

**Kalamazoo Regional Educational
Service Agency Foundation**

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

June 30, 2022

Independent Accountants' Review Report

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

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, 2022, 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 Foundation 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 November 29, 2021 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, 2021, is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

Flegal & Melnik

December 9, 2022

**Kalamazoo Regional Educational
Service Agency Foundation
Statement of Financial Position
June 30, 2022 with Comparative
Totals for June 30, 2021**

Assets

	June 30,			
	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Current Assets				
Cash	\$ 62,501	-	62,501	39,162
Investments	180,163	126,124	306,287	536,661
Beneficial interest in assets held at community foundation	10,004	-	10,004	11,150
Total Current Assets	\$ 252,668	126,124	378,792	586,973
Other Assets				
Investments	\$ 311,098	569,524	880,622	835,529
Total Other Assets	\$ 311,098	569,524	880,622	835,529
Total Assets	\$ 563,766	695,648	1,259,414	1,422,502

Liabilities and Net Assets

Current Liabilities				
Scholarships payable	\$ 48,594	-	48,594	41,417
Accounts payable	25,336	-	25,336	22,654
Total Current Liabilities	\$ 73,930	-	73,930	64,071
Total Liabilities	\$ 73,930	-	73,930	64,071
Net Assets				
Unrestricted	\$ 178,738	-	178,738	285,971
K/RESA endowment	311,098	-	311,098	311,048
Employee development - available to spend	-	77,154	77,154	85,880
Employee development endowment	-	6,000	6,000	6,000
Wile scholarship - available to spend	-	48,970	48,970	58,927
Wile scholarship endowment	-	39,296	39,296	38,114
Endowed named scholarship - available to spend	-	-	-	80,819
Endowed named scholarship endowment	-	474,089	474,089	430,229
WE employee enrichment - available to spend	-	-	-	11,304
WE employee enrichment endowment	-	50,139	50,139	50,139
Total Net Assets	\$ 489,836	695,648	1,185,484	1,358,431
Total Liabilities and Net Assets	\$ 563,766	695,648	1,259,414	1,422,502

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, 2022 with Comparative
Totals for the Year Ended June 30, 2021**

	June 30,			
	2022			2021
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Revenue				
Contributions	\$ 61,056	72,252	133,308	163,892
Investment income	25,753	28,130	53,883	43,503
Unrealized gain (loss) on sale of investments	(113,149)	(129,742)	(242,891)	214,346
Change in beneficial interest in assets held by community foundations	(1,063)	-	(1,063)	2,874
Net assets released from restrictions	36,404	(36,404)	-	-
Total Revenue	<u>\$ 9,001</u>	<u>(65,764)</u>	<u>(56,763)</u>	<u>424,615</u>
Expenses				
Program expenses	\$ 107,969	-	107,969	145,616
Administrative expenses	8,215	-	8,215	11,045
Total Expenses	<u>\$ 116,184</u>	<u>-</u>	<u>116,184</u>	<u>156,661</u>
Changes in Net Assets	<u>\$ (107,183)</u>	<u>(65,764)</u>	<u>(172,947)</u>	<u>267,954</u>
Net Assets - Beginning	<u>597,019</u>	<u>761,412</u>	<u>1,358,431</u>	<u>1,090,477</u>
Net Assets - Ending	<u>\$ 489,836</u>	<u>695,648</u>	<u>1,185,484</u>	<u>1,358,431</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, 2022 with Comparative
Totals for the Year Ended June 30, 2021**

	June 30,			
	2022		2021	
	<u>Program</u>	<u>Administrative</u>	<u>Total</u>	<u>Total</u>
Expenses				
Scholarships and awards	\$ 89,977	-	89,977	123,606
Matching grants	17,992	-	17,992	22,010
Professional fees	-	4,767	4,767	4,683
Contracted fees	-	-	-	5,083
Miscellaneous	-	3,448	3,448	1,279
Total Expenses	<u>\$ 107,969</u>	<u>8,215</u>	<u>116,184</u>	<u>156,661</u>

See accompanying notes and Independent Accountants' Review Report

**Kalamazoo Regional Educational
Service Agency Foundation
Statement of Cash Flows
June 30, 2022 with Comparative
Totals for June 30, 2021**

	June 30,	
	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (172,947)	267,954
Adjustments to reconcile change in net assets to net cash from operating activities:		
Investment income	(53,883)	(43,503)
Unrealized (gain) loss on investments	242,891	(214,346)
Change in beneficial interest in assets held by community foundations	1,063	(2,937)
Investment fees	84	63
Noncash contribution received	(3,728)	-
Increase (decrease) in:		
Scholarships payable	7,177	(8,979)
Accounts payable	<u>2,682</u>	<u>(70,913)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 23,339</u>	<u>(72,661)</u>
Net Increase (Decrease) in Cash	<u>\$ 23,339</u>	<u>(72,661)</u>
Cash - Beginning of the Year	<u>39,162</u>	<u>111,823</u>
Cash - End of the Year	<u>\$ 62,501</u>	<u>39,162</u>

See accompanying notes and Independent Accountants' Review Report

**Kalamazoo Regional Educational
Service Agency Foundation
Notes To Financial Statements
June 30, 2022**

Description of the Organization

The purpose of the Kalamazoo Regional Educational Service Agency Foundation is to manage, solicit, and disburse funds for the benefit of the Kalamazoo Regional Educational Service Agency and for special capital outlay expenditures in connection with educational and work training programs designed to develop job skills. The Organization changed its name from the Kalamazoo Valley Intermediate School District Foundation to the Kalamazoo Regional Educational Service Agency Foundation effective August 7, 1997 by amendment of the bylaws.

Statement of Significant Accounting Policies

Method 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 and cash equivalents – 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.

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.

**Kalamazoo Regional Educational
Service Agency Foundation
Notes To Financial Statements
June 30, 2022**

Statement of Significant Accounting Policies (continued)

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.

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, 2022, 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, 2022, the Organization's federal return generally remains open for the last three years.

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 Financial Statements
June 30, 2022**

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 and cash equivalents	\$ 62,501
Investments - current	<u>306,287</u>
Total	<u>\$ 368,788</u>

Net Assets - With Donor Restrictions

Employee Development

The Organization has received funds which have been matched by the Kalamazoo Regional Educational Services Agency Board 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. These funds are being matched by the Kalamazoo Regional Educational Service Agency Foundation's Board 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.

**Kalamazoo Regional Educational
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Notes To Financial Statements
June 30, 2022**

Net Assets - With Donor Restrictions (continued)

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 General 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. The Organization will notify each donor as to the value of their scholarship prior to the presentation. If the value falls short of the amount desired, the donor will be given an opportunity to make a contribution that would bridge the gap. The accumulated unspent earnings are tracked separately from the original gift.

The following named scholarships were awarded in the current year:

Myra L. Jackson Memorial Scholarship	\$ 500
KRESA Board of Education	750
Walter B. Forbes Aviation Scholarship	800
Burdick-Thorne Foundation Scholarship	1,250
Dr. Robert and Ruth VanderRoest Scholarship	500
Barbara Hawthorne EFA Directors Scholarship	500
Gary P. and Logan L. Brown Scholarship	500
Gary Rice Memorial Scholarship	250
Bronson Methodist Hospital Gayl F. Werme Memorial Scholarship	500
Irving S. Gilmore Gayl F. Werme Scholarship	500
Quota Club of Kalamazoo	250
Irv and Alberta Cumming Scholarship	250
W. Jack and Dr. Nanette Keiser Scholarship	1,000
Jeanne Webster Memorial	500
Kalamazoo Fabri-Kal Foundation	250
Eaton Corporation	250
David Haan and Stephanie Hirdning Student Adventure Fund Scholarship	250
Larry and Rose Wile Scholarship	4,500
Miller Davis	750
Dr. W. Craig and Diane Misner, Ed. D. Scholarship	500
Paul and Betts Wollam/Stephanie Jo Harris Scholarship	740
Rex and Ken Forgotten Heroes Pride of Scotts	4,000
Robert C. Thompson Memorial Scholarship	500
The Sergeant Lisa Zuk Memorial Scholarship	1,000
Stairway to a Career	514
Tom and Marsha Connor Scholarship	600
Tammi Mallos Memorial Scholarship	1,500
Kell Memorial Scholarship	500
Education for Employment Retired Staff Scholarship	269
Home Builders Association of Greater Kalamazoo Scholarship	1,150
Tele-City Communications Highway Scholarship	250
Jack and Sue Martin Scholarship	1,000
Nate Pollard Memorial Scholarship	521
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Total scholarships awarded	\$ 27,094

**Kalamazoo Regional Educational
Service Agency Foundation
Notes To Financial Statements
June 30, 2022**

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.

	<u>Available to Spend</u>	<u>Principal Endowment</u>	<u>Restricted Endowment Total</u>
Endowment net assets, beginning of year	\$ 236,930	524,482	761,412
Contributions	27,209	45,042	72,251
Investment income	28,130	-	28,130
Realized gain (loss) on investments	-	-	-
Unrealized gain (loss) on investments	(129,742)	-	(129,742)
Amounts appropriated for expenditure	<u>(36,403)</u>	<u>-</u>	<u>(36,403)</u>
Endowment net assets, end of year	<u>\$ 126,124</u>	<u>569,524</u>	<u>695,648</u>

	<u>Available to Spend</u>	<u>Principal Endowment</u>	<u>Board Designated Endowment Total</u>
Endowment net assets, beginning of year	\$ -	311,048	311,048
Contributions	-	50	50
Investment income	13,794	-	13,794
Realized gain (loss) on investments	-	-	-
Unrealized gain (loss) on investments	(60,283)	-	(60,283)
Amounts appropriated for expenditure	-	-	-
Additional designated funds	<u>46,489</u>	<u>-</u>	<u>46,489</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>311,098</u>	<u>311,098</u>

**Kalamazoo Regional Educational
Service Agency Foundation
Notes To Financial Statements
June 30, 2022**

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. The total of the fund at June 30, 2022 was \$114,825.

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, 2022, the Organization had no uninsured cash balances.

Fair Values of Financial Instruments

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.

Fixed income, equities, real estate investments, alternative strategies and publicly traded mutual funds - determined by reference to quoted market prices and other relevant information generated by market transactions.

	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)
Mutual funds	\$ 1,186,909	1,186,909	1,186,909	-
Investment at foundation	<u>10,004</u>	<u>10,004</u>	<u>-</u>	<u>10,004</u>
Total	<u>\$ 1,196,913</u>	<u>1,196,913</u>	<u>1,186,909</u>	<u>10,004</u>

**Kalamazoo Regional Educational
Service Agency Foundation
Notes To Financial Statements
June 30, 2022**

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, 2022:

	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Net Unrealized Appreciation (Depreciation)</u>
Mutual funds	\$ 1,187,809	1,186,909	(900)
Investment at foundations	<u>10,004</u>	<u>10,004</u>	<u>-</u>
Total	<u>\$ 1,197,813</u>	<u>1,196,913</u>	<u>(900)</u>

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended June 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Investment income	\$ 25,753	28,130	53,883
Realized gain (loss) on sale of investments	-	-	-
Unrealized gain (loss) on investments	(113,149)	(129,742)	(242,891)
Change in beneficial interest in assets held by community foundations	<u>(1,063)</u>	<u>-</u>	<u>(1,063)</u>
	<u>\$ (88,459)</u>	<u>(101,612)</u>	<u>(190,071)</u>

Subsequent Event

The global coronavirus disease (COVID-19) pandemic, continues subsequent to the end of the fiscal year and could have a negative financial impact on the organization. As organizations and individuals take significant and unprecedented measures to mitigate the consequences of the pandemic, the financial impact on future operations cannot be reasonably estimated at this time. No adjustments have been made to these financial statements as a result of this uncertainty.