

**Kalamazoo Regional Educational  
Service Agency Foundation**

**Financial Statements and  
Independent Accountants'  
Review Report**

**June 30, 2024**

### **Independent Accountant's Review Report**

To the Board of Directors  
Kalamazoo Regional Educational Service Agency Foundation  
Portage, Michigan

We have reviewed the accompanying financial statements of Kalamazoo Regional Educational Service Agency Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, function expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

#### **Management's Responsibility for the Financial Statements**

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

#### **Accountant's Responsibility**

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

We are required to be independent of Kalamazoo Regional Educational Service Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

#### **Accountant's Conclusion**

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

**Report on Summarized Comparative Information**

We have previously reviewed Kalamazoo Regional Educational Service Agency Foundation's financial statements, in our review reported dated December 1, 2023 and we were not aware of any material modifications that should have been made. The summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read 'Flegal & Melnik', is positioned above the printed name.

Flegal & Melnik

November 26, 2024

**Kalamazoo Regional Educational  
Service Agency Foundation  
Statement of Financial Position  
June 30, 2024 with Comparative  
Totals for June 30, 2023**

	Assets			
	June 30,			
	2024		2023	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Current Assets</b>				
Cash	\$ 2,926	-	2,926	24,498
Investments	257,723	268,470	526,193	391,838
Beneficial interest in assets held at community foundation	9,748	-	9,748	8,666
<b>Total Current Assets</b>	<u>\$ 270,397</u>	<u>268,470</u>	<u>538,867</u>	<u>425,002</u>
<b>Other Assets</b>				
Investments	\$ 314,998	612,210	927,208	905,978
<b>Total Other Assets</b>	<u>\$ 314,998</u>	<u>612,210</u>	<u>927,208</u>	<u>905,978</u>
<b>Total Assets</b>	<u>\$ 585,395</u>	<u>880,680</u>	<u>1,466,075</u>	<u>1,330,980</u>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Scholarships payable	\$ 24,289	-	24,289	33,794
Accounts payable	36,525	-	36,525	29,281
<b>Total Current Liabilities</b>	<u>\$ 60,814</u>	<u>-</u>	<u>60,814</u>	<u>63,075</u>
<b>Total Liabilities</b>	<u>\$ 60,814</u>	<u>-</u>	<u>60,814</u>	<u>63,075</u>
<b>Net Assets</b>				
Undesignated	\$ 213,483	-	213,483	210,087
K/RESA endowment	311,098	-	311,098	311,098
Employee development - available to spend	-	121,842	121,842	91,628
Employee development endowment	-	6,000	6,000	6,000
Wile scholarship - available to spend	-	47,291	47,291	49,136
Wile scholarship endowment	-	41,078	41,078	40,478
Endowed named scholarship - available to spend	-	94,031	94,031	9,280
Endowed named scholarship endowment	-	514,993	514,993	498,263
WE employee enrichment - available to spend	-	5,306	5,306	1,796
WE employee enrichment endowment	-	50,139	50,139	50,139
<b>Total Net Assets</b>	<u>\$ 524,581</u>	<u>880,680</u>	<u>1,405,261</u>	<u>1,267,905</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 585,395</u>	<u>880,680</u>	<u>1,466,075</u>	<u>1,330,980</u>

See accompanying notes and Independent Accountants' Review Report

**Kalamazoo Regional Educational  
Service Agency Foundation  
Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2024 with Comparative  
Totals for the Year Ended June 30, 2023**

	<u>June 30,</u>			
	<u>2024</u>			<u>2023</u>
	<u>Without</u>	<u>With Donor</u>		
	<u>Donor</u>	<u>Restrictions</u>	<u>Total</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>		
<b>Revenue</b>				
Contributions	\$ 130,393	52,330	182,723	440,713
Investment income	23,950	33,091	57,041	33,603
Unrealized gain (loss) on sale of investments	41,388	57,156	98,544	77,304
Change in beneficial interest in assets held by community foundations	1,082	-	1,082	838
Net assets released from restrictions	8,617	(8,617)	-	-
<b>Total Revenue</b>	<u>\$ 205,430</u>	<u>133,960</u>	<u>339,390</u>	<u>552,458</u>
<b>Expenses</b>				
Program expenses	\$ 186,982	-	186,982	426,802
Administrative expenses	15,052	-	15,052	43,235
<b>Total Expenses</b>	<u>\$ 202,034</u>	<u>-</u>	<u>202,034</u>	<u>470,037</u>
<b>Changes in Net Assets</b>	\$ 3,396	133,960	137,356	82,421
<b>Net Assets - Beginning</b>	<u>521,185</u>	<u>746,720</u>	<u>1,267,905</u>	<u>1,185,484</u>
<b>Net Assets - Ending</b>	<u>\$ 524,581</u>	<u>880,680</u>	<u>1,405,261</u>	<u>1,267,905</u>

