



Kalamazoo Community Foundation

Combined Financial Statements and
Supplementary Information
Years Ended December 31, 2019 and 2018

Kalamazoo Community Foundation

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Kalamazoo Community Foundation

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Independent Auditor's Report

Kalamazoo Community Foundation
Kalamazoo, Michigan

We have audited the accompanying combined financial statements of Kalamazoo Community Foundation and Kalamazoo Community Foundation Real Estate Holdings, Inc., which comprise the combined statements of financial position as of December 31, 2019 and 2018, 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.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Kalamazoo Community Foundation and Kalamazoo Community Foundation Real Estate Holdings, Inc. as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

Kalamazoo, Michigan
June 8, 2020

Combined Financial Statements

Kalamazoo Community Foundation
Combined Statements of Financial Position

<i>December 31,</i>	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 769,537	\$ 351,976
Investments	534,871,536	460,942,519
Program related investments, net	2,189,393	2,892,923
Contributions and pledges receivable, net	5,107,948	2,027,203
Prepaid scholarships	547,630	540,310
Accrued investment income	923,274	980,354
Beneficial interest in charitable perpetual trusts	11,846,918	10,287,212
Other assets	983,993	931,495
Total Current Assets	557,240,229	478,953,992
Property and Equipment		
Building and improvements	4,285,102	5,255,102
Software	626,818	626,818
Equipment	620,693	620,693
	5,532,613	6,502,613
Less accumulated depreciation	1,711,630	1,541,405
Net Property and Equipment	3,820,983	4,961,208
Total Assets	\$ 561,061,212	\$ 483,915,200

Kalamazoo Community Foundation
Combined Statements of Financial Position

<i>December 31,</i>	2019	2018
Liabilities and Net Assets		
Liabilities		
Funds held as agency endowments	\$ 28,594,997	\$ 24,738,306
Annuities payable	2,985,093	3,115,716
Grants payable	1,013,052	789,700
Loan payable	200,000	260,000
Other	484,350	415,448
Total Liabilities	33,277,492	29,319,170
Net Assets		
Without donor restrictions:		
Undesignated	13,096,952	10,875,001
Designated by the Board for operating	20,732,403	20,498,673
Designated by the Board for endowment or a determined purpose	8,439,289	7,325,345
Total Net Assets without Donor Restrictions	42,268,644	38,699,019
With donor restrictions:		
Perpetual in nature	454,178,796	391,679,609
Charitable perpetual trusts	11,846,918	10,287,212
Purpose restrictions	19,489,362	14,636,492
Underwater funds	-	(706,302)
Total Net Assets with Donor Restrictions	485,515,076	415,897,011
Total Net Assets	527,783,720	454,596,030
Total Liabilities and Net Assets	\$ 561,061,212	\$ 483,915,200

See accompanying notes to combined financial statements.

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Kalamazoo Community Foundation
Combined Statements of Activities and Changes in Net Assets

