KENNESAW STATE UNIVERSITY FOUNDATION, INC.

CONSOLIDATED FINANCIAL STATEMENTS

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

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

KENNESAW STATE UNIVERSITY FOUNDATION, INC.

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Trustees
Kennesaw State University Foundation, Inc.
Kennesaw, Georgia

We have audited the accompanying consolidated financial statements of Kennesaw State University Foundation, Inc. (a nonprofit organization) and affiliates (collectively, the "Foundation"), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated 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 organization'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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kennesaw State University Foundation, Inc. as of June 30, 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adjustments to Prior Period Consolidated Financial Statements

The consolidated financial statements of the Foundation. as of June 30, 2020, were audited by other auditors whose opinion dated September 4, 2020, on those statements was an unmodified opinion. As discussed in Note 19, the Foundation has restated its June 30, 2020 consolidated financial statements during the current year to present the discontinued operations, in accordance with accounting principles generally accepted in the United States of America. The other auditors reported on the 2020 consolidated financial statements before the restatement.

As part of our audit of June 30, 2021 consolidated financial statements, we also audited adjustments described in Note 19 that were applied to restate the June 30, 2020 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the June 30, 2020 consolidated financial statements of the Foundation other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2020 consolidated financial statements as a whole.

Cherry Bekaert LLP

Augusta, Georgia
September 14, 2021

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	$ 36,442,335	$ 24,651,666
Unconditional promises to give, net	16,469,753	10,183,864
Rents receivable, net of allowance $132,726 and $95,358, respectively	27,090	1,250
Accounts receivable - other	26,004	15,235
Accounts receivable - related party	535,073	432,206
Prepaid expenses	63,574	53,392
Other assets	12,200	12,198
Investments	100,352,445	74,498,993
Net investments in direct financing leases	194,403,483	211,334,320
Operating leases right of use asset	6,589,311	-
Donated art	626,784	553,650
Property and equipment, net	90,720,154	76,810,810
Assets limited as to use	89,715,201	48,721,726
Assets of discontinued operations	1,472,586	4,354,713
Total Assets	$ 537,455,993	$ 451,624,023
LIABILITIES AND NET ASSETS		
Accounts payable	$ 1,776,210	$ 6,407
Accounts payable - related party	752,906	907,160
Invested funds held for KSU Alumni	98,182	79,157
Security deposits payable	19,992	23,442
Accrued expenses	1,435,611	1,136,440
Accrued interest	7,598,580	7,308,182
Operating leases liability	6,589,311	-
Bonds payable, net	371,398,064	345,117,804
Line of credit	-	1,090,000
Note payable	-	470,000
Annuity obligation	1,715	2,265
Deferred revenue	5,122,198	357,491
Liabilities of discontinued operations	2,493	49,629
Total Liabilities	394,795,262	356,547,977

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

JUNE 30, 2021 AND 2020

	2021	2020
NET ASSETS		
Without Donor Restrictions:		
Undesignated	$ 7,480,769	$ 2,278,612
Designated by the Board for housing reserves	3,081,882	4,292,419
Designated by the Board for student support - scholarships	671,669	887,970
Designated by the Board for academic learning center	-	2,000,000
Designated by the Board for Foundation gift matching	1,000,000	1,000,000
Designated by the Board for Foundation endowment	458,145	5,000,000
Designated by the Board for match advance	2,000,000	-
Total Net Assets Without Donor Restrictions	14,692,465	15,459,001
With Donor Restrictions:		
Purpose restrictions	48,196,377	31,035,262
Perpetual in nature	79,771,889	48,656,483
Underwater endowments	-	(74,700)
Total Net Assets With Donor Restrictions	127,968,266	79,617,045
Total Net Assets	142,660,731	95,076,046
Total Liabilities and Net Assets	$ 537,455,993	$ 451,624,023

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support:			
Contributions and special events	$ 38,867	$ 32,928,160	$ 32,967,027
Net investment return	968,522	16,283,227	17,251,749
Donated services	517,385	-	517,385
Management fee income	428,187	-	428,187
Leasing income	38,159,696	-	38,159,696
Total Revenue	40,112,657	49,211,387	89,324,044
Net Assets Released from Restrictions:			
Satisfaction of program restrictions	5,392,485	(5,392,485)	-
Total Revenue and Other Support	45,505,142	43,818,902	89,324,044
Expenses:			
Program Services:			
Scholarships and awards	3,397,600	-	3,397,600
Academic programs and dean support	2,440,963	-	2,440,963
Other University support	1,047,160	-	1,047,160
Special events and programs	376,546	-	376,546
Campus facilities	28,842,637	-	28,842,637
Total Program Services	36,104,906	-	36,104,906
Supporting Services:			
Management and general	1,543,340	-	1,543,340
Fundraising	166,268	-	166,268
Total Supporting Services	1,709,608	-	1,709,608
Total Expenses	37,814,514	-	37,814,514
Other Items:			
Paycheck Protection Program loan forgiveness	470,000	-	470,000
Loss on bond defeasance	(620,491)	-	(620,491)
Assets transferred to KSU	(685,161)		(685,161)
Change in Net Assets from Continuing Operations	6,854,976	43,818,902	50,673,878
Discontinued Operations:			
Loss from discontinued operations	(464,756)	-	(464,756)
Loss on disposal of discontinued operations	(2,624,437)	-	(2,624,437)
Loss from Discontinued Operations	(3,089,193)	-	(3,089,193)
Change in net assets	3,765,783	43,818,902	47,584,685
Net assets, beginning of year	15,459,001	79,617,045	95,076,046
Change in donor intent	(4,532,319)	4,532,319	-
Net assets, end of year	$ 14,692,465	$ 127,968,266	$ 142,660,731

KENNESAW STATE UNIVERSITY FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support:			
Contributions and special events	$ 87,065	$ 16,273,555	$ 16,360,620
Net investment return	1,278,193	1,102,380	2,380,573
Donated services	308,886	-	308,886
Management fee income	356,260	-	356,260
Leasing income	35,869,758	-	35,869,758
Total Revenue	37,900,162	17,375,935	55,276,097
Net Assets Released from Restrictions:			
Satisfaction of program restrictions	5,039,936	(5,039,936)	-
Total Revenue and Other Support	42,940,098	12,335,999	55,276,097
Expenses:			
Program Services:			
Scholarships and awards	2,681,983	-	2,681,983
Academic programs and dean support	2,208,055	-	2,208,055
Other University support	962,643	-	962,643
Special events and programs	532,216	-	532,216
Campus facilities	30,032,054	-	30,032,054
Total Program Services	36,416,951	-	36,416,951
Supporting Services:			
Management and general	1,756,529	-	1,756,529
Fundraising	166,355	-	166,355
Total Supporting Services	1,922,884	-	1,922,884
Total Expenses	38,339,835	-	38,339,835
Other Items:			
Assets transferred to KSU	5,330,726	-	5,330,726
Change in Net Assets from Continuing Operations	(730,463)	12,335,999	11,605,536
Discontinued Operations:			
Loss from discontinued operations	(65,772)	-	(65,772)
Change in net assets	(796,235)	12,335,999	11,539,764
Net assets, beginning of year	16,173,209	67,363,073	83,536,282
Change in donor intent	82,027	(82,027)	-
Net assets, end of year	$ 15,459,001	$ 79,617,045	$ 95,076,046

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services						Supporting Services		
	Scholarships and Awards	Academic Programs and Dean Support	Other University Support	University Special Events	Campus Facilities	Total Program Expenses	Management and General	Fundraising	Total Expenses
Expenses:									
Grants and other assistance to organizations	$ 3,397,600	$ 1,930,623	$ 147,227	$ 62,159	$ -	$ 5,537,609	$ -	$ 21,380	$ 5,558,989
Compensation of current officers	-	-	1	-	-	1	363,845	-	363,846
Other salaries and wages	-	96,863	226,260	7,790	2,167,367	2,498,280	809,320	5,743	3,313,343
Accounting	-	69,386	112,595	5,639	-	187,620	77,488	4,449	269,557
Advertising and promotion	-	5,635	-	-	-	5,635	900	-	6,535
Office expenses	-	111,690	74,446	31,662	-	217,798	21,905	66,293	305,996
Information technology	-	123,712	1,431	7,960	-	133,103	42,423	360	175,886
Occupancy	-	6,647	347,804	205,010	58,894	618,355	124,106	156	742,617
Travel	-	1,371	6,789	-	-	8,160	806	4,466	13,432
Conferences, conventions, and meetings	-	71,279	30,993	52,387	-	154,659	38,409	24,582	217,650
Interest	-	-	-	-	12,172,849	12,172,849	-	-	12,172,849
Depreciation, depletion, and amortization	-	-	-	-	5,425,628	5,425,628	3,511	-	5,429,139
Legal fees	-	-	-	-	-	-	39,727	-	39,727
Other professional and admin fees	-	429	-	-	-	429	14,280	-	14,709
Utilities	-	-	-	-	2,355,767	2,355,767	-	-	2,355,767
Rental operations	-	-	-	-	6,662,132	6,662,132	-	-	6,662,132
Promotion and development	-	11,049	22,159	679	-	33,887	-	33,664	67,551
Dues and professional memberships	-	12,279	77,455	3,260	-	92,994	6,620	5,175	104,789
Total Expenses from Continuing Operations	3,397,600	2,440,963	1,047,160	376,546	28,842,637	36,104,906	1,543,340	166,268	37,814,514
Total Expenses from Discontinued Operations	-	-	-	-	464,756	464,756	-	-	464,756
Total Expenses	$ 3,397,600	$ 2,440,963	$ 1,047,160	$ 376,546	$ 29,307,393	$ 36,569,662	$ 1,543,340	$ 166,268	$ 38,279,270

