

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

FINANCIAL REPORT

JUNE 30, 2018

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

**FINANCIAL REPORT
JUNE 30, 2018**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of **Kennesaw State University Research and Service Foundation, Inc.** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kennesaw State University Research and Service Foundation, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2019, on our consideration of Kennesaw State University Research and Service Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kennesaw State University Research and Service Foundation, Inc.'s internal control over financial reporting and compliance.



Atlanta, Georgia
February 19, 2019

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

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Current assets		
Cash	\$ 3,755,477	\$ 3,224,225
Investments	1,717,998	1,695,299
Grants receivable, net	1,885,723	2,196,398
Project advances	3,000	8,580
Total current assets	7,362,198	7,124,502
Total assets	\$ 7,362,198	\$ 7,124,502
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	\$ 4,186,722	\$ 3,254,335
Deferred revenue	983,324	1,158,187
Total current liabilities	5,170,046	4,412,522
Total liabilities	5,170,046	4,412,522
Net assets		
Unrestricted	1,664,166	2,164,069
Temporarily restricted	527,986	547,911
Total net assets	2,192,152	2,711,980
Total liabilities and net assets	\$ 7,362,198	\$ 7,124,502

See Notes to Financial Statements.

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

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and other support			
Contributions	\$ 53,823	\$ 236,217	\$ 290,040
Grants	6,331,654	350,000	6,681,654
Program service revenue	823,882	-	823,882
Royalties	48,974	-	48,974
Donated salaries	341,697	-	341,697
Interest income	64,963	-	64,963
Other income	64,750	-	64,750
Net assets released from restrictions	606,142	(606,142)	-
Total revenues and other support	8,335,885	(19,925)	8,315,960
Expenses			
Research grants and contracts	8,015,614	-	8,015,614
Development of intellectual property	298,857	-	298,857
Management and general	521,317	-	521,317
Total expenses	8,835,788	-	8,835,788
Change in net assets	(499,903)	(19,925)	(519,828)
Net assets, beginning of year	2,164,069	547,911	2,711,980
Net assets, end of year	<u>\$ 1,664,166</u>	<u>\$ 527,986</u>	<u>\$ 2,192,152</u>

See Notes to Financial Statements.

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

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and other support			
Contributions	\$ 10,889	\$ 319,083	\$ 329,972
Grants	6,361,119	275,845	6,636,964
Program service revenue	1,490,157	-	1,490,157
Royalties	65,111	-	65,111
Donated salaries	332,213	-	332,213
Interest income	22,307	-	22,307
Other income	47,123	-	47,123
Net assets released from restrictions	547,633	(547,633)	-
Total revenues and other support	8,876,552	47,295	8,923,847
Expenses			
Research grants and contracts	8,121,294	-	8,121,294
Development of intellectual property	264,951	-	264,951
Management and general	331,956	-	331,956
Total expenses	8,718,201	-	8,718,201
Change in net assets	158,351	47,295	205,646
Net assets, beginning of year	2,005,718	500,616	2,506,334
Net assets, end of year	<u>\$ 2,164,069</u>	<u>\$ 547,911</u>	<u>\$ 2,711,980</u>

See Notes to Financial Statements.

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

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

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

See Notes to Financial Statements.

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

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017**

	<u>Program Services</u>			<u>Total</u>
	<u>Research Grants and Contracts</u>	<u>Development of Intellectual Property</u>	<u>Management and General</u>	
Expenses				
Advertising	\$ 479	\$ -	\$ -	\$ 479
Bank fees	15,197	-	10,962	26,159
Consultants/Honorariums	753,472	-	-	753,472
Dues and subscriptions	30,191	82	1,695	31,968
Gifts and contributions	23,145	-	303	23,448
Management fee	38,979	-	-	38,979
Insurance	8,012	-	3,266	11,278
Testing fees	100,878	-	-	100,878
Legal and accounting	3,714	126,915	24,380	155,009
Licenses and permits	25,953	-	-	25,953
Materials and supplies	39,162	-	1,088	40,250
Meals and entertainment	186,200	-	3,585	189,785
Miscellaneous	974	-	1,282	2,256
Postage	14,670	-	-	14,670
Printing	35,390	-	-	35,390
Registration fees	26,961	-	14,110	41,071
Rent	40,180	2,550	-	42,730
Grants and contracts subcontracted to KSU	6,340,578	-	-	6,340,578
Donated salaries	105,314	135,404	91,495	332,213
Scholarships	1,000	-	-	1,000
Sponsorships	25,150	-	6,000	31,150
Stipends	30,941	-	-	30,941
Telephone	2,276	-	-	2,276
Travel	236,690	-	2,447	239,137
Utilities	289	-	-	289
Royalties	35,499	-	-	35,499
Bad debt expense	-	-	171,343	171,343
Total expenses	<u>\$ 8,121,294</u>	<u>\$ 264,951</u>	<u>\$ 331,956</u>	<u>\$ 8,718,201</u>

See Notes to Financial Statements.

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

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (519,828)	\$ 205,646
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net change in:		
Grants receivable	310,675	179,345
Project advances	5,580	74,042
Accounts payable	932,387	(73,145)
Deferred revenue	<u>(174,863)</u>	<u>(52,896)</u>
Net cash provided by operating activities	<u>553,951</u>	<u>332,992</u>
INVESTING ACTIVITIES		
Purchases of investments and reinvested earnings	<u>(22,699)</u>	<u>(9,595)</u>
Net cash (used in) investing activities	<u>(22,699)</u>	<u>(9,595)</u>
Increase in cash	531,252	323,397
Cash, beginning of year	<u>3,224,225</u>	<u>2,900,828</u>
Cash, end of year	<u><u>\$ 3,755,477</u></u>	<u><u>\$ 3,224,225</u></u>

See Notes to Financial Statements.

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

NOTE 1. ORGANIZATION

Kennesaw State University Research and Service Foundation, Inc. (the "Foundation") was established and incorporated as a non-profit organization in the state of Georgia in August 2005 to contribute to the educational, research and service functions of Kennesaw State University (the "University"). The Foundation secures gifts, contributions and grants from individuals, private organizations and public agencies and obtains contracts with such individuals or entities for the performance of sponsored research, development, education, or other programs by the various colleges, schools, departments or other units of the University. All research grants awarded to the Foundation are subcontracted to the University. At June 30, 2018 and 2017 there was \$4,145,724 and \$3,161,092, respectively, due to the University related to research grants awarded. The amounts are included in accounts payable on the statements of financial position.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America.

The Foundation presents its financial statements in accordance with Financial Accounting Standards Board (FASB) ASC, *Financial Statements of Not-for-Profit Organizations*. Under this standard, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Foundation does not have any permanently restricted net assets as of June 30, 2018 and 2017.

Unrestricted net assets include amounts that are not subject to donor-imposed stipulations, which are used to account for resources available to carry out the purposes of the Foundation. The principal sources of unrestricted funds are grants and contributions.

Temporarily restricted net assets are those resources currently available to use, but expendable only for purposes specified by the donor or grantor. Such resources originate from grants and contributions restricted for specific purposes. When a donor or grantor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash Concentration

The Foundation maintains cash balances at a high quality financial institution. Cash balances are insured by the FDIC for up to \$250,000. Cash balances often exceed the FDIC insurance limit; however, management does not believe it is exposed to significant credit risk on its account.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions are recognized when a donor makes a promise to give to the Foundation that is, in substance, unconditional. Donor-restricted contributions are reported as increases in unrestricted, temporarily restricted or permanently restricted net assets depending on the nature of the restrictions, or absence thereof.

Revenue Recognition

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

Grants Receivable

Grants receivable represents amounts due to the Foundation for research and service from various funding sources. An allowance for uncollectible receivables is provided based on management's evaluation of potential uncollectible amounts at year end. As of June 30, 2018 and 2017, the allowance for uncollectible receivables was \$551,376 and \$195,343, respectively.

Deferred Revenue

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

Donated Salaries

Donated salaries are reflected as revenues and other support in the accompanying statements of activities at their estimated values at the date of receipt. Donated salaries represent salaries and wages paid by the University on behalf of the Foundation. Donated salaries totaled \$341,697 and \$332,213 for the years ended June 30, 2018 and 2017, respectively.

Fair Value of Financial Instruments

At June 30, 2018 and 2017, the carrying value of financial instruments such as cash, grants receivable, and accounts payable approximated their fair values due to the short-term maturity of these financial instruments.

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958), which will require adoption of multiple changes to the non-profit reporting framework, including presentation of net assets using two net asset classes, changes to the requirements of the statement of cash flows, and enhanced disclosures around designations, liquidity, and functional expenses, among other requirements. The Foundation is assessing the impact of the new standard on its financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax

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

The Foundation accounts for uncertain tax positions in accordance with accounting standards that provide guidance on when uncertain tax positions are recognized in an entity's financial statements and how the values of these positions are determined. No liability has been recorded as of June 30, 2018 and 2017 due to uncertain tax positions.

Functional Allocation of Expenses

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 3. FAIR VALUE MEASUREMENTS

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

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

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2: Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. FAIR VALUE MEASUREMENTS (Continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Investments in Georgia Fund 1 – Valued at the net asset value of shares held by the Foundation at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair values of the Foundation's investment assets at June 30, 2018 and 2017, by asset class are as follows:

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

Investments at Fair Value as of June 30, 2017				
	Level 1	Level 2	Level 3	Total
Georgia Fund 1				
Repurchase agreements	\$ -	\$ 491,637	\$ -	\$ 491,637
Certificates of deposit	-	627,261	-	627,261
Agency securities	-	389,919	-	389,919
Government bonds	-	186,482	-	186,482
	\$ -	\$ 1,695,299	\$ -	\$ 1,695,299

NOTES TO FINANCIAL STATEMENTS

NOTE 4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are contributions received to support the research of specified scientific investigators. These amounts result from contributions from granting agencies and other institutions which provide support.

At June 30, 2018 and 2017, temporarily restricted net assets were available for the following:

	<u>2018</u>	<u>2017</u>
Research agreements	<u>\$ 527,986</u>	<u>\$ 547,911</u>

Temporarily restricted net assets consist of cash at June 30, 2018 and 2017.

NOTE 5. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions during the years ended June 30, 2018 and 2017 by incurring expenses satisfying the restricted purpose of research and service as specified by donors and grantors. Net assets released from restrictions totaled \$606,142 and \$547,633 for the years ended June 30, 2018 and 2017, respectively.

NOTE 6. COMMITMENTS

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

NOTE 7. CONTINGENCIES

The Foundation is working with a federal agency to review grant expenditures concerning potentially unallowable or unsupported costs. The expenditures under review relate to grants that were transferred to the Foundation from Southern Polytechnic Applied Research Corporation ("SPARC").

Management and its counsel estimate the maximum value of the unallowable or unsupported costs to be \$670,000. While the amounts are being appealed by management, the final outcome of the appeal will likely result in amount not to exceed \$670,000 being owed to the federal agency. The settlement of the claim will be satisfied by a combination of outstanding receivables at the Foundation and by cash held at SPARC. The allowance for uncollectible receivables discussed in Note 2 includes \$415,308 due from the agency at June 30, 2018.

The final outcome could not be determined as of the date of this financial report.

NOTE 8. SUBSEQUENT EVENTS

Management has evaluated events occurring through February 19, 2019, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Federal CFDA #	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<i>Research and Development Cluster</i>				
Department of Defense				
Passthrough: Virginia Polytechnic Institute and State University Basic Scientific Research	12.431	45037R-19C57	\$ 3,694	\$ 3,694
Total Department of Defense			3,694	3,694
National Aeronautics and Space Administration				
Passthrough: Georgia Institute of Technology Education	43.008	RF964-G8	15,589	15,589
Total National Aeronautics and Space Administration			15,589	15,589
National Science Foundation				
Engineering Grants Passthrough: Virginia Polytechnic Institute and State University	47.041		19,026	19,026
Engineering Grants	47.041	479436-19C57	25,337	25,337
Mathematical and Physical Sciences Passthrough: Georgia Institute of Technology	47.049		121,504	121,504
Mathematical and Physical Sciences	47.049	RG173-G3	20,727	20,727
Computer and Information Science and Engineering	47.070		161,370	161,370
Biological Sciences	47.074		76,214	76,214
Passthrough: University of South Carolina Social, Behavioral, and Economic Sciences	47.075	18-3420	1,930	1,930
Education and Human Resources	47.076		631,358	631,358
Passthrough: Morgan State University Education and Human Resources	47.076	0416-CS-PB-KSU	5,280	5,280
Passthrough: University of Georgia Education and Human Resources	47.076	RR740019/ S001257, S001258, S001595, S001596	211,561	211,561
Passthrough: American Association for the Advancement of Science Education and Human Resources	47.076	17162	30,678	30,678
Passthrough: Stony Brook University Education and Human Resources	47.076	77903-1139096-3	76,926	76,926
Passthrough: Milwaukee School of Engineering Education and Human Resources	47.076	17144	12,625	12,625
Passthrough: Association of Public and Landgrant Universities Education and Human Resources	47.076	18047	2,509	2,509
Total National Science Foundation			1,397,045	1,397,045
Department of Health and Human Services				
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		61,251	61,251
Biomedical Research and Research Training	93.859		626,671	626,671
Passthrough: Rush University Medical Center Biomedical Research and Research Training	93.859	1R01GM102336-01A1	57,549	57,549
Passthrough: Center for Social Innovation Minority Health and Health Disparities Research	93.307	12-OY4	2,621	2,621
Total Department of Health and Human Services			748,092	748,092
Environmental Protection Agency				
P3 Award: National Student Design Competition for Sustainability	66.516		6,243	6,243
Total Environmental Protection Agency			6,243	6,243
Department of Transportation				
Passthrough: Georgia Department of Transportation Highway Research and Development Program	20.200	RP 14-29	57,958	57,958
Total Department of Transportation			57,958	57,958
Department of Education				
Passthrough: MDRC Education Research, Development and Dissemination	84.305	16013	169,911	169,911
Total Department of Education			169,911	169,911
<i>Total Research and Development Cluster</i>			<u>2,398,532</u>	<u>2,398,532</u>
<i>TRIO Cluster</i>				
Department of Education				
TRIO Upward Bound	84.047		545,649	545,649
Total Department of Education			545,649	545,649
<i>Total TRIO Cluster</i>			<u>545,649</u>	<u>545,649</u>

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Federal CFDA #</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<i>Highway Safety Cluster</i>				
Department of Transportation				
Passthrough: Governor's Office of Highway Safety State and Community Highway Safety	20.600	YA-2018-402TSP-010	6,224	6,224
Total Department of Transportation			<u>6,224</u>	<u>6,224</u>
<i>Total Highway Safety Cluster</i>			6,224	6,224
Department of Health and Human Services				
Passthrough: Morehouse School of Medicine Substance Abuse and Mental Health Services Projects	93.243	128-02	6,403	6,403
Passthrough: Georgia State University Foster Care Title IV-E	93.658	SP00013063-06	167,681	167,681
Total Department of Health and Human Services			<u>174,084</u>	<u>174,084</u>
Department of Education				
Fund for the Improvement of Postsecondary Education Passthrough: Georgia Department of Education	84.116		622,787	622,787
Mathematics and Science Partnerships Passthrough: University of Georgia	84.366	S366B150011	421,929	421,929
Supporting Effective Instruction State Grants Passthrough: Georgia Institute of Technology	84.367	RH216-361/S00 1359, 1362, 1358, 1360, 1361	87,082	87,082
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	Y0020-G1	155,830	155,830
Total Department of Education			<u>1,287,628</u>	<u>1,287,628</u>
Department of Justice				
Passthrough: Criminal Justice Coordinating Council Crime Victim Assistance	16.575	C16-8-071	77,562	77,562
Total Department of Justice			<u>77,562</u>	<u>77,562</u>
Department of State				
Passthrough: International Research and Exchange Board Investing in People in The Middle East and North Africa Academic Exchange Programs - Undergraduate Programs	19.021 19.009	FY17-HEP-KSU-01	39,208 149,813	39,208 149,813
Passthrough: Institute of International Education Academic Exchange Programs - Graduate Students	19.400	3126_KSU_3.2.17	56,996	56,996
Total Department of State			<u>246,017</u>	<u>246,017</u>
Department of Agriculture				
Passthrough: Georgia Department of Agriculture Specialty Crop Block Grant Program - Farm Bill	10.170	AM170100XXXXG018	12,927	12,927
Total Department of Agriculture			<u>12,927</u>	<u>12,927</u>
Department of the Interior				
Passthrough: Wildlife Management Institute Endangered Species Conservation	15.657	WNS 2018-06	3,043	3,043
Total Department of the Interior			<u>3,043</u>	<u>3,043</u>
Department of Energy				
Passthrough: UT-Battelle Environmental Monitoring/Cleanup	81.214	4000155072	25,101	25,101
Department of Energy			<u>25,101</u>	<u>25,101</u>
Nuclear Regulatory Commission				
US Nuclear Regulatory Commission Scholarship and Fellowship Program	77.008		83,857	83,857
Total Nuclear Regulatory Commission			<u>83,857</u>	<u>83,857</u>
Department of Homeland Security				
Passthrough: Georgia Emergency Management Agency Homeland Security Grant Program	97.067	SHO17-105	32,687	32,687
Total Department of Homeland Security			<u>32,687</u>	<u>32,687</u>
			<u>\$ 4,893,311</u>	<u>\$ 4,893,311</u>

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Kennesaw State University Research and Service Foundation, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Foundation has elected not to use the 10% de minimis cost rate as allowed under the Uniform Guidance.

NOTE 3. SUBRECIPIENT

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



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kennesaw State University Research and Service Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kennesaw State University Research and Service Foundation, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kennesaw State University Research and Service Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 19, 2019



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Kennesaw State University Research and Service Foundation, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Kennesaw State University Research and Service Foundation, Inc.'s major federal programs for the year ended June 30, 2018. Kennesaw State University Research and Service Foundation, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Kennesaw State University Research and Service Foundation, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kennesaw State University Research and Service Foundation, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Kennesaw State University Research and Service Foundation, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Kennesaw State University Research and Service Foundation, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Kennesaw State University Research and Service Foundation, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Kennesaw State University Research and Service Foundation, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Kennesaw State University Research and Service Foundation, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 19, 2019

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

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:

Financial Statements:

Type of auditors' report issued	<u>Unmodified</u>	
	<u>Yes</u>	<u>No</u>
Internal control over financial reporting:		
Material weaknesses identified?		<u>X</u>
Significant deficiencies identified not considered to be material weaknesses?		<u>None Reported</u>
Noncompliance material to the financial statements noted?		<u>X</u>

Federal Awards:

Internal controls over major programs:		
Material weaknesses identified?		<u>X</u>
Significant deficiencies identified not considered to be material weaknesses?		<u>None Reported</u>
Type of auditors' report issued on compliance for major programs	<u>Unmodified</u>	
Audit findings required to be reported in accordance with 2 CFR section 200.516(a)?		<u>X</u>

Identification of major programs:

Research & Development Cluster 12.431, 20.200, 43.008, 47.041, 47.049, 47.070, 47.074, 47.075, 47.076, 66.516, 84.305, 93.307, 93.853, 93.859

Dollar threshold used to distinguish between Type A and Type B programs	<u>\$ 750,000</u>	
	<u>Yes</u>	<u>No</u>
Auditee qualified as low-risk auditee?	<u>X</u>	
Financial statement findings?		<u>X</u>
Federal award findings questioned costs?		<u>X</u>

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
YEAR ENDED JUNE 30, 2018**

II. FINANCIAL STATEMENT FINDINGS

NONE

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

**KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE
FOUNDATION, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

II. FINANCIAL STATEMENT FINDINGS

NONE

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE