

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

FINANCIAL REPORT

JUNE 30, 2019

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

**FINANCIAL REPORT
JUNE 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

**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 **Kennesaw State University Research and Service Foundation, Inc.** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kennesaw State University Research and Service Foundation, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance 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 March 26, 2020, 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 26, 2020

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

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Current assets		
Cash	\$ 3,390,057	\$ 3,755,477
Investments	1,757,435	1,717,998
Grants receivable, net	1,558,171	1,885,723
Prepaid expenses	2,423	-
Project advances	-	3,000
Total current assets	6,708,086	7,362,198
Total assets	\$ 6,708,086	\$ 7,362,198
 <u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	\$ 2,961,100	\$ 4,186,722
Deferred revenue	1,269,196	983,324
Total current liabilities	4,230,296	5,170,046
Total liabilities	4,230,296	5,170,046
Net assets		
Without donor restrictions	1,968,199	1,664,166
With donor restrictions	509,591	527,986
Total net assets	2,477,790	2,192,152
Total liabilities and net assets	\$ 6,708,086	\$ 7,362,198

See Notes to Financial Statements.

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

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Contributions	\$ 14,314	\$ 85,551	\$ 99,865
Grants	6,895,702	172,472	7,068,174
Program service revenue	590,893	-	590,893
Royalties	88,003	-	88,003
Donated salaries	421,715	-	421,715
Interest income	126,010	-	126,010
Other income	17,386	-	17,386
Net assets released from restrictions	<u>276,418</u>	<u>(276,418)</u>	<u>-</u>
Total revenues and other support	8,430,441	(18,395)	8,412,046
Expenses			
Research grants and contracts	7,493,464	-	7,493,464
Development of intellectual property	204,080	-	204,080
Management and general	<u>428,864</u>	<u>-</u>	<u>428,864</u>
Total expenses	<u>8,126,408</u>	<u>-</u>	<u>8,126,408</u>
Change in net assets	304,033	(18,395)	285,638
Net assets, beginning of year	<u>1,664,166</u>	<u>527,986</u>	<u>2,192,152</u>
Net assets, end of year	<u><u>\$ 1,968,199</u></u>	<u><u>\$ 509,591</u></u>	<u><u>\$ 2,477,790</u></u>

See Notes to Financial Statements.

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

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Contributions	\$ 53,823	\$ 236,217	\$ 290,040
Grants	6,331,654	350,000	6,681,654
Program service revenue	823,882	-	823,882
Royalties	48,974	-	48,974
Donated salaries	341,697	-	341,697
Interest income	64,963	-	64,963
Other income	64,750	-	64,750
Net assets released from restrictions	606,142	(606,142)	-
Total revenues and other support	8,335,885	(19,925)	8,315,960
Expenses			
Research grants and contracts	8,015,614	-	8,015,614
Development of intellectual property	298,857	-	298,857
Management and general	521,317	-	521,317
Total expenses	8,835,788	-	8,835,788
Change in net assets	(499,903)	(19,925)	(519,828)
Net assets, beginning of year	2,164,069	547,911	2,711,980
Net assets, end of year	<u>\$ 1,664,166</u>	<u>\$ 527,986</u>	<u>\$ 2,192,152</u>

See Notes to Financial Statements.

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

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019**

	<u>Program Services</u>			<u>Total</u>
	<u>Research Grants and Contracts</u>	<u>Development of Intellectual Property</u>	<u>Management and General</u>	
Expenses				
Advertising	\$ 6,285	\$ -	\$ -	\$ 6,285
Bank fees	3,175	-	6,999	10,174
Consultants/Honorariums	179,862	-	18,485	198,347
Dues and subscriptions	7,098	-	103	7,201
Equipment	151	-	-	151
Gifts and contributions	267,481	-	-	267,481
Management fee	16,860	-	-	16,860
Information technology services	-	-	6,757	6,757
Insurance	18,824	-	858	19,682
Testing fees	11,426	-	-	11,426
Legal and accounting	3,931	64,158	61,416	129,505
Licenses and permits	7,302	-	224	7,526
Materials and supplies	19,472	-	366	19,838
Meals and entertainment	81,664	-	10,448	92,112
Miscellaneous	1,022	-	31,941	32,963
Postage	404	-	88	492
Printing	5,346	-	-	5,346
Registration fees	3,214	-	10,030	13,244
Rent	7,366	-	-	7,366
Grants and contracts subcontracted to KSU	6,447,360	-	421	6,447,781
Donated salaries	139,922	139,922	139,965	419,809
Scholarships	3,539	-	-	3,539
Sponsorships	5,300	-	-	5,300
Telephone	80	-	-	80
Travel	22,617	-	-	22,617
Royalties	231,662	-	-	231,662
Bad debt expense	2,101	-	140,763	142,864
Total expenses	<u>\$ 7,493,464</u>	<u>\$ 204,080</u>	<u>\$ 428,864</u>	<u>\$ 8,126,408</u>

See Notes to Financial Statements.