See accompanying notes and Independent Accountants' Review Report

**Kalamazoo Regional Educational  
Service Agency Foundation  
Statement of Functional Expenses  
For the Year Ended June 30, 2024 with Comparative  
Totals for the Year Ended June 30, 2023**

	June 30,			
	2024		2023	
	<u>Program</u>	<u>Administrative</u>	<u>Total</u>	<u>Total</u>
<b>Expenses</b>				
Scholarships and awards	\$ 48,788	-	48,788	47,787
Grant making	117,029	-	117,029	364,325
Matching grants	21,165	-	21,165	14,690
Professional fees	-	9,532	9,532	41,119
Miscellaneous	-	5,520	5,520	2,116
<b>Total Expenses</b>	<u>\$ 186,982</u>	<u>15,052</u>	<u>202,034</u>	<u>470,037</u>

See accompanying notes and Independent Accountants' Review Report

**Kalamazoo Regional Educational  
Service Agency Foundation  
Statement of Cash Flows  
June 30, 2024 with Comparative  
Totals for June 30, 2023**

	<b>June 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 137,356	82,421
Adjustments to reconcile change in net assets to net cash from operating activities:		
Investment income	(57,041)	(33,603)
Unrealized (gain) loss on investments	(98,544)	(77,304)
Change in beneficial interest in assets held by community foundations	(1,082)	(838)
Increase (decrease) in:		
Scholarships payable	(9,505)	(14,800)
Accounts payable	<u>7,244</u>	<u>3,945</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (21,572)</u>	<u>(40,179)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from beneficial interest at community foundation	\$ -	<u>2,176</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>\$ -</u>	<u>2,176</u>
<b>Net Increase (Decrease) in Cash</b>	\$ (21,572)	(38,003)
<b>Cash - Beginning of the Year</b>	<u>24,498</u>	<u>62,501</u>
<b>Cash - End of the Year</b>	<u>\$ 2,926</u>	<u>24,498</u>

See accompanying notes and Independent Accountants' Review Report

**Kalamazoo Regional Educational  
Service Agency Foundation  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2024**

**Description of the Organization**

The purpose of the Foundation is to solicit, manage, and disburse funds for the benefit of programs for or directly related to the Kalamazoo Regional Educational Service Agency.

**Summary of Significant Accounting Policies**

Basis of Accounting

The financial statements of Kalamazoo Regional Educational Service Agency Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statements of Kalamazoo Regional Educational Service Agency Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activity 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 that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets are available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net assets with donor restrictions* -

Net assets subject to stipulations imposed by donors, and grantors. Some donor 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 restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. Then as restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.



**Kalamazoo Regional Educational  
Service Agency Foundation  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2024**

**Summary of Significant Accounting Policies - continued**

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities and changes in net assets.

Investment income and gains restricted by donors are reported as increases in assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1

Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2

Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3

Unobservable inputs that cannot be corroborated by observable market data.

Functional Expenses

The cost of providing their program has been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among program and administrative categories.

**Kalamazoo Regional Educational  
Service Agency Foundation  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2024**

**Summary of Significant Accounting Policies - continued**

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as an organization other than a private foundation under Section 509 (a)(2).

The Organization evaluates all significant tax positions under a more likely than not threshold as required by U.S. generally accepted accounting principles. As of June 30, 2024, the Organization does not believe that it has taken any tax positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease in the next twelve months. The Organization's income tax returns are subject to examination by the appropriate taxing jurisdictions. As of June 30, 2024, the Organization's federal return generally remains open for the last three years.

Prior Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year-ended June 30, 2023, from which the summarized information was derived.

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying Independent Accountant's Review Report, which is the date the financial statements were available to be issued.

**Kalamazoo Regional Educational  
Service Agency Foundation  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2024**

**Liquidity and Availability**

The Organization's financial assets available for general expenditures, within one year of the statement of financial position date, are as follows:

Cash	\$	2,926
Investments - current		526,193
Total	\$	<u>529,119</u>

**Net Assets - With Donor Restrictions**

Employee Development

The Organization has received funds to provide endowment monies. The interest from these funds are to be used for employee development purposes. The accumulated unspent earnings are tracked separately from the original gift.

Wile Scholarship

The Organization has received monies to establish the Larry and Rose Wile Scholarship Fund to provide endowment monies. The interest from these funds are to be used for academic scholarships. The accumulated unspent earnings are tracked separately from the original gift.

