

Kalamazoo Valley Community College Foundation

Financial Statements

Year Ended June 30, 2025

Kalamazoo Valley Community College Foundation

Audited Financial Statements

Year Ended June 30, 2025

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Independent Auditor's Report

To the Board of Directors
Kalamazoo Valley Community College Foundation

Opinion

We have audited the financial statements of Kalamazoo Valley Community College Foundation and its subsidiary (collectively, the "Foundation"), which comprise the balance sheet as of June 30, 2025 and 2024 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2025 and 2024 and the changes in its net assets, cash flows, and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors
Kalamazoo Valley Community College Foundation

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

October 30, 2025

Kalamazoo Valley Community College Foundation

Balance Sheet

	June 30	
	2025	2024
Assets		
Cash (Note 1)	\$ 3,635,319	\$ 1,582,232
Marketable securities (Note 2)	29,100,736	25,932,010
Prepaid expenses	2,300	2,300
Pledges receivable (Note 4)	2,415,170	88,800
Total assets	\$ 35,153,525	\$ 27,605,342
Liabilities and Net Assets		
Liabilities		
Payable to Kalamazoo Valley Community College (Note 6)	\$ 952,972	\$ 842,654
Deferred revenue (Note 1)	41,832	43,500
Total liabilities	994,804	886,154
Net Assets		
Without donor restriction (Note 5)	9,858,022	8,926,163
With donor restriction (Note 5)	24,300,699	17,793,025
Total net assets	34,158,721	26,719,188
Total liabilities and net assets	\$ 35,153,525	\$ 27,605,342

See accompanying notes to financial statements.

Kalamazoo Valley Community College Foundation

Statement of Activities

	Year Ended June 30, 2025			Year Ended June 30, 2024		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
	Revenues					
Contributions of cash and other financial assets	\$ 267,504	\$ 4,780,361	\$ 5,047,865	\$ 243,468	\$ 290,594	\$ 534,062
Income from investments	419,876	548,579	968,455	301,377	404,068	705,445
Contributions of nonfinancial assets (Note 6)	206,829	-	206,829	213,065	-	213,065
Other income	9,900	-	9,900	8,625	-	8,625
Net gain from investments (Note 2)	970,812	1,384,854	2,355,666	1,340,464	1,774,594	3,115,058
Net assets released from restrictions:						
College scholarships and grants	95,081	(95,081)	-	80,904	(80,904)	-
Museum grants	111,039	(111,039)	-	129,484	(129,484)	-
Total revenues	<u>2,081,041</u>	<u>6,507,674</u>	<u>8,588,715</u>	<u>2,317,387</u>	<u>2,258,868</u>	<u>4,576,255</u>
Expenditures						
Program expenditures:						
Grants to Kalamazoo Valley Community College (Note 6)	784,824	-	784,824	642,149	-	642,149
Grants to Kalamazoo Valley Museum (Note 6)	111,039	-	111,039	129,484	-	129,484
Other:						
Management and general	43,939	-	43,939	50,677	-	50,677
Fundraising	209,380	-	209,380	208,564	-	208,564
Total expenditures	<u>1,149,182</u>	<u>-</u>	<u>1,149,182</u>	<u>1,030,874</u>	<u>-</u>	<u>1,030,874</u>
Change in Net Assets	931,859	6,507,674	7,439,533	1,286,513	2,258,868	3,545,381
Net Assets at Beginning of Year	<u>8,926,163</u>	<u>17,793,025</u>	<u>26,719,188</u>	<u>7,639,650</u>	<u>15,534,157</u>	<u>23,173,807</u>
Net Assets at End of Year	<u>\$ 9,858,022</u>	<u>\$ 24,300,699</u>	<u>\$ 34,158,721</u>	<u>\$ 8,926,163</u>	<u>\$ 17,793,025</u>	<u>\$ 26,719,188</u>

See accompanying notes to financial statements.

