

KENNESAW STATE UNIVERSITY
RESEARCH AND SERVICE FOUNDATION, INC.
FINANCIAL STATEMENTS AND COMPLIANCE

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
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COMPLIANCE SECTION

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Report of Independent Auditor

To the Board of Directors
Kennesaw State University Research and Service Foundation, Inc.
Kennesaw, Georgia

Opinion

We have audited the accompanying financial statements of Kennesaw State University Research and Service Foundation, Inc. (the "Foundation"), which comprise the statements of net position as of June 30, 2022 and 2021, 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 performing an audit in accordance with generally accepted auditing standards, we:

- x Exercise professional judgment and maintain professional skepticism throughout the audit.
- x 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.
- x Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- x 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.
- x Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 audit, significant audit findings, and certain internal control related matters that we identified during the audits.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
 STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Current Assets:		
Cash	\$ 3,002,989	\$ 2,782,723
Investments	1,789,221	1,785,204
Grants receivable, net	575,053	495,402
Prepaid expenses	53,038	-
Total Assets	\$ 5,420,301	\$ 5,065,329

The accompanying notes to the financial statements are an integral part of these statements.

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Grants	\$ 6,198,366	\$ 172,463	\$ 6,370,829
Program service revenue	1,077,608	1,500	1,079,108
Royalties	728,262	-	728,262
Contributed nonfinancial assets	284,948	-	284,948
Interest income	5,635	-	5,635
Other income	289,826	-	289,826
Net assets released from restrictions	102,100	(102,100)	-
Total Revenues and Other Support	8,686,745	71,863	

The accompanying notes to the financial statements are an integral part of these statements.

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
STATEMENT OF ACTIVITIES

YEARS ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Grants	\$ 6,296,868	\$ 168,250	\$ 6,465,118
Program service revenue	580,877	-	580,877
Royalties	442,285	-	442,285
Contributed nonfinancial assets	256,719	-	256,719
Interest income	3,142	-	3,142
Other income	155,551	-	155,551
Net assets released from restrictions	229,128	(229,128)	-
Total Revenues and Other Support	<u>7,964,570</u>	<u>(60,878)</u>	<u>7,903,692</u>
Expenses:			
Program Services:			
Research grants, contracts, and other	7,027,336	-	7,027,336
Development of intellectual property	200,475	-	200,475
Total Program Services	<u>7,227,811</u>	<u>-</u>	<u>7,227,811</u>
Supporting Services:			
Management and general	161,824	-	161,824
Total Expenses	<u>7,389,635</u>	<u>-</u>	<u>7,389,635</u>
Change in net assets	574,935	(60,878)	514,057
Net assets, beginning of year	<u>1,017,075</u>	<u>515,933</u>	<u>1,533,008</u>
Net assets, end of year	<u>\$ 1,592,010</u>	<u>\$ 455,055</u>	<u>\$ 2,047,065</u>

The accompanying notes to the financial statements are an integral part of these statements.

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Research Grants and Contracts	Development of Intellectual Property	Total Program Services	Supporting Services Management and General	Total
Expenses:					
Advertising	\$ 2,330	\$ -	\$ 2,330	\$ -	\$ 2,330
Bank fees	-	-	-	1,179	1,179
Consultants/honorariums	77,496	-	77,496	-	77,496
Dues and subscriptions	700	-	700	4,693	5,393
Gifts and contributions	377,569	-	377,569	-	377,569
Management fee	4,499	-	4,499	-	4,499
Insurance	-	-	-	4,461	4,461
Legal and accounting	-	40,764	40,764	22,901	63,665
Licenses and permits	49,375	-	49,375	-	49,375
Materials and supplies	2,359	-	2,359	1,462	3,821
Meals and entertainment	45,634	-	45,634	-	45,634
Miscellaneous	6,398	-	6,398	11,144	17,542
Printing	564	-	564	-	564
Registration fees	55	-	55	-	55
Rent	5,640	-	5,640	-	5,640
Grants and contracts subcontracted to KSU	8,048,860	-	8,048,860	-	8,048,860
Donated salaries	94,982	94,983	189,965	94,983	284,948
Travel	111	-	111	1,320	1,431
Royalties	762,355	-	762,355	-	762,355
Bad debt	-	-	-	54,639	54,639
Total Expenses	\$ 9,478,927	\$ 135,747	\$ 9,614,674	\$ 196,782	

The accompanying notes to the financial statements are an integral part of these statements.

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services		Total Program Services	Supporting	Total
	Research Grants and Contracts	Development of Intellectual Property		Services Management and General	
Expenses:					
Advertising	\$ 489	\$ -	\$ 489	\$ -	\$ 489
Bank fees	-	-	-	1,216	1,216
Consultants/honorariums	301,558	-	301,558	-	301,558
Dues and subscriptions	36,673	-	36,673	4,401	41,074
Gifts and contributions	112,620	-	112,620	-	112,620
Management fee	24,729	-	24,729	-	24,729
Information technology services	-	-	-	2,500	2,500
Insurance	-	-	-	5,754	5,754
Legal and accounting	-	115,749	115,749	18,151	133,900
Licenses and permits	18,837	-	18,837	-	18,837
Materials and supplies	223	-	223	228	451
Meals and entertainment	466	-	466	-	466
Miscellaneous	9,214	-	9,214	31,300	40,514
Postage	40	-	40	9	49
Printing	2,147	-	2,147	-	2,147
Registration fees	50	-	50	-	50
Rent	2,540	-	2,540	-	2,540
Grants and contracts subcontracted to KSU	5,986,298	-	5,986,298	-	5,986,298
Donated salaries	84,727	84,726	169,453	84,726	254,179
Royalties	446,725	-	446,725	-	446,725
Bad debt	-	-	-	13,539	13,539
Total Expenses	<u>\$ 7,027,336</u>	<u>\$ 200,475</u>	<u>\$ 7,227,811</u>	<u>\$ 161,824</u>	<u>\$ 7,389,635</u>

The accompanying notes to the financial statements are an integral part of these statements.

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
 STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,052,848)	\$ 514,057
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Net change in:		
Grants receivable	(79,651)	(219,292)
Prepaid expenses	(53,038)	1,164
Accounts payable	731,940	103,540
Deferred revenue	<u>677,880</u>	<u>(319,363)</u>
Net cash flows from operating activities	<u>224,283</u>	80,106
Cash flows from Investing activities:		
Purchases of investments and reinvested earnings	<u>(4,017)</u>	(1,442)
Net change in cash and cash equivalents	220,266	78,664
Cash and cash equivalents, beginning of year	<u>2,782,723</u>	2,704,059
Cash and cash equivalents, end of year	<u>\$ 3,002,989</u>	\$ 2,782,723

The accompanying notes to the financial statements are an integral part of these statements.

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 1—Organization and summary of significant accounting policies

Kennesaw State University Research and Service Foundation, Inc. (the “Foundation”) was established and incorporated as a non-profit organization in the state of Georgia in August 2005 to contribute to the educational, research and service functions of Kennesaw State University (the “University”). The Foundation secures gifts, contributions, and grants from individuals, private organizations, and public agencies and obtains contracts with such individuals or entities for the performance of sponsored research, development, education, or other programs by the various colleges, schools, departments, or other units of the University. Research grants awarded to the Foundation are primarily subcontracted to the University. At June 30, 2022 and 2021, there was \$2,022,709 and \$1,836,358, respectively, due to the University related to research grants awarded. The amounts are included in accounts payable on the statements of financial position.

Basis of Presentation – The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). This basis of accounting involves the application of accrual accounting; consequently, revenues are recognized when earned, and expenses are recognized when incurred.

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

Cash and Cash Equivalents – The Foundation maintains cash balances at a high quality financial institution. Cash balances are insured by the Federal Deposit Insurance Corporation (“FDIC”) for up to \$250,000. Cash balances often exceed the FDIC insurance limit; however, management does not believe it is exposed to significant credit risk on its account.

Fair Value of Financial Instruments – At June 30, 2022 and 2021, the carrying value of financial instruments such as cash, grants receivable, and accounts payable approximated their fair values due to the short-term maturity of these financial instruments.

Grants Receivable, Net – Grants receivable represents amounts due to the Foundation for research and service from various funding sources. An allowance for uncollectible receivables is provided based on management’s evaluation of potential uncollectible amounts at year-end. As of June 30, 2022 and 2021, the allowance for uncollectible receivables was \$118,022 and \$63,396, respectively.

Investments – The Foundation invests in Georgia Fund 1, an investment pool managed in trust by the Georgia Office of the State Treasurer.

Net Assets – Revenues and other support are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions. At times, the governing board may review its financial standing and designate sums from net assets without donor restrictions for specific operating activities.

Net Assets With Donor Restrictions – Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 1—Organization and summary of significant accounting policies (continued)

Revenue Recognition – Contributions are recognized when a donor makes a promise to give to the Foundation that is, in substance, unconditional. Do

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
 NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 3—Fair value measurements (continued)

Net Asset Value (“NAV”) – Valued at NAV of shares on the last trading day of the fiscal year, which is the basis for transactions at that date.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value on a recurring basis:

Investments in Georgia Fund 1 – Valued at the net asset value of shares held by the Foundation at year-end.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes the valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Foundation adopted the provisions of ASU 2009-12, Investments in Certain Entities That Calculate Net Asset Value per Share, for certain investments in funds that do not have readily determinable fair values. The guidance allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value, using net asset value per share or its equivalent. Net asset value, in many instances, may not equal fair value that would be calculated under the standards.

The fair values of the Foundation’s investment assets at June 30, 2022 and 2021 are as follows:

	June 30, 2022				
	Level 1	Level 2	Level 3	NAV	Total
Georgia Fund 1	\$ -	\$ -	\$ -	\$ 1,789,221	\$ 1,789,221

	June 30, 2021				
	Level 1	Level 2	Level 3	NAV	Total
Georgia Fund 1	\$ -	\$ -	\$ -	\$ 1,785,204	\$ 1,785,204

There were no unfunded commitments or specified redemption periods as of June 30, 2021 and 2020.

Note 4—Net assets with donor restrictions

Net assets with donor restrictions are contributions received to support the research of specified scientific investigators. These amounts result from contributions from granting agencies and other institutions, which provide support.

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

	2022	2021
Subject to expenditure for specified purpose:		
Research agreements - noncore purposes	\$ 526,918	\$ 455,055

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 5—Net assets released from restrictions

Net assets were released from restrictions during the years ended June 30, 2022 and 2021 by incurring expenses satisfying the restricted purpose of research and service as specified by donors and grantors. Net assets released from restrictions totaled \$102,100 and \$229,128 for the years ended June 30, 2022 and 2021, respectively.

Note 6—Contributed nonfinancial assets

The Foundation received the following contributions of nonfinancial assets for the years ended June 30:

Nonfinancial	Types of	Report
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COMPLIANCE SECTION

The Foundation's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Foundation's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Kennesaw State University Research and Service Foundation, Inc.
Kennesaw, Georgia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Kennesaw State University Research and Service Foundation, Inc.'s (the "Foundation") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the Foundation's major federal programs for the year ended June 30, 2022. The Foundation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance sedang-c

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- x Exercise professional judgment and maintain professional skepticism throughout the audit.
- x Identify and assess the risks of material noncompliance, 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 Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- x Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in W

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

	ProjectName	IdentifyingNumber	ALN#	TotalFederal Expenditures	Amount Provided to Subrecipients
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AmeriCorps Volunteers in Service to America Direct Awards	AmericorpsVISTA		94.013	\$ 10,712	\$ 10,712
			Total ALN #94.013	10,712	10,712

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KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

<u>Cluster/ Agency</u>	<u>Program</u>	<u>ProjectName</u>	<u>IdentifyingNumber</u>	<u>ALN#</u>	<u>TotalFederal Expenditures</u>	<u>Amount Provided to Subrecipients</u>
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KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Kennesaw State University Research and Service Foundation, Inc. (the “Foundation”) under programs of the

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses yes none reported

Noncompliance material to financial statements noted yes no

Federal Awards

Internal control over major federal programs:

- Material weakness identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses yes none reported

Noncompliance material to federal awards yes no

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

Assistance Listing #

Program Name

Various (listed by ALN number on the Schedule

Research and Development Cluster

TRIO Cluster

84.047

Upward Bound

Dollar threshold used to distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk auditee? yes no

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

Section II. Findings in Relation to the Audit of the Financial Statements

Significant Deficiency

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

During our testing of the Research and Development Cluster, we sampled 40 expenditures. The sample was not intended to be and was not statistically valid. These 40 expenditures represented charges made on 20 federal awards. Payroll charges for 29 employees were selected for 9 of these federal awards. Our review of the Time and Effort Certifications resulted in the following:

- x Certifications were not completed for four (4) employees who had charges on two (2) projects in our sample.

- x For all the Time and Effort Certifications reviewed, the percentages of effort being certified were calculated based on the date the payroll charges were made or adjusted. If adjustments from a prior period were posted to a subsequent period, the percentage of effort for the period being certified were distorted and did not truly reflect the percentage of effort for the current term being certified.

QUESTION COSTS:

\$2,100 – calculated as the total payroll of the sampled payroll expenditures for which no Time and Effort Certification was completed.

CAUSE:

The Foundation does not have a system of process and controls in place to ensure all payroll certifications are completed.

EFFECTS:

Effort reporting is a federal compliance requirement. Lack of time and effort certifications could result in expenditures of federal awards for unallowable purposes.

RECOMMENDATIONS:

We recommend all payroll charges and adjustments to payroll charges be assigned a pay period. Time and Effort Certifications should include data based on these pay periods, and not the general ledger posting period. We also recommend the Time and Effort Certifications be prepared for each employee who had time charged to any federal program or cost shared to any federal program, rather than prepared for each federal award. The Foundation should then implement policies and control procedures to ensure time and

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
SUMMARY OF SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2022

Finding 2021-001 Timing of Revenue Recognition

Condition:

