

**KENNESAW STATE UNIVERSITY
RESEARCH AND SERVICE FOUNDATION, INC.**

FINANCIAL STATEMENTS AND COMPLIANCE

As of and for the Years Ended June 30, 2021 and 2020

And Report of Independent Auditor

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR 1-2

FINANCIAL STATEMENTS

Statements of Financial Position..... 3
Statements of Activities..... 4-5
Statements of Functional Expenses 6-7
Statements of Cash Flows 8
Notes to the Financial Statements 9-13

COMPLIANCE SECTION

Report of Independent Auditor 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*..... 14-15

Report of Independent Auditor on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance..... 16-17

Schedule of Expenditures of Federal Awards..... 18-21
Notes to Schedule of Expenditures of Federal Awards 22
Schedule of Findings and Questioned Costs..... 23-27
Summary Schedule of Prior Year Audit Findings 28

Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Kennesaw State University Research and Service Foundation, Inc. (the "Foundation"), which comprise the statement of net position as of June 30, 2021, 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 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 the Kennesaw State University Research and Service Foundation, Inc. as of June 30, 2021, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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 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 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 December 7, 2021, on our consideration of Kennesaw State University Research and Service Foundation, Inc.'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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kennesaw State University Research and Service Foundation, Inc.'s internal control over financial reporting and compliance.

Prior Year Financial Statements

The financial statements of Kennesaw State University Research and Service Foundation, Inc. as of December 31, 2020, were audited by other auditors whose report dated September 18, 2020, expressed an unmodified opinion on those statements.



Augusta, Georgia

December 7, 2021, except for the schedule of expenditures of federal awards to which the date is March 8, 2022.

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

JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets:		
Cash	\$ 2,782,723	\$ 2,704,059
Investments	1,785,204	1,783,762
Grants receivable, net	495,402	276,110
Prepaid expenses	-	1,164
Total Assets	<u>\$ 5,063,329</u>	<u>\$ 4,765,095</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 2,036,609	\$ 1,933,069
Deferred revenue	979,655	1,299,018
Total Current Liabilities	<u>3,016,264</u>	<u>3,232,087</u>
 NET ASSETS		
Without donor restrictions	1,592,010	1,017,075
With donor restrictions	455,055	515,933
Total Net Assets	<u>2,047,065</u>	<u>1,533,008</u>
Total Liabilities and Net Assets	<u>\$ 5,063,329</u>	<u>\$ 4,765,095</u>

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

YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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
Donated services	256,719	-	256,719
Interest return, net	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	7,227,811	-	7,227,811
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	1,017,075	515,933	1,533,008
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 ACTIVITIES

YEARS ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Other Support:			
Contributions	\$ 122,500	\$ 13,750	\$ 136,250
Grants	5,667,700	479,697	6,147,397
Program service revenue	302,826	-	302,826
Royalties	195,206	-	195,206
Donated services	296,406	-	296,406
Interest income	67,145	-	67,145
Other income	16,329	-	16,329
Net assets released from restrictions	487,105	(487,105)	-
Total Revenues and Other Support	<u>7,155,217</u>	<u>6,342</u>	<u>7,161,559</u>
Expenses:			
Program Services:			
Research grants, contracts, and other	7,818,767	-	7,818,767
Development of intellectual property	188,886	-	188,886
Total Program Services	8,007,653	-	8,007,653
Supporting Services:			
Management and general	98,688	-	98,688
Total Expenses	<u>8,106,341</u>	<u>-</u>	<u>8,106,341</u>
Change in net assets	(951,124)	6,342	(944,782)
Net assets, beginning of year	<u>1,968,199</u>	<u>509,591</u>	<u>2,477,790</u>
Net assets, end of year	<u>\$ 1,017,075</u>	<u>\$ 515,933</u>	<u>\$ 1,533,008</u>

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

YEAR ENDED JUNE 30, 2021

	Program Services		Total Program Services	Supporting Services	Total
	Research Grants and Contracts	Development of Intellectual Property		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 (recoveries)	-	-	-	13,539	13,539
Total Expenses	\$ 7,027,336	\$ 200,475	\$ 7,227,811	\$ 161,824	\$ 7,389,635

