# KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

## FINANCIAL REPORT

## JUNE 30, 2020

# KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

## FINANCIAL REPORT
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MAULDIN & JENKINS

CPAs & ADVISORS

# 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, 2020 and 2019, 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, 2020 and 2019, 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 27, 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 27, 2021

# KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

## STATEMENTS OF FINANCIAL POSITION
## JUNE 30, 2020 AND 2019

| **Assets** | **2020** | 2019 |
|---|---|---|
| **Current assets** | | |
| Cash | **$ 2,704,059** | $ 3,390,057 |
| Investments | **1,783,762** | 1,757,435 |
| Grants receivable, net | **276,110** | 1,558,171 |
| Prepaid expenses | **1,164** | 2,423 |
| **Total current assets** | **4,765,095** | 6,708,086 |
| **Total assets** | **$ 4,765,095** | $ 6,708,086 |
| **Liabilities and Net Assets** | | |
| **Current liabilities** | | |
| Accounts payable | **$ 1,933,069** | $ 2,961,100 |
| Deferred revenue | **1,299,018** | 1,269,196 |
| **Total current liabilities** | **3,232,087** | 4,230,296 |
| **Total liabilities** | **3,232,087** | 4,230,296 |
| **Net assets** | | |
| Without donor restrictions | **1,017,075** | 1,968,199 |
| With donor restrictions | **515,933** | 509,591 |
| **Total net assets** | **1,533,008** | 2,477,790 |
| **Total liabilities and net assets** | **$ 4,765,095** | $ 6,708,086 |

**See Notes to Financial Statements.**

# KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

## STATEMENT OF ACTIVITIES
## YEAR ENDED JUNE 30, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **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 salaries | 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** | 7,155,217 | 6,342 | 7,161,559 |
| **Expenses** | | | |
| Program services | | | |
| Research grants and contracts | 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** | 8,106,341 | - | 8,106,341 |
| Change in net assets | (951,124) | 6,342 | (944,782) |
| Net assets, beginning of year | 1,968,199 | 509,591 | 2,477,790 |
| Net assets, end of year | $ 1,017,075 | $ 515,933 | $ 1,533,008 |

**See Notes to Financial Statements.**

# KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

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

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **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 | 276,418 | (276,418) | - |
| **Total revenues and other support** | 8,430,441 | (18,395) | 8,412,046 |
| **Expenses** | | | |
| Program services | | | |
| Research grants and contracts | 7,493,464 | - | 7,493,464 |
| Development of intellectual property | 204,080 | - | 204,080 |
| Total program services | 7,697,544 | - | 7,697,544 |
| Supporting services | | | |
| Management and general | 428,864 | - | 428,864 |
| **Total expenses** | 8,126,408 | - | 8,126,408 |
| Change in net assets | 304,033 | (18,395) | 285,638 |
| Net assets, beginning of year | 1,664,166 | 527,986 | 2,192,152 |
| Net assets, end of year | $ 1,968,199 | $ 509,591 | $ 2,477,790 |

**See Notes to Financial Statements.**

# KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

## STATEMENT OF FUNCTIONAL EXPENSES
## YEAR ENDED JUNE 30, 2020

| | Program Services | | | Supporting Services | |
|---|---|---|---|---|---|
| | Research Grants and Contracts | Development of Intellectual Property | Total Program Services | Management and General | Total |
| **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 |

**See Notes to Financial Statements.**

# KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

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

| | Program Services | | | Supporting Services | |
|---|---|---|---|---|---|
| | Research Grants and Contracts | Development of Intellectual Property | Total Program Services | Management and General | Total |
| **Expenses** | | | | | |
| Advertising | $ 6,285 | $ - | $ 6,285 | $ - | $ 6,285 |
| Bank fees | 3,175 | - | 3,175 | 6,999 | 10,174 |
| Consultants/honorariums | 179,862 | - | 179,862 | 18,485 | 198,347 |
| Dues and subscriptions | 7,098 | - | 7,098 | 103 | 7,201 |
| Equipment | 151 | - | 151 | - | 151 |
| Gifts and contributions | 267,481 | - | 267,481 | - | 267,481 |
| Management fee | 16,860 | - | 16,860 | - | 16,860 |
| Information technology services | - | - | - | 6,757 | 6,757 |
| Insurance | 18,824 | - | 18,824 | 858 | 19,682 |
| Testing fees | 11,426 | - | 11,426 | - | 11,426 |
| Legal and accounting | 3,295 | 63,522 | 66,817 | 60,782 | 127,599 |
| Licenses and permits | 7,302 | - | 7,302 | 224 | 7,526 |
| Materials and supplies | 19,472 | - | 19,472 | 366 | 19,838 |
| Meals and entertainment | 81,664 | - | 81,664 | 10,448 | 92,112 |
| Miscellaneous | 1,022 | - | 1,022 | 31,941 | 32,963 |
| Postage | 404 | - | 404 | 88 | 492 |
| Printing | 5,346 | - | 5,346 | - | 5,346 |
| Registration fees | 3,214 | - | 3,214 | 10,030 | 13,244 |
| Rent | 7,366 | - | 7,366 | - | 7,366 |
| Grants and contracts subcontracted to KSU | 6,447,360 | - | 6,447,360 | 421 | 6,447,781 |
| Donated salaries | 140,558 | 140,558 | 281,116 | 140,599 | 421,715 |
| Scholarships | 3,539 | - | 3,539 | - | 3,539 |
| Sponsorships | 5,300 | - | 5,300 | - | 5,300 |
| Telephone | 80 | - | 80 | - | 80 |
| Travel | 22,617 | - | 22,617 | - | 22,617 |
| Royalties | 231,662 | - | 231,662 | - | 231,662 |
| Bad debt expense | 2,101 | - | 2,101 | 140,763 | 142,864 |
| **Total expenses** | $ 7,493,464 | $ 204,080 | $ 7,697,544 | $ 428,864 | $ 8,126,408 |

**See Notes to Financial Statements.**

# KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

## STATEMENTS OF CASH FLOWS
## YEARS ENDED JUNE 30, 2020 AND 2019

| | 2020 | 2019 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Change in net assets | **$ (944,782)** | $ 285,638 |
| Adjustments to reconcile change in net assets to net cash (used in) operating activities: | | |
| Net change in: | | |
| Grants receivable | **1,282,061** | 327,552 |
| Prepaid expenses | **1,259** | (2,423) |
| Project advances | **-** | 3,000 |
| Accounts payable | **(1,028,031)** | (1,225,622) |
| Deferred revenue | **29,822** | 285,872 |
| Net cash (used in) operating activities | **(659,671)** | (325,983) |
| **INVESTING ACTIVITIES** | | |
| Purchases of investments and reinvested earnings | **(26,327)** | (39,437) |
| Net cash (used in) investing activities | **(26,327)** | (39,437) |
| (Decrease) in cash | **(685,998)** | (365,420) |
| Cash, beginning of year | **3,390,057** | 3,755,477 |
| Cash, end of year | **$ 2,704,059** | $ 3,390,057 |

**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, 2020 and 2019 there was $1,836,358 and $2,943,198, 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, 2020 and 2019, 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, 2020 and 2019, the allowance for uncollectible receivables was $64,101 and $200,575, respectively.

## 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.

### 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.

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, 2020 and 2019 due to uncertain tax positions.

### 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 $296,406 and $421,715 for the years ended June 30, 2020 and 2019, respectively.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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

The Financial Accounting Standards Board (FASB) issued two Accounting Standard Updates (ASU's) that affect the Foundation's revenue recognition. The first, ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. This ASU requires entities to make new judgements and estimates and provide expanded disclosures about revenue. The second, Accounting Standards Update No. 2018-08, Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions.

For the year ending June 30, 2020, the Foundation adopted ASU 2014-09 and ASU 2018-08, and has adjusted the presentation in these financial statements accordingly. The Foundation recognizes program service and royalty revenues in the accompanying statements of activities in accordance with FASB ASC Topic 606. These revenues are recognized in the period the services occur. The adoption of ASU 2014-09 did not have an impact on the timing of the revenue recognition of program service revenue.

## 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 statements of financial position dates, comprise the following at June 30, 2020 and 2019, respectively:

| | **2020** | 2019 |
|---|---|---|
| Cash | **$ 2,188,126** | $ 2,880,466 |
| Investments | **1,783,762** | 1,757,435 |
| Grants receivable, net | **276,110** | 1,558,171 |
| | **$ 4,247,998** | $ 6,196,072 |

## NOTE 3. LIQUIDITY AND AVAILABILITY (Continued)

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 statements of financial position that are excluded from the above table consist of cash held for supporting donor restricted activities totaling $515,933 and $509,591 at June 30, 2020 and 2019, respectively.

## 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.

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.

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.

## NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

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

The fair values of the Foundation's investment assets at June 30, 2020 and 2019, by asset class are as follows:

| | Investments at Fair Value as of June 30, 2020 | | | | |
|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | NAV | Total |
| Georgia Fund 1 | | | | | |
| Repurchase agreements | $ - | $ - | $ - | $ 445,940 | $ 445,940 |
| Treasury bills | - | - | - | 445,940 | 445,940 |
| Certificates of deposit | - | - | - | 356,752 | 356,752 |
| Agency securities | - | - | - | 356,752 | 356,752 |
| Government bonds | - | - | - | 178,378 | 178,378 |
| | $ - | $ - | $ - | $ 1,783,762 | $ 1,783,762 |

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

## 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:

| | **2020** | 2019 |
|---|---|---|
| Subject to expenditure for specified purpose: | | |
| Research agreements | **$ 515,933** | $ 509,591 |

Net assets with donor restrictions consist of cash at June 30, 2020 and 2019.

## NOTE 6. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions during the years ended June 30, 2020 and 2019 by incurring expenses satisfying the restricted purpose of research and service as specified by donors and grantors. Net assets released from restrictions totaled $487,105 and $276,418 for the years ended June 30, 2020 and 2019, 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.

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 8. EFFECT 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 year-end. Research has begun to move back towards normal operation, but we do not anticipate full return to operation until Fall of 2021 at the earliest.

The University has developed a plan for operations for the 2020-2021 academic year as part of a comprehensive system-wide planning initiative, which includes both in-person and remote instruction contingencies. All of the University's summer 2020 classes were taught remotely. On August 17, 2020, the University began the fall semester on its campuses with in-person instruction with certain social distancing protocols and health and safety measures in place, including, but not limited to, providing COVID-19 testing for students, reusable cloth masks for all students, faculty and staff, enhanced cleaning protocols, reconfigured classrooms and labs to reduce capacity and isolation and quarantine procedures for residential students.

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

## NOTE 9. SUBSEQUENT EVENTS

Management has evaluated events occurring through March 27, 2021, 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, 2020

| | Federal CFDA # | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|---|---|---|---|
| *Research and Development Cluster* | | | | |
| **National Science Foundation** | | | | |
| Engineering Grants | 47.041 | | $ 48,431 | $ 48,431 |
| Passthrough: University of Florida | | | | |
| Engineering Grants | 47.041 | SUB00001797 | 24,734 | 24,734 |
| Passthrough: North Carolina State University | | | | |
| Engineering Grants | 47.041 | 2017-1718-04 | 49,446 | 49,446 |
| Mathematical and Physical Sciences | 47.049 | | 354,473 | 354,473 |
| Passthrough: Georgia Institute of Technology | | | | |
| Mathematical and Physical Sciences | 47.049 | RG173-G3 | 35,597 | 35,597 |
| Passthrough: Rowan University | | | | |
| Mathematical and Physical Sciences | 47.049 | 50821-1 | 4,593 | 4,593 |
| Computer and Information Science and Engineering | 47.070 | | 116,648 | 116,648 |
| Biological Sciences | 47.074 | | 59,218 | 59,218 |
| Passthrough: University of South Carolina | | | | |
| Biological Sciences | 47.074 | 18-3420 | 11,747 | 11,747 |
| Social, Behavioral, and Economic Sciences | 47.075 | | 5,475 | 5,475 |
| Education and Human Resources | 47.076 | | 540,888 | 540,888 |
| Passthrough: Association of Public Land and Land-grant Universities | | | | |
| Education and Human Resources | 47.076 | 1624610 | 3,528 | 3,528 |
| Passthrough: Milwaukee School of Engineering | | | | |
| Education and Human Resources | 47.076 | 1725940 | 10,425 | 10,425 |
| Passthrough: University of Georgia | | | | |
| Education and Human Resources | 47.076 | RR740-019/S001595 | 50,247 | 50,247 |
| Passthrough: University of California | | | | |
| Education and Human Resources | 47.076 | A19-0417-S001 | 16,669 | 16,669 |
| **Total National Science Foundation** | | | **1,332,119** | **1,332,119** |
| **Department of Health and Human Services** | | | | |
| Discovery and Applied Research for Technological Innovations to Improve Human Health | 93.286 | | 96,423 | 96,423 |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | | 143,185 | 143,185 |
| Biomedical Research and Research Training | 93.859 | | 436,070 | 436,070 |
| Passthrough: University of Pittsburgh | | | | |
| Biomedical Research and Research Training | 93.859 | 0051644 | 54,323 | 54,323 |
| Passthrough: New Echota Biotechnology | | | | |
| Biomedical Research and Research Training | 93.859 | R43GM128494-18-01 | 20,158 | 20,158 |
| Passthrough: Rush University Medical Center | | | | |
| Biomedical Research and Research Training | 93.859 | 1R01GM102336-01A1 | 2,283 | 2,283 |
| Child Health And Human Development Extramural Research | 93.865 | | 304,668 | 304,668 |
| Aging Research | 93.866 | | 37,510 | 37,510 |
| **Total Department of Health and Human Services** | | | **1,094,620** | **1,094,620** |
| **Department of Defense** | | | | |
| Passthrough: Virginia Polytechnic Institute and State University | | | | |
| Basic Scientific Research | 12.431 | 170104 | 9,409 | 9,409 |
| **Total Department of Defense** | | | **9,409** | **9,409** |
| **Department of Justice** | | | | |
| Passthrough: Rutgers University | | | | |
| National Institute of Justice Research, Evaluation, and Development Project Grants | 16.560 | 822179-0865 | 12,080 | 12,080 |
| **Total Department of Justice** | | | **12,080** | **12,080** |
| **Department of Education** | | | | |
| Higher Education Institutional Aid | 84.031 | | 134,795 | 134,795 |
| **Total Department of Education** | | | **134,795** | **134,795** |
| **Department of Energy** | | | | |
| Office of Science Financial Assistance Program | 81.049 | | 64,535 | 64,535 |
| **Total Department of Energy** | | | **64,535** | **64,535** |
| **National Aeronautics and Space Administration** | | | | |
| Passthrough: Phoenix Analysis and Design Technologies | | | | |
| Science | 43.001 | 80NSSC20C0021 | 11,086 | 11,086 |
| **Total National Aeronautics and Space Administration** | | | **11,086** | **11,086** |
| **Department of Transportation** | | | | |
| Passthrough: Georgia Department of Transportation | | | | |
| Highway Research and Development Program | 20.200 | RP 18-22, RP 18-28, RP 19-07 | 53,961 | 53,961 |
| **Total Department of Transportation** | | | **53,961** | **53,961** |
| **Department of Agriculture** | | | | |
| Passthrough: Georgia Department of Agriculture | | | | |
| Specialty Crop Block Grant Program - Farm Bill | 10.170 | AM170100XXXXG018 | 14,945 | 14,945 |
| Passthrough: Texas Parks and Wildlife Department | | | | |
| National Fish and Wildlife Foundation | 10.683 | 527118 | 11,766 | 11,766 |
| **Total Department of Agriculture** | | | **26,711** | **26,711** |
| *Total Research and Development Cluster* | | | *2,739,316* | *2,739,316* |

# KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
## FOR THE YEAR ENDED JUNE 30, 2020

| | Federal CFDA # | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|---|---|---|---|
| *TRIO Cluster* | | | | |
| **Department of Education** | | | | |
| TRIO Upward Bound | 84.047 | | 633,686 | 633,686 |
| **Total Department of Education** | | | **633,686** | **633,686** |
| *Total TRIO Cluster* | | | *633,686* | *633,686* |
| *Highway Safety Cluster* | | | | |
| **Department of Transportation** | | | | |
| Passthrough: Governor's Office of Highway Safety | | | | |
| National Priority Safety Programs | 20.616 | YA-402TSP-010 | 2,937 | 2,937 |
| **Total Department of Transportation** | | | **2,937** | **2,937** |
| *Total Highway Safety Cluster* | | | *2,937* | *2,937* |
| **Department of Health and Human Services** | | | | |
| Passthrough: Center for Social Innovation | | | | |
| Minority Health and Health Disparities Research | 93.307 | HHSS280200600029C | 216 | 216 |
| Passthrough: University of Georgia | | | | |
| Chafee Education and Training Vouchers Program (ETV) | 93.599 | SUB00002192 | 30,545 | 30,545 |
| Passthrough: Georgia State University | | | | |
| Foster Care Title IV-E | 93.658 | 2019-2020 IV-E | 163,942 | 163,942 |
| **Total Department of Health and Human Services** | | | **194,703** | **194,703** |
| **Department of Education** | | | | |
| Passthrough: Georgia Institute of Technology | | | | |
| Gaining Early Awareness and Readiness for Undergraduate Programs | 84.334 | Y0020-G1 | 140,286 | 140,286 |
| Passthrough: Georgia Department of Education | | | | |
| Mathematics and Science Partnerships | 84.366 | S366B160011 | 85,613 | 85,613 |
| **Total Department of Education** | | | **225,899** | **225,899** |
| **Department of Justice** | | | | |
| Passthrough: Criminal Justice Coordinating Council | | | | |
| Crime Victim Assistance | 16.575 | C18-8-320 | 26,541 | 26,541 |
| **Total Department of Justice** | | | **26,541** | **26,541** |
| **Department of the Interior** | | | | |
| Passthrough: The Nature Conservancy | | | | |
| Wildlife Restoration and Basic Hunter Education | 15.611 | TNBU 08012019 A103 153 | 24,901 | 24,901 |
| Passthrough: Wildlife Management Institute | | | | |
| Endangered Species Recovery Implementation | 15.657 | F17AP00100 | 9,219 | 9,219 |
| **Department of the Interior** | | | **34,120** | **34,120** |
| **Department of Agriculture** | | | | |
| Passthrough: University of Tennessee Knoxville | | | | |
| Agriculture and Food Research Initiative (AFRI) | 10.310 | 2014-67001-2185 | 2,108 | 2,108 |
| **Total Department of Agriculture** | | | **2,108** | **2,108** |
| **National Aeronautics and Space Administration** | | | | |
| Passthrough: Georgia Institute of Technology | | | | |
| Office of Stem Engagement (OSTEM) | 43.008 | RF964-G8 | 16,711 | 16,711 |
| **Total National Aeronautics and Space Administration** | | | **16,711** | **16,711** |
| **Environmental Protection Agency** | | | | |
| P3 Award: National Student Design Competition for Sustainability | 66.516 | | 11,760 | 11,760 |
| **Total Environmental Protection Agency** | | | **11,760** | **11,760** |
| **Department of Homeland Security** | | | | |
| Passthrough: Georgia Emergency Management Agency | | | | |
| Homeland Security Grant Program | 97.067 | SHO18-098 | 688 | 688 |
| **Total Department of Homeland Security** | | | **688** | **688** |
| | | | **$ 3,888,469** | **$ 3,888,469** |

# KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

## 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.

MAULDIN & JENKINS

CPAs & ADVISORS

# 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, 2020, 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 27, 2021.

**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 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. 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 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*.

**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 27, 2021

MAULDIN & JENKINS
CPAs & ADVISORS

# 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, 2020. 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, 2020.

**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 27, 2021

# KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS
## YEAR ENDED JUNE 30, 2020

**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:**

| | |
|---|---|
| Research & Development Cluster | 10.170, 10.683, 12.431, 16.560, 20.200, 43.001, 47.041, 47.049, 47.070, 47.074, 47.075, 47.076, 81.049, 84.031, 93.286, 93.853, 93.859, 93.865, 93.866 |
| 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, 2020

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**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, 2019

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**II. FINANCIAL STATEMENT FINDINGS**

NONE

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

NONE