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

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018**

	<u>Program Services</u>			<u>Total</u>
	<u>Research Grants and Contracts</u>	<u>Development of Intellectual Property</u>	<u>Management and General</u>	
Expenses				
Advertising	\$ 321	\$ -	\$ -	\$ 321
Bank fees	9,075	-	9,145	18,220
Consultants/Honorariums	373,164	-	-	373,164
Dues and subscriptions	14,038	-	1,500	15,538
Equipment	746	-	-	746
Gifts and contributions	171,371	-	980	172,351
Management fee	20,770	377	-	21,147
Information technology services	1,805	-	2,895	4,700
Insurance	62,898	-	2,906	65,804
Testing fees	58,674	-	-	58,674
Legal and accounting	2,368	156,578	36,128	195,074
Licenses and permits	13,401	-	-	13,401
Materials and supplies	30,024	-	633	30,657
Meals and entertainment	113,703	-	2,840	116,543
Miscellaneous	940	-	-	940
Postage	3,234	-	15	3,249
Printing	14,586	-	-	14,586
Registration fees	15,838	-	10,060	25,898
Rent	53,023	-	-	53,023
Grants and contracts subcontracted to KSU	6,833,081	-	-	6,833,081
Donated salaries	103,322	141,902	96,526	341,750
Scholarships	3,000	-	-	3,000
Sponsorships	6,230	-	-	6,230
Telephone	300	-	-	300
Travel	19,298	-	1,656	20,954
Royalties	90,404	-	-	90,404
Bad debt expense	-	-	356,033	356,033
Total expenses	<u>\$ 8,015,614</u>	<u>\$ 298,857</u>	<u>\$ 521,317</u>	<u>\$ 8,835,788</u>

See Notes to Financial Statements.

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

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
OPERATING ACTIVITIES		
Change in net assets	\$ 285,638	\$ (519,828)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net change in:		
Grants receivable	327,552	310,675
Prepaid expenses	(2,423)	-
Project advances	3,000	5,580
Accounts payable	(1,225,622)	932,387
Deferred revenue	285,872	(174,863)
	(325,983)	553,951
Net cash provided by (used in) operating activities		
INVESTING ACTIVITIES		
Purchases of investments and reinvested earnings	(39,437)	(22,699)
	(39,437)	(22,699)
Net cash (used in) investing activities		
Increase in cash	(365,420)	531,252
Cash, beginning of year	3,755,477	3,224,225
Cash, end of year	\$ 3,390,057	\$ 3,755,477

See Notes to Financial Statements.

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

NOTE 1. ORGANIZATION

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, 2019 and 2018 there was \$2,943,198 and \$4,145,724, respectively, due to the University related to research grants awarded. The amounts are included in accounts payable on the statements of financial position.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Concentration

The Foundation maintains cash balances at a high quality financial institution. Cash balances are insured by the 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, 2019 and 2018, 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

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, 2019 and 2018, the allowance for uncollectible receivables was \$200,575 and \$551,376, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Contributions

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.

Revenue Recognition

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

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

Donated Salaries

Donated salaries are reflected as revenues and other support in the accompanying statements of activities at their estimated values at the date of receipt. Donated salaries represent salaries and wages paid by the University on behalf of the Foundation. Donated salaries totaled \$421,715 and \$341,697 for the years ended June 30, 2019 and 2018, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019 and 2018 due to uncertain tax positions.

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.

Recent Accounting Pronouncements

In August 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 (1) reduces the number of net asset classes presented from three to two, (2) requires the presentation of expenses by functional and natural classification in one location, and (3) requires quantitative and qualitative disclosures about liquidity and availability of financial assets. The Foundation adopted ASU 2016-14 in 2019, and the accompanying information from the 2018 financial statements has been adjusted to conform to the new presentation and disclosure requirements. This adjustment did not have an effect on total net assets or the change in net assets for 2018.

NOTE 3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash	\$ 2,880,466
Investments	1,757,435
Grants receivable, net	<u>1,558,171</u>
	<u>\$ 6,196,072</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. Balances included on the statement of financial position that are excluded from the above table consist of \$509,591 cash held for supporting donor restricted activities.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. FAIR VALUE MEASUREMENTS

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.