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, 2020

	Program Services		Total Program Services	Supporting	Total
	Research Grants and Contracts	Development of Intellectual Property		Services Management and General	
Expenses:					
Advertising	\$ 2,938	\$ -	\$ 2,938	\$ -	\$ 2,938
Bank fees	11	-	11	1,162	1,173
Consultants/honorariums	78,250	-	78,250	61,452	139,702
Dues and subscriptions	10,765	-	10,765	4,138	14,903
Gifts and contributions	866,180	-	866,180	166	866,346
Management fee	14,863	-	14,863	-	14,863
Information technology services	-	-	-	1,750	1,750
Insurance	-	-	-	5,822	5,822
Legal and accounting	-	90,084	90,084	44,840	134,924
Licenses and permits	35,025	-	35,025	-	35,025
Materials and supplies	6,193	-	6,193	146	6,339
Meals and entertainment	13,747	-	13,747	5,629	19,376
Meetings	14,154	-	14,154	-	14,154
Miscellaneous	48,459	-	48,459	300	48,759
Postage	52	-	52	13	65
Printing	3,132	-	3,132	-	3,132
Registration fees	240	-	240	85	325
Rent	216	-	216	-	216
Grants and contracts subcontracted to KSU	6,339,074	-	6,339,074	-	6,339,074
Donated salaries	98,802	98,802	197,604	98,802	296,406
Travel	4,940	-	4,940	383	5,323
Royalties	281,726	-	281,726	-	281,726
Bad debt (recoveries)	-	-	-	(126,000)	(126,000)
Total Expenses	\$ 7,818,767	\$ 188,886	\$ 8,007,653	\$ 98,688	\$ 8,106,341

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 514,057	\$ (944,782)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Net change in:		
Grants receivable	(219,292)	1,282,061
Prepaid expenses	1,164	1,259
Accounts payable	103,540	(1,028,031)
Deferred revenue	(319,363)	29,822
Net cash flows from operating activities	<u>80,106</u>	<u>(659,671)</u>
Cash flows from Investing activities:		
Purchases of investments and reinvested earnings	<u>(1,442)</u>	<u>(26,327)</u>
Net change in cash and cash equivalents	78,664	(685,998)
Cash and cash equivalents, beginning of year	<u>2,704,059</u>	<u>3,390,057</u>
Cash and cash equivalents, end of year	<u>\$ 2,782,723</u>	<u>\$ 2,704,059</u>

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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, 2021 and 2020, 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. 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 Department of 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, 2021 and 2020, 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, 2021 and 2020, the allowance for uncollectible receivables was \$63,396 and \$64,101, 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, 2021 AND 2020

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. Donor-restricted contributions are reported as increases in net assets with donor restrictions or net assets without donor restrictions depending on the nature of the restrictions, or absence thereof. Revenues from non-exchange transactions, contributions and grants, may be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments) and are included in contributions and grants on the accompanying statements of activities. Revenues from conditional non-exchange transactions are recognized when the barrier is satisfied.

Contributions and grants are only reported as donor-restricted when the restriction is more specific than the broad limits resulting from the nature of the Foundation, the environment in which it operates, and the purposes specified in the Foundation's Articles of Incorporation and Bylaws

Revenue from research and service agreements is recognized based on the portion of work completed. Revenue from reimbursement basis grants is recognized as expenditures are made.

Deferred revenue represents funds received from reimbursement basis grants and research and service agreements prior to the Foundation incurring related reimbursable costs or prior to the Foundation completing associated performance obligations.

Income Tax – The Foundation is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and is classified as an organization which is not a private foundation under Section 509(a) of the U.S. Internal Revenue Code.

The Foundation accounts for uncertain tax positions in accordance with accounting standards that provide guidance on when uncertain tax positions are recognized in an entity's financial statements and how the values of these positions are determined. No liability has been recorded as of June 30, 2021 and 2020 due to uncertain tax positions.

Donated Services – Donated services are reflected as revenues and other support in the accompanying statements of activities at their estimated values at the date of receipt. Donated service expense, which represents salaries, wages, and rents paid by the University on behalf of the Foundation. Donated salaries totaled \$254,179 and \$296,406 for the years ended June 30, 2021 and 2020, respectively. Donated rent totaled \$2,540 and \$0 for the years ended June 30, 2021 and 2020.

Functional Allocation of Expenses –The cost of providing various programs and other activities has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include donated salaries and professional services, which are allocated on the basis of estimates of time and effort.

Future Accounting Pronouncements – In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires the Foundation to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. It also requires disaggregated disclosures of the contributed nonfinancial assets, as well as disclosure of certain qualitative information. The standard will be effective for the fiscal year ending June 30, 2022. The Foundation is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

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

JUNE 30, 2021 AND 2020

Note 2—Liquidity and availability of resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position dates, comprise the following at June 30, 2021 and 2020, respectively:

	2021	2020
Cash	\$ 2,782,723	\$ 2,704,059
Investments	1,785,204	1,783,762
Grants receivable, net	495,402	276,110
	5,063,329	4,763,931
Less net assets with donor restrictions	(455,055)	(515,933)
	<u>\$ 4,608,274</u>	<u>\$ 4,247,998</u>

The Foundation maintains all cash balances, including amounts in excess of daily requirements, in deposit accounts at major financial institutions and in an investment fund managed in trust by the Office of the State Treasurer.

Note 3—Fair value measurements

U.S. GAAP has established a framework for measuring fair value that provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NAV – Valued at the net asset value (“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.

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

JUNE 30, 2021 AND 2020

Note 3—Fair value measurements (continued)

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 NAV 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 methods are 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 NAV per share or its equivalent. NAV, 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, 2021 and 2020, are as follows:

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

	June 30, 2020				
	Level 1	Level 2	Level 3	NAV	Total
Georgia Fund 1	\$ -	\$ -	\$ -	\$ 1,783,762	\$ 1,783,762

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:

	2021	2020
Subject to expenditure for specified purpose:		
Research agreements - noncore purposes	\$ 455,055	\$ 515,933

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 5—Net assets released from restrictions

Net assets were released from restrictions during the years ended June 30, 2021 and 2020 by incurring expenses satisfying the restricted purpose of research and service as specified by donors and grantors. Net assets released from restrictions totaled \$229,128 and \$487,105 for the years ended June 30, 2021 and 2020, respectively.

Note 6—Commitments

Grants often require fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantor. Although the return of funds is a possibility, the Foundation deems the contingency unlikely as the Foundation has implicitly agreed to comply with the provisions of each grant received.

The Foundation may be party to legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the ultimate outcome of the claims and litigation, if any, will not have a material adverse effect on the Foundation's financial position.

Note 7—Effects of COVID-19 coronavirus

The worldwide spread of "COVID-19," a respiratory disease caused by a novel strain of coronavirus, has reached most areas in the State of Georgia and is considered a Public Health Emergency of International Concern by the World Health Organization. As part of a statewide response, the Board of Regents stopped in-person instruction at all campuses within the University System, including the University, on March 16, 2020 and commenced remote student instruction for the remainder of the 2019-2020 school year, including summer 2020. Beginning in Fall of 2020, KSU began to slowly resume in person instruction and research with a continued focus on safety and virtual communication when available.

During this period the Foundation halted on-campus research efforts, with few in progress as of June 30, 2020. Research returned to near normal activity on campus in the Fall of 2021 and continues to improve.

The University has developed a plan for operations for the current 2021-2022 academic year as part of a comprehensive system-wide planning initiative. In August 2021, the University began the fall semester on its campuses at normal capacity with health and safety measures in place, including, but not limited to, providing multiple COVID-19 testing and vaccinations locations for students, faculty and staff, encouraging face coverings while inside campus facilities, enhanced cleaning protocols, dedicated contact tracing staff, and isolation and quarantine procedures for residential students. The University and the University System will continue to monitor the situation and will make public health-informed decisions as deemed appropriate to help keep the University campus community safe.

The Foundation may continue to experience adverse impacts as a result of any continued duration, spread, and impact of the COVID-19 pandemic.

Note 8—Subsequent events

Management has evaluated events occurring through December 7, 2021, the date the financial statements were available to be issued.

COMPLIANCE SECTION

**Report of Independent Auditors 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 Board of Directors
Kennesaw State University Research and Service Foundation, Inc.
Kennesaw, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kennesaw State University Research and Service Foundation, Inc. (a nonprofit organization) (the “Foundation”), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 7, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation’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 financial statements. 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*.

Kennesaw State University Research and Service Foundation's Response to Findings

The Foundation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Cherry Beckant LLP

Augusta, Georgia

December 7, 2021, except for the schedule of expenditures of federal awards to which the date is March 8, 2022.

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

We have audited Kennesaw State University Research and Service Foundation, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Kennesaw State University Research and Service Foundation, Inc.'s major federal programs for the year ended June 30, 2021. Kennesaw State University Research and Service Foundation, Inc.'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Kennesaw State University Research and Service Foundation, Inc.'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 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). Those standards and the Uniform Guidance 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 Kennesaw State University Research and Service Foundation, Inc.'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 Kennesaw State University Research and Service Foundation, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Kennesaw State University Research and Service Foundation, Inc. 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, 2021.

Report on Internal Control over Compliance

Management of Kennesaw State University Research and Service Foundation, Inc. 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 Kennesaw State University Research and Service Foundation, Inc.'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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance, 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 Kennesaw State University Research and Service Foundation, Inc.'s internal control over compliance.

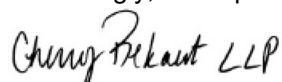
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2021-002 and 2021-003 that we consider to be significant deficiencies.

The Foundation's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Foundation is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Foundation's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Augusta, Georgia
March 8, 2022

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

Cluster/ Agency	Program	Project Name	Identifying Number	ALN #	Total Federal Expenditures	Amount Provided to Subrecipients
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION						
National Aeronautics and Space Administration Other Financial Assistance						
Pass-through from:						
	Phoenix Analysis & Design Technologies, Inc.	AperiodicLattice	80NSSC20C0021	43.OFA	\$ 38,047	\$ 35,341
Total ALN #43.OFA					38,047	35,341
Total National Aeronautics and Space Administration					38,047	35,341
HIGHWAY PLANNING & CONSTRUCTION CLUSTER						
DEPARTMENT OF TRANSPORTATION						
Highway Planning and Construction						
Pass-through from:						
	Georgia Institute of Technology	CONCDrillShaft	AWD-102495-G1	20.205	15,962	14,289
Total ALN #20.205					15,962	14,289
Total Department of Transportation					15,962	14,289
Total Highway Planning and Construction Cluster					15,962	14,289
HIGHWAY SAFETY CLUSTER						
DEPARTMENT OF TRANSPORTATION						
State and Community Highway Safety						
Pass-through from:						
	Governor's Office of Highway Safety	FY20	YA-2020-402 TSP-020	20.6	3,748	3,614
Total ALN #20.600					3,748	3,614
Total Department of Transportation					3,748	3,614
Total Highway Safety Cluster					3,748	3,614
RESEARCH & DEVELOPMENT CLUSTER						
DEPARTMENT OF AGRICULTURE						
Specialty Crop Block Grant Program - Farm Bill						
Pass-through from:						
	Georgia Department of Agriculture	Mushrooms	AM170100XXXXG018	10.17	4,101	4,101
Total ALN #10.170					4,101	4,101
Agriculture and Food Research Initiative (AFRI)						
Pass-through from:						
	Bowling Green State University	Pollination	371535589	10.31	13,716	12,898
	University of Tennessee	GetFruved	2014-67001-2185	10.31	385	385
Total ALN #10.310					14,101	13,283
National Fish and Wildlife Foundation						
Pass-through from:						
	Texas Parks & Wildlife Department	TricoloredBat	0406.18.061358	10.683	12,592	11,767
Total ALN #10.683					12,592	11,767
Total Department of Agriculture					30,794	29,151
DEPARTMENT OF DEFENSE						
Basic and Applied Scientific Research						
Pass-through from:						
	University of Tennessee	ROTC	N00014-20-1-2671	12.3	86,846	82,417
Total ALN #12.300					86,846	82,417
Military Medical Research and Development						
Pass-through from:						
	University of Texas Health Science Center San Antonio	MilitaryTrainee	371535589	12.420	13,247	12,379
Total ALN #12.420					13,247	12,379
Basic Scientific Research						
Direct Awards						
Total ALN #12.431					120,837	113,843
GenCyber Grants Program						
Direct Awards						
Total ALN #12.903					23,329	21,801
Total Department of Defense					244,259	230,440