	Without Donor Restrictions	With Donor Restrictions	Total Year ended December 31, 2019	Without Donor Restrictions	With Donor Restrictions	Total Year ended December 31, 2018
Support, Revenue, and Gains						
Public support						
Gifts and bequests	\$ 2,466,547	\$ 6,568,161	\$ 9,034,708	\$ 5,232,873	\$ 6,541,485	\$ 11,774,358
Contribution of property	380,000	-	380,000	-	-	-
Less gifts and bequests received for agency endowments	-	132,061	132,061	-	283,560	283,560
Total gifts and bequests	2,846,547	6,436,100	9,282,647	5,232,873	6,257,925	11,490,798
Dividends and interest	716,856	10,138,668	10,855,524	823,966	9,402,914	10,226,880
Less dividends and interest received for agency endowments	-	590,752	590,752	-	572,447	572,447
Total dividends and interest	716,856	9,547,916	10,264,772	823,966	8,830,467	9,654,433
Net gain (loss) from investment transactions	4,625,744	74,156,326	78,782,070	(2,512,742)	(41,288,830)	(43,801,572)
Less net gain (loss) from investment transactions for agency endowments	-	4,164,317	4,164,317	-	(2,226,910)	(2,226,910)
Total net gain (loss) from investment transactions	4,625,744	69,992,009	74,617,753	(2,512,742)	(39,061,920)	(41,574,662)
Other income (loss)						
Change in value of perpetual trusts	-	1,559,706	1,559,706	-	(1,264,285)	(1,264,285)
Other income (loss)	(244,339)	(118,039)	(362,378)	254,011	64,961	318,972
Loss on sale of property	(515,195)	-	(515,195)	-	-	-
Plus income from agency endowments	-	148,230	148,230	-	141,037	141,037
Total other income (loss)	(759,534)	1,589,897	830,363	254,011	(1,058,287)	(804,276)
Net Assets Released from Restrictions	17,947,857	(17,947,857)	-	15,040,561	(15,040,561)	-
Total Support, Revenue, and Gains	25,377,470	69,618,065	94,995,535	18,838,669	(40,072,376)	(21,233,707)

See accompanying notes to combined financial statements.

Kalamazoo Community Foundation

Combined Statements of Activities and Changes in Net Assets

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total Year ended December 31, 2019</i>	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total Year ended December 31, 2018</i>
Expenses						
Program services						
Grants	16,746,530	-	16,746,530	15,665,775	-	15,665,775
Programs and grants administration	1,568,612	-	1,568,612	1,283,865	-	1,283,865
Support Services						
Donor relations and development	1,462,497	-	1,462,497	1,351,987	-	1,351,987
Administration and general expenses	2,030,206	-	2,030,206	2,093,077	-	2,093,077
Total Expenses	21,807,845	-	21,807,845	20,394,704	-	20,394,704
Increase (Decrease) in Net Assets	3,569,625	69,618,065	73,187,690	(1,556,035)	(40,072,376)	(41,628,411)
Net Assets, beginning of year	38,699,019	415,897,011	454,596,030	40,255,054	455,969,387	496,224,441
Net Assets, end of year	\$ 42,268,644	\$ 485,515,076	\$ 527,783,720	\$ 38,699,019	\$ 415,897,011	\$ 454,596,030

See accompanying notes to combined financial statements.

Kalamazoo Community Foundation
Combined Statement of Functional Expenses

	Program Services		Support Services		Total
	Grants	Programs and Grants Administration	Donor Relations and Development	Administration and General	
<i>Year ended December 31, 2019</i>					
Grants and other assistance to governments, organizations, and individuals	\$ 16,746,530	\$ -	\$ -	\$ -	\$ 16,746,530
Salary	-	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
Other consultants	-	144,312	6,121	63,153	213,586
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
Financial consultants	-	-	-	100,000	100,000
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
Communications consultants	-	1,088	6,867	8,643	16,598
Legal	-	1,196	5,129	5,496	11,821
Design consultants	-	-	8,885	1,125	10,010
Total Expenses	\$ 16,746,530	\$ 1,568,612	\$ 1,462,497	\$ 2,030,206	\$ 21,807,845

See accompanying notes to combined financial statements.