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 methodologies 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 methods 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

The fair values of the Foundation's investment assets at June 30, 2019 and 2018, by asset class are as follows:

Investments at Fair Value as of June 30, 2019				
	Level 1	Level 2	Level 3	Total
Georgia Fund 1				
Repurchase agreements	\$ -	\$ 505,790	\$ -	\$ 505,790
Certificates of deposit	-	491,905	-	491,905
Agency securities	-	382,242	-	382,242
Government bonds	-	339,712	-	339,712
Commercial paper	-	37,786	-	37,786
	\$ -	\$ 1,757,435	\$ -	\$ 1,757,435

Investments at Fair Value as of June 30, 2018				
	Level 1	Level 2	Level 3	Total
Georgia Fund 1				
Repurchase agreements	\$ -	\$ 755,919	\$ -	\$ 755,919
Certificates of deposit	-	532,579	-	532,579
Agency securities	-	240,520	-	240,520
Government bonds	-	154,620	-	154,620
Commercial paper	-	34,360	-	34,360
	\$ -	\$ 1,717,998	\$ -	\$ 1,717,998

NOTE 5. 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:

	2019	2018
Subject to expenditure for specified purpose:		
Research agreements	\$ 509,591	\$ 527,986

Net assets with donor restrictions consist of cash at June 30, 2019 and 2018.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions during the years ended June 30, 2019 and 2018 by incurring expenses satisfying the restricted purpose of research and service as specified by donors and grantors. Net assets released from restrictions totaled \$276,418 and \$606,142 for the years ended June 30, 2019 and 2018, respectively.

NOTE 7. 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.

NOTE 8. SUBSEQUENT EVENTS

Management has evaluated events occurring through March 26, 2020, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

	Federal CFDA #	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<i>Research and Development Cluster</i>				
Department of Defense				
Passthrough: Virginia Polytechnic Institute and State University Basic Scientific Research	12.431	45037R-19C57	\$ 8,719	\$ 8,719
Total Department of Defense			8,719	8,719
National Aeronautics and Space Administration				
Passthrough: Georgia Institute of Technology Education	43.008	RF954-G8	17,350	17,350
Total National Aeronautics and Space Administration			17,350	17,350
National Science Foundation				
Engineering Grants Passthrough: Virginia Polytechnic Institute and State University Engineering Grants	47.041		31,345	31,345
Passthrough: North Carolina State University Engineering Grants	47.041	EEC-1463802	10,850	10,850
Passthrough: University of Florida Engineering Grants	47.041	1741693	21,169	21,169
Mathematical and Physical Sciences Passthrough: Georgia Institute of Technology Mathematical and Physical Sciences	47.041	1931371	5,244	5,244
Passthrough: Rowan University Mathematical and Physical Sciences	47.049		254,782	254,782
Computer and Information Science and Engineering	47.049	RG173-G3	75,570	75,570
Biological Sciences	47.049	50821-1	4,584	4,584
Passthrough: University of South Carolina Social, Behavioral, and Economic Sciences	47.070		54,143	54,143
Education and Human Resources	47.074		37,496	37,496
Passthrough: Georgia Southern University Education and Human Resources	47.075	18-3402, 21300-FB08	11,103	11,103
Passthrough: University of Georgia Education and Human Resources	47.076		620,691	620,691
Passthrough: Stony Brook University Education and Human Resources	47.076	115-1850468	6,000	6,000
Passthrough: Milwaukee School of Engineering Education and Human Resources	47.076	RR740019/ S001257, S001595	170,083	170,083
Passthrough: Middle Tennessee State University Education and Human Resources	47.076	77903-1139096-3	7,517	7,517
Passthrough: Association of Public and Landgrant Universities Education and Human Resources	47.076	17144	24,702	24,702
Passthrough: Association of Public and Landgrant Universities Education and Human Resources	47.076	537225-77779-01	49,943	49,943
Passthrough: Association of Public and Landgrant Universities Education and Human Resources	47.076	18047	4,063	4,063
Total National Science Foundation			1,389,285	1,389,285
Department of Health and Human Services				
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		89,225	89,225
Biomedical Research and Research Training Passthrough: University of Pittsburgh Biomedical Research and Research Training	93.859		718,989	718,989
Child Health And Human Development Extramural Research	93.859	128250-1	26,865	26,865
Aging Research	93.865		25,290	25,290
Passthrough: Center for Social Innovation Minority Health and Health Disparities Research	93.866		24,954	24,954
Passthrough: Center for Social Innovation Minority Health and Health Disparities Research	93.307	12-OY4	286	286
Total Department of Health and Human Services			885,609	885,609
Environmental Protection Agency				
P3 Award: National Student Design Competition for Sustainability	66.516		27,645	27,645
Total Environmental Protection Agency			27,645	27,645
Department of Transportation				
Passthrough: Georgia Department of Transportation Highway Research and Development Program	20.200	RP 14-29, RP 18-22	75,429	75,429
Total Department of Transportation			75,429	75,429
Department of Agriculture				
Passthrough: University of Tennessee, Knoxville Agriculture & Food Research Initiative	10.310		500	500
Total Department of Agriculture			500	500
<i>Total Research and Development Cluster</i>			2,404,537	2,404,537