WE Employee Enrichment

The Organization has received monies to establish the WoodsEdge Employee Enrichment Fund. The interest from these funds are to be used for employee enrichment grants. The accumulated unspent earnings are tracked separately from the original gift.

Named Scholarship

The Organization has received monies restricted for endowment of scholarships. These funds can be donated by organizations or individuals. The current policy adopted by the board is that any donor can have a scholarship given in their name for each contribution of \$5,000 or more. These gifts will be invested as part of the principal of the Named Scholarship Fund which is held in perpetuity. Annual interest earnings will be available each year to fund individual named scholarships. The amount of the scholarship can vary considerably according to market fluctuation.

**Kalamazoo Regional Educational  
Service Agency Foundation  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2024**

**Endowment Funds**

The Board of Trustees of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gifts instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

	<b>Available to Spent</b>	<b>Principal Endowment</b>	<b>Restricted Endowment Total</b>
Endowment net assets, beginning of year	\$ 151,840	594,880	746,720
Contributions	35,000	17,330	52,330
Investment income	33,091	-	33,091
Realized gain (loss) on investments	-	-	-
Unrealized gain (loss) on investments	57,156	-	57,156
Amounts appropriated for expenditure	(8,617)	-	(8,617)
Endowment net assets, end of year	<u>\$ 268,470</u>	<u>612,210</u>	<u>880,680</u>

	<b>Available to Spent</b>	<b>Principal Endowment</b>	<b>Board Designated Endowment Total</b>
Endowment net assets, beginning of year	\$ -	311,098	311,098
Contributions	-	-	-
Investment income	14,416	-	14,416
Realized gain (loss) on investments	-	-	-
Unrealized gain (loss) on investments	24,706	-	24,706
Amounts appropriated for expenditure	(39,122)	-	(39,122)
Additional designated funds	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>311,098</u>	<u>311,098</u>

**Kalamazoo Regional Educational  
Service Agency Foundation  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2024**

**Beneficial Interest in Assets Held By Kalamazoo Community Foundation**

The Organization established a fund at the Kalamazoo Community Foundation with its own funds and specified itself as the beneficiary of that fund. The transfer of such assets is recorded as a beneficial interest in funds held by the Kalamazoo Community Foundation. The Kalamazoo Community Foundation refers to such funds as agency fund endowments.

The Kalamazoo Community Foundation maintains variance power and legal ownership of agency fund endowments and as such continues to report the funds as assets of the community foundation. However, an asset has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be received by the Organization.

Contributions by third parties have also been made to this fund. These amounts are not shown as agency fund endowments. In the current year \$3,631 was recognized as contribution income. As of June 30, 2024, the available for spend balance in the account was zero. The total of the fund at June 30, 2024 was \$109,478.

**Financial Instruments**

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Organization maintains its cash balances in one financial institution located in Michigan. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2023, the Organization had no uninsured cash balances.

Fair Values of Financial Instruments

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash - cost of investment approximates fair value due to the short maturities of those investments.

Publicly traded mutual funds - determined by reference to quoted market prices and other relevant information generated by market transactions.

**Kalamazoo Regional Educational  
Service Agency Foundation  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2024**

**Financial Instruments** - continued

Fair Values of Financial Instruments - continued

The fair values of the Organization's financial instruments are as follows:

	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Observable Inputs (Level 2)</b>
Mutual funds	1,453,401	1,453,401	1,453,401	-
Investment at foundation	9,748	9,748	-	9,748
Total	<u>\$ 1,463,149</u>	<u>1,463,149</u>	<u>1,453,401</u>	<u>9,748</u>

**Investments**

Investments are reported on the basis of quoted market prices and consist primarily of fixed income, equities, real estate investments, alternative strategies, publicly traded mutual funds and investments at foundations.

Investment values are as follows on June 30, 2024:

	<b>Cost Basis</b>	<b>Fair Value</b>	<b>Net Unrealized Appreciation (Depreciation)</b>
Mutual funds	\$ 1,278,452	1,453,401	174,949
Investment at foundation	9,748	9,748	-
Total	<u>\$ 1,288,200</u>	<u>1,463,149</u>	<u>174,949</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year-ended June 30, 2024:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Investment income	\$ 23,950	33,091	57,041
Realized gain (loss) on sale of investments	-	-	-
Unrealized gain (loss) on investments	41,388	57,156	98,544
Change in beneficial interest in assets held by community	1,082	-	1,082
Total	<u>\$ 66,420</u>	<u>90,247</u>	<u>156,667</u>