

KALAMAZOO FOUNDATION FOR EXCELLENCE
REPORT ON FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Kalamazoo Foundation For Excellence
Kalamazoo, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Kalamazoo Foundation For Excellence (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Kalamazoo Foundation For Excellence as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Manes Costeiran PC

March 13, 2020

**KALAMAZOO FOUNDATION FOR EXCELLENCE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019**

| | |
|--|-----------------------------|
| ASSETS | |
| Current assets | |
| Cash | \$ 16,655 |
| Contributions receivable | <u>28,119</u> |
| TOTAL ASSETS | <u><u>\$ 44,774</u></u> |
| LIABILITIES AND NET ASSETS | |
| Current liabilities | |
| Accounts payable | \$ 501 |
| Due to City of Kalamazoo | <u>500</u> |
| TOTAL LIABILITIES | 1,001 |
| Net assets | |
| With donor restrictions - purpose restricted | <u>43,773</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 44,774</u></u> |

See accompanying notes to financial statements.

**KALAMAZOO FOUNDATION FOR EXCELLENCE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

| | Without donor restrictions | With donor restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|-----------|
| SUPPORT AND REVENUE | | | |
| Contributions | \$ - | \$ 6,889 | \$ 6,889 |
| Net assets released from restrictions | 562 | (562) | - |
| TOTAL SUPPORT AND REVENUE | 562 | 6,327 | 6,889 |
| EXPENSES | | | |
| Supporting services | | | |
| General and administrative | 562 | - | 562 |
| CHANGE IN NET ASSETS | - | 6,327 | 6,327 |
| Net assets, beginning of year | - | 37,446 | 37,446 |
| Net assets, end of year | \$ - | \$ 43,773 | \$ 43,773 |

See accompanying notes to financial statements.

**KALAMAZOO FOUNDATION FOR EXCELLENCE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

| | <u>Program Services</u> | | | <u>Supporting Services</u> | <u>Total Expenses</u> |
|-----------|-----------------------------------|----------------------------------|---------------------------------------|---------------------------------------|---------------------------|
| | <u>Operational Assistance</u> | <u>Aspirational Projects</u> | <u>Total Program Services</u> | <u>General and Administrative</u> | |
| Bank fees | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 562</u> | <u>\$ 562</u> |

See accompanying notes to financial statements.

**KALAMAZOO FOUNDATION FOR EXCELLENCE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019**

| | |
|---|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Change in net assets | \$ 6,327 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | |
| Decrease in: | |
| Contributions receivable | (34) |
| Increase in: | |
| Accounts payable | <u>55</u> |
| NET INCREASE IN CASH | 6,348 |
| Cash, beginning of year | <u>10,307</u> |
| Cash, end of year | <u><u>\$ 16,655</u></u> |

See accompanying notes to financial statements.

**KALAMAZOO FOUNDATION FOR EXCELLENCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - NATURE OF THE ORGANIZATION

The mission of Kalamazoo Foundation For Excellence (the Foundation) is to “support the goals of the City of Kalamazoo, fund aspirational investments in the City, and empower Kalamazoo residents to achieve the lives they want for themselves and their families.”

The Foundation was created to help the City of Kalamazoo accomplish priorities established, from time to time, by the City Commission to set the course for the City of Kalamazoo’s future direction, to provide budget stability to the City resulting from the City’s reduction of the ad valorem tax rate on property in addition to the reduction of payments received from the State, to provide for aspirational projects which the City of Kalamazoo wishes to undertake, and to perform any activities that may assist in exploring budgetary savings of the City or assisting the City which would be the best way to utilize the grants transferred to the City from the Foundation. The majority of the Foundation’s revenue is from donations received from the general public.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Foundation’s accounting policies conform to U.S. generally accepted accounting principles (GAAP) as applicable to nonprofit entities. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing nonprofit accounting and financial reporting principles.

The following is a summary of the significant accounting policies of the Foundation:

Basis of accounting - The Foundation utilizes the accrual method of accounting, which recognizes income when earned and expenses when incurred.

Cash - Cash consists of a checking account.

Contributions receivable - Contributions receivable consists mainly of amounts due for contributions that have been collected by the City of Kalamazoo but not yet remitted to the Foundation.

Net assets - Net assets, revenues, gains and losses are classified 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 grantor restrictions. The Foundation has no net assets without donor restrictions at December 31, 2019.

Net assets with donor restrictions - Net assets subject to donor (or grantor) imposed restrictions. 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 the donor stipulates that resources are maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished. At December 31, 2019, all of the Foundation’s net assets were subject to donor restrictions.

**KALAMAZOO FOUNDATION FOR EXCELLENCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and revenue recognition - Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are recognized when the conditions on which they depend have been substantially met.

Functional expense allocation - The costs of providing program and other activities have been reported in the statement of activities. The statement of functional expenses presents the natural classification of expenses that are allocated to program or supporting functions of the Foundation. Allocated expenses will primarily consist of personnel costs, professional fees, and general expenses based on an analysis of wages and management's estimated use of resources. For the year ended December 31, 2019, the Foundation had only supporting services expenses.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Subsequent events - In preparing these financial statements, the Foundation's management has evaluated events and transactions for potential recognition or disclosure through March 13, 2020, the date the financial statements were available to be issued.

NOTE 3 - TAX STATUS

The Foundation is exempt from U.S. federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for tax on "unrelated business income", as defined. The Foundation is not classified as a private foundation. No provision for U.S. income taxes is required.

In preparation of tax returns, tax positions are taken based on interpretation of income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been recorded in the financial statements as uncertain positions. Tax returns generally remain open for examination by the various taxing authorities for a period of three to four years.

NOTE 4 - LIQUIDITY AND AVAILABILITY

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures.

**KALAMAZOO FOUNDATION FOR EXCELLENCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - LIQUIDITY AND AVAILABILITY (continued)

The following table reflects the Foundation’s financial assets as of December 31, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date. Amounts appropriated from net assets with donor restrictions with one year of the date of the statement of financial position are considered available.

| | | |
|---|----|---------------------|
| Financial assets available at year-end | | |
| Cash | \$ | 16,655 |
| Contributions receivable | | <u>28,119</u> |
| Total financial assets available at year-end | | 44,774 |
| Donor imposed restrictions | | |
| Less purpose restricted funds | | <u>(43,773)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | \$ | <u><u>1,001</u></u> |

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

NOTE 5 - CONTRIBUTIONS RECEIVABLE

At December 31, 2019, contributions receivable consisted of \$28,119 due from the City of Kalamazoo for contributions collected on behalf of the Foundation.

NOTE 6 - RELIANCE ON FUNDING SOURCES

The Foundation receives a substantial amount of their support from donations made by the general public. A significant reduction in the level of this support, if it were to occur, would have an effect on the Foundation’s programs and activities.

NOTE 7 - SUBSEQUENT EVENT

On March 3, 2020, the Foundation received contributions of stock valued at \$86,685,800 for the Foundation for Excellence Endowment Fund.