total Liabilities</b>	<b>34,938,866</b>	<b>33,277,492</b>
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	15,399,025	13,096,952
Designated by the Board for operating	20,791,908	20,732,403
Designated by the Board for endowment or a determined purpose	8,956,613	8,439,289
<b>Total Net Assets Without Donor Restrictions</b>	<b>45,147,546</b>	<b>42,268,644</b>
With donor restrictions:		
Perpetual in nature	506,237,678	454,178,796
Charitable perpetual trusts	12,580,507	11,846,918
Purpose restrictions	-	19,489,362
<b>Total Net Assets With Donor Restrictions</b>	<b>518,818,185</b>	<b>485,515,076</b>
<b>Total Net Assets</b>	<b>563,965,731</b>	<b>527,783,720</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 598,904,597</b>	<b>\$ 561,061,212</b>

*See accompanying notes to combined financial statements.*

# Kalamazoo Community Foundation

## Combined Statements of Activities and Changes in Net Assets

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support, Revenue, and Gains</b>						
Public support:						
Gifts and bequests	\$ 9,193,140	\$ 4,674,693	\$ 13,867,833	\$ 2,466,547	\$ 6,568,161	\$ 9,034,708
Contribution of property	-	-	-	380,000	-	380,000
Less: gifts and bequests received for agency endowments	-	210,462	210,462	-	132,061	132,061
<b>Total Gifts and Bequests</b>	<b>9,193,140</b>	<b>4,464,231</b>	<b>13,657,371</b>	<b>2,846,547</b>	<b>6,436,100</b>	<b>9,282,647</b>
<b>Investment Income, Net</b>						
Dividends and interest	821,938	11,254,490	12,076,428	716,856	10,138,668	10,855,524
Less: dividends and interest received for agency endowments	-	715,985	715,985	-	590,752	590,752
<b>Total dividends and interest</b>	<b>821,938</b>	<b>10,538,505</b>	<b>11,360,443</b>	<b>716,856</b>	<b>9,547,916</b>	<b>10,264,772</b>
Net gain from investment transactions	3,368,437	37,712,421	41,080,858	4,625,744	74,156,326	78,782,070
Less: net gain from investment transactions for agency endowments	-	2,207,306	2,207,306	-	4,164,317	4,164,317
<b>Total net realized and unrealized gains on investments</b>	<b>3,368,437</b>	<b>35,505,115</b>	<b>38,873,552</b>	<b>4,625,744</b>	<b>69,992,009</b>	<b>74,617,753</b>
<b>Total Investment Income, Net</b>	<b>4,190,375</b>	<b>46,043,620</b>	<b>50,233,995</b>	<b>5,342,600</b>	<b>87,868,559</b>	<b>93,211,159</b>
Other income (loss):						
Change in value of perpetual trusts	-	733,589	733,589	-	1,559,706	1,559,706
Other income (loss)	(768,575)	494,321	(274,254)	(244,339)	(118,039)	(362,378)
Gain (loss) on sale of property	-	844,199	844,199	(515,195)	-	(515,195)
Plus: income from agency endowments	-	149,988	149,988	-	148,230	148,230
<b>Total Other Income (Loss)</b>	<b>(768,575)</b>	<b>2,222,097</b>	<b>1,453,522</b>	<b>(759,534)</b>	<b>1,589,897</b>	<b>830,363</b>
<b>Net Assets Released from Restrictions</b>	<b>19,426,839</b>	<b>(19,426,839)</b>	<b>-</b>	<b>17,947,857</b>	<b>(17,947,857)</b>	<b>-</b>
<b>Total Support, Revenue, and Gains</b>	<b>32,041,779</b>	<b>33,303,109</b>	<b>65,344,888</b>	<b>25,377,470</b>	<b>69,618,065</b>	<b>94,995,535</b>
<b>Expenses</b>						
Program services:						
Grants	23,612,948	-	23,612,948	16,746,530	-	16,746,530
Programs and grants administration	1,600,977	-	1,600,977	1,568,612	-	1,568,612
Support services:						
Fundraising	1,185,434	-	1,185,434	1,462,497	-	1,462,497
Management and general	2,763,518	-	2,763,518	2,030,206	-	2,030,206
<b>Total Expenses</b>	<b>29,162,877</b>	<b>-</b>	<b>29,162,877</b>	<b>21,807,845</b>	<b>-</b>	<b>21,807,845</b>
<b>Increase in Net Assets</b>	<b>2,878,902</b>	<b>33,303,109</b>	<b>36,182,011</b>	<b>3,569,625</b>	<b>69,618,065</b>	<b>73,187,690</b>
<b>Net Assets, beginning of year</b>	<b>42,268,644</b>	<b>485,515,076</b>	<b>527,783,720</b>	<b>38,699,019</b>	<b>415,897,011</b>	<b>454,596,030</b>
<b>Net Assets, end of year</b>	<b>\$ 45,147,546</b>	<b>\$ 518,818,185</b>	<b>\$ 563,965,731</b>	<b>\$ 42,268,644</b>	<b>\$ 485,515,076</b>	<b>\$ 527,783,720</b>