Kalamazoo Valley Community College Foundation
Statement of Functional Expenses

	2025			2024				
	Program Services	Management and General	Fundraising	Total Expenses	Program Services	Management and General	Fundraising	Total Expenses
College scholarships and grants	\$ 784,824	\$ -	\$ -	\$ 784,824	\$ 642,149	\$ -	\$ -	\$ 642,149
Museum grants	111,039	-	-	111,039	129,484	-	-	129,484
Salaries and related fringe benefits	-	23,343	170,710	194,053	-	31,873	161,819	193,692
Other	-	20,596	38,670	59,266	-	18,804	46,745	65,549
	<u>\$ 895,863</u>	<u>\$ 43,939</u>	<u>\$ 209,380</u>	<u>\$ 1,149,182</u>	<u>\$ 771,633</u>	<u>\$ 50,677</u>	<u>\$ 208,564</u>	<u>\$ 1,030,874</u>

See accompanying notes to financial statements.

Kalamazoo Valley Community College Foundation

Statement of Cash Flows

	Year Ended June 30	
	2025	2024
Cash Flows from Operating Activities		
Change in net assets	\$ 7,439,533	\$ 3,545,381
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net gain from security transactions	(2,355,666)	(3,115,058)
Noncash gift of stock	(501,183)	(25,029)
Contributions restricted for long-term investment	(169,041)	(209,489)
Changes in assets and liabilities:		
Prepaid expenses	-	(2,300)
Contributions receivable	(2,326,370)	(88,800)
Accounts payable to Kalamazoo Valley Community College	110,318	(127,403)
Deferred revenue	(1,668)	1,100
Net cash provided by (used in) operating activities	2,195,923	(21,598)
Cash Flows from Investing Activities		
Purchases of investments	(1,315,476)	(1,557,035)
Proceeds from sale of investments	1,003,599	994,320
Net cash used in investing activities	(311,877)	(562,715)
Cash Flows from Financing Activities -		
Contributions restricted for long-term investment	169,041	209,489
Net Increase (decrease) in Cash	2,053,087	(374,824)
Cash - Beginning of Year	1,582,232	1,957,056
Cash - End of Year	\$ 3,635,319	\$ 1,582,232

See accompanying notes to financial statements.

Kalamazoo Valley Community College Foundation

Notes to Financial Statements Years Ended June 30, 2025 and 2024

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

Kalamazoo Valley Community College Foundation (the "Foundation") was formed in 1980 to solicit, collect, and invest donations made for the promotion of educational activities at and on behalf of Kalamazoo Valley Community College (the "College").

Basis of Presentation

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Foundation to report information regarding its financial position and activities according to the following net asset classification:

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 Foundation. These net assets may be used at the discretion of the Foundation.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash

Cash on hand was \$3,635,319 and \$1,582,232 at June 30, 2025 and 2024, respectively. There was no restricted cash at June 30, 2025 and 2024.

Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheet.

Concentration of Credit Risk

The Foundation maintains balances at three banks. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Foundation evaluates the financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits.

Marketable Securities

Marketable securities are recorded at fair value based on quoted market price on the last day of the fiscal year. Realized gains and losses are determined using the specific identification method. Unrealized gains and losses are included in earnings. Donated marketable securities are recorded at fair value at the date of donation.

Deferred Revenue

Deferred revenue is composed of amounts received for a fundraising event set to take place after the Foundation's fiscal year end.

Kalamazoo Valley Community College Foundation

Notes to Financial Statements Years Ended June 30, 2025 and 2024

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the consolidated financial statements. Actual results could differ from those estimates.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the time gifts are received. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Pledges of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, creditworthiness of donors, the nature of the fundraising activity, and other relevant information.

Federal Income Taxes

The Foundation qualifies for exempt status for federal tax purposes under Section 501(c)(3) of the Internal Revenue Code. Therefore, it is not subject to tax under present federal and state tax laws. FSIC, LLC was a single-member limited liability company with the Foundation as the sole member. As a result, it is disregarded for tax purposes.

Functional Expenses

The Foundation is required to provide information about expenses by their functional classification. Functional classifications most likely to be used by the Foundation include grants to Kalamazoo Valley Community College, grants to Kalamazoo Valley Museum, fundraising, property management and rental, and other.

Grants to Kalamazoo Valley Community College result from distributions in support of student scholarships and grants and for grants made to the college in support of targeted initiatives, in congruence with the Foundation's mission. Grants to Kalamazoo Valley Museum result from distributions for museum programming and initiatives on behalf of donors. Fundraising and other expenses result from the costs of fundraising activities involved in soliciting gifts from donors and investment of Foundation funds. FSIC expenses result from its property management and rental activities.

Kalamazoo Valley Community College Foundation

Notes to Financial Statements Years Ended June 30, 2025 and 2024

Note 1 - Summary of Significant Accounting Policies (Continued)

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated are salaries and benefits. They are allocated on the basis of estimates of time and effort. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Subsequent Event

The financial statements and related disclosures include evaluation of events up through and including October 30, 2025, which is the date the financial statements were available to be issued.

Note 2 - Marketable Securities

Historical cost, market values, and unrealized appreciation of marketable securities as of June 30, 2025 and 2024 are summarized as follows:

Description	2025			2024		
	Cost	Market Value	Unrealized Gain	Cost	Market Value	Unrealized Gain
Mutual funds	<u>\$ 17,523,031</u>	<u>\$ 29,100,736</u>	<u>\$ 11,577,705</u>	<u>\$ 16,318,860</u>	<u>\$ 25,932,010</u>	<u>\$ 9,613,150</u>

Net gains from security transactions for the years ended June 30, 2025 and 2024 include net unrealized gains of \$1,964,555 and \$2,390,887, respectively, and net realized gains of \$391,111 and \$724,171, respectively.

Note 3 - Fair Value Measurements

The following table presents information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2025 and 2024 and the valuation techniques used by the Foundation to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities the Foundation has the ability to access. Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Foundation's policy is to recognize transfers in and transfers out of the Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer.

Kalamazoo Valley Community College Foundation

Notes to Financial Statements Years Ended June 30, 2025 and 2024

Note 3 - Fair Value Measurements (Continued)

Disclosures concerning assets measured at fair value on a recurring basis are as follows:

Fair Value Measurements at June 30, 2025

Assets	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2024
International Mutual Funds	\$ 4,106,948	\$ -	\$ -	\$ 4,106,948
Small Cap Growth Mutual Fund	1,459,468	-	-	1,459,468
Small Cap Value Mutual Fund	1,903,727	-	-	1,903,727
Intermediate-Term Bond Fund	4,307,676	-	-	4,307,676
Mid Cap Blend Mutual Fund	1,183,485	-	-	1,183,485
Large Cap Value Mutual Fund	3,458,473	-	-	3,458,473
Large Cap Growth Mutual Fund	2,863,481	-	-	2,863,481
Large Cap Blend Mutual Fund	6,648,752	-	-	6,648,752
Total	<u>\$ 25,932,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,932,010</u>

Fair Value Measurements at June 30, 2024

Assets	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2025
International Mutual Funds	\$ 4,788,156	\$ -	\$ -	\$ 4,788,156
Small Cap Growth Mutual Fund	1,533,095	-	-	1,533,095
Small Cap Value Mutual Fund	1,996,489	-	-	1,996,489
Intermediate-Term Bond Fund	5,104,855	-	-	5,104,855
Mid Cap Blend Mutual Fund	1,390,649	-	-	1,390,649
Large Cap Value Mutual Fund	3,923,030	-	-	3,923,030
Large Cap Growth Mutual Fund	3,249,080	-	-	3,249,080
Large Cap Blend Mutual Fund	7,115,382	-	-	7,115,382
Total	<u>\$ 29,100,736</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,100,736</u>

Note 4 - Pledges Receivable

The Foundation's pledges receivable consist of unconditional promises to give. The present value of pledges receivable is calculated using a discount rate of 3.68 percent for the year ended June 30, 2025, and is expected to be collected as follows:

	2025	2024
2025	\$ -	\$ 88,800
2026	1,366,666	-
2027	1,066,667	-
2028	11,528	-
2029	10,000	-
Total	<u>\$ 2,454,861</u>	<u>\$ 88,800</u>
Less discount to present value	<u>(39,691)</u>	<u>-</u>
Net present value	<u>\$ 2,415,170</u>	<u>\$ 88,800</u>

Kalamazoo Valley Community College Foundation

Notes to Financial Statements Years Ended June 30, 2025 and 2024

Note 5 - Net Assets

The Foundation's net assets without donor restrictions for the years ended June 30 are as follows:

	2025	2024
Undesignated	\$ 8,916,450	\$ 8,048,492
Quasi-endowment	941,572	877,671
Net assets without donor restrictions	<u>\$ 9,858,022</u>	<u>\$ 8,926,163</u>

The Foundation's net assets with donor restrictions for the years ended June 30 are as follows:

	2025	2024
Subject to Expenditure for Specified Purposes or Time:		
Scholarships and grants	\$ 5,051,354	\$ 470,651
Museum support	13,328,611	12,084,053
	<u>18,379,965</u>	<u>12,554,704</u>
Subject to the Foundation's Spending Policy and Appropriation:		
Investments in perpetuity (including amounts above original gift amount of \$2,339,217 and \$2,170,176 as of June 30, 2025 and 2024, respectively), which, once appropriated, is expendable to support:		
Scholarships and grants	5,920,734	5,238,321
Net assets with donor restrictions	<u>\$ 24,300,699</u>	<u>\$ 17,793,025</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, by occurrence of the passage of time, or other events specified by donors for the years ended June 30 as follows:

	2025	2024
Purpose Restrictions Accomplished:		
Scholarships and grants	\$ 23,155	\$ 16,844
Museum support	111,039	129,484
	<u>134,194</u>	<u>146,328</u>
Release of Appropriated Endowment Amounts with Purpose Restrictions - Scholarships and Grants	<u>71,926</u>	<u>64,060</u>
Total releases of donor restrictions	<u>\$ 206,120</u>	<u>\$ 210,388</u>

Note 6 - Related Party

Kalamazoo Valley Community College (KVCC or the "College") is a public two-year institution offering a broad array of pre-baccalaureate programs as well as non-collegiate programs and services. Some of these services include general education, employment skills training, student and community services, and economic development activities. During the years ended June 30, 2025 and 2024, the Foundation made grants and distributions to and on behalf of the College totaling \$784,824 and \$642,149, respectively.

In addition, the College provides certain limited services to the Foundation. The value of the provided services was \$206,829 and \$213,065 for the years ended June 30, 2025 and 2024, respectively, and is included on the statement of activities as contributions of nonfinancial assets and the corresponding management and general expense of \$23,343 and \$31,873 and fundraising expense of \$183,486 and \$181,192 as of June 30, 2025 and 2024, respectively.

Kalamazoo Valley Community College Foundation

Notes to Financial Statements Years Ended June 30, 2025 and 2024

Note 6 - Related Party (Continued)

The College has governance of the Kalamazoo Valley Museum (the "Museum"). During the years ended June 30, 2025 and 2024, the Foundation made grants and distributions to and on behalf of the Museum totaling \$111,039 and \$129,484, respectively.

The Foundation receives gifts and grants for the College as a "Recipient Agent" when the donor requires a 501(c)(3) organization as the recipient. Gifts and grants received by the Foundation as Recipient Agent are recorded as a liability to the College until the funds may be transferred. During the years ended June 30, 2025 and 2024, the Foundation received \$368,299 and \$52,743, respectively, as Recipient Agent for the College.

As of June 30, 2025 and 2024, the Foundation had program and fundraising payables due to KVCC \$952,972 and \$842,654, respectively.

Note 7 - Availability and Liquidity

The following reflects the Foundation's financial assets as of the balance sheet date, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing in the board designated endowment that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or board designated endowment for general expenditure within one year of the balance sheet date have not been subtracted as unavailable

	2025	2024
Financial Assets		
Cash	\$ 3,635,319	\$ 1,582,232
Marketable securities	29,100,736	25,932,010
Pledges receivable	1,366,665	88,800
	34,102,720	27,603,042
Less Those Unavailable for General Expenditures Within One Year, Due To:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(5,235,469)	(632,793)
Subject to appropriation and satisfaction of donor restrictions	(5,920,734)	(5,238,321)
Board designations:		
Quasi-endowment funds and funds functioning as endowments	(14,086,068)	(12,799,582)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 8,860,449	\$ 8,932,346

The Foundation is supported by a combination of restricted and unrestricted contributions. Because a donor's restrictions require resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. The general expenditures requiring liquidity for the Foundation are minimal. The Foundation has designated a significant portion of its assets to be quasi-endowed with the purpose of being able to provide steady and sustainable funding. In the event of an unanticipated liquidity need, the Foundation could draw upon its quasi-endowment funds.

Kalamazoo Valley Community College Foundation

Notes to Financial Statements Years Ended June 30, 2025 and 2024

Note 8 - Donor-restricted and Board-designated Endowments

Endowments include both donor-restricted endowment funds and funds designated by the Foundation Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Foundation Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Those funds listed as board-designated endowments represent funds designated by the Foundation Board to function as endowments. Those funds originally restricted by the donor for a specific purpose are with donor restriction and classified as funds functioning as endowments. The assets with donor restriction that the Foundation Board has designated as funds functioning as endowments are restricted for the Kalamazoo Valley Museum and are not currently needed due to other funding streams. The Foundation Board has determined to be prudent and has approved investing the restricted funds until needed for Museum operations and/or capital outlay.

Interpretation of Relevant Law

The Foundation Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 Foundation classifies as with donor restrictions (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 gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The long-term and short-term needs of the Foundation in carrying out its charitable purpose
- (2) The present and anticipated financial requirements of the Foundation
- (3) The expected total return on investments
- (4) Price level trends
- (5) General economic conditions

Kalamazoo Valley Community College Foundation

Notes to Financial Statements Years Ended June 30, 2025 and 2024

Note 8 - Donor-restricted and Board-designated Endowments (Continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2025

Type of Fund	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endow ment:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 2,339,217	\$ 2,339,217
Accumulated investment gains	-	3,581,517	3,581,517
Funds functioning as an endow ment	-	13,144,496	13,144,496
Board-designated endow ment	941,572	-	941,572
Total	<u>\$ 941,572</u>	<u>\$ 19,065,230</u>	<u>\$ 20,006,802</u>

Changes in Endowment Net Assets for Fiscal Year ended June 30, 2025

Type of Fund	Without Donor Restrictions	With Donor Restrictions	Total
Endow ment net assets - Beginning of year	\$ 877,671	\$ 17,160,232	\$ 18,037,903
Investment income, including realized gains	38,850	757,481	796,331
Net appreciation in market value	59,551	1,155,628	1,215,179
Appropriation of endow ment net assets for expenditures	(34,500)	(177,152)	(211,652)
Contributions	-	169,041	169,041
Endow ment net assets - End of year	<u>\$ 941,572</u>	<u>\$ 19,065,230</u>	<u>\$ 20,006,802</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2024

Type of Fund	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endow ment:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 2,170,176	\$ 2,170,176
Accumulated investment gains	-	3,068,145	3,068,145
Funds functioning as an endow ment	-	11,921,911	11,921,911
Board-designated endow ment	877,671	-	877,671
Total	<u>\$ 877,671</u>	<u>\$ 17,160,232</u>	<u>\$ 18,037,903</u>

Changes in Endowment Net Assets for Fiscal Year ended June 30, 2024

Type of Fund	Without Donor Restrictions	With Donor Restrictions	Total
Endow ment net assets - Beginning of year	\$ 796,770	\$ 14,987,612	\$ 15,784,382
Investment income, including realized gains	43,079	808,332	851,411
Net appreciation in market value	71,822	1,348,093	1,419,915
Appropriation of endow ment net assets for expenditures	(34,000)	(193,294)	(227,294)
Contributions	-	209,489	209,489
Endow ment net assets - End of year	<u>\$ 877,671</u>	<u>\$ 17,160,232</u>	<u>\$ 18,037,903</u>

Kalamazoo Valley Community College Foundation

Notes to Financial Statements Years Ended June 30, 2025 and 2024

Note 8 - Donor-restricted and Board-designated Endowments (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature would be reported in net assets with donor restrictions.

As of June 30, 2025 and 2024, no such deficiencies existed.

Return Objectives and Risk Parameters

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. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Foundation Board, the endowment assets are invested in a manner that is intended to produce the following results:

1. Capital growth over the long term consistent with the preservation of capital;
2. To achieve the highest possible total return commensurate with the moderate level of risk assumed, over a three- to five-year cycle; and,
3. To accommodate a planned distribution according to the spending rule.

Strategies Employed for Achieving Objectives

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 interest and dividends. The Foundation targets a diversified asset allocation, placing a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation appropriates for distribution each year endowment funds pursuant to donor agreements. In establishing donor agreements, the Foundation considers the long-term expected return on its investments. Accordingly, over the long term, the Foundation expects donor-restricted funds to maintain their purchasing power as well as to provide additional real growth through new gifts and investment return.

The Foundation utilizes a total return method distribution policy. The total return method allows for a long-term investment approach in order to achieve an expected rate of return greater than the total of the distribution rate, inflation rate, and custodian fees and which will maintain the purchasing power of the unrestricted balance. Under the total return concept, the Foundation utilized a 4.50 percent distribution rate based on a rolling average for 2025 and 2024, respectively. This distributable amount is made available for grants and foundation operations.