Kalamazoo Community Foundation
Combined Statement of Functional Expenses

<i>Year ended December 31, 2018</i>	Program Services		Support Services		Total
	Grants	Programs and	Donor Relations and Development	Administration	
		Administration		and General	
Grants and other assistance to governments, organizations, and individuals	\$ 15,665,775	\$ -	\$ -	\$ -	\$ 15,665,775
Salary	-	504,246	562,915	491,930	1,559,091
Compensation of officers, directors, trustees, key employees	-	170,334	155,452	394,222	720,008
Benefits	-	114,088	143,760	66,543	324,391
Depreciation	-	20,366	21,346	254,467	296,179
Information technology	-	72,292	59,668	119,235	251,195
Conferences, conventions, and meetings	-	83,641	64,085	24,397	172,123
Occupancy	-	79,148	82,949	9,572	171,669
Other consultants	-	45,817	20,909	97,316	164,042
Payroll taxes	-	37,244	41,495	75,453	154,192
Advertising and promotion	-	3,028	61,137	57,248	121,413
Financial consultants	-	-	-	112,500	112,500
Office expenses	-	25,657	33,830	47,520	107,007
Travel	-	31,717	28,147	45,935	105,799
Miscellaneous expense	-	13	413	87,734	88,160
Human resource	-	13,240	13,136	45,704	72,080
401k plan contributions	-	18,083	20,799	30,519	69,401
Stipend	-	34,425	-	12,180	46,605
Repairs and maintenance	-	-	-	42,658	42,658
Accounting	-	12,117	12,700	15,872	40,689
Insurance	-	4,852	5,085	16,813	26,750
Communications consultants	-	6,903	7,755	8,160	22,818
Property taxes	-	-	-	21,663	21,663
Memberships	-	1,087	5,389	11,495	17,971
Design consultants	-	-	7,817	451	8,268
Legal	-	567	3,200	3,490	7,257
Lobbying	-	5,000	-	-	5,000
Total Expenses	\$ 15,665,775	\$ 1,283,865	\$ 1,351,987	\$ 2,093,077	\$ 20,394,704

See accompanying notes to combined financial statements.

Kalamazoo Community Foundation

Combined Statements of Cash Flows

<i>Year ended December 31,</i>	2019	2018
Operating Activities		
Increase (decrease) in net assets	\$ 73,187,690	\$ (41,628,411)
Adjustments to reconcile increase (decrease) in net assets to cash provided by (used in) operating activities:		
Depreciation	69,970	296,179
Net (gain) loss on investment transactions	(79,564,421)	43,040,220
Loss from sale of property	515,195	-
Contribution of property	(380,000)	-
Change in value of collective fund	9,587,978	3,278,705
Change in value of perpetual trusts	(1,559,706)	1,264,285
Noncash contributions	(1,818,201)	(5,218,977)
Program related investments reserve adjustment	282,021	-
Changes in operating assets and liabilities:		
Contributions and pledges receivable	(3,080,745)	449,785
Prepaid scholarships	(7,320)	26,626
Accrued investment income	57,080	(298,765)
Other current assets	(52,498)	31,049
Funds held as agency endowments	3,856,691	(3,381,515)
Annuities payable	(130,623)	(775,064)
Grants payable	223,352	789,700
Other liabilities	68,902	148,120
Cash Provided by (Used in) Operating Activities	1,255,365	(1,978,063)
Investing Activities		
Purchase of investments	(386,870,808)	(429,452,772)
Proceeds from sale and maturity of investments	384,683,919	429,640,710
Proceeds from (advances for) program related investments	421,509	355,040
Purchase of property and equipment	-	(1,350,000)
Proceeds from sale of property	834,805	-
Distributions from limited partnerships	52,516	38,729
Cash Used in Investing Activities	(878,059)	(768,293)
Cash Used in Financing Activities		
Payments on loan payable	(60,000)	(60,000)
Increase (Decrease) in Cash and Cash Equivalents	317,306	(2,836,356)
Cash and Cash Equivalents, beginning of year	351,976	3,188,332
Cash and Cash Equivalents, end of year	\$ 669,282	\$ 351,976

See accompanying notes to combined financial statements.

Kalamazoo Community Foundation

Notes to Combined Financial Statements

1. Nature of Business and Summary of Accounting Policies

Kalamazoo Community Foundation (the Foundation) is a public charity founded in 1925, created to make life better for all through leadership and stewardship of resources that last forever. 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 1,086 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

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.