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
FOR THE YEAR ENDED JUNE 30, 2019**

	Federal CFDA #	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<i>TRIO Cluster</i>				
Department of Education				
TRIO Upward Bound	84.047		990,339	990,339
Total Department of Education			990,339	990,339
<i>Total TRIO Cluster</i>			<i>990,339</i>	<i>990,339</i>
<i>Highway Safety Cluster</i>				
Department of Transportation				
Passthrough: Governor's Office of Highway Safety				
State and Community Highway Safety	20.600	YA-2018402TSP-010, YA-2019-402TSP-007	12,429	12,429
Total Department of Transportation			12,429	12,429
<i>Total Highway Safety Cluster</i>			<i>12,429</i>	<i>12,429</i>
Department of Health and Human Services				
Passthrough: Morehouse School of Medicine				
Substance Abuse and Mental Health Services Projects	93.243	128-02	7,461	7,461
Passthrough: Georgia State University				
Foster Care Title IV-E	93.658	SP00012480-06	185,539	185,539
Total Department of Health and Human Services			193,000	193,000
Department of Education				
Fund for the Improvement of Postsecondary Education	84.116		621,479	621,479
Passthrough: Georgia Department of Education				
Mathematics and Science Partnerships	84.366	S366B160011	144,133	144,133
Passthrough: Georgia Institute of Technology				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	Y0020-G1	94,680	94,680
Passthrough: Board of Regents				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	Y0020-G1	58,261	58,261
Total Department of Education			918,553	918,553
Department of Justice				
Passthrough: Criminal Justice Coordinating Council				
Crime Victim Assistance	16.575	C17-8-191	79,755	79,755
Total Department of Justice			79,755	79,755
Department of State				
Academic Exchange Programs - Undergraduate Programs	19.009		28,382	28,382
Passthrough: University of Nebraska Omaha				
Academic Exchange Programs - Undergraduate Programs	19.009	45-2401-1030-302	114,821	114,821
Total Department of State			143,203	143,203
Department of Agriculture				
Passthrough: Georgia Department of Agriculture				
Specialty Crop Block Grant Program - Farm Bill	10.170	AM170100XXXXG018	18,530	18,530
Total Department of Agriculture			18,530	18,530
Department of the Interior				
Passthrough: Wildlife Management Institute				
Endangered Species Conservation	15.657	WNS 2018-06	13,066	13,066
Total Department of the Interior			13,066	13,066
Nuclear Regulatory Commission				
US Nuclear Regulatory Commission Scholarship and Fellowship Program	77.008		96,698	96,698
Total Nuclear Regulatory Commission			96,698	96,698
Department of Homeland Security				
Passthrough: Georgia Emergency Management Agency				
Homeland Security Grant Program	97.067	SHO17-105	7,959	7,959
Total Department of Homeland Security			7,959	7,959
			\$ 4,878,069	\$ 4,878,069

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Kennesaw State University Research and Service Foundation, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 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. The Foundation has elected not to use the 10% de minimis cost rate as allowed under the Uniform Guidance.

NOTE 3. SUBRECIPIENT

Substantially all federal expenditures identified in Kennesaw State University Research and Service Foundation, Inc.'s Schedule of Expenditures of Federal Awards were sub-awarded to Kennesaw State University.



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 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), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 26, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kennesaw State University Research and Service Foundation, Inc.'s internal control over financial reporting (internal control) to determine the 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 Kennesaw State University Research and Service Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kennesaw State University Research and Service Foundation, Inc.'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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 26, 2020



INDEPENDENT AUDITOR'S REPORT 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, 2019. 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, 2019.

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. 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 26, 2020

**KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE
FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:

Financial Statements:

Type of auditors' report issued

Unmodified

Yes

No

Internal control over financial reporting:

Material weaknesses identified?

X

Significant deficiencies identified not considered to be material weaknesses?

None
Reported

Noncompliance material to the financial statements noted?

X

Federal Awards:

Internal controls over major programs:

Material weaknesses identified?

X

Significant deficiencies identified not considered to be material weaknesses?

None
Reported

Type of auditors' report issued on compliance for major programs

Unmodified

Audit findings required to be reported in accordance with 2 CFR section 200.516(a)?

X

Identification of major programs:

TRIO Cluster 84.047

Dollar threshold used to distinguish between Type A and Type B programs

\$ 750,000

Yes

No

Auditee qualified as low-risk auditee?

X

Financial statement findings?

X

Federal award findings questioned costs?

X

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
YEAR ENDED JUNE 30, 2019**

II. FINANCIAL STATEMENT FINDINGS

NONE

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

**KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE
FOUNDATION, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

II. FINANCIAL STATEMENT FINDINGS

NONE

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE