

**SOUTHERN POLYTECHNIC APPLIED
RESEARCH CORPORATION**

FINANCIAL REPORT

JUNE 30, 2015

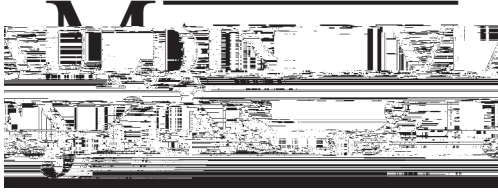
SOUTHERN POLYTECHNIC APPLIED RESEARCH CORPORATION

**FINANCIAL REPORT
JUNE 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

**To the Audit Committee of the Board of Directors
Southern Polytechnic Applied Research Corporation
Marietta, Georgia**

Report on the Financial Statements

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Polytechnic Applied Research Corporation as of June 30, 2015, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, on pages 3-5, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2016, on our consideration of SPARC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of

SOUTHERN POLYTECHNIC APPLIED RESEARCH CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The Southern Polytechnic Applied Research Corporation ("SPARC") was incorporated under the laws of the state of Georgia as a nonprofit corporation May 11, 2011. SPARC qualifies as a tax exempt Corporation under Section 501(c) (3) of the Internal Revenue Code. Fiscal activities of SPARC began on July 1, 2011.

SPARC operates as a cooperative organization of Southern Polytechnic State University (SPSU) under a Memorandum of Understanding with the Board of Regents of the State of Georgia.

SPARC was organized to fulfill broad scientific, literary, educational, and charitable purposes and operates to enhance the mission of SPSU of teaching, applied research, and public service.

SPARC contributed to the applied research function of SPSU by securing research contracts, grants, and awards from individuals, institutions, private organizations, and government agencies for the performance of applied research. SPARC administers grants and contracts to assure compliance with the Georgia Board of Regents, State, and Federal requirements as well as the terms of each specific grant or contract. SPARC also identified and managed Intellectual Property for SPSU that may have arisen as a result of work done under grants or contracts.

On January 6, 2015 the Georgia Board of Regents voted to consolidate Southern Polytechnic State University into Kennesaw State University with the financial consolidation completing on June 30, 2015. It is anticipated that the Southern Polytechnic Applied Research Corporation will resolve any outstanding issues and transfer all remaining Assets and Liabilities over to the Kennesaw State University Research and Service Corporation as voted and approved by both the SPARC and KSURSF Boards of Directors as soon as possible.

Description of the Financial Statements

The statement of net position, statement of revenues, expenses and changes in net position, and the statement of cash flows are designed to provide information which will assist in understanding the financial condition and performance of SPARC. SPARC's net position is one indicator of SPARC's financial health. Over time, increases or decreases in net position are one indicator of the changes in SPARC's financial condition when considered with other non-financial facts.

The statement of net position presents the assets, liabilities, and net position of SPARC.

The statement of revenues, expenses, and changes in net position presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or non-operating.

The statement of cash flows presents information in the form of cash inflows and outflows summarized by operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Statements of Net Position (Table 1)

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>
Assets:		
Current Assets	\$ 1,861,623	\$ 1,299,411
Total Assets	<u>\$ 1,861,623</u>	<u>\$ 1,299,411</u>
Liabilities:		
Current Liabilities	\$ 1,142,406	\$ 810,085
Total Liabilities	<u>1,142,406</u>	<u>810,085</u>
Net Position		
Unrestricted	<u>719,217</u>	<u>489,326</u>
Total Net Position	<u>719,217</u>	<u>489,326</u>
Total Liabilities and Net Position	<u>\$ 1,861,623</u>	<u>\$ 1,299,411</u>

Current assets consist of monies held at SunTrust Bank, petty cash and current accounts receivable.

Liabilities consist of accounts payable that are largely composed of monies due to the University for subaward dollars not yet invoiced but currently due. Liabilities also include deferred revenue: Income received in Fiscal Year 2015 but not recognizable until Fiscal Year 2016 in the form of prepaid continuing education course registrations.

Net position represents the difference between SPARC's assets and liabilities.

The condensed statement of revenues, expenses and changes in net position is shown below:

Statements of Revenues, Expenses and Changes in Net Position (Table 2)

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>
Operating revenues:		
Program fees	\$ -	\$ 29,118

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Operating revenues consist primarily of sponsored research and sales and service. At this time SPARC does not have any investment assets or intellectual property holdings.

Operating assets consist primarily of sponsored research and sales and service.

Operating expenses primarily are subawards to the University, Professional services; Contractual to SPSU (ELS Program); consultants, administration expenses (postage, Insurance, IT, Dues and Subscriptions) and other expenses.