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Kalamazoo Community Foundation

Notes to Combined Financial Statements

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 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 31st. 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:

- 1) The duration and preservation of the fund.
- 2) The purposes of the Foundation and the donor-restricted endowment fund.
- 3) General economic conditions.
- 4) The possible effect of inflation and deflation.
- 5) The expected total return from income and appreciation of investments.
- 6) Other resources of the Foundation.
- 7) 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, 2019, approximately \$630,000 of the Foundation's cash on hand or cash on deposit was FDIC insured, approximately \$4,597,000 was uninsured. At December 31, 2018, approximately \$630,000 of the Foundation's cash on hand or cash on deposit was FDIC insured, approximately \$2,587,000 was uninsured.

Kalamazoo Community Foundation

Notes to Combined Financial Statements

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.

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 Change 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.

Kalamazoo Community Foundation

Notes to Combined Financial Statements

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 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.

Contributed Services

During the years ended December 31, 2019 and 2018, 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 and 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 fifty percent 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.

Kalamazoo Community Foundation

Notes to 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.

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 - 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 - 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 - 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.

Kalamazoo Community Foundation

Notes to Combined Financial Statements

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. Corporate bonds are generally categorized in *Level 2* of the fair value hierarchy.
- U.S. Government agency securities are valued daily based on available market data and, accordingly, are categorized in *Level 2* of the fair value hierarchy.
- U.S. Government securities are valued using quoted market prices and, accordingly, are categorized in *Level 1* of the fair value hierarchy.
- 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. Correspondingly, these securities are generally categorized in *Level 2* of the fair value hierarchy.
- 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. The collective fund is categorized in *Level 2* of the fair value hierarchy.
- Non-U.S. Government securities are valued daily based on available market data and, accordingly, are categorized in *Level 2* of the fair value hierarchy.
- Domestic publicly traded and international developed market securities are valued using quoted prices in active markets when available. Such actively traded securities are categorized in *Level 1* of the fair value hierarchy.
- 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. These funds are categorized in *Level 1* and *Level 2* of the fair value hierarchy.
- 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. As such, these partnerships are categorized in *Level 3* of the fair value hierarchy.

Kalamazoo Community Foundation

Notes to Combined Financial 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. This investment is categorized in *Level 3* of the fair value hierarchy.
- 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 Net Asset Value, with no restrictions on redemptions. These are categorized in *Level 1* of the fair value hierarchy. The trusts are also invested in U.S. Government and agency, U.S. corporate and asset backed securities. As described above, these assets are categorized in *Level 2* of the fair value hierarchy.

Subsequent Events

The Foundation's management has evaluated the period from January 1, 2020 through June 8, 2020, the date the financial statements were available for issuance, for subsequent events requiring recognition or disclosure in the financial statements. During the period, the following non-recognizable subsequent event was identified.

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 spreads 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 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 2020.

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 2020 and the Foundation's overall liquidity. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown, which may depress the Foundation's asset values. Subsequent to year-end, the Foundation's investment portfolio has incurred a decline in fair value, consistent with the general decline in financial markets. However, because the values of the individual investments fluctuate with market conditions, the amount of losses that will be recognized in the subsequent periods, if any, cannot be determined.

On March 27, 2020, as a result of the expected economic impact of COVID-19, the U.S. Federal 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

Kalamazoo Community Foundation

Notes to Combined Financial Statements

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 Foundation is still in process of assessing the impact the CARES Act will have on the Foundation for the year ending December 31, 2020.

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 2020.

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>	2019	2018
Cash and cash equivalents	\$ 4,009,253	\$ 2,471,607
Other assets	127,225	71,609
Short-term investments	18,701,668	15,202,534
	\$ 22,838,146	\$ 17,745,750

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, 2019, approximately \$504,000 of the board-designated endowments will be available within the next 12 months. For the year ended December 31, 2018, approximately \$487,000 of the board-designated endowments were available within the following 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 \$1,291,000 and \$1,591,000 as of December 31, 2019 and 2018, respectively.

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Kalamazoo Community Foundation

Notes to Combined Financial Statements

3. Investments

Investments are at fair value and consist of the following at December 31, 2019 and 2018:

<i>December 31,</i>	2019	2018
Mutual funds	\$ 373,278,896	\$ 316,389,899
U.S. government securities	52,588,722	45,975,743
Corporate securities	30,563,471	27,346,684
Exchange traded funds	26,839,146	20,418,663
Corporate stock	20,880,321	14,779,792
Other	11,214,040	13,540,618
Asset backed securities	10,577,338	8,944,121
Money market funds	8,726,253	12,963,786
Foreign government securities	203,349	583,213
	\$ 534,871,536	\$ 460,942,519

Net gain or loss from investment transactions includes unrealized appreciation and depreciation of approximately \$46,231,000 and \$60,034,000 in 2019 and 2018, respectively. Sales of investments resulted in net realized gains of approximately \$28,623,000 and \$19,192,000 in 2019 and 2018, respectively.

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Kalamazoo Community Foundation

Notes to Combined Financial Statements

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.

The aggregate carrying value of investments, exclusive of cash equivalents and beneficial interest in charitable perpetual trusts, at December 31, 2019 and 2018, is summarized as follows:

Investments Held at December 31, 2019				
<i>Description</i>	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
Total	\$ 328,071,502	\$ 207,144,436	\$ 11,502,516	\$ 546,718,454

Kalamazoo Community Foundation

Notes to Combined Financial Statements

Investments Held at December 31, 2018

Description	Level 1	Level 2	Level 3	Total
Money Market	\$ 12,963,786	\$ -	\$ -	\$ 12,963,786
Fixed Income				
Corporate securities	-	27,346,684	-	27,346,684
U.S. government and agency securities	35,423,808	10,551,935	-	45,975,743
Asset backed securities	-	8,944,121	-	8,944,121
Mutual funds	29,501,031	-	-	29,501,031
Exchange traded funds	2,913,566	-	-	2,913,566
Foreign government securities	-	583,213	-	583,213
Domestic Equities				
Publicly traded	14,779,792	-	-	14,779,792
Mutual funds	94,127,762	116,866,245	-	210,994,007
Exchange traded funds	13,987,359	-	-	13,987,359
International Equities				
Mutual funds	75,894,861	-	-	75,894,861
Exchange traded funds	3,517,738	-	-	3,517,738
Other				
Limited partnerships	-	-	1,180,606	1,180,606
Real estate investment trust	-	-	12,360,012	12,360,012
	283,109,703	164,292,198	13,540,618	460,942,519
Beneficial Interest in Charitable Perpetual Trusts	10,286,530	682	-	10,287,212
Total	\$ 293,396,233	\$ 164,292,880	\$ 13,540,618	\$ 471,229,731

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the years ended December 31, 2019 and 2018:

Fair Value Measurement Using Significant Unobservable Inputs (Level 3)	
Balance, January 1, 2018	\$ 12,312,113
Total gains and losses - Unrealized	1,267,235
Sales or withdrawals	(38,730)
Balance, December 31, 2018	13,540,618
Total gains and losses - Unrealized	647,569
Purchases	288,474
Sales or withdrawals	(2,974,145)
Balance, December 31, 2019	\$ 11,502,516

Kalamazoo Community Foundation

Notes to Combined Financial Statements

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 \$2,646,000 and \$3,067,000 at December 31, 2019 and 2018, respectively. The Foundation has established a fair market reserve in the amount of approximately \$457,000 and \$174,000 at December 31, 2019 and 2018, respectively. 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 10 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.

7. Contributions and Pledges Receivable

Contributions and pledges receivable consisted of the following at December 31, 2019 and 2018:

<i>December 31,</i>	2019	2018
Contributions and Pledges Due		
Within one year	\$ 2,450,196	\$ 389,344
One to five years	1,074,294	104
Over five years	3,686,475	3,674,785
Total	7,210,965	4,064,233
Less present value (at various discount rates)	(2,103,017)	(2,037,030)
Total Contributions and Pledges Receivable	\$ 5,107,948	\$ 2,027,203

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.

Kalamazoo Community Foundation

Notes to Combined Financial Statements

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, 2019 and 2018 was \$200,000 and \$260,000, respectively. Interest on the revolving note is accrued at 30-day LIBOR plus 1.5%, effectively 3.25% at December 31, 2019. Principal payments of \$15,000 plus interest are due quarterly through August of 2020.

10. Lease Commitments

The Foundation leases building space, transportation equipment, and copiers under operating leases that expire at various dates through 2022. 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:

2020	\$	19,000
2021		16,000
2022		6,000
Total	\$	41,000

Rent expense was \$210,000 for 2019 and 2018.

11. Employee Benefit Plan

The Foundation maintains a 401(k) plan which 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, 2019 and 2018, non-elective contributions were equal to 2% of eligible employee compensation. For 2019 and 2018, the total amount of contributions was approximately \$131,000 and \$118,000, respectively.

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Kalamazoo Community Foundation

Notes to Combined Financial Statements

12. Net Assets

Endowment net assets consisted of the following at December 31, 2019 and 2018:

Changes in Endowment Net Assets For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, beginning of year	\$ 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)
Change in endowment net assets	1,947,326	68,845,298	70,792,624
Endowment Net Assets, end of year	\$ 14,803,142	\$ 481,768,871	\$ 496,572,013

Endowment Net Asset Composition For the Year Ended December 31, 2019

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

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Kalamazoo Community Foundation

Notes to Combined Financial Statements

Changes in Endowment Net Assets For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, beginning of year	\$ 14,362,336	\$ 452,582,012	\$ 466,944,348
Interest and dividends, net of investment expenses	282,308	8,044,750	8,327,058
Net depreciation	(1,295,809)	(37,965,972)	(39,261,781)
Contributions	-	6,069,675	6,069,675
Amounts appropriated for expenditure	(46,692)	(10,388,144)	(10,434,836)
Other changes	(446,327)	(5,418,748)	(5,865,075)
Change in endowment net assets	(1,506,520)	(39,658,439)	(41,164,959)
Endowment Net Assets, end of year	\$ 12,855,816	\$ 412,923,573	\$ 425,779,389

Endowment Net Asset Composition For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Endowment Funds			
Kalamazoo Community Foundation	\$ 5,530,471	\$ 402,636,361	\$ 408,166,832
Charitable perpetual trusts	-	10,287,212	10,287,212
Total Donor Restricted Endowment Funds	5,530,471	412,923,573	418,454,044
Board Designated Endowment Funds	7,325,345	-	7,325,345
Total Endowment Funds	\$ 12,855,816	\$ 412,923,573	\$ 425,779,389

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.

Kalamazoo Community Foundation

Notes to Combined Financial Statements

In addition to endowment funds, the Foundation also manages other non-endowed funds. The following tables summarize all of the Foundation's net assets as of December 31, 2019 and 2018:

Net Asset Composition at December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Endowment Funds	\$ 14,803,142	\$ 481,768,871	\$ 496,572,013
Non-Endowment Funds			
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
Total Non-Endowment Funds	27,465,502	3,746,205	31,211,707
Total Net Assets	\$ 42,268,644	\$ 485,515,076	\$ 527,783,720

Net Asset Composition at December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Endowment Funds	\$ 12,855,816	\$ 412,923,573	\$ 425,779,389
Non-Endowment Funds			
Donor advised	10,875,001	-	10,875,001
Agency and designated	-	691,030	691,030
Field of interest	-	35,061	35,061
Scholarship	-	138,135	138,135
Other	14,968,202	2,109,212	17,077,414
Total Non-Endowment Funds	25,843,203	2,973,438	28,816,641
Total Net Assets	\$ 38,699,019	\$ 415,897,011	\$ 454,596,030

At December 31, 2019 and 2018, funds with deficiencies consist of the following:

<i>December 31,</i>	2019	2018
Fair value of underwater endowment funds	\$ -	\$ 25,915,475
Original endowment gift amount	-	26,621,777
Deficiencies of Underwater Endowment Funds	\$ -	\$ (706,302)

Kalamazoo Community Foundation

Notes to Combined Financial Statements

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

<i>Year ended December 31,</i>	2019	2018
Non-Endowed Funds		
Subject to expenditure for specified purpose:		
Designated for scholarships and financial aid	\$ 155,493	\$ 138,135
Designated for specific agencies	798,766	691,030
Designated for a specific field of interest	77,855	35,061
Subject to the passage of time:		
Assets held under split-interest agreements	2,167,611	1,587,615
Life insurance contracts	546,480	521,597
Total Non-Endowed Funds - With Donor Restriction	3,746,205	2,973,438
Endowed Funds		
Subject to endowment spending policy and appropriation:		
Designated for recommendations from donor advisors	46,487,535	40,459,210
Designated for specific agencies	166,595,520	144,999,131
Designated for scholarships and financial aid	44,725,592	38,079,786
Designated for specific field of interest	49,057,787	41,538,238
Undesignated	163,055,519	138,266,298
Underwater endowments	-	(706,302)
	469,921,953	402,636,361
Not subject to spending policy or appropriation		
Beneficial interests in perpetual trusts	11,846,918	10,287,212
Total Endowed Funds - With Donor Restriction	481,768,871	412,923,573
Total Net Assets - With Donor Restriction	\$ 485,515,076	\$ 415,897,011

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 follow:

<i>Year ended December 31,</i>	2019	2018
Purpose or period restrictions accomplished:		
Grants paid	\$ 11,701,763	\$ 10,840,354
Appropriation from donor designated endowments and subsequent satisfaction of any related donor restrictions	6,246,094	4,200,207
	\$ 17,947,857	\$ 15,040,561

Kalamazoo Community Foundation

Notes to Combined Financial Statements

14. Supplemental Disclosure of Cash Flow Information

Supplemental Disclosure Related to Capital Expenditures -

<i>December 31,</i>	2019	2018
Non-Cash Transaction		
Contribution of property	\$ 380,000	\$ -

Supplementary Information



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 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and 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 financial statements as a whole.

BDO USA, LLP

June 8, 2020

Kalamazoo Community Foundation
Combining Statements of Financial Position
December 31, 2019 (With Comparative Totals for 2018)

	Kalamazoo Community Foundation	Kalamazoo Community Foundation Real Estate Holdings, Inc.	Eliminating Entries	2019 Combined Total	2018 Combined Total
Assets					
Cash and cash equivalents	\$ 760,710	\$ 8,827	\$ -	\$ 769,537	\$ 351,976
Investments	532,647,524	2,224,012	-	534,871,536	460,942,519
Program related investments, net	2,189,393	-	-	2,189,393	2,892,923
Contributions and pledges receivable	5,107,948	-	-	5,107,948	2,027,203
Prepaid scholarships	547,630	-	-	547,630	540,310
Accrued investment income	923,274	-	-	923,274	980,354
Beneficial interest in charitable perpetual trusts	11,846,918	-	-	11,846,918	10,287,212
Other assets	6,468,922	15,503	(5,500,432)	983,993	931,495
Net property and equipment	218,032	3,602,951	-	3,820,983	4,961,208
Total Assets	\$ 560,710,351	\$ 5,851,293	\$ (5,500,432)	\$ 561,061,212	\$ 483,915,200
Liabilities and Net Assets					
Liabilities					
Funds held as agency endowments	\$ 28,594,997	\$ -	\$ -	\$ 28,594,997	\$ 24,738,306
Annuities payable	2,985,093	-	-	2,985,093	3,115,716
Grants payable	1,013,052	-	-	1,013,052	789,700
Loan payable	200,000	-	-	200,000	260,000
Other	457,383	26,967	-	484,350	415,448
Total Liabilities	33,250,525	26,967	-	33,277,492	29,319,170
Net Assets					
Without donor restrictions	42,268,644	-	-	42,268,644	38,699,019
With donor restrictions	485,191,182	5,824,326	(5,500,432)	485,515,076	415,897,011
Total Net Assets	527,459,826	5,824,326	(5,500,432)	527,783,720	454,596,030
Total Liabilities and Net Assets	\$ 560,710,351	\$ 5,851,293	\$ (5,500,432)	\$ 561,061,212	\$ 483,915,200

See accompanying independent auditor's report on supplementary information.

Kalamazoo Community Foundation

Combining Statements of Activities and Changes in Net Assets Year Ended December 31, 2019 (With Comparative Totals for 2018)

	Kalamazoo Community Foundation	Kalamazoo Community Foundation Real Estate Holdings, Inc.	Eliminating Entries	2019 Combined Total	2018 Combined Total
Support, Revenue, and Gains					
Public support					
Gifts and bequests	\$ 9,819,708	\$ -	\$ (785,000)	\$ 9,034,708	\$ 11,774,358
Contribution of property	-	380,000	-	380,000	-
Less gifts and bequests received for agency endowments	132,061	-	-	132,061	283,560
Total gifts and bequests	9,687,647	380,000	(785,000)	9,282,647	11,490,798
Dividends and interest					
Dividends and interest	10,841,981	13,543	-	10,855,524	10,226,880
Less dividends and interest received for agency endowments	590,752	-	-	590,752	572,447
Total dividends and interest	10,251,229	13,543	-	10,264,772	9,654,433
Net gain (loss) from investment transactions					
Net gain (loss) from investment transactions	78,846,757	(64,687)	-	78,782,070	(43,801,572)
Less net gain from investment transactions for agency endowments	4,164,317	-	-	4,164,317	2,226,910
Total net gain (loss) from investment transactions	74,682,440	(64,687)	-	74,617,753	(41,574,662)
Other income (loss)					
Change in value of perpetual trusts	1,559,706	-	-	1,559,706	(1,264,285)
Other income (loss)	(362,378)	210,000	(210,000)	(362,378)	318,972
Loss on sale of property	-	(515,195)	-	(515,195)	-
Plus other income from agency endowments	148,230	-	-	148,230	141,037
Total other income (loss)	1,345,558	(305,195)	(210,000)	830,363	(804,276)
Total Support, Revenue, and Gains (Losses)	95,966,874	23,661	(995,000)	94,995,535	(21,233,707)

See accompanying independent auditor's report on supplementary information.

Kalamazoo Community Foundation

Combining Statements of Activities and Changes in Net Assets Year Ended December 31, 2019 (With Comparative Totals for 2018)

		Kalamazoo Community Foundation	Kalamazoo Community Foundation Real Estate Holdings, Inc.	Eliminating Entries	2019 Combined Total	2018 Combined Total
Expenses						
Program services						
Grants	\$	16,746,530	\$ 785,000	\$ (785,000)	\$ 16,746,530	\$ 15,665,775
Programs and grants administration		1,568,612	-	-	1,568,612	1,283,865
Support Services						
Donor relations and development		1,462,497	-	-	1,462,497	1,351,987
Administration and general expenses		1,842,382	397,824	(210,000)	2,030,206	2,093,077
Total Expenses		21,620,021	1,182,824	(995,000)	21,807,845	20,394,704
Increase (Decrease) in Net Assets		74,346,853	(1,159,163)	-	73,187,690	(41,628,411)
Net Assets, beginning of year		453,112,974	1,483,056	-	454,596,030	496,224,441
Net Assets, end of year	\$	527,459,827	\$ 323,893	\$ -	\$ 527,783,720	\$ 454,596,030

See accompanying independent auditor's report on supplementary information.