*See accompanying notes to combined financial statements.*



**Kalamazoo Community Foundation**  
**Combined Statements of Functional Expenses**

*Year ended December 31, 2020*

	Program Services		Support Services		Total
	Grants	Programs and Grants Administration	Fundraising	Management and General	
Grants and other assistance to governments, organizations, and individuals	\$ 23,612,948	\$ -	\$ -	\$ -	\$ 23,612,948
Salaries	-	577,552	480,628	878,414	1,936,594
Compensation of officers, directors, trustees, key employees	-	158,996	158,541	442,789	760,326
Benefits	-	140,106	126,854	220,906	487,866
Information technology	-	67,832	108,902	107,119	283,853
Consultants	-	284,598	6,773	254,787	546,158
Conferences, conventions, and meetings	-	66,742	17,580	24,337	108,659
Occupancy	-	14,839	12,207	128,697	155,743
Depreciation	-	1,027	39,047	121,272	161,346
Payroll taxes	-	50,192	44,240	90,440	184,872
Travel	-	25,918	15,278	12,354	53,550
Stipend	-	48,750	167	45,202	94,119
Office expenses	-	35,445	39,199	66,562	141,206
Advertising and promotion	-	14,079	53,696	28,694	96,469
401k plan contributions	-	31,992	26,495	47,927	106,414
Miscellaneous expense	-	7	356	86,400	86,763
Human resource	-	44,539	29,976	43,894	118,409
Repairs and maintenance	-	-	-	37,635	37,635
Property taxes	-	-	-	47,109	47,109
Accounting	-	16,751	13,828	21,045	51,624
Insurance	-	-	-	21,478	21,478
Memberships	-	4,374	5,524	11,339	21,237
Lobbying	-	-	-	10,625	10,625
Interest expense	-	12	10	10	32
Legal	-	17,226	6,133	14,483	37,842
<b>Total Expenses</b>	<b>\$ 23,612,948</b>	<b>\$ 1,600,977</b>	<b>\$ 1,185,434</b>	<b>\$ 2,763,518</b>	<b>\$ 29,162,877</b>

*See accompanying notes to combined financial statements.*

**Kalamazoo Community Foundation**  
**Combined Statements of Functional Expenses**

*Year ended December 31, 2019*

	Program Services		Support Services		Total
	Grants	Programs and Grants Administration	Fundraising	Management and General	
Grants and other assistance to governments, organizations, and individuals	\$ 16,746,530	\$ -	\$ -	\$ -	\$ 16,746,530
Salaries	-	589,721	656,124	484,888	1,730,733
Compensation of officers, directors, trustees, key employees	-	154,856	160,246	408,706	723,808
Benefits	-	132,390	153,450	52,208	338,048
Information technology	-	74,934	68,535	113,399	256,868
Consultants	-	145,400	21,873	172,921	340,194
Conferences, conventions, and meetings	-	98,828	42,357	41,221	182,406
Occupancy	-	82,902	85,908	10,697	179,507
Depreciation	-	21,103	21,949	127,173	170,225
Payroll taxes	-	41,781	47,326	78,248	167,355
Travel	-	57,554	36,349	52,274	146,177
Stipend	-	72,700	-	55,200	127,900
Office expenses	-	28,902	36,266	62,333	127,501
Advertising and promotion	-	2,597	50,732	49,957	103,286
401k plan contributions	-	25,236	28,568	39,655	93,459
Miscellaneous expense	-	195	288	87,579	88,062
Human resource	-	17,580	20,829	31,561	69,970
Repairs and maintenance	-	-	-	57,631	57,631
Property taxes	-	-	-	56,783	56,783
Accounting	-	14,625	15,211	16,984	46,820
Insurance	-	5,006	5,206	12,642	22,854
Memberships	-	1,106	6,151	12,650	19,907
Legal	-	1,196	5,129	5,496	11,821
<b>Total Expenses</b>	<b>\$ 16,746,530</b>	<b>\$ 1,568,612</b>	<b>\$ 1,462,497</b>	<b>\$ 2,030,206</b>	<b>\$ 21,807,845</b>

*See accompanying notes to combined financial statements.*

# Kalamazoo Community Foundation

## Combined Statements of Cash Flows

<i>Year ended December 31,</i>	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 36,182,011	\$ 73,187,690
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	161,346	170,225
Net gain on investment transactions	(41,971,154)	(79,564,421)
(Gain) loss from sale of property	(844,199)	515,195
Contribution of property	-	(380,000)
Change in value of collective fund	12,214,892	9,587,978
Change in value of perpetual trusts	(733,589)	(1,559,706)
Noncash contributions	(5,012,932)	(1,818,201)
Program related investments reserve adjustment	-	282,021
Changes in operating assets and liabilities:		
Contributions and pledges receivable	2,427,431	(3,080,745)
Prepaid scholarships	(31,167)	(7,320)
Accrued investment income	170,799	57,080
Other current assets	(201,114)	(52,498)
Funds held as agency endowments	1,865,941	3,856,691
Annuities payable	(136,008)	(130,623)
Grants payable	(536,517)	223,352
Other liabilities	512,958	68,902
<b>Net Cash Provided by Operating Activities</b>	<b>4,068,698</b>	<b>1,355,620</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(513,117,102)	(386,870,808)
Proceeds from sale and maturity of investments	510,162,598	384,683,919
Issuance of loan receivable	(1,375,000)	-
Proceeds from program-related investments	313,214	421,509
Purchase of property and equipment	(59,635)	-
Proceeds from sale of property	1,797,340	834,805
Distributions from limited partnerships	951	52,516
<b>Net Cash Used in Investing Activities</b>	<b>(2,277,634)</b>	<b>(878,059)</b>
<b>Cash Flows from Financing Activities</b>		
Payments on loan payable	(45,000)	(60,000)
<b>Increase in Cash and Cash Equivalents</b>	<b>1,746,064</b>	<b>417,561</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>769,537</b>	<b>351,976</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 2,515,601</b>	<b>\$ 769,537</b>

*See accompanying notes to combined financial statements.*

# Kalamazoo Community Foundation

## Notes to Combined Financial Statements

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### 1. Nature of Business and Summary of Accounting Policies

Kalamazoo Community Foundation (the Foundation) is a public charity founded in 1925, created to make Kalamazoo County the most equitable place to live by mobilizing people, resources, and expertise to advance racial, social, and economic justice. The Foundation administers charitable gifts, including endowments, from which grants are made to non-profit organizations for community betterment. The Foundation's activities are conducted by the Board of Trustees, the Chief Executive Officer, and supporting staff.

A nonprofit corporation, Kalamazoo Community Foundation Real Estate Holdings, Inc. has been established as a supporting organization to the Foundation. Its purpose is primarily to accept gifts of real estate and other personal property.

The accompanying combined financial statements include the accounts of the Foundation and Kalamazoo Community Foundation Real Estate Holdings, Inc., which are under common control. Intercompany transactions and balances have been eliminated in combination.