The condensed statement of cash flows is shown below:

Statement of Cash Flows (Table 3)

	<u>Year ended June 30, 2015</u>	<u>Year ended June 30, 2014</u>
Net cash provided by (used in) operating activities	\$ <u>691,223</u>	\$ <u>(300,324)</u>
Cash and cash equivalents, Beginning of year	484,593	784,917

Assets

Current assets		
Cash	\$	1,175,816
Accounts receivable		685,807
Total current assets		1,861,623
Total assets	\$	1,861,623

Liabilities and Net Position

Current liabilities
 Accounts payable

**SOUTHERN POLYTECHNIC APPLIED
RESEARCH CORPORATION**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2015**

Revenues and other support	
Federal grant revenue	\$ 1,503,187
State grant revenue	328,006
Contractual private	462,225
Other revenues	<u>99,043</u>
Total revenues and other support	<u>2,392,461</u>
Expenses	
Subawards	821,336
Payments to and on behalf of KSU	1,256,541
Management and general	<u>84,693</u>
Total expenses	<u>2,162,570</u>
Change in net position	229,891
Net position, beginning of year	<u>489,326</u>
Net position, end of year	<u><u>\$ 719,217</u></u>

See Notes to Financial Statements.

**SOUTHERN POLYTECHNIC APPLIED
RESEARCH CORPORATION**

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015**

OPERATING ACTIVITIES

Change in net position	\$	229,891
Net change in:		
Accounts receivable		129,011
Accounts payable		52,244
Due to related parties		226,581
Other liabilities		53,496
		<hr/>
Net cash provided by operating activities		691,223
		<hr/>
Increase in cash		691,223
Cash, beginning of year		484,593
		<hr/>
Cash, end of year	\$	<u><u>1,175,816</u></u>

See Notes to Financial Statements.

SOUTHERN POLYTECHNIC APPLIED RESEARCH CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

The Research Corporation's net position is unrestricted. Unrestricted amounts are not subject to donor or other stipulations imposed by outside sources.

Revenue Recognition

Revenue from sponsored research is recognized as expenditures are made for approved research

NOTES TO FINANCIAL STATEMENTS

NOTE 4. SUMMARY OF SPONSORED RESEARCH ACTIVITY

The activity for sponsored research awarded to the Research Corporation is summarized for the year ended June 30, 2015 as follows:

Sponsored research awarded but not recognized - beginning of year	\$ 4,467,720
Sponsored research awarded during the year (including facilities and administrative cost reimbursements)	577,076
Sponsored research recognized during the year (including facilities and administrative cost reimbursements)	<u>(2,338,553)</u>
Sponsored research awarded but not recognized – end of year	<u>\$ 2,706,243</u>

The total number of sponsored research awards was thirty for the year ended June 30, 2015. The \$2,338,553 of sponsored research recognized during the year is included in federal grant revenue, state grant revenue, contractual private, and partially in other revenues on the Statement of Revenues, Expenses and Changes in Net Position.

Research & Development Cluster

Environmental Protection Agency

National Student Design Competition for Sustainability	66.516	\$	7,400
Total Environmental Protection Agency			7,400

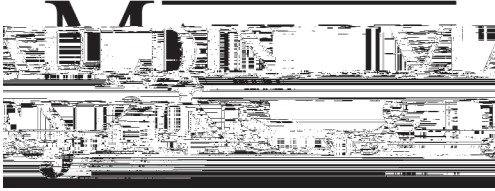
National Science Foundation

I-Corps	47.041		44,182
Louis Stokes Alliances for Minority Participation	47.076		88,367
Collaborative Research : Portable Laboratory	47.076		4,895
Strengthening the STEM Pipeline	47.076		43,952
Mobile Threat Analysis	47.076		12,473
Mobile Security	47.076		21,491
Total National Science Foundation			215,360

Department of Transportation

Passthrough : Governor's Office of Highway Safety

State Planning and Research Program : Development of Guidelines for Selection of Finer Graded Aggregate Base for Georgia Pavements	20.505		14,155
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**To the Audit Committee of the Board of Directors
Southern Polytechnic Applied Research Corporation**

Compliance and Other Matters

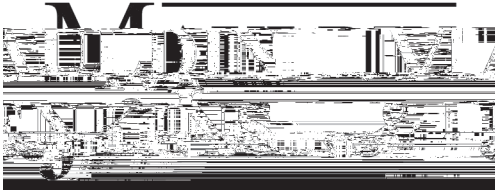
As part of obtaining reasonable assurance about whether Southern Polytechnic Applied Research Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "M. O. ...", is written over a horizontal line. The signature is somewhat stylized and partially obscured by the line.

Atlanta, Georgia
February 18, 2016



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

**To the Audit Committee of the Board of Directors
Southern Polytechnic Applied Research Corporation
Marietta, Georgia**

Report on Compliance for Each Major Federal Program

We have audited Southern Polytechnic Applied Research Corporation's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Southern Polytechnic Applied Research Corporation's major federal programs for the year ended June 30, 2015. Southern Polytechnic Applied Research Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Southern Polytechnic Applied Research Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southern Polytechnic Applied Research Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Southern Polytechnic Applied Research Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, Southern Polytechnic Applied Research Corporation complied, in all material respects, with the types of 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, 2015.

Report on Internal Control Over Compliance

Management of Southern Polytechnic Applied Research Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Southern Polytechnic Applied Research Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southern Polytechnic Applied Research Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not

SOUTHERN POLYTECHNIC APPLIED RESEARCH CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
YEAR ENDED JUNE 30, 2015

II. FINANCIAL STATEMENT FINDINGS

NONE REPORTED

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE REPORTED

SOUTHERN POLYTECHNIC APPLIED RESEARCH CORPORATION
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

II. FINANCIAL STATEMENT FINDINGS

NONE REPORTED

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE REPORTED