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED JUNE 30, 2021

Cluster/ Agency	Program	Project Name	Identifying Number	ALN #	Total Federal Expenditures	Amount Provided to Subrecipients
DEPARTMENT OF THE INTERIOR						
	Endangered Species Recovery Implementation					
	Direct Awards					
				15.657	\$ 60,080	\$ 55,508
	Pass-through from:					
	National Fish and Wildlife Foundation	TestVOCsWNS.66731	371535589	15.657	17,536	16,388
				Total ALN #15.657	77,616	71,896
				Total Department of the Interior	77,616	71,896
DEPARTMENT OF STATE						
	Academic Exchange Programs - Undergraduate Programs					
	Direct Awards					
				19.009	2,817	2,113
				Total ALN #19.009	2,817	2,113
				Total Department of State	2,817	2,113
DEPARTMENT OF TRANSPORTATION						
	Highway Research and Development Program					
	Pass-through from:					
	Georgia Department of Transportation	DrillShaft	RP 19-07	20.2	25,223	22,988
				Total ALN #20.200	25,223	22,988
				Total Department of Transportation	25,223	22,988
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION						
	Office of Stem Engagement (OSTEM)					
	Pass-through from:					
	Georgia Institute of Technology	NASAFY18	NNX15AP85H	43.008	594	595
	Georgia Institute of Technology	NASA-FY21-Leadership	371535589	43.008	9,156	8,822
	Georgia Institute of Technology	NASA-FY21-STEMenrich	371535589	43.008	5,494	5,291
				Total ALN #43.008	15,244	14,708
				Total National Aeronautics and Space Administration	15,244	14,708
NATIONAL ENDOWMENT FOR THE HUMANITIES						
	Promotion of the Humanities Federal/State Partnership					
	Pass-through from:					
	Georgia Humanities	CARES	SO-263604-19	45.129	4,810	4,810
				Total ALN #45.129	4,810	4,810
				Total National Endowment for the Humanities	4,810	4,810
NATIONAL SCIENCE FOUNDATION						
	Engineering					
	Direct Awards					
				47.041	42,479	38,744
	Pass-through from:					
	University of Florida	STEMEngEd	1931371-SUB00001797	47.041	7,425	6,647
				Total ALN #47.041	49,904	45,391
				Total Engineering	47,041	42,479
	Mathematical and Physical Sciences					
	Direct Awards					
				47.049	318,677	293,404
	Pass-through from:					
	Georgia Institute of Technology	ChemicalInnovation	1504217	47.049	38,620	34,856
	Rowan University	DataAnomalies	1830489	47.049	17,583	16,121
				Total ALN #47.049	374,880	344,381
				Total Mathematical and Physical Sciences	47,049	318,677
	Computer and Information Science and Engineering					
	Direct Awards					
				47.070	76,016	69,853
				Total ALN #47.070	76,016	69,853
				Total Computer and Information Science and Engineering	47,070	76,016
	Biological Sciences					
	Direct Awards					
				47.074	139,008	128,668
	Pass-through from:					
	Elon University	CommCapacity	2018204	47.074	5,105	4,771
				Total ALN #47.074	144,113	133,439
				Total Biological Sciences	47,074	139,008
	Social, Behavioral, and Economic Sciences					
	Direct Awards					
				47.075	(610)	(546)
				Total ALN #47.075	(610)	(546)

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED JUNE 30, 2021

Cluster/ Agency	Program	Project Name	Identifying Number	ALN #	Total Federal Expenditures	Amount Provided to Subrecipients
Education and Human Resources						
	Direct Awards				47.076	\$ 692,806
	Pass-through from:					\$ 669,971
	Association of Public Land and Land-grant Universities	SEMINALIMath	7031NSF1903	47.076	29,200	26,233
	Association of Public Land and Land-grant Universities	SEMINAL CY2018	1624610	47.076	9,854	9,142
	Middle Tennessee State University	TeachRetention	DUE1949925	47.076	12,504	11,685
	Milwaukee School of Engineering	CREST III	1725940	47.076	10,465	9,389
	University of Georgia	LSAMPKSUFY20	1619689	47.076	9,169	8,500
	University of Georgia	LSAMPARFY20	1619689	47.076	34,655	34,467
	University of Georgia	LSAMP-KSU-Y5	371535589	47.076	41,855	41,222
	University of Georgia	LSAMPFY21	371535589	47.076	8,071	7,921
				Total ALN #47.076	848,579	818,530
				Total National Science Foundation	1,492,882	1,411,048
DEPARTMENT OF ENERGY						
	Department of Energy Other Financial Assistance					
	Pass-through from:					
	University of California	Geo-Economics	DE-AC02-05CH11231	81.OFA	39,867	36,864
				Total ALN #81.OFA	39,867	36,864
	Office of Science Financial Assistance Program					
	Pass-through from:					
	Research Foundation for the State University of NY	Mesoscale	68856-2-1147910	81.049	48,790	46,202
				Total ALN #81.049	48,790	46,202
				Total Department of Energy	88,657	83,066
DEPARTMENT OF EDUCATION						
	Innovative Approaches to Literacy; Promise Neighborhoods; and Full-Service Community Schools					
	Pass-through from:					
	GA Professional Standards Commission	Partnership	15009	84.215	(90)	(90)
				Total ALN #84.215	(90)	(90)
	Education Research, Development and Dissemination					
	Pass-through from:					
	Middle Tennessee State University	PDConnectAPChem	371535589	84.305A	11,561	10,804
				Total ALN #84.305A	11,561	10,804
	Gaining Early Awareness and Readiness for Undergraduate Programs					
	Pass-through from:					
	Georgia Institute of Technology	GearUp	P334S160030	84.334	127,158	124,424
				Total ALN #84.334	127,158	124,424
				Total Department of Education	138,629	135,138
DEPARTMENT OF HEALTH AND HUMAN SERVICES						
	Injury Prevention and Control Research and State and Community Based Programs					
	Pass-through from:					
	Georgia State University	SUSI-SexViolence	371535589	93.136	13,537	12,650
				Total ALN #93.136	13,537	12,650
	Mental Health Research Grants					
	Direct Awards					
				93.242	24,115	22,536
				Total ALN #93.242	24,115	22,536
	Discovery and Applied Research for Technological Innovations to Improve Human Health					
	Direct Awards					
				93.286	163,101	150,447
				Total ALN #93.286	163,101	150,447
	Chafee Education and Training Vouchers Program (ETV)					
	Pass-through from:					
	University of Georgia	EMBARK	42700040000088000	93.599	32,156	30,987
				Total ALN #93.599	32,156	30,987
	Foster Care Title IV-E					
	Pass-through from:					
	Georgia State University	TitleIV2020-21	42700-040-0000076230	93.658	123,448	123,448
				Total ALN #93.658	123,448	123,448
	Cardiovascular Diseases Research					
	Pass-through from:					
	Rice University	ShearForces	1R01HL140305-01A1	93.837	19,419	18,120
				Total ALN #93.837	19,419	18,120

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

YEAR ENDED JUNE 30, 2021

Cluster/ Agency	Program	Project Name	Identifying Number	ALN #	Total Federal Expenditures	Amount Provided to Subrecipients	
Extramural Research Programs in the Neurosciences and Neurological Disorders							
Direct Awards					93.853	\$ 59,799	\$ 53,827
					Total ALN #93.853	59,799	53,827
Allergy and Infectious Diseases Research							
Pass-through from:							
	University of Georgia	UGASub2543-Curaxin	371535589	93.855	50,454	47,149	
					Total ALN #93.855	50,454	47,149
Biomedical Research and Research Training							
Direct Awards					93.859	402,509	383,240
Pass-through from:							
	University of Pittsburgh	LA Protein	5R01GM116889-02	93.859	22,944	22,103	
					Total ALN #93.859	425,453	405,343
Child Health and Human Development Extramural Research							
Direct Awards					93.865	136,623	129,480
					Total ALN #93.865	136,623	129,480
Aging Research							
Direct Awards					93.866	56,255	52,039
					Total ALN #93.866	56,255	52,039
					Total Department of Health and Human Services	1,104,360	1,046,026
DEPARTMENT OF HOMELAND SECURITY							
Homeland Security Grant Program							
Pass-through from:							
	Georgia Emergency Management Agency	EnhancedSecurity	EMW-2020-55-0089	97.067	5,243	5,243	
					Total ALN #97.067	5,243	5,243
					Total Department of Homeland Security	5,243	5,243
					Total Research & Development Cluster	3,230,534	3,056,627
STUDENT FINANCIAL AID CLUSTER							
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Nurse Faculty Loan Program (NFLP)							
Direct Awards					93.264	81,589	81,589
					Total ALN #93.264	81,589	81,589
					Total Department of Health and Human Services	81,589	81,589
					Total Student Financial Aid Cluster	81,589	81,589
TRIO CLUSTER							
DEPARTMENT OF EDUCATION							
TRIO Upward Bound							
Direct Awards					654.432	641,360	641,360
					Total ALN #84.047	654,432	641,360
					Total Department of Education	654,432	641,360
					Total TRIO Cluster	654,432	641,360
					Total Schedule of Expenditures of Federal Awards	\$ 4,024,312	\$ 3,832,820

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

YEAR ENDED JUNE 30, 2021

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 federal government for the year ended June 30, 2021. The information in the Schedule is and is presented in accordance with the 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”). Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present either the financial position, changes in net assets or cash flows of the Foundation presented on the accrual basis of accounting. The information in this schedule is Some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Note 2—Summary of significant accounting policies

Expenditures reported on the Schedule are prepared on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3—Indirect cost rate

The Foundation has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Note 4—Noncash awards

The Foundation did not receive any material noncash federal awards during the year ended June 30, 2021.

Note 5—Contingencies

These award programs are subject to financial and compliance audits by grantor agencies. The amount, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, although the Foundation expects such amounts, if any, to be immaterial.

Note 6—Subrecipient

The Foundation provided all federal awards, net of a portion of the indirect costs retained by the Foundation, to Kennesaw State University as a subrecipient.

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

YEAR ENDED JUNE 30, 2021

Section I—Summary of Independent Auditor’s Results

Financial Statements

Type of auditor’s report issue

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted?

 yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes none reported

Type of auditor’s report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.516(a)?

 X yes no

Identification of Major Programs

The programs tested as major programs of the University of Georgia Research Foundation, Inc. included:

<u>ALN #</u>	<u>Name of Federal Program</u>
Listed by ALN number on the Schedule	Research and Development Cluster

The dollar threshold for Type A programs was \$750,000.
 Kennesaw State University Research and Service Foundation, Inc. qualified as a low-risk auditee.

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

YEAR ENDED JUNE 30, 2021

Section II—Financial Statements Findings Reported in Accordance with *Government Auditing Standards*

Finding 2021-001: Timing of revenue recognition

Type of Finding: Significant Deficiency in Internal Controls

Repeat Finding: No

Criteria:

Internal controls should be sufficient to provide oversight of revenues, receivables, and deferred revenue being properly stated, including when errors are detected, the corrections of errors are made in the appropriate financial reporting period.

Condition:

Grant revenues were not accurately recorded in the appropriate financial reporting period, also resulting in misstatement of accounts receivable and deferred revenue.

Cause:

There are insufficient reviews in place on a monthly basis over grant revenues, deferred revenue, and grants receivable.

Effects:

Because of the lack of timely review from the proper level of management, grant revenue may be recorded in the improper period. Revenues should be recorded in proper financial period, including accuracy of accounts receivable and deferred revenue.

Recommendation:

Procedures should be implemented to ensure timely management review of accounts receivable and deferred revenues. Additional oversight and review of detailed project reporting, including timing of recorded revenues and expenditures, are necessary to ensure proper cutoff of revenues.

Views of Responsible Officials and Planned Corrective Actions:

The Foundation agrees with the finding and the recommended procedures will be implemented. The grants accounting team will work with grant managers to review documentation on all new grant awards and evaluate coding procedures and front-end grant setup to ensure all revenues and expenses can be matched by grant in a more automated manner. The grants accounting team will also work with grant managers to refine quarterly and year-end close procedures to include a reconciliation of each balance sheet account with supporting documentation. In particular, accounts receivable and deferred revenue will be matched to the recognition requirements related to the grant. The grants accounting team will also review their process documentation and onboarding and training processes to ensure adequacy of these programs.

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

YEAR ENDED JUNE 30, 2021

Section III—Findings and Questioned Costs Relating to Federal Awards

Finding 2021-002

Federal Agency:	Various
Federal Program:	Research and Development Cluster
ALN:	Various
Compliance Requirement:	Allowable Costs – Incomplete Time and Effort Certifications
Type of Finding:	Significant Deficiency in Internal Controls over Compliance
Repeat Finding:	No

Criteria:

The Office and Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") establishes principles and standards for determining costs for federal awards carried out through grants, contracts, and other agreements. To be allowable under federal awards, expenditures must be allocable, reasonable, and supported by adequate documentation. Section 200.430 of Uniform Guidance requires that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated. Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that: (A) The system for establishing the estimates produces reasonable approximations of the activity actually performed; (B) Significant changes in the corresponding work activity (as defined by the non-Federal entity's written policies) are identified and entered into the records in a timely manner; and (C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

Condition:

To meet the requirements of the Uniform Guidance for time and effort reporting, the Foundation utilizes an after-the-fact effort reporting system to certify that salaries charged, or cost shared, to Federal awards are reasonable and consistent with the work performed. The individual's effort is first assigned to specific awards in the payroll system based on anticipated activities. Actual effort expended is then certified by a responsible person with suitable means of verification that the work was performed, generally the Principal Investigator, at the end of each semester. The Grants Office manually creates time and effort reports each semester. These effort reports are by Federal award and note all the employees who had payroll charged or cost shared to the project, the percentage of each employee's total payroll charged or cost shared to the project, as well as the percentage of each employee's total payroll charged to other projects or activities so that 100% of each employee's effort is reported. The Principal Investigator for each Federal award is required to sign the Time and Effort reports to certify the reasonableness of the estimated total work effort for the period covered by the report.

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 28 Federal awards. Payroll charges for 37 employees were made on 19 of these federal awards. Our review of the Time and Effort Certifications resulted in the following:

- Certifications were not completed for eight employees who had charges on four projects in our sample.
- 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.

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

YEAR ENDED JUNE 30, 2021

Section III—Findings and Questioned Costs Relating to Federal Awards (continued)

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.

Question Costs:

\$17,111 – calculated as the total payroll of the sampled payroll expenditures for which no Time and Effort Certification was completed.

Prevalence and Consequence of the Audit Finding:

Systemic problem

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 effort certifications are completed in a timely manner. These policies should include annual training of the Grants Office as well as Principal Investigators and Department Administrators involved in federal awards.

Views of Responsible Officials and Planned Corrective Actions:

The Foundation agrees with the finding and the recommended procedures will be implemented. Grants Accounting will work with the Grant Managers in Post Award/Sponsored Programs to audit and reconcile accounts. Grant Managers have begun to reconcile award expenses monthly allowing for review and correction throughout the period. Grants Accounting provides a final report for review before issuing Time and Effort certifications allowing for an additional and final review and correction. The Foundation is in the process of implementing software that will allow Grant Managers to manage all expense and Time and Effort review, replacing the current manual review and tracking systems.

Finding 2021-003

Federal Agency:	Various
Federal Program:	Research and Development Cluster
CFDA:	Various
Compliance Requirement:	Special Tests and Provisions – Key Personnel
Type of Finding:	Significant Deficiency in Internal Controls over Compliance
Repeat Finding:	No

Criteria:

Per the OMB Compliance Supplement, applications/proposals or awards may include staffing proposals that specify individuals who will work on the project and the extent of the planned involvement of personnel. The non-federal entity may change the staffing mix and level of involvement within limits specified by agency policy or in the award but may be required to obtain federal awarding agency approval of changes in key personnel (as identified in the award) and changes in the principal investigator's/project director's time commitment/level of participation in the project. This may include not only a change in the principal investigator or project director but also the disengagement from the project for more than three months, or a 25% reduction in time devoted to the project, by the approved project director or principal investigator.

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

YEAR ENDED JUNE 30, 2021

Section III—Findings and Questioned Costs Relating to Federal Awards (continued)

Condition:

The Foundation has no policies and procedures or internal controls to ensure the Foundation adhered to key personnel commitments specified in applications/proposals or awards (which may be an incorporation by reference of the approved application/proposal) and obtained any required federal awarding agency approval for changes.

Cause:

The Foundation does not have a system of process and controls in place to ensure all key personnel are involved in the project as required or complied with requirements for approval of changes in key personnel or changes in time committed to the project.

Effects:

Changes in key personnel or changes in key personnel's commitment to a federal project without prior approval from the Sponsor, if required, could result in the Sponsor suspending or terminating the grant.

Question Costs:

N/A

Prevalence and Consequence of the Audit Finding:

Systemic problem

Recommendations:

We recommend the Foundation implement policies and control procedures to ensure key personnel adhere to the level of involvement to which they committed or obtain the proper approvals for changes if required. We also recommend these policies include annual training of the Grants Office as well as Principal Investigators and Department Administrators involved in federal awards.

Views of Responsible Officials and Planned Corrective Actions:

The Foundation agrees with the finding and the recommended procedures will be implemented. Sponsored Programs is in the process of implementing a new software system, allowing for systematic tracking rather than manual. Effort Certification will be implemented into the process. In the meantime, Effort Certification will be added to each applicable Time Certification. Grant Managers will work with individual Principal Investigators to ensure proper review and adjustment during the final time certification provided by Grants Accounting.

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

YEAR ENDED JUNE 30, 2021

Section II—Financial Statement Findings

None

Section III—Findings and Questioned Costs for Federal Awards

None