The Foundation has 1,091 component funds that have been combined for presentation purposes. The component funds are of various types reflecting the distribution restrictions of the donors who have established or contributed to them:

*Discretionary Funds* - These funds have no suggested distribution restrictions. The board allocates these funds in making distributions for charitable purposes to meet community needs.

*Field-of-Interest Funds* - These funds establish support in a particular area of interest.

*Advised Funds* - These funds provide the donor or others with the ability to make suggestions as to recipients of grants. Such suggestions are not binding on the Foundation.

*Agency Endowments and Designated Funds* - These funds provide support to specific nonprofit organizations or programs based on the donors' wishes and subject to the Foundation board's discretion and approval.

*Gift Annuity Funds* - The Foundation operates a charitable gift annuity program whereby donors receive a life income in exchange for assets conveyed to the Foundation under an annuity contract.

*Operating Funds* - These funds are used to support the operational expenses of the Foundation.

*Supporting Organization Funds* - These funds will be transferred to the Foundation upon sale of the gifted asset. A supporting organization is organized and operated exclusively for the benefit of a public charity such as the Foundation. It provides all of the benefits of a public charity and most of the benefits of a private foundation.

#### ***Basis of Presentation***

The accompanying combined financial statements have been prepared on the accrual basis of accounting which recognizes revenue and support when earned and expenses when incurred in accordance with accounting principles generally accepted in the United States of America. For financial statement purposes, the Foundation distinguishes between contributions without donor restrictions and contributions with donor restrictions.

# Kalamazoo Community Foundation

## Notes to Combined Financial Statements

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### ***Net Asset Classification***

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. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

*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. Donor-imposed restrictions are released when a restriction expires—that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Board of Trustees, on the advice of legal counsel, has determined that the majority of the Foundation's net assets meet the definition of endowment funds under Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation is governed subject to the Articles of Incorporation and by-laws and most contributions are received subject to the terms of the governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation.

Under the terms of the governing documents, the Board of Trustees has the ability to distribute the amount of income from any trust or separate gift, devise, bequest, or fund as the board in its sole discretion shall determine. It also has the ability to modify any restriction or condition on the distribution of funds for any specified charitable purpose or purposes or to a specified charitable organization or organizations if, in the sole judgment of the board (without the necessity of the approval of any participating trustee, custodian or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community or area served.

The Foundation classifies net assets with donor restrictions (a) the original gift value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated 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.

### ***Endowment Investment and Spending Policies***

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. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return strategy to receive the maximum long-term, risk-adjusted cumulative return through diversification of asset classes. The current long-term return objective is to return 7% net of investment fees. Actual returns in any given year may vary from this amount.

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

# Kalamazoo Community Foundation

## Notes to Combined Financial Statements

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unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, for grant making and administration. The overall spending policy goal is to spend 4.5% over rolling 20-year time frames. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets, as well as to provide additional real growth through new gifts and investment return.

Spending for each calendar year is calculated based upon the prior year's spending factored up or down by the one-year Bureau of Labor Statistics CPI-U Spending as of the previous March 31<sup>st</sup>. The spending will never be less than 4% or greater than 5% of the 20 quarter rolling average (QRA) market value. In situations when the ensuing year's spending is calculated to be less than prior year's spending, the Board of Trustees could consider modifications to the spending rate calculations.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to invest or appropriate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

### ***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash on hand, cash on deposit with banks, and other highly liquid investments with an original maturity of three months or less. At December 31, 2020, approximately \$508,000 of the Foundation's cash on hand or cash on deposit was FDIC insured, approximately \$3,098,000 was uninsured. At December 31, 2019, approximately \$251,000 of the Foundation's cash on hand or cash on deposit was FDIC insured, approximately \$2,594,000 was uninsured.

### ***Investments***

Investments in securities are stated at quoted market values if available, and if not available, other fair value inputs (see Note 4). Realized gains and losses on sales of investments are determined using the specific identification cost method.

### ***Program-Related Investments***

Program-related investments are loans to other nonprofit organizations at below-market interest rates or that are interest free. The loans are used to fund specific projects. The loans are to be repaid at various dates through 2030. The loans are recorded equal to the amount borrowed, less a reserve.

# Kalamazoo Community Foundation

## Notes to Combined Financial Statements

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### ***Contributions and Pledges Receivable***

Contributions and pledges receivable consist of unconditional promises to give and are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional—that is, when the conditions on which they depend are substantially met.

### ***Prepaid Scholarships***

Prepaid scholarships consist of payments of students' enrollment in a future year.

### ***Beneficial Interest in Charitable Perpetual Trusts***

The Foundation is the income beneficiary under several charitable perpetual trusts, the corpus of which is not controlled by the Foundation. The Foundation has an irrevocable right to the net income of the trusts. The Foundation's interest in these trusts is recorded at fair value and is classified as net assets with donor restrictions. Distributions received from these trusts are recorded as income without donor restrictions and the change in fair value is recorded as net income with donor restrictions in the combined statements of activities and changes in net assets.

### ***Property and Equipment***

Property and equipment consists of buildings and improvements, furniture, fixtures, equipment, leasehold improvements, capitalized software, and real estate and are recorded at cost at the date of acquisition or fair value at the date of donation and depreciated over their estimated useful lives on the straight-line method. Useful lives range from three to 40 years. Leasehold improvements are depreciated over the life of the improvement or the term of the lease, whichever is shorter.

### ***Funds Held as Agency Endowments***

In accordance with generally accepted accounting principles (GAAP), if a not-for-profit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as an agency transaction. The Foundation refers to such funds as agency funds.

The Foundation maintains legal ownership of agency funds and, as such, continues to report the funds as assets of the Foundation. However, in accordance with GAAP, a liability has been established for the fair value of the funds.

### ***Annuities Payable***

Charitable gift annuities represent gifts which are given to the Foundation with the condition that a specified payment be made to an income beneficiary over his or her life. A liability is established based on the present value of the payments to be made. This liability is recalculated annually, based on changes in the life expectancy assumptions and payments made. Changes in the liability are recorded as an increase or decrease to the current year's revenue.

### ***Contributions***

Contributions of cash and other assets are reported as revenue as they occur and are measured at fair value. Subsequent gains or losses on the sale and reinvestment of assets received are recognized as they occur.

# Kalamazoo Community Foundation

## Notes to Combined Financial Statements

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### ***Contributed Services***

During the years ended December 31, 2020 and 2019, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Foundation in various capacities.

### ***Functional Expenses***

Expenses pertaining to more than one functional purpose are allocated among program services, administration and general, and donor relations and development. Expenses that can be identified with a specific funding source, program or support service are allocated directly. Although methods used are considered reasonable, methods could be used that would produce different results.

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

### ***Federal Income Taxes***

The Foundation is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC) of 1986. It has been classified as an organization which is not a private foundation as defined in Sections 509(a)(1) and 170(b)(A)(vi) of the IRC. Kalamazoo Community Foundation Real Estate Holdings, Inc. is exempt from federal income tax under the same provisions.

The Foundation applies a more-likely-than-not recognition threshold for all tax uncertainties. Tax benefits that have a greater than 50% likelihood of being sustained upon examination by the taxing authorities are recognized.

Based on its evaluation, the Foundation has concluded there are no significant uncertain tax positions requiring recognition in its combined financial statements.

### ***Fair Value Measurements***

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability.

The price of the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are: (i) independent, (ii) knowledgeable, (iii) able to transact, and (iv) willing to transact.



# Kalamazoo Community Foundation

## Notes to Combined Financial Statements

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In determining fair value, the Foundation uses various valuation approaches. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset based on market data obtained from sources independent of the organization. Unobservable inputs are inputs that would reflect an organization's assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the observability of inputs, as follows:

*Level 1* - This level consists of valuations based on quoted prices in active markets for identical assets that the organization has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

*Level 2* - This level consists of valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

*Level 3* - This level consists of valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment.

The Foundation uses prices and inputs that are current as of the measurement date, obtained through multiple third-party custodians from independent pricing services.

A description of the valuation techniques applied to the major categories of investments measured at fair value is outlined below:

- The fair value of corporate fixed-income securities is estimated using recently executed transactions, market price quotations (where observable) or bond spreads. If the spread data does not reference the issuer, then data that references a comparable issuer is used.
- U.S. government agency securities are valued daily based on available market data.
- U.S. government securities are valued using quoted market prices.
- Asset-backed securities, including residential mortgage backed securities, commercial mortgage-backed securities, and other securitized assets, are valued through a variety of methods, including actively traded markets, market data, and observations. Evaluations utilize evaluated pricing applications that vary by asset class and incorporate available market information and, because many fixed-income securities do not trade on a daily basis, apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing. In addition, they use model processes, such as the Option Adjusted Spread model, to develop prepayment and interest rate scenarios for securities that have prepayment features.

# Kalamazoo Community Foundation

## Notes to Combined Financial Statements

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- Mutual funds are open-ended SEC-registered investment funds with daily net asset values and collective funds. The mutual funds allow investors to sell their interests to the fund at the published daily Net Asset Value (NAV), with no restrictions on redemptions. These mutual funds are categorized in Level 1 of the fair value hierarchy. The collective funds are not actively traded. The valuation is provided by the fund manager and is based on the value of the underlying assets which are all publicly traded stocks.
- Non-U.S. government securities are valued daily based on available market data.
- Domestic publicly traded and international developed market securities are valued using quoted prices in active markets when available.
- Exchange-traded funds are open-ended SEC-registered investment funds. The funds allow investors to sell their interests to the fund using quoted prices in active markets.
- Limited partnerships are partnerships created and administered by a general partner. The partnership documents outline the terms and conditions by which the general partner administers the partnership and its investments. Each limited partner owns a specified share of the partnership. These partnerships cannot be marketed to the public and are restricted, by regulation, to qualified investors. The valuation of the partnership interest is performed quarterly by the general partner through unaudited statements and validated annually through audited statements.
- Real estate investment trust invests in real estate properties located throughout the United States. All real estate investments are based on quarterly external valuations by independent real estate appraisers.
- Beneficial interest in perpetual trusts is the value of trusts for which the Foundation is the perpetual beneficiary. The trusts are invested in open-ended SEC-registered investment funds with daily net asset values. The mutual funds allow investors to sell their interest to the fund at the daily NAV, with no restrictions on redemptions. The trusts are also invested in U.S. government and agency, U.S. corporate and asset-backed securities.

### ***Uncertainty***

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude of the impact that the pandemic will have on the Foundation's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Foundation is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the year 2021.

The Foundation is dependent upon its workforce to provide leadership and stewardship to the community. Developments such as social distancing and shelter-in-place directives could impact the Foundation's ability to deploy its workforce effectively. While expected to be temporary, prolonged workforce disruptions will negatively impact revenues in the year 2021 and the Foundation's overall

# Kalamazoo Community Foundation

## Notes to Combined Financial Statements

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liquidity.

On March 27, 2020, as a result of the expected economic impact of COVID-19, the U.S. government approved and enacted the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) to provide financial relief to individuals and organizations. The Foundation applied for a loan under the Payroll Protection Program and was approved and awarded an amount of \$530,909. The application for these funds requires the Foundation to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Foundation. This certification further requires the Foundation to take into account its current business activity and its ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Foundation having initially qualified for the loan and qualifying for the forgiveness of such loan based on our future adherence to the forgiveness criteria. The balance was forgiven in full on May 21, 2021. The Foundation elected to account for these PPP funds in accordance with FASB ASC 958-605 as a grant. The amount is classified as gifts and bequests and is shown on the face of the combined statements of activities and changes in net assets.

Although the Foundation cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Foundation's results of future operations, financial position, and liquidity in the year 2021.

### ***Subsequent Events***

The Foundation's management has evaluated the period from January 1, 2021 through June 24, 2021, the date the financial statements were available for issuance, for subsequent events requiring recognition or disclosure in the financial statements. During the period, no recognizable subsequent events were identified.

## **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:

<i>December 31,</i>	2020	2019
Cash and cash equivalents	\$ 2,515,601	\$ 769,537
Less: restricted or long-term cash and cash equivalents	(1,053,055)	(113,858)
<b>Total Cash and Cash Equivalents</b>	<b>1,462,546</b>	<b>655,679</b>
Other assets	1,185,107	983,993
Less: restricted or long-term other assets	(1,058,620)	(884,768)
<b>Total Other Assets</b>	<b>126,487</b>	<b>99,225</b>
Investments	572,594,283	534,871,536
Less: restricted long-term or short-term investments	(543,895,904)	(507,273,060)
<b>Total Investments</b>	<b>28,698,379</b>	<b>27,598,476</b>
<b>Total Financial Assets Available to Meet General Expenditures</b>	<b>\$ 30,287,413</b>	<b>\$ 28,353,380</b>

# Kalamazoo Community Foundation

## Notes to Combined Financial Statements

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Endowment funds consist of donor-restricted endowments that are perpetual in nature and board-designated endowments. Income from donor-restricted endowments that is restricted for specific purposes is not available for general expenditure. As described in “Endowment Investment and Spending Policies,” the Foundation’s board-designated endowments are perpetual in nature and subject to an annual spending rate. For the year ended December 31, 2020, approximately \$689,000 of the board-designated endowments will be available within the next 12 months. For the year ended December 31, 2019, approximately \$504,000 of the board-designated endowments will be available within the next 12 months.

As part of the Foundation’s liquidity management, cash in excess of daily requirements is invested in short-term investments and money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve, which held a balance of approximately \$1,430,000 and \$1,291,000 as of December 31, 2020 and 2019, respectively.

### 3. Investments

Investments are at fair value and consist of the following:

<i>December 31,</i>	2020	2019
Mutual funds	\$ 392,604,860	\$ 373,278,896
U.S. government securities	42,391,704	52,588,722
Corporate securities	39,027,176	30,563,471
Exchange-traded funds	30,493,102	26,839,146
Corporate stock	24,750,104	20,880,321
Other	11,409,011	11,214,040
Asset-backed securities	17,401,915	10,577,338
Money market funds	13,825,948	8,726,253
Foreign government securities	690,463	203,349
	<b>\$ 572,594,283</b>	<b>\$ 534,871,536</b>

Net investment income includes unrealized depreciation and appreciation of approximately \$(49,482,000) and \$46,231,000 in 2020 and 2019, respectively. Net investment income also includes net realized gains of approximately \$90,127,000 and \$28,623,000 in 2020 and 2019, respectively.

### 4. Fair Value Measurements

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Foundation values all other assets and liabilities, refer to Note 1.

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# Kalamazoo Community Foundation

## Notes to Combined Financial Statements

The aggregate carrying value of investments, exclusive of cash equivalents and beneficial interest in charitable perpetual trusts is summarized as follows:

### December 31, 2020

	Level 1	Level 2	Level 3	Total
Money market	\$ 13,825,948	\$ -	\$ -	\$ 13,825,948
Fixed income:				
Corporate securities	-	39,027,176	-	39,027,176
U.S. government and agency securities	24,142,980	18,248,724	-	42,391,704
Asset-backed securities	4,634,128	12,767,787	-	17,401,915
Mutual funds	33,625,508	-	-	33,625,508
Exchange-traded funds	3,332,307	-	-	3,332,307
Foreign government securities	-	690,463	-	690,463
Domestic equities:				
Publicly traded	24,750,104	-	-	24,750,104
Mutual funds	209,110,430	149,868,922	-	358,979,352
Exchange-traded funds	27,160,795	-	-	27,160,795
Other:				
Limited partnerships	-	-	1,142,575	1,142,575
Real estate investment trust	-	-	10,266,436	10,266,436
	340,582,200	220,603,072	11,409,011	572,594,283
Beneficial interest in charitable perpetual trusts	12,580,057	450	-	12,580,507
<b>Total</b>	<b>\$ 353,162,257</b>	<b>\$ 220,603,522</b>	<b>\$ 11,409,011</b>	<b>\$ 585,174,790</b>

### December 31, 2019

	Level 1	Level 2	Level 3	Total
Money market	\$ 8,726,253	\$ -	\$ -	\$ 8,726,253
Fixed income:				
Corporate securities	-	30,351,035	212,436	30,563,471
U.S. government and agency securities	26,443,998	26,144,724	-	52,588,722
Asset-backed securities	500,000	10,017,386	59,952	10,577,338
Mutual funds	32,087,581	-	-	32,087,581
Exchange-traded funds	3,074,443	-	-	3,074,443
Foreign government securities	-	187,261	16,088	203,349
Domestic equities:				
Publicly traded	20,880,321	-	-	20,880,321
Mutual funds	114,124,907	140,443,481	-	254,568,388
Exchange-traded funds	23,764,703	-	-	23,764,703
International equities:				
Mutual funds	86,622,927	-	-	86,622,927
Other:				
Limited partnerships	-	-	1,063,403	1,063,403
Real estate investment trust	-	-	10,150,637	10,150,637
	316,225,133	207,143,887	11,502,516	534,871,536
Beneficial interest in charitable perpetual trusts	11,846,369	549	-	11,846,918
<b>Total</b>	<b>\$ 328,071,502</b>	<b>\$ 207,144,436</b>	<b>\$ 11,502,516</b>	<b>\$ 546,718,454</b>

# Kalamazoo Community Foundation

## Notes to Combined Financial Statements

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The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)
<b>Balance, January 1, 2019</b>	\$ 13,540,618
Total gains and losses - unrealized	647,569
Purchases	288,474
Sales or withdrawals	(2,974,145)
<b>Balance, December 31, 2019</b>	11,502,516
Total gains and losses - unrealized	(183,741)
Purchases	-
Sales or withdrawals	90,236
<b>Balance, December 31, 2020</b>	\$ 11,409,011

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation's valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

### 5. Program-Related Investments

Program-related investments total approximately \$2,333,000 and \$2,646,000 at December 31, 2020 and 2019, respectively. The Foundation has established a fair market reserve in the amount of approximately \$457,000 at December 31, 2020 and 2019. The reserve on loans is established on a case-by-case basis. The Foundation's management evaluates all loans individually and estimates the collectability of each loan annually.

### 6. Guarantees

The Foundation provided a loan guarantee to Kalamazoo Neighborhood Housing Services (KNHS) (a local nonprofit 501(c)(3)) in the amount of \$200,000 in 2000 and an additional \$35,000 in 2006. Since the early 1990s, KNHS has been administering a Home Ownership Program (HOP) whereby the local banks are part of mortgage financing pools for low-income homeowners (HOP I through HOP X). There have been ten pools. The loan guarantees are to provide a loan loss reserve in the case of foreclosures on homes. Uncollected loans are first charged against the pool, then Local Initiative Support Corporation (LISC), and finally against the Foundation's guarantee. The \$200,000 guarantee has been extended to HOP I, II, III, IV, V, and VIII. The \$35,000 guarantee is for HOP IX.

# Kalamazoo Community Foundation

## Notes to Combined Financial Statements

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### 7. Contributions and Pledges Receivable

Contributions and pledges receivable consisted of the following:

<i>December 31,</i>	<b>2020</b>	<b>2019</b>
<b>Contributions and Pledges Due</b>		
Within one year	\$ 803,574	\$ 2,450,196
One to five years	14,000	1,074,294
Over five years	3,892,124	3,686,475
<b>Total</b>	<b>4,709,698</b>	<b>7,210,965</b>
Less: present value (at various discount rates)	(2,029,181)	(2,103,017)
<b>Total Contributions and Pledges Receivable</b>	<b>\$ 2,680,517</b>	<b>\$ 5,107,948</b>

### 8. Beneficial Interest in Charitable Perpetual Trusts

The Foundation is the income beneficiary under several charitable perpetual trusts, the corpus of which is not controlled by the Foundation. In the absence of donor-imposed conditions, the Foundation recognizes its beneficial interest in a trust as with donor restriction contributions in the period in which it receives notice that the trust conveys an unconditional right to receive benefits. The assets in the trusts are recorded at fair market value as with donor restriction net assets on the combined statements of financial position.

Distributions received from these trusts are recorded as without donor restriction income and the change in market value is recorded as with donor restriction other income in the combined statements of activities and changes in net assets.

### 9. Loan Payable

The Foundation has a revolving note agreement with a bank for an amount up to \$600,000. The Foundation used the note proceeds to finance the acquisition and development of an integrated software system. The outstanding balance at December 31, 2020 and 2019 was \$155,000 and \$200,000, respectively. Interest on the revolving note is accrued at 30-day LIBOR plus 1.5%, effectively 3.25% at December 31, 2020. Principal payments of \$15,000 plus interest are due quarterly through August of 2023.

### 10. Lease Commitments

The Foundation leases building space, transportation equipment, and copiers under operating leases that expire at various dates through 2023. Management expects in the normal course of business, leases will be renewed or replaced with other leases. Minimum future payments under these leases with terms in excess of one year are as follows:

<i>Year ending December 31,</i>	
2021	\$ 227,000
2022	217,000
2023	211,000
<b>Total</b>	<b>\$ 655,000</b>

# Kalamazoo Community Foundation

## Notes to Combined Financial Statements

Rent expense was \$210,000 for 2020 and 2019.

### 11. Employee Benefit Plan

The Foundation maintains a 401(k) plan that covers all full-time employees. The Foundation matches 100% of employee contributions up to 3% of the employee's salary and matches 50% of employee contributions on the next 2% of the employee's salary. The Foundation may also make discretionary non-elective contributions to the plan. For the years ended December 31, 2020 and 2019, non-elective contributions were equal to 2% of eligible employee compensation. For 2020 and 2019, the total amount of contributions was approximately \$147,000 and \$131,000, respectively.

### 12. Net Assets

Endowment net assets consisted of the following:

#### *Year ended December 31, 2020*

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Endowment Net Assets, beginning of year</b>	\$ 14,803,142	\$ 481,768,871	\$ 496,572,013
Interest and dividends, net of investment expenses	287,220	9,592,799	9,880,019
Net appreciation	1,080,640	36,712,388	37,793,028
Contributions	-	2,426,440	2,426,440
Amounts appropriated for expenditure	(55,622)	(10,659,934)	(10,715,556)
Other changes	(468,361)	(5,236,809)	(5,705,170)
<b>Change in Endowment Net Assets</b>	<b>843,877</b>	<b>32,834,884</b>	<b>33,678,761</b>
<b>Endowment Net Assets, end of year</b>	<b>\$ 15,647,019</b>	<b>\$ 514,603,755</b>	<b>\$ 530,250,774</b>

#### *December 31, 2020*

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Donor-Designated Endowment Funds</b>			
Kalamazoo Community Foundation	\$ 6,690,406	\$ 502,023,248	\$ 508,713,654
Charitable perpetual trusts	-	12,580,507	12,580,507
<b>Total Donor-Designated Endowment Funds</b>	<b>6,690,406</b>	<b>514,603,755</b>	<b>521,294,161</b>
<b>Board-Designated Endowment Funds</b>	<b>8,956,613</b>	<b>-</b>	<b>8,956,613</b>
<b>Total Endowment Funds</b>	<b>\$ 15,647,019</b>	<b>\$ 514,603,755</b>	<b>\$ 530,250,774</b>



# Kalamazoo Community Foundation

## Notes to Combined Financial Statements

*Year ended December 31, 2019*

	Without Donor Restrictions		With Donor Restrictions	Total
<b>Endowment Net Assets, beginning of year</b>	\$ 12,855,816	\$	412,923,573	\$ 425,779,389
Interest and dividends, net of investment expenses	311,469		8,762,917	9,074,386
Net appreciation	2,137,206		69,664,407	71,801,613
Contributions	-		5,803,522	5,803,522
Amounts appropriated for expenditure	(42,000)		(11,020,472)	(11,062,472)
Other changes	(459,349)		(4,365,076)	(4,824,425)
<b>Change in Endowment Net Assets</b>	<b>1,947,326</b>		<b>68,845,298</b>	<b>70,792,624</b>
<b>Endowment Net Assets, end of year</b>	<b>\$ 14,803,142</b>	<b>\$</b>	<b>481,768,871</b>	<b>\$ 496,572,013</b>

*December 31, 2019*

	Without Donor Restrictions		With Donor Restrictions	Total
<b>Donor-Designated Endowment Funds</b>				
Kalamazoo Community Foundation	\$ 6,363,855	\$	469,921,953	\$ 476,285,808
Charitable perpetual trusts	-		11,846,918	11,846,918
<b>Total Donor-Designated Endowment Funds</b>	<b>6,363,855</b>		<b>481,768,871</b>	<b>488,132,726</b>
<b>Board-Designated Endowment Funds</b>	<b>8,439,287</b>		<b>-</b>	<b>8,439,287</b>
<b>Total Endowment Funds</b>	<b>\$ 14,803,142</b>	<b>\$</b>	<b>481,768,871</b>	<b>\$ 496,572,013</b>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

In addition to endowment funds, the Foundation also manages other non-endowed funds. The following tables summarize all of the Foundation's net assets:

*December 31, 2020*

	Without Donor Restrictions		With Donor Restrictions	Total
<b>Endowment Funds</b>	\$ 15,647,019	\$	514,603,755	\$ 530,250,774
<b>Non-Endowment Funds</b>				
Donor-advised	15,399,025		-	15,399,025
Agency and designated	-		853,836	853,836
Field of interest	-		357,312	357,312
Scholarship	-		167,727	167,727
Other	14,101,502		2,835,555	16,937,056
<b>Total Non-Endowment Funds</b>	<b>29,500,527</b>		<b>4,214,430</b>	<b>33,714,957</b>
<b>Total Net Assets</b>	<b>\$ 45,147,546</b>	<b>\$</b>	<b>518,818,185</b>	<b>\$ 563,965,731</b>

# Kalamazoo Community Foundation

## Notes to Combined Financial Statements

*December 31, 2019*

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Endowment Funds</b>	\$ 14,803,142	\$ 481,768,871	\$ 496,572,013
<b>Non-Endowment Funds</b>			
Donor-advised	13,096,952	-	13,096,952
Agency and designated	-	798,763	798,763
Field of interest	-	77,855	77,855
Scholarship	-	155,496	155,496
Other	14,368,550	2,714,091	17,082,641
<b>Total Non-Endowment Funds</b>	27,465,502	3,746,205	31,211,707
<b>Total Net Assets</b>	\$ 42,268,644	\$ 485,515,076	\$ 527,783,720

Net assets with donor restrictions are restricted for the following purposes or periods:

<i>December 31,</i>	2020	2019
<b>Non-Endowed Funds</b>		
Subject to expenditure for specified purpose:		
Designated for scholarships and financial aid	\$ 167,727	\$ 155,493
Designated for specific agencies	853,836	798,766
Designated for a specific field of interest	357,311	77,855
Subject to the passage of time:		
Assets held under split-interest agreements	2,261,787	2,167,611
Life insurance contracts	573,769	546,480
<b>Total Non-Endowed Funds - with Donor Restriction</b>	4,214,430	3,746,205
<b>Endowed Funds</b>		
Subject to endowment spending policy and appropriation:		
Designated for recommendations from donor advisors	48,441,043	46,487,535
Designated for specific agencies	175,522,136	166,595,520
Designated for scholarships and financial aid	47,012,848	44,725,592
Designated for specific field of interest	51,773,643	49,057,787
Undesignated	179,273,578	163,055,519
	502,023,248	469,921,953
Not subject to spending policy or appropriation:		
Beneficial interests in perpetual trusts	12,580,507	11,846,918
<b>Total Endowed Funds - with Donor Restriction</b>	514,603,755	481,768,871
<b>Total Net Assets - with Donor Restriction</b>	\$ 518,818,185	\$ 485,515,076

# Kalamazoo Community Foundation

## Notes to Combined Financial Statements

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### 13. Net Assets Released from Donor Restrictions

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors. The net assets released from restrictions are as follows:

<i>Year ended December 31,</i>	<b>2020</b>	<b>2019</b>
Purpose or period restrictions accomplished:		
Grants paid	\$ 16,885,835	\$ 11,701,763
Appropriation from donor designated endowments and subsequent satisfaction of any related donor restrictions	2,541,004	6,246,094
	<b>\$ 19,426,839</b>	<b>\$ 17,947,857</b>

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### 14. Supplemental Disclosure of Cash Flow Information

#### *Supplemental Disclosure Related to Capital Expenditures*

<i>December 31,</i>	<b>2020</b>	<b>2019</b>
<b>Non-Cash Transaction</b>		
Contribution of property	\$ -	\$ 380,000

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## Supplementary Information

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## Independent Auditor's Report on Supplementary Information

Kalamazoo Community Foundation  
Kalamazoo, Michigan

Our audits of the combined financial statements included in the preceding section of this report were conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements, and to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and to other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

*BDO USA, LLP*

June 24, 2021

# Kalamazoo Community Foundation

## Combining Statement of Financial Position as of December 31, 2020 (with comparative totals for 2019)

<i>December 31,</i>	Kalamazoo Community Foundation	Kalamazoo Community Foundation Real Estate Holdings, Inc.	Eliminating Entries	2020 Combined Total	2019 Combined Total
<b>Assets</b>					
Cash and cash equivalents	\$ 2,508,647	\$ 6,954	\$ -	\$ 2,515,601	\$ 769,537
Investments	570,155,459	2,438,824	-	572,594,283	534,871,536
Program related investments, net	1,876,179	-	-	1,876,179	2,189,393
Loan receivable	-	1,375,000	-	1,375,000	-
Contributions and pledges receivable	2,680,517	-	-	2,680,517	5,107,948
Prepaid scholarships	578,797	-	-	578,797	547,630
Accrued investment income	749,037	3,438	-	752,475	923,274
Beneficial interest in charitable perpetual trusts	12,580,507	-	-	12,580,507	11,846,918
Other assets	6,710,191	15,348	(5,540,432)	1,185,107	983,993
Net property and equipment	220,778	2,545,353	-	2,766,131	3,820,983
<b>Total Assets</b>	<b>\$ 598,060,112</b>	<b>\$ 6,384,917</b>	<b>\$ (5,540,432)</b>	<b>\$ 598,904,597</b>	<b>\$ 561,061,212</b>
<b>Liabilities and Net Assets</b>					
<b>Liabilities</b>					
Funds held as agency endowments	\$ 30,460,938	\$ -	\$ -	\$ 30,460,938	\$ 28,594,997
Annuities payable	2,849,085	-	-	2,849,085	2,985,093
Grants payable	476,535	-	-	476,535	1,013,052
Loan payable	155,000	-	-	155,000	200,000
Other	989,545	7,763	-	997,308	484,350
<b>Total Liabilities</b>	<b>34,931,103</b>	<b>7,763</b>	<b>-</b>	<b>34,938,866</b>	<b>33,277,492</b>
<b>Net Assets</b>					
Without donor restrictions	45,147,546	-	-	45,147,546	42,268,644
With donor restrictions	517,981,463	6,377,154	(5,540,432)	518,818,185	485,515,076
<b>Total Net Assets</b>	<b>563,129,009</b>	<b>6,377,154</b>	<b>(5,540,432)</b>	<b>563,965,731</b>	<b>527,783,720</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 598,060,112</b>	<b>\$ 6,384,917</b>	<b>\$ (5,540,432)</b>	<b>\$ 598,904,597</b>	<b>\$ 561,061,212</b>

*See accompanying independent auditor's report on supplementary information.*

# Kalamazoo Community Foundation

## Combining Statements of Activities and Changes in Net Assets for the Year Ended December 31, 2020 (with comparative totals for 2019)

<i>Year ended December 31,</i>	Kalamazoo Community Foundation	Kalamazoo Community Foundation Real Estate Holdings, Inc.	Eliminating Entries	2020 Combined Total	2019 Combined Total
<b>Support, Revenue, and Gains</b>					
Public support:					
Gifts and bequests	\$ 14,169,920	\$ -	\$ (302,087)	\$ 13,867,833	\$ 9,034,708
Contribution of property	-	-	-	-	380,000
Less: gifts and bequests received for agency endowments	210,462	-	-	210,462	132,061
<b>Total Gifts and Bequests</b>	<b>13,959,458</b>	<b>-</b>	<b>(302,087)</b>	<b>13,657,371</b>	<b>9,282,647</b>
<b>Investment Income, Net</b>					
Dividends and interest	12,064,060	12,368	-	12,076,428	10,855,524
Less: dividends and interest received for agency endowments	715,985	-	-	715,985	590,752
<b>Total Dividends and Interest</b>	<b>11,348,075</b>	<b>12,368</b>	<b>-</b>	<b>11,360,443</b>	<b>10,264,772</b>
Net gain from investment transactions	41,000,733	80,125	-	41,080,858	78,782,070
Less: net gain from investment transactions for agency endowments	2,207,306	-	-	2,207,306	4,164,317
<b>Total Net Realized and Unrealized Gain on Investments</b>	<b>38,793,427</b>	<b>80,125</b>	<b>-</b>	<b>38,873,552</b>	<b>74,617,753</b>
<b>Total Investment Income, Net</b>	<b>50,141,502</b>	<b>92,493</b>	<b>-</b>	<b>50,233,995</b>	<b>84,882,525</b>
Other income (loss):					
Change in value of perpetual trusts	733,589	-	-	733,589	1,559,706
Other income (loss)	(274,261)	210,007	(210,000)	(274,254)	(362,378)
Gain (loss) on sale of property	-	844,199	-	844,199	(515,195)
Plus: other income from agency endowments	149,988	-	-	149,988	148,230
<b>Total Other Income (Loss)</b>	<b>609,316</b>	<b>1,054,206</b>	<b>(210,000)</b>	<b>1,453,522</b>	<b>830,363</b>
<b>Total Support, Revenue, and Gains (Losses)</b>	<b>64,710,276</b>	<b>1,146,699</b>	<b>(512,087)</b>	<b>65,344,888</b>	<b>94,995,535</b>
<b>Expenses</b>					
Program services:					
Grants	23,612,948	302,087	(302,087)	23,612,948	16,746,530
Programs and grants administration	1,850,153	-	-	1,850,153	1,568,612
Support services:					
Donor relations and development	1,391,128	-	-	1,391,128	1,462,497
Administration and general expenses	2,186,865	331,783	(210,000)	2,308,648	2,030,206
<b>Total Expenses</b>	<b>29,041,094</b>	<b>633,870</b>	<b>(512,087)</b>	<b>29,162,877</b>	<b>21,807,845</b>
<b>Increase in Net Assets</b>	<b>35,669,182</b>	<b>512,829</b>	<b>-</b>	<b>36,182,011</b>	<b>73,187,690</b>
<b>Net Assets, beginning of year</b>	<b>527,459,827</b>	<b>5,824,326</b>	<b>(5,500,433)</b>	<b>527,783,720</b>	<b>454,596,030</b>
<b>Net Assets, end of year</b>	<b>\$ 563,129,009</b>	<b>\$ 6,377,154</b>	<b>\$ (5,540,432)</b>	<b>\$ 563,965,731</b>	<b>\$ 527,783,720</b>

*See accompanying independent auditor's report on supplementary information.*