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

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services						Supporting Services		
	Scholarships and Awards	Academic Programs and Dean Support	Other University Support	University Special Events	Campus Facilities	Total Program Expenses	Management and General	Fundraising	Total Expenses
Expenses:									
Grants and other assistance to organizations	$ 2,681,983	$ 1,174,612	$ 72,379	$ 7,773	$ -	$ 3,936,747	$ -	$ 8,505	$ 3,945,252
Compensation of current officers	-	-	-	-	-	-	220,438	-	220,438
Other salaries and wages	-	97,334	217,799	11,728	-	326,861	1,081,662	30,821	1,439,344
Advertising and promotion	-	6,337	-	1,190	-	7,527	-	-	7,527
Office expenses	-	88,735	74,099	78,047	-	240,881	23,627	20,648	285,156
Information technology	-	17,677	381	2,130	-	20,188	27,928	-	48,116
Occupancy	-	12,604	237,009	199,198	52,007	500,818	147,138	3,438	651,394
Travel	-	83,258	11,107	86,028	-	180,393	1,995	2,135	184,523
Conferences, conventions, and meetings	-	327,067	125,516	121,187	-	573,770	33,454	28,269	635,493
Interest	-	-	-	-	12,991,755	12,991,755	-	-	12,991,755
Depreciation	-	-	-	-	5,089,160	5,089,160	3,511	-	5,092,671
Legal fees	-	-	-	-	-	-	94,150	-	94,150
Other professional and admin fees	-	382,700	173,144	24,760	30	580,634	114,370	58,017	753,021
Rental operations	-	-	-	-	11,899,102	11,899,102	-	-	11,899,102
Promotion and development	-	-	-	-	-	-	-	9,450	9,450
Dues and professional memberships	-	17,731	51,209	175	-	69,115	8,256	5,072	82,443
Total Expenses from Continuing Operations	2,681,983	2,208,055	962,643	532,216	30,032,054	36,416,951	1,756,529	166,355	38,339,835
Total Expenses from Discontinued Operations	-	-	-	-	1,037,864	1,037,864	-	-	1,037,864
Total Expenses	$ 2,681,983	$ 2,208,055	$ 962,643	$ 532,216	$ 31,069,918	$ 37,454,815	$ 1,756,529	$ 166,355	$ 39,377,699

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 47,584,685	$ 11,539,764
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	5,429,139	5,092,672
Amortization expense of bond issuance costs	486,327	474,345
Amortization of bond premiums and original issue discount	(2,308,402)	(2,706,496)
Contributions restricted for long-term investment	(6,235,033)	(6,527,025)
Contributions of donated art	(73,134)	-
Amortization of right of use assets	83,791	-
Loss on disposal of discontinued operations	2,624,437	-
Loss on defeasance of debt	620,491	-
Paycheck Protection Program loan forgiveness	(470,000)	
Net realized and unrealized gains on investments	(16,016,263)	(31,950)
Changes in:		
Unconditional promises to give	(6,285,889)	143,567
Accounts receivable - related party	(102,867)	(95,242)
Other receivables	87,697	331,420
Prepaid expenses	(4,423)	524
Other assets	(2)	-
Accounts payable	371,708	(337,732)
Accounts payable - related party	(154,254)	(617,193)
Invested funds for KSU Alumni	19,025	(894)
Security deposits payable	(3,450)	(6,236)
Accrued expenses	(935,076)	1,076,897
Accrued interest	290,398	(278,478)
Annuity obligation	(550)	(550)
Deferred revenue	4,764,707	(422,137)
Net cash flows from operating activities	29,773,062	7,635,256
Cash flows from investing activities:		
Principal received on net investments in direct financing leases	16,930,837	8,443,860
Purchase of property and equipment	(16,668,189)	(3,833,661)
Net purchase of investments	(9,837,189)	(8,130,009)
Net cash flows from investing activities	(9,574,541)	(3,519,810)

KENNESAW STATE UNIVERSITY FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash flows from financing activities:		
Proceeds from contributions restricted for investment in endowment	$ 6,235,033	$ 6,527,025
Proceeds from note payable	-	470,000
Proceeds from line of credit	-	1,090,000
Repayment of line of credit	(1,090,000)	-
Proceeds from bond issuance	68,221,830	-
Payments of bond issuance costs	(1,219,199)	-
Bond redemption	(39,520,787)	(12,575,000)
Net cash flows from financing activities	32,626,877	(4,487,975)
Net change in cash and cash equivalents	52,825,398	(372,529)
Cash and cash equivalents, beginning of year	73,415,929	73,788,458
Cash and cash equivalents, end of year	$ 126,241,327	$ 73,415,929
Cash and cash equivalents	$ 36,442,335	$ 24,651,666
Assets limited as to use	89,715,201	48,721,726
Cash from discontinued operations	-	42,537
Cash and cash equivalents, end of year	$ 126,157,536	$ 73,415,929
Supplemental data for financing activities:		
Interest paid (excluding capitalized interest)	$ 14,182,068	$ 15,502,388

Note 1—Nature of Operations

Kennesaw State University Foundation, Inc. (the "Foundation") is a nonprofit foundation exempt from federal and state income taxes under Internal Revenue Code ("IRC") Section 501(c)(3). The Foundation's mission is to be an advocate for Kennesaw State University (the "University") and to receive, invest, account for, and allocate private gifts and contributions in support of the University, a related party, in Cobb County, Georgia. The Foundation provides student housing, parking, leases administrative, dining, classroom, and athletic space to the University. The Foundation also operated hospitality space, which was closed during the year ended June 30, 2021.

Note 2—Summary of significant accounting policies

Basis of Presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and are presented in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets – The Foundation classifies net assets, revenues, and gains and losses on investments based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not restricted by the donor. These assets are used to support the operations of the Foundation and are at the discretion of the Foundation's Board of Trustees. The Board of Trustees has designated, from net assets without donor restrictions, net assets for designated by the Board for Foundation endowment.

Net Assets With Donor Restrictions – Net assets from contributions and other inflows of assets limited by donor-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, and are subject to the fluctuation of investments and periodic allocations made for spending specified by donor stipulations and applicable law. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed or when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Expenditures that relate to the fulfillment of the temporary restriction are shown as a reduction in revenue with donor restrictions as net assets released from restrictions.

Unrealized and realized gains and losses, and dividends and interest from investing activities may be included in either of these net asset classifications depending on donor-imposed restrictions and the Foundation's interpretation of relevant state law.

Note 2—Summary of significant accounting policies (continued)

Basis of Consolidation – The consolidated financial statements of Kennesaw State University Foundation, Inc. includes the accounts of Kennesaw State University Foundation, Inc.; Kennesaw State University Real Estate Foundation, LLC; KSU Center Real Estate Foundation, LLC; KSU Central Parking Deck Real Estate Foundation, LLC; KSU Chastain Pointe Real Estate Foundation, LLC; KSU Dining Hall Real Estate Foundation, LLC; KSU Houses Real Estate Foundation, LLC; KSU Parking Decks Real Estate Foundation, LLC (North, East, and West Decks); KSU Place Real Estate Foundation, LLC (KSU Place I and II); KSU Sports and Recreation Facilities Foundation, LLC; KSU Sports and Recreation Park Real Estate Foundation, LLC; KSU Town Point Real Estate Foundation, LLC; KSU UP Real Estate Foundation, LLC (Austin Residence Complex Phase I); KSU Village I Real Estate Foundation, LLC (University Village and Village Centre); KSU Village II Real Estate Foundation, LLC (University Village Suites); KSU University II Real Estate Foundation, LLC (Austin Residence Complex Phase II, or "ARC II"); KSUF Housing Management, LLC; Kennesaw Hospitality, LLC (Kennesaw Inn); Kennesaw State Properties, LLC; KSU SRAC Real Estate Foundation, LLC (Student Recreation and Activities Center); 3305 Busbee Real Estate Foundation, LLC; KSU Marietta-Hudson Road Real Estate Foundation, LLC; KSU Cobb Parkway Real Estate Foundation, LLC; SPSU Student Housing I, LLC; KSU Special Events, LLC; KSU 1250 Marietta Pkwy Real Estate Foundation, LLC; KSU Howell Hall Real Estate Foundation, LLC; and KSU 2020 Housing Real Estate Foundation, LLC. Intercompany accounts and all significant intercompany transactions have been eliminated.

Revenue recognition – Contributions received, including unconditional promises to give, are recognized as revenues in the period received at their estimated fair value less an appropriate allowance for uncollectible amounts. Conditional promises to give are recognized when the existing barriers are met. Promises to give due over more than one year are recorded at their discounted present value. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. The allowance for doubtful promises to give is based on specifically identified amounts that the Foundation believes to be uncollectible.

An additional allowance is recorded based on certain percentages of aged promises to give, which are determined based on historical experience and management's assessment of the general financial conditions affecting the Foundation's donor base. If actual collections experience changes, revisions to the allowance may be required.

Rental income is recorded under the straight-line method over the lease terms and is recognized when the rental payments become due. Rental agreements are generally year-to-year. Deferred revenue represents rent received for future periods. An allowance is recorded based on historical experience and management's assessment of specific accounts.

The Foundation collects certain management fees, and real estate services fees to support the cost of Foundation operations, carried on in support of the University. The Foundation considers these service fees to be without donor restrictions, and are recognized over time as services are rendered. These amounts are disclosed as management fee income in the consolidated statements of activities.

Advertising Costs – Advertising costs are charged to income as they are incurred. Advertising costs amounted to $6,535 and $7,527 for the years ended June 30, 2021 and 2020, respectively.

Split-Interest Agreement – The Foundation is the beneficiary of one annuity. The Foundation's interest in split-interest agreements is reported as a contribution in the year received at its net present value.

Note 2—Summary of significant accounting policies (continued)

Donated Services – Donated services are reflected as contributions in the accompanying statements of activities at their estimated values at the date of receipt. Donated service expense, which represents salaries and rents paid by the University on behalf of the Foundation, is reflected under supporting services as management and general expense in the accompanying consolidated statements of activities. Donated services totaled $517,385 and $308,886 for the years ended June 30, 2021 and 2020, respectively.

Investments – Investments are recorded at fair value. Donated investments are recorded at fair value on the date received. Realized and unrealized gains and losses on the portfolio are recognized as net investment returns.

Donated Art – Donated art is recorded at fair market value on the date received.

Property Under Direct-Financing – The Foundation leases real estate to the University. The leases are accounted for as direct-financing type leases. The present value of the minimum lease payments is recorded as an asset and is amortized as payments are received. The difference between gross minimum lease payments and the present value of the gross minimum lease payments is recorded as unearned income and is amortized as payments are received. Interest on the direct financing leases is recognized over the lease term using the effective interest method.

Property and Equipment – Property and equipment are stated at cost. Substantially, all property is held for leasing. Depreciation is computed on the straight-line method over the estimated useful lives of the property and equipment. For property constructed on leased land, the estimated useful life represents the terms of the land lease. Maintenance and repairs of equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale, or other disposition of equipment, the cost and accumulated depreciation are eliminated from the accounts, and gain or loss is included in the consolidated statements of activities.

Cash and Cash Equivalents – The amount reported in the consolidated statements of financial position as cash and cash equivalents approximates fair value due to the short maturity of these instruments. The Foundation considers all non-restricted highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Debt Issuance Costs – Debt issuance costs, comprised principally of underwriting, legal, and printing fees, are recorded as deferred charges and amortized over the term of the debt using the effective interest method. Debt issuance costs are presented as a decrease of the face amount of bonds payable in the consolidated statement of financial position.

Bond Premiums and Discounts – Bond premiums are presented as an increase of the face amount of bonds payable. Bond discounts are presented as a decrease of the face amount of bonds payable. Both are amortized over the term of the related bonds payable using the effective interest method.

Use of Estimates – The Foundation prepares its consolidated financial statements in accordance with U.S. GAAP, which requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the consolidated financial statements, as well as the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments – The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

> *Cash and Cash Equivalents and Temporary Investments* – The carrying amount approximates fair value because of the short-term maturity of these instruments.

Note 2—Summary of significant accounting policies (continued)

Investments – Investments are carried at fair value based on quoted market prices for those or similar investments. Alternative investments, which are not readily marketable, are carried at estimated fair values as provided by external investment managers. The Foundation reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in estimating the fair value of the alternative investments. The estimated fair values may differ significantly from the values that would have been used had ready markets for these securities existed.

Private Investment Funds – Private investment funds are valued at the net asset value (“NAV”) of shares on the last day of the fiscal year. The external fund managers utilize a security pricing hierarchy as its basis for fair value measurement.

Bond Proceeds Restricted for Construction, Debt Service, and Reserves – Funds held by the trustee are carried at fair value based on quoted market prices for those or similar investments.

Operating Funds Held by Trustee – Funds held by the trustee are carried at fair value based on quoted market prices for those or similar investments.

Bonds Payable – Fair value, as disclosed in Note 9, is the price that would be paid to transfer the liability in an orderly transaction between market participants.

Other Receivables and Payables – The carrying amount approximates fair value because of the short-term maturity of these instruments.

The Foundation follows FASB’s fair value measurements and disclosure guidance, which provides a framework for measuring fair value under U.S. GAAP. This guidance applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in the FASB issued guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market, income, and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique.

These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for market transactions involving identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models, and similar techniques, and not based on market exchange, dealer, or broker-traded transactions.

Note 2—Summary of significant accounting policies (continued)

Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities.

If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of these instruments.

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 its 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.

For the fiscal years ended June 30, 2021 and 2020, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers.

Income Tax Status – The Foundation qualified as a tax-exempt organization as described in IRC Section 501(c)(3) and has been classified by the Internal Revenue Service as a publicly supported organization and not as a private foundation. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Foundation follows the statutory requirements for its income tax accounting and generally avoids risks associated with potentially problematic tax positions that may be challenged upon examination. Management believes any liability resulting from taxing authorities imposing additional income taxes from activities deemed to be unrelated to the Foundation's tax-exempt status would not have a material effect on the Foundation's consolidated financial statements.

The Foundation files Form 990 in the U.S. federal jurisdiction and the state of Georgia.

The Foundation received income, which is considered unrelated business income subject to federal and state income taxes. At June 30, 2021, the Foundation had net operating loss carryforwards of $573,095 available to offset future taxable income and expiring at various dates from 2033 through 2034.

Functional Allocation of Expenses – The cost of providing the various programs and other activities have been summarized on a functional basis on the consolidated statement of activities. The statements of functional expenses present the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited as required by FASBs *Not-for-Profit* presentation and disclosure guidance.

The consolidated financial statements report certain categories of expenses that 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 advertising and promotion, office expenses, information technology, occupancy, travel, conferences, conventions and meetings, investment management fees, other professional fees, and dues and professional memberships, which are all allocated on the basis of estimates of time and effort.

Note 2—Summary of significant accounting policies (continued)

New Accounting Pronouncements – In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which will replace the existing "incurred loss" approach with an "expected loss" model for instruments measured at amortized cost. For trade and other receivables, loans and other instruments, the forward looking "expected loss" model will generally result in the earlier recognition of allowances for losses. In November 2018, FASB issued ASU No. 2018-19, Codification Improvements to Topic 326, Financial Instruments-Credit Losses, which clarifies that operating lease receivables accounted for under Accounting Standards Codification ("ASC") 842 are not in the scope of ASU No. 2016-13. Both ASUs were effective January 1, 2020 and require new disclosures. Both ASUs require a modified retrospective approach. The implementation of these ASUs had no material effect on the consolidated financial statements.

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. This guidance is intended to align lessor accounting and sale and leaseback transactions with comparable revenue guidance in the 2014 revenue recognition standard, FASB Accounting Standards Codification (ASC) 606, and provide additional information about the lessor's leasing activities and exposure to credit and asset risk as a result of leasing. There are three classifications of leases under the new standard from the lessor standpoint: sales-type (replacing the former capital lease), direct financing, and operating. If a lease is not concluded to be a sales-type or direct financing lease, it is classified as an operating lease. For operating leases, the Lessor continues to hold the underlying asset and recognize lease income on a generally straight-line basis over the lease term.

From a lessee perspective, the new guidance is intended to increase transparency and comparability by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 requires not-for-profit lessees to report a right-of-use asset along with a lease liability.

The Foundation elected to adopt these ASUs effective July 1, 2020 and utilized all of the available practical expedients. The adoption had a material impact on the Foundation's statement of financial position but did not have a material impact on the statement of activities. The most significant impact was the recognition of right of use ("ROU") assets and lease liabilities for operating leases. The accounting for finance leases remained substantially unchanged. Adoption of the standard required the Foundation to restate amounts as of July 1, 2020, resulting in an increase in operating lease ROU assets and operating lease liabilities of $7,283,388.

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

Concentration of Credit Risk – Cash and cash equivalents are maintained at multiple financial institutions and, as a result, credit exposure to any one institution is limited. The Federal Deposit Insurance Corporation secures accounts in insured institutions up to $250,000 per depositor.

At times, the balance of the Foundation's accounts may exceed the federally insured limits. As of June 30, 2021 and 2020, the Foundation's uninsured cash and cash equivalent balances totaled approximately $38,400,000 and $29,600,000, respectively. The Foundation has not experienced any losses on its cash and cash equivalents and believes it is not exposed to any significant credit risk on deposits at financial institutions.

Note 3—Liquidity and availability of resources

The Foundation defines financial assets available for general expenditure as only assets included in accounts without restrictions. Financial assets available for general expenditure, that is, without donor restrictions or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	$ 8,844,741	$ 16,122,028
Promises to give – without donor restriction, net	-	301
Rents receivable	-	1,251
Accounts receivable – other	53,094	139,541
Accounts receivable – related party	535,073	432,206
Non-endowed investments	13,948,018	13,333,254
Assets limited as to use	89,715,201	48,721,724
	113,096,127	78,750,305
Designations on liquid assets:		
Board-designated assets for housing reserves	3,081,882	4,292,419
Board-designated assets for scholarships	686,978	887,970
Board-designated assets for academic learning center	-	2,000,000
Board-designated assets for scholarship matching	1,000,000	1,000,000
Board-designated assets for endowment	458,145	5,000,000
Board-designated assets for match advance	70,000	-
Cash restricted to capital projects	1,142,035	298,208
Amounts held or pledges under bond trust agreements	89,875,962	48,741,407
	96,315,002	62,220,004
Total financial assets without donor or other restrictions available for general use within one year	$ 16,781,125	$ 16,530,301

As part of the Foundation's liquidity plan, the Foundation allocates approximately half of its annual operating expenses, or approximately $4,000,000, as an operating reserve plus a $2,000,000 working capital reserve. However, due to resource constraints experienced from the impact of COVID, the Board elected to utilize operating reserves in order to maintain an operating budget for 2021 comparable to prior years. Therefore, the operating reserve allocation at June 30, 2021 was approximately $3,300,000. The remaining balance of $11,481,125 is available as undesignated liquid assets. The Foundation has current liabilities at June 30, 2021 of $2,409,233 leaving a remaining balance of $9,071,892 as undesignated and uncommitted liquid assets.

The Foundation's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specified purposes. Donor-restricted endowment funds are not available for general expenditure.

Note 4—Promise to give

Promises to give at June 30, 2021 and 2020 consisted of the following unconditional promises to give:

	2021	2020
Promises to give without donor restrictions	$ 573	$ 2,522
Promises to give with donor restrictions – purpose restrictions	9,300,975	7,731,167
Promises to give with donor restrictions – perpetual in nature	8,595,585	3,701,048
Unconditional promises to give before discount and allowance for uncollectible pledges	17,897,133	11,434,737
Less unamortized discount	(1,156,372)	(923,791)
	16,740,761	10,510,946
Less allowance for uncollectible promises to give	(271,008)	(327,082)
	16,469,753	10,183,864
Amount due in:		
Less than one year	4,089,706	6,859,857
One to three years	8,241,457	3,625,718
More than three years	5,565,970	949,162
	$ 17,897,133	$ 11,434,737

For the years ended June 30, 2021 and 2020, the discount rate used was 1% and 5%, respectively.

Three donors accounted for 73% and 62% of gross unconditional promises to give as of June 30, 2021 and 2020, respectively.

Note 5—Investments

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2021:

	Level 1	Level 2	Level 3	NAV Practical Expedient	Total
Money market funds	$ 6,163,657	$ -	$ -	$ -	$ 6,163,657
U.S. equity	-	-	-	1,392,723	1,392,723
Global equity	-	-	-	46,936,738	46,936,738
Corporate bonds	13,601,395	-	-	-	13,601,395
Equity securities:					
Public natural resources	-	-	-	4,835,088	4,835,088
Total equity securities	-	-	-	4,835,088	4,835,088
Mutual funds:					
Core bonds	-	-	-	8,702,108	8,702,108
Credit	-	-	-	5,897,202	5,897,202
Hedge funds	-	-	-	8,458,156	8,458,156
REIT	-	-	-	4,305,378	4,305,378
Total mutual funds	-	-	-	27,362,844	27,362,844
Private capital	-	-	-	60,000	60,000
Total investments	$ 19,765,052	$ -	$ -	$ 80,587,393	$ 100,352,445

Note 5—Investments (continued)

The following table sets forth by level, within the fair value hierarchy described in Note 2, the Foundation's investments at fair value as of June 30, 2020:

	Level 1	Level 2	Level 3	NAV Practical Expedient	Total
Money market funds	$ 5,947,054	$ -	$ -	$ -	$ 5,947,054
Government and agency securities	3,592,775	-	-	-	3,592,775
Corporate bonds	23,261,369	-	-	-	23,261,369
High yield bonds	489,610	-	-	-	489,610
Equity securities:					
Large cap value	2,991,989	-	-	-	2,991,989
Large cap growth	11,393,446	-	-	-	11,393,446
Mid cap	6,337,546	-	-	-	6,337,546
Small cap	4,943,079	-	-	-	4,943,079
International equities	4,199,271	-	-	-	4,199,271
Total equity securities	29,865,331	-	-	-	29,865,331
Mutual funds:					
Bond funds	1,880,278	-	-	-	1,880,278
Emerging markets	1,364,787	-	-	-	1,364,787
Specific strategy	5,490,685	-	-	-	5,490,685
Real estate	-	-	-	1,369,403	1,369,403
Commodities	1,237,701	-	-	-	1,237,701
Total mutual funds	9,973,451	-	-	1,369,403	11,342,854
Total investments	$ 73,129,590	$ -	$ -	$ 1,369,403	$ 74,498,993

The real estate funds invest primarily in U.S. commercial real estate. The fair values of the investment in this category have been estimated using NAV of the Foundation's ownership interest in partners' capital. These investments are less liquid and, generally, cannot be redeemed with the funds through normal redemption procedures. Under the Fund's share repurchase plan, redemption can be requested monthly and is subject to acceptance by the Fund manager.

In accordance with Accounting Standards Codification Subtopic 820-10, certain investments that are measured at fair value using NAV per share (or its equivalents) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

Note 5—Investments (continued)

The following table presents the nature and risk of assets with fair values estimated using NAV held at June 30, 2021:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
U.S. equity	$ 1,392,723	$ -	N/A	N/A
Global equity	46,936,738	-	Daily, Monthly, Quarterly	30 - 60 days
Equity securities:				
Public natural resources	4,835,088	-	N/A	N/A
Mutual funds:				
Core bonds	8,702,108	-	N/A	N/A
Credit	5,897,202	-	Quarterly	60 days
Hedge funds	8,458,156	-	N/A	N/A
REIT	4,305,378	-	N/A	N/A
Private capital**	60,000	12,190,000	Quarterly	45 - 90 days
	$ 80,587,393	$ 12,190,000		

**Private capital: This class includes investments in private equity and real asset funds. The real asset funds invest in global real estate investments, utilizing a variety of strategies, for purpose of generating income and capital appreciation. The private equity funds, which include venture capital funds, make direct and indirect investments in privately and publicly issued debt equity securities. Strategies employed by the private equity funds include distress, growth equity, buyout, alternative credit, and opportunistic strategies across a variety of industries and geographies. A portion of this class also invests in social impact companies. These investments can never be redeemed with the funds. Instead, the nature of the investments in this class is that distributions are received through liquidation of the underlying assets of the funds.

There were no unfunded commitments as of June 30, 2020.

Net investment return, as reported in the accompanying statements of activities, is comprised of the following for the years ended June 30:

	2021	2020
Interest and dividends	$ 1,480,332	$ 2,513,969
Net realized and unrealized gains	16,016,263	31,950
Investment expenses	(244,846)	(165,346)
Total net investment return	17,251,749	2,380,573
Less endowment net investment return	(16,262,962)	(541,380)
Operating net investment return	$ 988,787	$ 1,839,193

Note 5—Investments (continued)

Operating net investment return is generated from short-term and designated investments. The Foundation invests in a variety of investments, which are subject to fluctuations in market values and expose the Foundation to a certain degree of interest and credit risk. The Foundation invests in private investment funds as part of the Foundation's asset allocation. The investments in private capital are an alternative investment strategy with the purpose of increasing the diversity of the Foundation's holdings and is consistent with the Foundation's overall investment objectives.

The private investment funds are not traded on an exchange and, accordingly, investments in such funds may not be as liquid as investments in marketable equity or debt securities. The private investment funds may invest in other private investment funds, equity, or debt securities, which may or may not have readily available fair values, and foreign exchange or commodity forward contracts. Management relies on various factors to estimate the fair value of these investments.

Management believes its processes and procedures for valuing investments are effective and that its estimate of value is reasonable. However, the factors used by management are subject to change in the near term and, accordingly, investment values and performance can be affected. The effect of these changes could be material to the accompanying consolidated financial statements.

Note 6—Investments in direct financing leases

The Foundation's leasing operations consist of leasing real estate to the University under direct-financing type leases expiring in various years through 2044.

Following is a summary of the components of the Foundation's net investment in direct-financing type leases at June 30, 2021 and 2020:

	2021	2020
Total minimum lease payments to be received	$ 302,756,494	$ 327,552,192
Less unearned income	(108,353,011)	(116,217,872)
Net investment	$ 194,403,483	$ 211,334,320

Net minimum lease payments to be received as of June 30, 2021 are:

Years Ending June 30,	
2022	$ 8,846,296
2023	9,278,656
2024	9,724,014
2025	10,205,022
2026	10,707,978
Thereafter	145,641,517
	$ 194,403,483

Note 7—Property and equipment, net

Property and equipment, net at June 30, 2021 and 2020 consisted of the following:

	Life	2021	2020
Land		$ 3,465,296	$ 3,465,296
Land improvements		75,603	122,425
Building improvements	10-39.5	133,712,011	132,112,892
Furniture, fixtures, and equipment	5	15,215,544	14,047,950
Computer software	3	82,581	82,581
Construction in progress		17,883,361	1,268,266
		170,434,396	151,099,410
Less accumulated depreciation		(79,714,242)	(74,288,600)
		$ 90,720,154	$ 76,810,810

Property consists of student housing, University facilities, land held for future University development, classroom and office space, athletic facilities, hospitality facilities, dining facilities, and retail space.

Depreciation expense for the years ended June 30, 2021 and 2020 was $5,429,139 and $5,092,672, respectively.

Interest expense capitalized was approximately $914,500 for the year ended June 30, 2021.

The student housing is rented on a year-to-year basis with terms primarily beginning in August.

Effective July 1, 2017, the Foundation entered into a master lease agreement for the entire Chastain Pointe property with the Board of Regents of the University System of Georgia (the “Board of Regents.”)

During the year ended June 30, 2020, the Foundation entered into new agreements on two new real estate foundations, KSU Howell Hall Real Estate Foundation and KSU 2020 Housing Real Estate Foundation. The remaining estimated costs to complete the contracts are approximately $1.1 million for Howell Hall Real Estate Foundation and $25.4 million for KSU 2020 Housing Real Estate Foundation. The Foundation has rental agreements with the University on these assets.

Note 8—Assets limited as to use

The financing of the purchase of various facilities including student housing, parking decks, and residential housing is subject to the terms of Trust Indentures between the Development Authority of Cobb County and Trustees. Under the provisions of the Trust Indentures, Debt Service Reserve Funds will be used to pay principal of, premium, if any, and interest on the bonds if insufficient funds are on deposit with the Trustees on the date such payment is due. The Trust Indentures also provide for other funds, including the Repair and Replacement Funds and the Surplus Funds. Pursuant to the agreements, the borrower has agreed to deliver the gross revenues attributable to the project to the Trustees for deposit in the Revenue Funds, as applicable, from which the operating expenses of the project, debt service of the bonds, and other amounts will be paid.

Bond Funds were established to be used as sinking funds to pay the principal of, premium, if any, and interest on the bonds.

Note 8—Assets limited as to use (continued)

If on any interest payment date there should be insufficient funds within an account in the Bond Funds to pay interest, principal, or premium due on the respective series of bonds, there shall be transferred to the respective account in the Bond Funds from the related account in the Debt Service Reserve Funds such amounts as are necessary to pay the interest, principal, and premium due on the related series of bonds.

Project Funds were established to maintain bond proceeds which will be used to fund construction. At project completion, any excess in this fund can only be used to repay debt.

A summary of the assets limited as to use held by the Trustee under the Trust Indenture as of June 30, 2021 and 2020 is as follows:

	2021	2020
Revenue funds	$ 1,460,818	$ 99,519
Debt service funds	16,804,960	16,691,139
Surplus funds	3,594,419	2,719,644
Bond funds	20,580,343	19,466,554
Project funds	34,885,042	129,644
R&R funds	12,389,619	9,615,226
	$ 89,715,201	$ 48,721,726

Note 9—Bonds payable

Series 2010 Sports Stadium and Recreation Park Bonds Payable – During the year ended June 30, 2011, the Development Authority of Cobb County issued Sports and Recreation Lease Revenue bonds and loaned the proceeds to the Kennesaw State University Foundation. The Series 2010A, B, and C facilities bonds were issued to finance the purchase of land, and the cost of construction for the sports stadium and recreation park.

The bonds were issued in the aggregate principal amount of $66,830,000. The bonds consist of three series, the "University Facilities Series 2010A" in the amount of $43,790,000, the "University Facilities Taxable Series 2010B" in the amount of $5,255,000, and the "Recovery Zone Facility Series 2010C" in the amount of $17,785,000.

The Series 2010A and 2010C bonds will mature on July 15, 2040, subject to mandatory and optional redemption provisions. The Series 2010B bonds will mature on July 15, 2020, subject to mandatory and optional redemption provisions. The bonds bear interest, payable semiannually on January 15th and July 15th, at rates set at issuance, ranging from 4.00% to 5.125%.

The terms of the bonds require the Foundation to lease the related facilities to the Board of Regents through year-to-year rental agreements that have multi-year renewal options, in amounts that the debt service coverage ratio, calculated at the end of each fiscal year, will not be less than 1.0 in each fiscal year while the rental agreements are in effect.

The Series 2010A bonds were refunded with the Series 2017 Sports and Recreation Park Lease Revenue Refunding Bonds, and the Series 2010C Recovery Zone bonds were refunded with the Series 2020 Sports and Recreation Park Refunding and Howell Hall Renovation Bonds. As a result, the previously issued bonds are deemed extinguished for accounting purposes resulting in a loss of $457,273 during fiscal year 2021. The Foundation entered into this advance refunding to take advantage of historically low long-term interest rates. The Series 2010B bonds matured during the year ended June 30, 2021.

Note 9—Bonds payable (continued)

Series 2011 Student Housing Bonds Payable – During the year ended June 30, 2012, the Development Authority of Cobb County issued revenue bonds and loaned the proceeds to the Kennesaw State University Foundation. The Series 2011 bonds were issued to finance the construction of the 2011 Housing project.

The bonds were issued in the aggregate principal amount of $30,215,000. The Series 2011 bonds will mature on July 15, 2041, subject to mandatory and optional redemption provisions.

The bonds bear interest, payable semiannually on January 15th and July 15th, at rates set at issuance, ranging from 3.00% to 5.00%.

The terms of the bonds require the Foundation to lease the related facilities to the Board of Regents through year-to-year rental agreements that have multi-year renewal options, in amounts that the debt service coverage ratio, calculated at the end of each fiscal year, will not be less than 1.0 in each fiscal year while the rental agreements are in effect.

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Series 2011 bonds redeemed in the principal amounts set forth in the following table:

Redemption Date (July 15,)	2011 Bonds
2021	$ 760,000
2022	800,000
2023	825,000
2024	860,000
2025	895,000
Thereafter	21,505,000
	$ 25,645,000

Series 2013 Student Recreation and Activities Center Bonds Payable – During the year ended June 30, 2013, the Development Authority of Cobb County issued revenue bonds and loaned the proceeds to the Kennesaw State University Foundation. The Series 2013 bonds were issued to finance the construction of the 2013 Student Recreation and Activities Center project.

The bonds were issued in the aggregate principal amount of $43,290,000. The Series 2013 bonds will mature on July 15, 2042, subject to mandatory and optional redemption provisions. The bonds bear interest, payable semiannually on January 15th and July 15th, at rates set at issuance, ranging from 3.00% to 5.00%.

The terms of the bonds require the Foundation to lease the related facilities to the Board of Regents through year-to-year rental agreements that have multi-year renewal options, in amounts that the debt service coverage ratio, calculated at the end of each fiscal year, will not be less than 1.0 in each fiscal year while the rental agreements are in effect.

Note 9—Bonds payable (continued)

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Series 2013 bonds redeemed in the principal amounts set forth in the following table:

Redemption Date (July 15,)	2013 Bonds
2021	$ 1,135,000
2022	1,180,000
2023	1,230,000
2024	1,280,000
2025	1,315,000
Thereafter	31,995,000
	$ 38,135,000

Series 2013 Student Housing Refunding Bonds Payable – During the year ended June 30, 2014, the Development Authority of Cobb County issued Student Housing Refunding Revenue bonds and loaned the proceeds to the Kennesaw State University Foundation. The Series 2013A and B bonds were issued to refund $6,285,000 of the 2004A Student Housing Senior Series and $27,205,000 of the 2004C Student Housing Subordinate Series.

The bonds were issued in the aggregate principal amount of $36,195,000. The bonds consist of two series, the "Student Housing Senior Series 2013A" in the amount of $7,260,000 and the "Student Housing Subordinate Series 2013B" in the amount of $28,935,000. The Series 2013A will mature on July 15, 2036, subject to mandatory and optional redemption provisions. The Series 2013B will mature on July 15, 2026, subject to mandatory and optional redemption provisions.

The bonds bear interest, payable semiannually on January 15th and July 15th, at rates set at issuance, ranging from 2.00% to 5.25%.

The terms of the bonds require the Foundation to set rates and charges for the Housing project, such that the debt service coverage ratio, calculated at the end of each fiscal year, will not be less than 1.2.

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Housing Series 2013 bonds redeemed in the principal amounts set forth in the following table:

Redemption Date (July 15,)	Housing 2013A and B Bonds
2021	$ 2,275,000
2022	2,380,000
2023	2,485,000
2024	2,600,000
2025	2,730,000
Thereafter	11,695,000
	$ 24,165,000

Note 9—Bonds payable (continued)

Series 2013 Housing Refunding Bonds Payable – During the year ended June 30, 2013, the Development Authority of the City of Marietta issued Student Housing Facilities Refunding Revenue bonds and loaned the proceeds to the SPSU Student Housing I, LLC, a subsidiary of the Foundation. The Series 2013 bonds were issued to refund the SPSU 2003 Series bonds. The refund met the legal requirements for defeasance of the bond liability.

The bonds were issued in the aggregate principal amount of $27,130,000. The bonds consist of one series in the amount of $27,130,000. The Series 2013, will mature on July 15, 2029, subject to mandatory and optional redemption provisions.

The bonds bear interest, payable semiannually on June 15th and December 15th, at rates set at issuance, ranging from 2.00% to 5.00%.

The terms of the bonds require the Foundation to set rates and charges for the University Facilities, such that the debt service coverage ratio, calculated at the end of each fiscal year will not be less than 1.0.

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Series 2013 bonds redeemed in the principal amounts set forth in the following table:

Redemption Date (July 15,)	2013 Student Housing Refunding
2021	$ 1,790,000
2022	1,840,000
2023	1,935,000
2024	2,030,000
2025	2,090,000
Thereafter	5,000,000
	$ 14,685,000

Series 2014 Student Housing Refunding Bonds Payable – During the year ended June 30, 2015, the Development Authority of Cobb County issued Student Housing Refunding Revenue bonds and loaned the proceeds to the Kennesaw State University Foundation. The Series 2014A, B and C bonds were issued to refund $21,455,000 of the 2004A Student Housing Senior Series, $9,005,000 of the 2004C Student Housing Subordinate Series, and $16,035,000 of the 2004D Student Housing Subordinate Series.

The bonds were issued in the aggregate principal amount of $46,540,000. The bonds consist of three series, the "Student Housing Senior Series 2014A" in the amount of $21,520,000, the "Student Housing Subordinate Series 2014B" in the amount of $9,220,000 and the "Student Housing Junior Subordinate Series 2014C" in the amount of $15,820,000. The Series 2014A will mature on July 15, 2036, subject to mandatory and optional redemption provisions. The Series 2014B will mature on July 15, 2036, subject to mandatory and optional redemption provisions. The Series 2014C will mature on July 15, 2036, subject to mandatory and option redemption provisions.

Note 9—Bonds payable (continued)

The bonds bear interest, payable semiannually on January 15th and July 15th, at rates set at issuance ranging from 3.00% to 5.00%.

The terms of the bonds require the Foundation to set rates and charges for the Housing project, such that the debt service coverage ratio, calculated at the end of each fiscal year, will not be less than 1.2.

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Housing Series 2014 bonds redeemed in the principal amounts set forth in the following table:

Redemption Date (July 15,)	Housing 2014A, B, and C Bonds
2021	$ 940,000
2022	985,000
2023	1,040,000
2024	1,085,000
2025	1,145,000
Thereafter	36,500,000
	$ 41,695,000

Series 2015 Student Housing Refunding Bonds Payable – During the year ended June 30, 2015, the Development Authority of Cobb County issued Student Housing Refunding Revenue bonds and loaned the proceeds to the Kennesaw State University Foundation. The Series 2015A, B, and C bonds were issued under the 2004 Master Trust Indenture to refund $12,560,000 of the 2004D Student Housing Subordinate Series, $25,250,000 of the 2007A Student Housing Senior Series, $7,510,000 of the 2007B Student Housing Subordinate Series, and $14,860,000 of the 2007C Student Housing Junior Subordinate Series.

The bonds were issued in the aggregate principal amount of $59,790,000. The bonds consist of three series, the “Student Housing Senior Series 2015A” in the amount of $24,465,000, the “Student Housing Subordinate Series 2015B” in the amount of $8,145,000 and the “Student Housing Junior Subordinate Series 2015C” in the amount of $27,180,000. The Series 2015A, B and C will mature on July 15, 2038, subject to mandatory and optional redemption provisions.

The bonds bear interest, payable semiannually on January 15th and July 15th, at rates set at issuance, ranging from 2.00% to 5.00%.

The terms of the bonds require the Foundation to set rates and charges for the Housing project, such that the debt service coverage ratio, calculated at the end of each fiscal year, will not be less than 1.2.

Note 9—Bonds payable (continued)

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Housing Series 2015 bonds redeemed in the principal amounts set forth in the following table:

Redemption Date (July 15,)	Housing 2015A, B, and C Bonds
2021	$ 1,450,000
2022	1,520,000
2023	1,700,000
2024	1,765,000
2025	1,845,000
Thereafter	45,020,000
	$ 53,300,000

Series 2015 Parking and University Facilities Revenue Bonds Payable – During the year ended June 30, 2016, the Development Authority of Cobb County issued Parking and University Facilities Revenue bonds and loaned the proceeds to the Kennesaw State University Foundation. The Series 2015 bonds were issued to refund $23,125,000 of the 2004 Parking Series, $5,450,000 of the 2004 Facilities Series, and $11,030,000 of the 2006A Facilities Series.

The bonds were issued in the aggregate principal amount of $37,285,000. The bonds consist of one series in the amount of $37,285,000. The Series 2015 will mature on July 15, 2030, subject to mandatory and optional redemption provisions.

The bonds bear interest, payable semiannually on January 15th and July 15th, at rates set at issuance, ranging from 3.00% to 5.00%.

The terms of the bonds require the Foundation to set rates and charges for the Parking and Facilities project, such that the debt service coverage ratio, calculated at the end of each fiscal year, will not be less than 1.0.

During the year ending June 30, 2021, the Foundation entered into an Escrow Deposit Agreement to pay and defease the portion of the Series 2015 Bonds that refunded the 2006A Facilities Series. An irrevocable sum of $9,011,219 was deposited in an escrow fund to pay the bonds outstanding with a par amount of $7,985,000 which have a call date of July 15, 2025. As a result, the previously issued bonds are deemed extinguished for accounting purposes resulting in a loss of $163,218 during fiscal year 2021.

Note 9—Bonds payable (continued)

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Parking and Facilities 2015 bonds redeemed in the principal amounts set forth in the following table:

Redemption Date (July 15,)	Parking and Facilities 2015
2021	$ 2,120,000
2022	2,220,000
2023	2,305,000
2024	2,405,000
2025	2,520,000
Thereafter	5,300,000
	$ 16,870,000

Series 2017 Parking and Dining Hall Refunding Lease Revenue Bonds Payable – During the year ended June 30, 2017, the Development Authority of Cobb County issued the Parking and Dining Hall Refunding Lease Revenue bonds and loaned the proceeds to the Kennesaw State University Foundation. The Series 2017 bonds were issued to refund $31,770,000 of the 2007 Parking Series and $19,510,000 of the 2008 Dining Hall Series.

The bonds were issued in the aggregate principal amount of $46,085,000. The bonds consist of one series in the amount of $46,085,000. The Series 2017 will mature on July 15, 2039, subject to mandatory and optional redemption provisions.

The bonds bear interest, payable semiannually on January 15th and July 15th, at rates set at issuance, ranging from 2.00% to 5.00%.

The terms of the bonds require the Foundation to set rates and charges for the Parking and Dining Hall project, such that the debt service coverage ratio, calculated at the end of each fiscal year, will not be less than 1.0.

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Parking and Dining Hall 2017 bonds redeemed in the principal amounts set forth in the following table:

Redemption Date (July 15,)	Parking and Dining Hall 2017
2021	$ 1,455,000
2022	1,525,000
2023	1,605,000
2024	1,680,000
2025	1,770,000
Thereafter	33,780,000
	$ 41,815,000

Series 2017 Sports and Recreation Park Lease Revenue Refunding Bonds Payable – During the year ended June 30, 2018, the Development Authority of Cobb County issued the Sports and Recreation Park Lease Revenue Refunding bonds and loaned the proceeds to the Kennesaw State University Foundation. The Series 2017 bonds were issued to refund $43,560,000 of the University Facilities 2010A Series.

Note 9—Bonds payable (continued)

The bonds were issued in the aggregate principal amount of $42,580,000. The bonds consist of one series in the amount of $42,580,000. The Series 2017 will mature on July 15, 2040, subject to mandatory and optional redemption provisions.

The bonds bear interest, payable semiannually on January 15th and July 15th, at rates set at issuance, ranging from 3.25% to 5.00%.

The terms of the bonds require the Foundation to set rates and charges for the Sports and Recreation Park project, such that the debt service coverage ratio, calculated at the end of each fiscal year, will not be less than 1.0.

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Sports and Recreation Park 2017 bonds redeemed in the principal amounts set forth in the following table:

Redemption Date (July 15,)	Sports and Recreation 2017
2021	$ 1,470,000
2022	1,505,000
2023	1,540,000
2024	1,585,000
2025	1,620,000
Thereafter	34,860,000
	$ 42,580,000

Series 2020 Sports and Recreation Park Refunding and Howell Hall Renovation Bonds Payable – During the year ended June 30, 2021, the Development Authority of Cobb County issued revenue bonds and loaned the proceeds to the Kennesaw State University Foundation. The Series 2020 bonds were issued to finance the renovation of the 2020 Howell Hall project and to refund $17,520,000 of the 2010C Sports Park Series.

The bonds were issued in the aggregate principal amount of $28,900,000. The bonds consist of three series, the "Sports Park Recovery Zone Series 2020A" in the amount of $16,940,000, the "Sports Park Recovery Zone Taxable Series 2020B" in the amount of $2,335,000, and the "Howell Hall Renovation Series 2020C" in the amount of $9,625,000.

The Series 2020A and 2020B bonds will mature on July 15, 2044, subject to mandatory and optional redemption provisions. The Series 2020C bonds will mature on July 15, 2052, subject to mandatory and optional redemption provisions. The bonds bear interest, payable semiannually on January 15th and July 15th, at rates set at issuance, ranging from 2.00% to 4.00%.

The terms of the bonds require the Foundation to lease the related facilities to the Board of Regents through year-to-year rental agreements that have multi-year renewal options, in amounts that the debt service coverage ratio, calculated at the end of each fiscal year, will not be less than 1.0 in each fiscal year while the rental agreements are in effect.

Note 9—Bonds payable (continued)

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Series 2020 bonds redeemed in the principal amounts set forth in the following table:

Redemption Date (July 15,)	2020 Sports and Howell Hall
2021	$ 420,000
2022	240,000
2023	285,000
2024	335,000
2025	395,000
Thereafter	27,225,000
	$ 28,900,000

Series 2020 Student Housing Bonds Payable: During the year ended June 30, 2021, the Development Authority of Cobb County issued revenue bonds and loaned the proceeds to the Kennesaw State University Foundation. The Series 2020 bonds were issued to finance the construction of the 2020 Housing project.

The bonds were issued in the aggregate principal amount of $35,360,000. The Series 2020 bonds will mature on July 15, 2052, subject to mandatory and optional redemption provisions. The bonds bear interest, payable semiannually on January 15th and July 15th, at rates set at issuance, ranging from 2.00% to 5.00%.

The terms of the bonds require the Foundation to lease the related facilities to the Board of Regents through year-to year rental agreements that have multi-year renewal options, in amounts that the debt service coverage ratio, calculated at the end of each fiscal year, will not be less than 1.0 in each fiscal year while the rental agreements are in effect.

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Series 2013 bonds redeemed in the principal amounts set forth in the following table:

Redemption Date (July 15,)	2020 Bonds
2021	$ -
2022	-
2023	-
2024	690,000
2025	725,000
Thereafter	33,945,000
	$ 35,360,000

Note 9—Bonds payable (continued)

A summary of the components of bonds payable at June 30, 2021 and 2020 is as follows:

	2021	2020
Series 2010 Bonds Payable	$ -	$ 18,555,000
Series 2011 Bonds Payable	25,645,000	26,370,000
Series 2013 Bonds Payable	76,985,000	82,005,000
Series 2014 Bonds Payable	41,695,000	42,590,000
Series 2015 Bonds Payable	70,170,000	82,185,000
Series 2017 Bonds Payable	84,395,000	86,010,000
Series 2020 Bonds Payable	64,260,000	-
Unamortized original issue premium, net	13,127,129	12,033,228
Unamortized bond issue costs, net	(4,879,065)	(4,630,424)
Net investment	$ 371,398,064	$ 345,117,804

Bond interest expense incurred totaled $12,172,849 and $12,991,759 for the years ended June 30, 2021 and 2020, respectively.

Management believes they are in compliance with all debt service coverage ratio requirements.

The fair value of the bonds at June 30, 2021 and 2020 was $391,991,411 and $376,195,729, respectively, and are classified as Level 1.

Note 10—Note payable

On April 21, 2020, the Foundation qualified for and received a loan pursuant to the Paycheck Protection Program (“PPP”), a program implemented by the U.S. Small Business Administration (“SBA”) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender for an aggregate principal amount of approximately $470,000. The PPP loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of five years, and is unsecured and guaranteed by the SBA. The principal amount of the PPP loan is subject to forgiveness under the PPP upon the Company’s request to the extent the PPP loan proceeds are used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Foundation. The Foundation intends to apply for forgiveness of the PPP loan with respect to these covered expenses. To the extent all or part of the PPP loan is not forgiven, the Foundation will be required to pay interest on the PPP loan at a rate of 1.0% per annum, and commencing in October 2021, principal and interest payments will be required through the maturity date in April 2025. The terms of the PPP loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of an event of default.

The Foundation applied for forgiveness with the SBA in which on May 14, 2021, the SBA had forgiven the PPP loan in full. As a result, the Company recognized $470,000 to other items on the consolidated statements of activities.

Note 11—Line of credit

During the year ended June 30, 2020, the Foundation entered into an unsecured line of credit agreement with a bank. Under the agreement, the Foundation may borrow up to $3,000,000. The line of credit agreement matures on August 14, 2021 with interest due monthly at the one month LIBOR plus 1.25% (1.35% and 1.43% as of June 30, 2021 and 2020, respectively). The Foundation's outstanding line of credit balance was $-0- and $1,090,000 on June 30, 2021 and 2020, respectively. The agreement expired subsequent to year-end and was not renewed.

Note 12—Split-interest agreements

In 2017, the Foundation acquired a split-interest agreement as a result of the acquisition of The Polytechnic Foundation. The gifts received are included in investments at a fair value of $15,406 and $12,555 at June 30, 2021 and 2020, respectively. The annuity obligations are $1,715 and $2,265 at June 30, 2021 and 2020, respectively. The present value of the annuity liabilities were calculated using a 3.4% discount rate.

Note 13—Lease commitments

The Foundation entered into four ground leases in August 2001 with the Board of Regents for the purpose of erecting, operating, and maintaining a student housing facility (Austin Residence Complex Phase I), two parking decks, and an expansion of one parking deck. The primary term of the student housing facility ground lease is 30 years and the primary term of the three parking deck leases is 25 years. The Foundation agreed to pay the Board of Regents the sum of $1 per year in advance upon execution of three of the leases. The Foundation agreed to pay the Board of Regents the sum of $197,600 per year for the North Deck ground lease.

The Foundation entered into a ground lease in October 2003 with the Board of Regents for the purpose of erecting, operating, and maintaining a student housing facility (University Village). The primary term of the student housing facility ground lease was 25 years. The Foundation entered into an amendment agreement in June 2010 with the Board of Regents to extend the lease maturity terms of the original lease by an additional five years and eight months, extending the lease life to over 30 years. In the amendment agreement, the Foundation agreed to pay the lessor the sum of $20,000 per year.

The Foundation entered into a ground lease in October of 2007 with the Board of Regents for the purposes of erecting, operating, and maintaining student housing (Village Suites). The term of the lease is 30 years. The Foundation agreed to pay the lessor the sum of $10 per year in advance upon execution of the lease.

The Foundation entered into a ground lease in November of 2007 with the Board of Regents for the purpose of erecting, operating, and maintaining a parking deck (Central Parking Deck). The term of the lease is 30 years. The Foundation agreed to pay the lessor the sum of $10 per year in advance upon execution of the lease.

The Foundation entered into a ground lease in November of 2008 with the Board of Regents for the purpose of erecting, operating, and maintaining a dining hall. The term of the lease is 30 years. The Foundation agreed to pay the lessor the sum of $10 per year in advance upon execution of the lease.

The Foundation entered into a ground lease in August of 2011 with the Board of Regents for the purposes of erecting, operating, and maintaining student housing (Austin Residence Complex Phase II). The term of the lease is 30 years. The Foundation agreed to pay the lessor the sum of $10 per year in advance upon execution of the lease.

Note 13—Lease commitments (continued)

The Foundation entered into a ground lease in March of 2013 with the Board of Regents for the purpose of erecting, operating, and maintaining a student recreation activity center. The term of the lease is 30 years. The Foundation agreed to pay the lessor the sum of $10 per year in advance upon execution of the lease.

The Foundation entered into a ground lease in September of 2020 with the Board of Regents for the purpose of renovating, operating, and maintaining a student housing facility. The term of the lease is 30 years. The Foundation agreed to pay the lessor the sum of $10 per year in advance upon execution of the lease.

The Foundation entered into a ground lease in December of 2020 with the Board of Regents for the purpose of erecting, operating, and maintaining a student housing facility. The term of the lease is 30 years. The Foundation agreed to pay the lessor the sum of $10 per year in advance upon execution of the lease.

The Foundation entered into a lease in November 2019 with Machinist Union: Local Lodge 709 – for the purpose of providing parking for the Marietta Campus. The primary term of the student housing facility ground lease was five years. In the agreement, the Foundation agreed to pay the lessor the sum of $54,000 per year plus 1.5% of the prior year's use fee annually, for each subsequent year the contract remains in effect.

The Foundation entered into a lease commencing in July 2020 with Cobb Galleria for the purpose of providing professional education classroom space. The term of the lease is two years. The Foundation agrees to pay $23,908 monthly rent for the first year of the lease followed by $24,625 in the second year.

The Foundation entered into a lease with 1250 South Marietta Parkway commencing in March 2019 for the Greyhound property. In March 2020, the Foundation agreed to a four year renewal through March 2024. The Foundation agrees to pay $42,000 annually in $3,500 monthly installments throughout the term of the lease.

Title to the improvements vest with the lessee until the end of the primary term, unless sooner terminated, pursuant to the terms of the lease. The Foundation agreed to convey right, title, and interests and surrender possession of the premises and improvements at the expiration of the primary term or such date of earlier termination pursuant to the provisions of the lease.

The Foundation has an operating lease right of use asset and an operating lease liability recorded of $6,589,311 on the consolidated statements of financial position on June 30, 2021. The weighted average remaining lease term and weighted average discount rate was 1.41% and 14 years, respectively, at June 30,2021. Operating lease expense included in management and general expenses were $742,617 as of June 30, 2021. Cash paid for amounts included in measurement of lease liabilities were $742,617 for the year ended June 30, 2021. Sublease income, included in leasing income was $386,390 for the year ending June 30, 2021.

Note 13—Lease commitments (continued)

The maturities of lease liabilities as of June 30 were as follows:

Years Ending June 30,	
2022	$ 820,423
2023	531,852
2024	528,627
2025	504,630
2026	510,839
Thereafter	4,616,434
	7,512,805
Less interest	(923,494)
	$ 6,589,311

Note 14—Management agreement

On February 1, 2017, the Foundation entered into a management agreement with a third party for the management of Chastain Pointe. In December 2019, the Foundation did not renew its management agreement with the third party, and turned operations over to the University. The terminated agreement provided for a monthly payment of $3,030. Management fee expense related to these agreements amounted to $18,180 for the year ended June 30, 2020.

In December 2005, the Foundation entered into a management agreement with a third party for the management of Town Point. The Foundation also did not renew its management agreement with this third party and turned operations over to the University. The terminated agreement provided for a monthly payment of $3,950. Management fee expense related to this agreement amounted to $23,700 for the year ended June 30, 2020.

In November 2016, the Foundation entered into a management agreement with a third party to manage a hotel purchased by a wholly-owned subsidiary. The agreement provides for a monthly payment of 3.5% of the hotel's gross monthly revenues (with a minimum $3,500) plus $500 for monthly financial statement reporting. The Foundation terminated its management agreement and closed the hotel during the year ended June 30, 2021.

See Note 19. Management fee expense related to these agreements amounted to $10,500 and $48,112 for the years ended June 30, 2021 and 2020, respectively.

Note 15—Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purpose or periods as of June 30:

	2021	2020
Subject to expenditure for specified purpose:		
Academic and program support	$ 20,662,369	$ 10,339,890
Scholarships	13,511,939	10,364,431
Special events	2,801,181	1,922,657
Other University support	2,330,676	1,553,659
Promises to give, the proceeds from which have been restricted by donor for:		
Academic and program support	1,963,003	4,948,110
Scholarships and awards	6,630,606	1,567,220
Special events and programs	49,385	8,874
Other University support	237,642	321,395
	48,186,801	31,026,236
Subject to the passage of time:		
Assets held under split-interest agreements	9,576	9,026
Underwater endowments	-	(74,700)
Perpetual in nature:		
Subject to endowment spending policy and appropriation:		
Scholarships	51,544,052	26,260,715
Program support	20,638,720	19,057,805
Promises to give, the proceeds from which have been restricted by donor for:		
Scholarships	1,405,056	2,888,963
Program support	6,184,061	449,000
Total net assets with donor restrictions	$ 127,968,266	$ 79,617,045

Note 15—Net assets with donor restrictions (continued)

Net assets with donor restrictions consist of the following as of June 30:

	2021	2020
Subject to expenditure for specified purpose:		
Cash	$ 18,438,500	$ 7,679,207
Unconditional promises to give, net	8,880,636	6,770,900
Investments	23,305,948	16,740,087
Donated art	73,134	-
Accounts payable and accrued expenses	(2,501,840)	(229,632)
Total subject to expenditure for specified purpose	48,196,378	30,960,562
Perpetual in nature		
Cash	9,159,093	892,868
Unconditional promises to give, net	7,589,117	3,337,963
Investments	63,023,678	44,425,652
Total perpetual in nature	79,771,888	48,656,483
Total net assets with donor restrictions	$ 127,968,266	$ 79,617,045

Note 16—Net assets released from restrictions

Net assets were released from donor restrictions during the years ended June 30, by incurring expenses satisfying the restricted purposes specified by donors as follows:

Purpose restrictions accomplished:

	2021	2020
Scholarships and awards	$ 2,533,251	$ 2,012,992
Academic and program support	2,490,707	2,126,945
Special events and programs	126,261	244,929
Other University support	242,266	655,070
	$ 5,392,485	$ 5,039,936

Note 17—Endowment

The Foundation's endowment consists of approximately 380 individual funds established by donors to provide annual funding for a variety of purposes.

Interpretation of Relevant Law – The Board of Trustees of the Foundation has interpreted the Georgia Uniform Prudent Management of Institutional Funds Act ("UPMIFA") of 2008 as requiring the assets of an endowment fund be donor restricted until allocated for spending, unless otherwise specifically stated in the gift instrument.

The Board believes this interpretation is consistent with the established board-approved investment and spending policy. In accordance with the investment policy and UPMIFA, all restricted endowment assets are invested in the endowment pool on a pooled basis until allocated for spending.

Note 17—Endowment (continued)

As a result of this interpretation, for accounting and financial statement purposes, the Foundation classifies the historic dollar value of assets held as donor-restricted endowment, including any subsequent gifts and any accumulations to donor-restricted endowments made in accordance with the direction of the applicable gift instruments with the net assets with donor restrictions.

Return Objectives and Risk Parameters – The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the historic dollar value of the endowment assets. Endowment assets include those assets of donor-restricted funds the Foundation must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of benchmark indexes of similar assets classes while assuming a moderate level of investment risk. The following are benchmark indexes: 4/1/2021 to 6/30/2021 55.0% MSCI AC World Index Net; 13.0% Bloomberg Barclays US Aggregate Bond Index; 10.0% HFRI FOF Conservative Index; 7.0% ICE BofA Merrill Lynch (ML) Hi-Yld Master; 7% NCREIF ODCE (Lagged); 6.0% S&PGlobal Large MidCap Commodi; 2.0% DJ Wilshire US Select Real Estate Index. The target rate of the return for the KSU Foundation is 6.75%. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

At June 30, 2021 and 2020, the target assets allocations were as follows:

	2021	2020
Cash	0%	2%
Large Cap Domestic Equity	0%	20%
Global Equity	43%	0%
Mid Cap Domestic Growth Equity	0%	12%
Small Cap Domestic	0%	9%
Domestic Bonds	13%	17%
Foreign Bonds	0%	2%
High Yield Bonds	0%	2%
International Equity	0%	11%
Emerging Markets	0%	5%
Commodities	0%	3%
Real Estate	4%	3%
Specific Strategy	0%	14%
Private Capital	12%	0%
Private Natural Resources	4%	0%
Public Natural Resources	2%	0%
Private Real Estate	5%	0%
Diversifying Strategies	10%	0%
Credit	7%	0%
	100%	100%

Note 17—Endowment (continued)

The endowment net asset composition by type of fund as of June 30, 2021 and 2020 is as follows:

2021	Without Donor Restrictions	With Donor Restrictions	Total
Non-restricted endowment funds			
Board-designated honors programs matching fund	$ 458,145	$ -	$ 458,145
Donor-restricted endowment fund			
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor	-	72,182,773	72,182,773
Accumulated investment gains	-	23,855,007	23,855,007
Total funds	$ 458,145	$ 96,037,780	$ 96,495,925

2020	Without Donor Restrictions	With Donor Restrictions	Total
Non-restricted endowment funds			
Board-designated honors programs matching fund	$ 5,000,000	$ -	$ 5,000,000
Donor-restricted endowment fund			
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor	-	45,318,520	45,318,520
Accumulated investment gains	-	8,819,207	8,819,207
Total funds	$ 5,000,000	$ 54,137,727	$ 59,137,727

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2021, there were no underwater endowments. At June 30, 2020, funds with original gift values of $1,774,277, fair values of $1,699,577, and deficiencies of $74,700 were reported in net assets with donor restrictions.

Spending Policy and How the Investment Objectives Related to Spending Policy – In accordance with UPMIFA the Foundation considers the following factors in making a determination to appropriate and allocate assets for spending or accumulate assets of an endowment fund:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Note 17—Endowment (continued)

The Foundation had an endowment spending policy for the years ended June 30, 2021 and 2020 appropriating for distribution 0% to 4% calculated based on the average fair value balance of the last 8 and 4 rolling quarters, respectively, as of the calendar year-end of preceding fiscal year that was adjusted using a sliding scale based on its endowment fund's fair value as of the calendar year-end of preceding fiscal year in which the distribution is planned.

Changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

2021	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 5,000,000	$ 54,137,727	$ 59,137,727
Investment return, net	-	16,262,962	16,262,962
Contributions	-	15,764,439	15,764,439
Appropriation of endowment assets pursuant to spending-rate policy	-	(1,294,643)	(1,294,643)
Transfers to comply with donor intent		6,625,440	6,625,440
Honors Program Matching Fund	(4,541,855)	4,541,855	-
Endowment net assets, end of year	$ 458,145	$ 96,037,780	$ 96,495,925

2020	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 47,465,943	$ 47,465,943
Investment return, net	-	541,380	541,380
Contributions	-	7,045,715	7,045,715
Appropriation of endowment assets pursuant to spending-rate policy	-	(1,262,788)	(1,262,788)
Transfers to comply with donor intent	-	347,477	347,477
Honors Program Matching Fund	5,000,000	-	5,000,000
Endowment net assets, end of year	$ 5,000,000	$ 54,137,727	$ 59,137,727

The board-designated endowment for the KSU Journey Honors College Endowment Matching Fund consists of $5,000,000 that the Foundation was contractually obligated to set aside to fund-matching gifts. The board-designated endowments purpose is to match 50% of any endowed gift, or legally binding pledge of at least $50,000, to a named endowment fund for the exclusive support of the KSU Journey Honors College, up to a maximum of $5,000,000. During the year ended June 30, 2021, $4,541,855 was transferred from board designated to with donor restrictions.

Note 18—Related party transactions

During the year ended June 30, 2019, the Foundation entered into a memorandum of understanding with the University to manage the Foundation's housing properties. Total fees paid to the University under this agreement were $426,415 and $365,972 for the years ended June 30, 2021 and 2020, respectively.

The Foundation entered into an agreement with the University to manage certain Sports Park events. Total fees paid to the Foundation under this agreement was $203,929 and $198,192 for the years ended June 30, 2021 and 2020, respectively. The Foundation also has a sublease agreement with the University for its use of the Sports Park. Total fees paid to the University under this agreement were $203,929 and $198,192 for the year ended June 30, 2021 and 2020, respectively.

During the year ended June 30, 2020, the Foundation entered into an agreement with the University to sublease property at 1032 S. Marietta Parkway SE, Marietta, Georgia 30060, for the use of parking for the Marietta campus. Total fees paid to the Foundation under this agreement were $54,540 and $36,000 for the years ended June 30, 2021 and 2020, respectively.

During the year ended June 30, 2020, the Foundation entered into an agreement with the University to sublease property at 100 Galleria Parkway, Atlanta, Georgia 30339, for the use of additional classroom space, commencing on July 1, 2020. Total fees paid to the Foundation under this agreement was $286,890 for the year ended June 30, 2021.

At June 30, amounts due from the University are as follows:

	2021	2020
Operating accounts receivable	$ 535,073	$ 432,206

At June 30, amounts due to the University are as follows:

	2021	2020
Housing MOU	$ -	$ 111,503
Resident housing fee payable	13,872	50,951
Operating accounts payable	479,198	574,853
Scholarships payable	259,836	169,853
	$ 752,906	$ 907,160

Note 19—Discontinued operations

In July 2020, the Foundation discontinued its hospitality operations. The Foundation accounts for the Hospitality business as a discontinued operation. The Foundation recorded an impairment loss of $2,624,437 for the year ended June 30, 2021, relative to the disposal of its Hospitality assets.

During the year ended June 30, 2021, the board made the decision to cease operations at the Kennesaw Inn and demolish the building. The Foundation's consolidated financial statements have been prepared with the assets, liabilities, results of activities, and cash flows for this entity displayed separately.

A summary of the results of operations of the discontinued hospitality business unit follows:

	2021	2020
Support and revenue	$ -	$ 972,092
Program expenses	464,756	1,037,864
Loss from discontinued operations	(464,756)	(65,772)
Loss on disposal of discontinued operations	(2,624,437)	-
Net loss from discontinued operations	$ (3,089,193)	$ (65,772)

A summary of the results of operations of the discontinued hospitality business unit follows as of June 30:

	2021	2020
Discontinued assets		
Cash	$ -	$ 42,537
Accounts receivable - other	-	124,306
Prepaid expenses	-	5,759
Property and equipment, net	1,472,586	4,182,111
Total discontinued assets	1,472,586	4,354,713
Discontinued liabilities		
Accounts payable	2,493	31,094
Accrued expenses	-	18,535
Total discontinued liabilities	2,493	49,629
Net assets of discontinued operations - unrestricted	$ 1,470,093	$ 4,305,084

Assets of the hospitality operations, consisting primarily of land, has been recorded at its estimated net realizable values and are carried as an asset under the caption "Assets of discontinued operations" in the accompanying consolidated statements of financial position. Liabilities of the hospitality operations, consisting primarily of accounts payable carried as a liability under the caption "Liabilities of discontinued operations" in the accompanying consolidated statements of financial position.

Note 20—Effects of COVID-19 Coronavirus

The worldwide spread of COVID-19, a respiratory disease caused by a novel strain of coronavirus has reached most areas in the state of Georgia and is considered a Public Health Emergency of International Concern by the World Health Organization. As part of a statewide response, the Board of Regents stopped in-person instruction at all campuses within the University System, including the University, on March 16, 2020, and commenced remote student instruction for the remainder of the 2019-2020 school year, including summer 2020. The Foundation refunded $3,352,761 in housing fee payments to its student residents in spring 2020 in cooperation of a system-wide prorated repayment related to the cessation of in-person program delivery. As of June 30, 2021, the University has received approximately $161,451,845 in financial relief from the federal Coronavirus Aid, Relief, and Economic Act which has been allocated equally between direct student aid and expense reimbursement for the University. The University has employed those monies to offset the refunds, recoup the cost of implementing online coursework, and pay for coronavirus-related supplies for the upcoming academic year. As part of that offset, the Board of Regents approved the internal transfer of University educational and general funds to supplement auxiliary shortfalls. This included approval of a $1,800,000 payment to the Foundation to offset refunds due to the Foundations participation. This $1,800,000 was accounted for as revenue and contributed to the Foundation in meeting the debt service coverage ratio requirements and was included in leasing income on the consolidated statement of activities in the year ending June 30, 2020.

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

Note 21—Subsequent events

The Foundation has evaluated subsequent events occurring through September 14, 2021, the date on which the consolidated financial statements were available to be issued.