

ANNUAL FINANCIAL REPORT 2023

Including Independent Auditor's Report



KENNESAW STATE
UNIVERSITY

KENNESAW STATE UNIVERSITY
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For the Fiscal Year Ended June 30, 2023

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INTRODUCTION



Message from the President

It is with gratitude that I present to you Kennesaw State University's Annual Financial Report for Fiscal Year 2023. The following pages reflect KSU's strategic financial progress and allocations over the past year. Growth in enrollment, capital assets, and lower overall expenses contributed to KSU's positive financial health. For the seventh year, the Georgia Department of Audits and Accounts recognized Kennesaw State University with the "Award of Distinction for Excellent Financial Reporting," a commendation given for commitment and dedication to excellence in financial reporting, controls, and transparency.

Broadly speaking, KSU's four strategic priorities are to enhance the undergraduate educational experience, to grow graduate programs and enrollment, to advance community and culture, and to promote interdisciplinary research with relevance. Focusing on these priorities allows KSU to budget intentionally and to align expenses with outcomes. Below are a few high-performing areas contributing to our strong financial position.

As noted, KSU benefits from enrollment numbers that continue to grow at both the undergraduate and graduate levels, with nearly 8,500 first time freshmen (a +14% increase) and 44,000 total students (a +2% increase) matriculating in fall 2023. Meeting increasing course demand by hiring new faculty is an institutional priority.

While expanding capacity, the institution simultaneously pursues excellence with advancements in digital instruction, learning analytics, and workforce-aligned degree programs. These advancements complement KSU's targeted student success initiatives that focus on improving academic advising, reducing class waitlists, increasing course availability, and raising instructional capacity.

With the success of last year's Flight26 program, the university reinvested resources to advance Flight27, an engagement initiative designed to connect first-year students through their shared identity as members of the Class of 2027. Also, the university is developing a block scheduling initiative for entering freshmen in Fall 2024 designed to increase the number of students enrolled in at least 15 credit hours in their first semester, setting them on the right track to graduate in four years. These and other efforts serve to strengthen students' connection to KSU and positively impact their retention and progression.

As an R2 institution, research is a core component of KSU's mission. The institution is committed to growing the research infrastructure that supports knowledge creation and innovations in healthcare, technology, business, and the sciences. KSU faculty and staff earned more than 150 external funding grants and contracts, totaling more than \$18.5 million in FY23. Successful proposals included grants from the National Science Foundation (NSF), the Health Resources & Services Administration (HRSA), and the National Institutes of Health (NIH).

With the support of the University System of Georgia and the Board of Regents, KSU completed two significant renovations on the Marietta campus. The Engineering Lab Building, originally



constructed in 1962, was renovated to include several enhanced research and teaching spaces for physics as well as electrical and civil engineering. In addition, the Marietta Campus Recreation & Wellness Center, originally built in 1996, will re-open for the upcoming fall semester after a major renovation that includes a complete upgrade of building systems and expansion of recreation and fitness spaces. On the Kennesaw campus, The Summit, a new 508-bed residence hall for first year students, successfully opened last fall with 99 percent occupancy. KSU maintains strong demand for our nearly 6,000 beds as we plan to further expand our housing inventory in the coming years.

Through collaboration with the USG, Kennesaw State developed new degree programs that address workforce needs in the state of Georgia. New degree programs approved by the Board of Regents included a B.S. in Learning, Design, and Technology and a B.S. in Data Science and Analytics.

As part of the university's ongoing commitment to student health and wellbeing, KSU will launch a mental health awareness campaign for students called "You Matter - Wellbeing@KSU" to encourage students struggling with suicidal ideation to use a 24/7 counseling support line and other resources. A second initiative, Student Peer-to-Peer Counselors, will help meet the escalating need for mental health support among students. Student peer counselors are trained to connect with students experiencing mental health challenges and to refer them to additional resources, as needed.

The university advancement office continues to provide strong leadership in fundraising. With \$40 Million in philanthropic support from stakeholders, fiscal year 2023 was the largest year of giving in KSU history. This profound commitment to student success propelled annual scholarship support to more than \$4.5 Million, and KSU Foundation net assets grew to more than \$165 Million. To date, more than 1,500 students received the KSU Foundation-supported Gap Scholarship, which provides funds to students facing financial difficulties during their final semester before graduation. Since its inception, 95% of students receiving Gap Scholarship funds have graduated.

Kennesaw State University is positioned for continued growth in the new fiscal year and gratefully acknowledges the support and guidance of the University System of Georgia, the Georgia General Assembly, and the Governor's Office. The institution will continue to contribute to the economic vitality of the state by ensuring that students earn a degree valued by the marketplace. Importantly, KSU will continue its commitment to pursuing excellence in financial reporting and to ensuring appropriate controls in all financial processes and systems.

Sincerely,

A handwritten signature in black ink that reads "Kathy S. Schwaig". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Kathy S. Schwaig
President



Letter of Transmittal

August 15, 2023

To: Dr. Kathy Schwaig,
President Kennesaw State
University

The Annual Financial Report (AFR) for the Kennesaw State University includes the financial statements for the year ended June 30, 2023, as well as other useful information to help ensure the Institution's accountability and integrity to the public. The AFR also includes the Management Discussion and Analysis, with all necessary disclosures to assist the reader in gaining a broader and more thorough understanding of the Institution's financial position as a result of operations for the fiscal year ended June 30, 2023.

Kennesaw State University management is responsible for the accuracy of this information and for the completeness and fairness of its presentation, including all disclosures. We believe the information is accurate and fairly presents the Institution's financial position, revenues, expenses and other changes in net position.

The University's financial records are included in the University System of Georgia's financial report, which is audited by the State of Georgia Department of Audits and Accounts (DOAA) on an annual basis. The University's internal auditors also perform fiscal compliance and performance reviews, sharing the results with the University's management. The audit of the University's financial assistance programs is performed by the DOAA in conjunction with the statewide Single Audit.

Sincerely,

Aaron Howell
Chief Financial Officer



FINANCIALS

INDEPENDENT AUDITOR'S REPORT



DOAA
Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

INDEPENDENT AUDITOR'S REPORT

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the Board of Regents of the University System of Georgia
and
Dr. Kathy Schwaig, President
Kennesaw State University

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, discretely presented component unit, and fiduciary activities of the Kennesaw State University (University), a unit of the University System of Georgia, which is an organizational unit of the State of Georgia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, discretely presented component unit, and fiduciary activities of the University as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The financial statements of the discretely presented component unit were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. The other auditors audited the financial statements of the discretely presented component unit in accordance with GAAS but not in accordance with *Government Auditing Standards*.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Emphasis of Matter

As discussed in Note 1, the financial statements of the University are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only those portions of the business-type activities, discretely presented component unit, and fiduciary activities of the State of Georgia that are attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Georgia as of June 30, 2023, the changes in its financial position or, where applicable, its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As described in Note 1 to the financial statements, in 2023, the University adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. The University restated beginning balances for the effect of GASB Statement No. 96. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient appropriate evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2023 on our consideration of the University'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 solely 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 the effectiveness of the University's 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 the University's internal control over financial reporting and compliance.

A copy of this report has been filed as a permanent record and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,



Greg S. Griffin
State Auditor

December 19, 2023

KENNESAW STATE UNIVERSITY

Management's Discussion and Analysis

Introduction

Kennesaw State University (University) is one of the 26 institutions of higher education of the University System of Georgia (USG). The University, offering instruction on campuses in Kennesaw and Marietta, Georgia, was founded in 1963 and has nationally ranked degrees in business, engineering and first-year programs, as well as premier teaching, nursing, architecture, science and math programs. This broad range of educational opportunities attracts a highly qualified faculty and a student body exceeding 43,000 students in the fall of fiscal year 2023, making it the third largest Institution in the USG. The Institution had a 0.7% increase in enrollment which exceeded the average for comprehensive universities in Georgia. Comparison numbers follow:

	STUDENT HEADCOUNT	STUDENT FTE
FY 2023	43,268	38,575
FY 2022	42,983	38,292
FY 2021	41,181	36,738

Overview of the Financial Statements and Financial Analysis

The University is pleased to present its financial statements for fiscal year 2023. The emphasis of discussions about these statements will be on current year data. There are three business-type activities financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. There are two fiduciary financial statements presented: the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position. This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year. Comparative data is provided for fiscal year 2023 and fiscal year 2022.

Statement of Net Position

The Statement of Net Position is a financial condition snapshot as of June 30, 2023, and includes all assets, deferred inflows & outflows and liabilities, both current and non-current. The differences between current and non-current assets are discussed in the Notes to the Financial Statements. The Statement of Net Position is prepared under the accrual basis of accounting which requires revenue and asset recognition when the service is provided, and expense and liability recognition when goods or services are received despite when cash is actually exchanged.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the University and how much the University owes vendors. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources (net position) is one indicator of the University's financial health. Increases or decreases in net position provide an indicator of the improvement or decline of the University's financial health when considered in conjunction with other non-financial conditions, such as facilities and enrollment. Net Position is divided into three major categories.

The first category is the net investment in capital assets. It provides the University's equity in property, plant and equipment owned by the University.

The next category is restricted, which is divided into two categories, non-expendable and expendable. The corpus of non-expendable, restricted resources is available only for investment purposes. Expendable, restricted resources are available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.

The final category is unrestricted. Unrestricted resources are available to the University for any lawful purpose.

The following table summarizes the Statement of Net Position:

CONDENSED STATEMENT OF NET POSITION	June 30, 2023	June 30, 2022	Increase/ (Decrease)	% Change
ASSETS				
Current Assets	\$ 254,937,760	\$ 230,921,030	\$ 24,016,730	10.40 %
Capital Assets, Net	708,581,480	667,252,184	41,329,296	6.19 %
Intangible Right-to-Use Assets, Net	7,762,341	1,987,755	5,774,586	290.51 %
Other Assets	12,584,207	13,944,943	(1,360,736)	(9.76)%
TOTAL ASSETS	983,865,788	914,105,912	69,759,876	7.63 %
DEFERRED OUTFLOWS	220,226,557	137,019,126	83,207,431	60.73 %
LIABILITIES				
Current Liabilities	60,897,328	60,325,436	571,892	0.95 %
Non-Current Liabilities	829,971,751	640,803,054	189,168,697	29.52 %
TOTAL LIABILITIES	890,869,079	701,128,490	189,740,589	27.06 %
DEFERRED INFLOWS	153,726,187	233,676,903	(79,950,716)	(34.21)%
NET POSITION				
Net Investment in Capital Assets	406,063,744	373,887,406	32,176,338	8.61 %
Restricted, Non-Expendable	5,059,381	4,784,806	274,575	5.74 %
Restricted, Expendable	10,274,535	3,822,543	6,451,992	168.79 %
Unrestricted (Deficit)	(261,900,581)	(266,175,110)	4,274,529	1.61 %
TOTAL NET POSITION	\$ 159,497,079	\$ 116,319,645	\$ 43,177,434	37.12 %

Total assets increased \$69,759,876 which was due to an increase in current assets of \$24,016,730, an increase in net capital assets of \$41,329,296, an increase in intangible right-to-use assets of \$5,774,586, and a decrease in other assets of \$1,360,736. In current assets, cash and cash equivalents increased by \$20,143,760. While year-over-year income before other revenues, expenses, gains, or losses decreased, operating and non-operating revenues still outpaced increases in overall expenses and contributed to the positive change in cash and cash equivalents. The primary contributor of the increase in net position was the combined growth in student tuition and state appropriations. Fees experienced a decrease due to the replacement of the Special Institutional Fee (SIF) with additional state appropriations; however, combined, the revenues increased approximately \$28.9 million from the prior year. Capital assets increased significantly with the addition of a new 508-bed residence hall, The Summit, in the fall of 2022. The value of the building was approximately \$39 million. Intangible right-to-use (IRTU) assets includes the University's right to use an underlying asset for a lease or subscription term. Subscription-based information technology arrangements (SBITAs) were recognized for the first time in Fiscal Year 2023 with the adoption of GASB Statement No. 96. SBITAs increased IRTU assets by \$4,763,238. Other assets decreased due to lower accounts receivables from the Kennesaw State University Foundation (KSUF) and the University System Office (USO) Capital Liability Reserve Fund. Funds were returned from the Capital Liability Reserve Fund due to a bond defeasance.

Total deferred outflows of resources increased by \$83,207,431 which was due to an increase in deferred outflows on defined benefit pension plans of \$92,179,055, a decrease in deferred outflows on debt refunding of \$92,036, and a decrease in deferred outflows on Other Post-Employment Benefit (OPEB) plans of \$8,879,588. Deferred outflows of resources for pensions and OPEB are tied to changes in assumptions for measuring the liability, differences between expected and actual experience in a health care plan (e.g., claims) and pensions, and differences in expected and actual investment income. Changes in liability due to these events are deferred and expensed in future years.

Total liabilities increased \$189,740,589 which was due to an increase in non-current liabilities of \$189,168,697 and an increase in current liabilities of \$571,892. The majority of the increase in non-current liabilities was due to an increase in the University's proportionate share of net pension liability and a decrease in net OPEB liability. Pension and OPEB liabilities represent the benefits that current and former employees have earned and are expected to be paid after they retire. The Teachers Retirement System of Georgia and Employees' Retirement System of Georgia made changes to actuarial assumptions that caused the liability to increase \$235,620,583. The primary changes included adjusting the long-term rate of return assumption from 7.25% to 6.90% and the difference in expected and actual earnings on investments. Net OPEB liability decreased \$61,420,548 based on actuarial changes. For the second

year, the changes in pensions and OPEB had a large impact to deferred inflows of resources, deferred outflows of resources and pension expense. Notes payable increased with an addition of a new residence hall (The Summit) and was partially offset by the elimination of obligations related to the Public Private Venture (PPV) projects for the North, East, and West parking decks, Frey Lake Houses (administrative offices) and Chastain Pointe (office and instructional complex), as well as the typical annual payments.

Total deferred inflows of resources decreased by \$79,950,716 which was due to an increase in the University's proportionate share of deferred inflow on OPEB of \$49,341,962, a decrease in deferred inflows on Public Private Partnership (PPP) arrangements of \$3,455,165, a decrease in deferred inflow on defined benefit pension plans of \$124,024,801, a decrease in deferred inflows related to leases of \$1,694,782, and a decrease in deferred inflow on debt refunding of \$117,930. Deferred inflows for OPEB and pensions relate to changes in assumptions, experience and investment earnings, that affect the corresponding liability and are recognized as revenue in future periods.

The combination of the change in total assets and deferred outflows of resources and the change in total liabilities and deferred inflows of resources yielded an increase in net position of \$43,177,434. This change in net position is due to an increase in unrestricted net position, which resulted from increases in state appropriations outpacing increases in expenses and an increase in net investment in capital assets. Increases to net investment in capital assets resulted from a decrease in lease purchase obligations due to annual payments, capital investments made by the University, and the elimination of notes payable for the PPV projects referenced earlier.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the operating and non-operating revenues received by the University, the operating and non-operating expenses paid by the University, and any other revenues, expenses, gains and losses received or spent by the University. Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Non-operating revenues are revenues received for which goods and services are not provided. For example, state appropriations are non-operating because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services for those revenues.

The following table summarizes Revenues, Expenses and Changes in Net Position:

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	June 30, 2023	June 30, 2022	Increase/ (Decrease)	% Change
Operating Revenue	\$ 344,064,486	\$ 346,548,540	\$ (2,484,054)	(0.72)%
Operating Expense	654,638,239	641,462,248	13,175,991	2.05 %
Operating Income/Loss	(310,573,753)	(294,913,708)	(15,660,045)	(5.31)%
Non-Operating Revenue and Expense	345,351,271	346,546,764	(1,195,493)	(0.34)%
Income (Loss) before Other Revenues, Expenses, Gains, or Losses	34,777,518	51,633,056	(16,855,538)	(32.64)%
Other Revenues, Expenses, Gains and Losses	8,399,916	49,688,387	(41,288,471)	(83.09)%
Change in Net Position	43,177,434	101,321,443	(58,144,009)	(57.39)%
Net Position at beginning of year	116,319,645	14,998,202	101,321,443	675.56 %
Net Position at End of Year	\$ 159,497,079	\$ 116,319,645	\$ 43,177,434	37.12 %

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year, which is represented by an increase in net position at the end of the year. Some highlights of the information presented on this statement are as follows:

Revenues

Operating revenues decreased by \$2,484,054. Operating revenues were primarily impacted by a decrease of \$16,026,762 in student tuition and fees, an increase of \$6,538,864 in grants and contracts, an increase of \$8,673,113 in auxiliary revenues and a decrease of \$127,949 in sales and service revenues. Student tuition and fees decreased

with the elimination of the Special Institutional Fee (SIF) as part of a legislative change. Revenues associated with this fee were offset with increases to state appropriations. Removing the effect of this change, tuition and fees saw an increase due to a small increase in enrollment and a shift back to in-person instruction versus fully online for students, which results in higher fee revenue. Auxiliary revenues continue to rebound from the impacts of COVID, with the largest increases related to housing and dining operations. Housing included the addition of a new residence hall in FY23 and dining increased the number of restaurant concepts to spur additional sales. Sales and service revenues remained relatively flat.

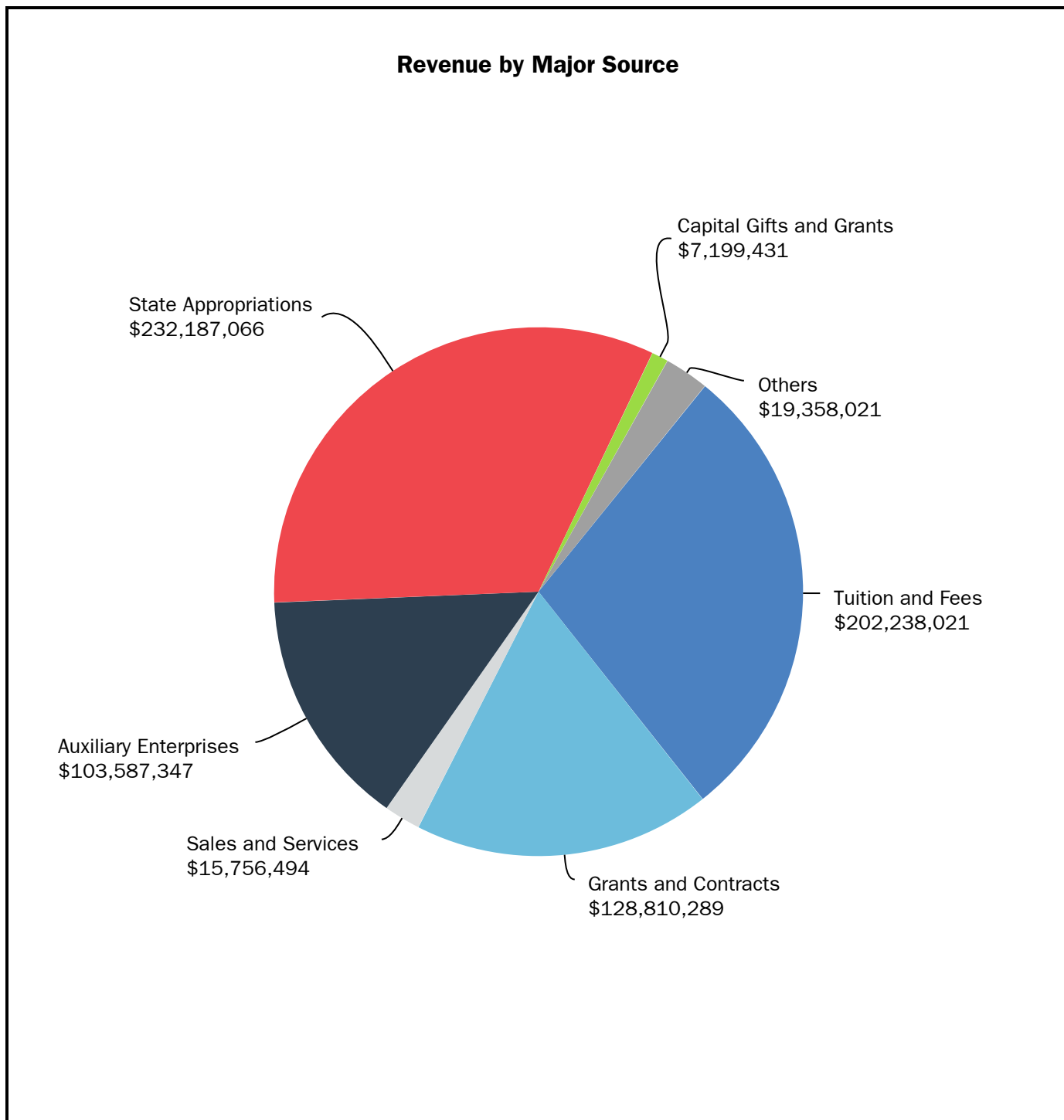
Non-Operating revenue and expenses, which includes state appropriations, non-operating grants and contracts and interest expense, decreased by \$1,195,493 primarily due to an increase of \$45,015,808 in state appropriations offset by a decrease in grants and contracts of \$56,853,755. State appropriations increased due to the shift in SIF revenues and funding for enrollment growth. Grants and contracts was affected by the lower amount of available Higher Education Emergency Relief Funds (HEERF) as the grant comes to an end.

Other revenues, expenses, gains, losses decreased by \$41,288,471. FY22 capital grants and gifts includes the transfer of the Academic Learning Center building from the Georgia State Financing and Investment Commission (GSFIC). KSU did not have a similar transfer of assets this year.

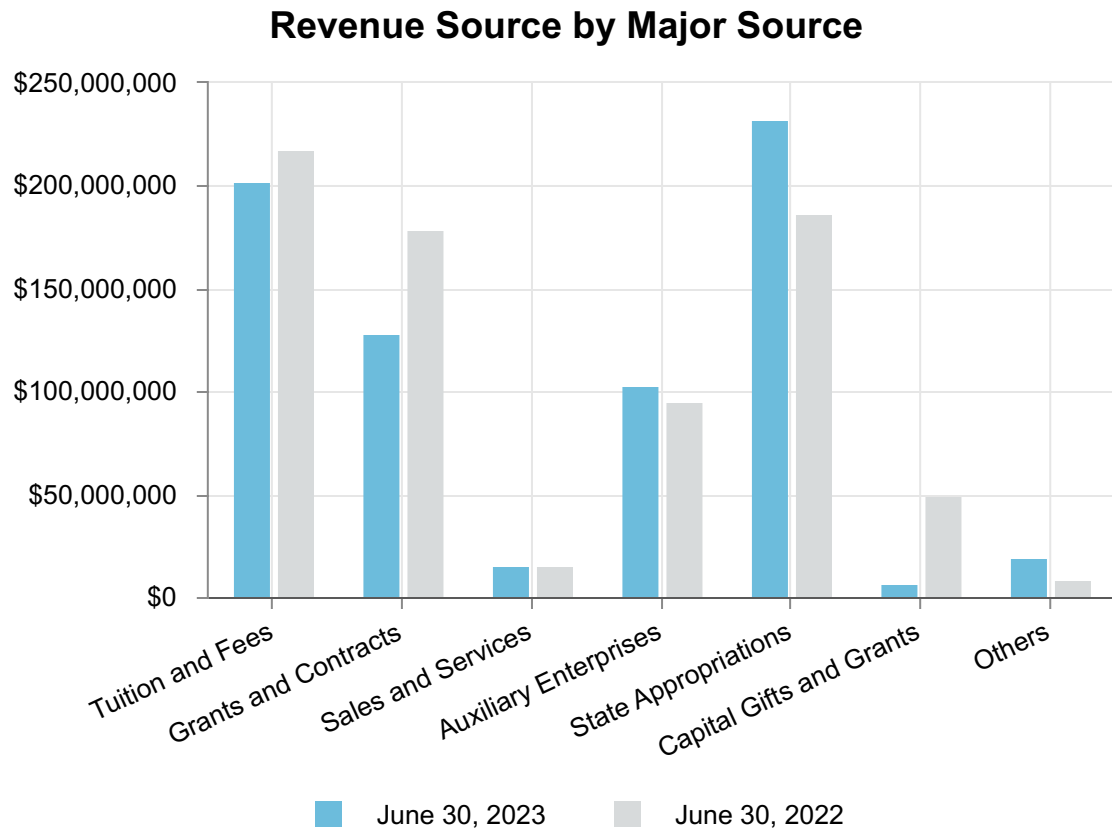
For the years ended June 30, 2023 and June 30, 2022, revenues by source were as follows:

REVENUES BY SOURCE	June 30, 2023	June 30, 2022	Increase/ (Decrease)	% Change
Tuition and Fees	\$ 202,238,021	\$ 218,264,783	\$ (16,026,762)	(7.34)%
Grants and Contracts	24,208,959	17,670,095	6,538,864	37.01 %
Sales and Services	15,756,494	15,884,443	(127,949)	(0.81)%
Auxiliary Enterprises	103,587,347	94,914,234	8,673,113	9.14 %
Other Operating Revenues	(1,726,335)	(185,015)	(1,541,320)	(833.08)%
Total Operating Revenues	344,064,486	346,548,540	(2,484,054)	(0.72)%
State Appropriations	232,187,066	187,171,258	45,015,808	24.05 %
Grants and Contracts	104,601,330	161,455,085	(56,853,755)	(35.21)%
Gifts	15,908,972	11,264,270	4,644,702	41.23 %
Investment Income	6,851,908	(1,958,093)	8,810,001	449.93 %
Other Nonoperating Revenues	(2,877,009)	(449,064)	(2,427,945)	(540.67)%
Total Nonoperating Revenues	356,672,267	357,483,456	(811,189)	(0.23)%
State Capital Gifts and Grants	1,048,342	44,388,895	(43,340,553)	(97.64)%
Other Capital Gifts and Grants	6,151,089	5,299,492	851,597	16.07 %
Total Capital Gifts and Grants	7,199,431	49,688,387	(42,488,956)	(85.51)%
Special Items	(464,378)	—	(464,378)	(100.00)%
Extraordinary Items	1,664,863	—	1,664,863	100.00 %
Total Revenues	\$ 709,136,669	\$ 753,720,383	\$ (44,583,714)	(5.92)%

Revenue by source (state appropriations, grants and contracts, tuition and fees, auxiliaries, gifts and other sources) for fiscal year 2023 is depicted by the following chart:



Revenue by major source for the years ended June 30, 2023, and June 30, 2022, is depicted by the following chart:



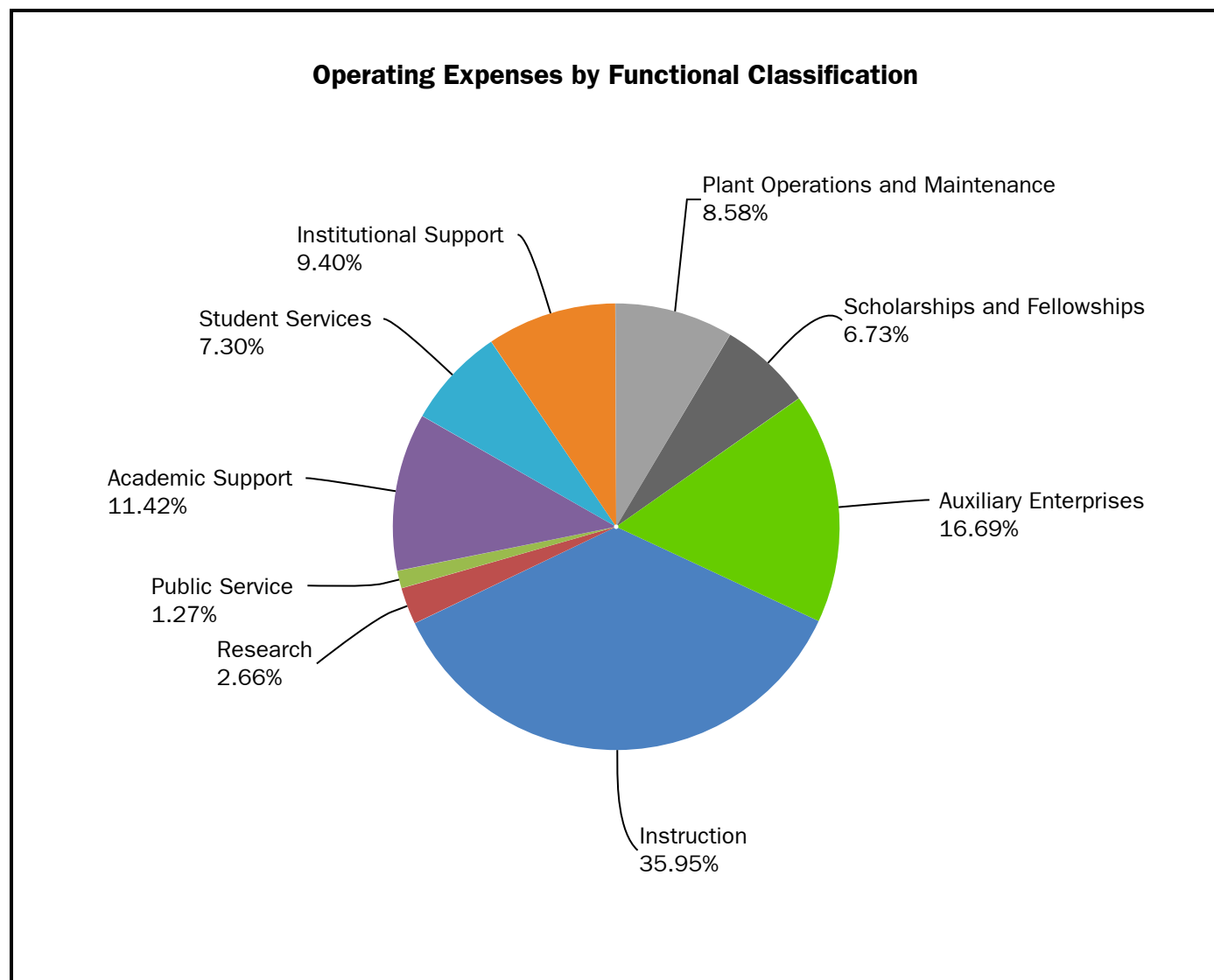
Expenses

For the years ended June 30, 2023, and June 30, 2022, expenses by functional classification were as follows:

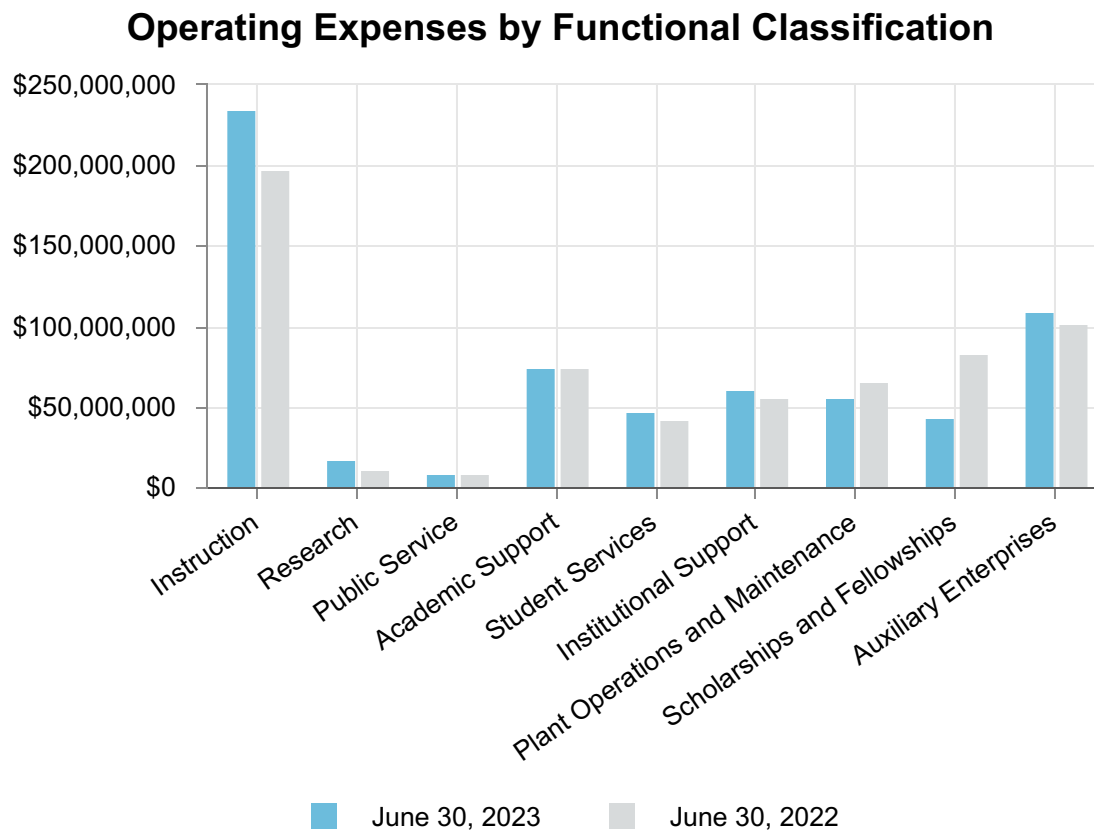
EXPENSES BY FUNCTIONAL CLASSIFICATION	June 30, 2023	June 30, 2022	Increase/ (Decrease)	% Change
Instruction	\$ 235,365,523	\$ 197,935,465	\$ 37,430,058	18.91 %
Research	17,444,957	11,166,631	6,278,326	56.22 %
Public Service	8,320,586	8,138,646	181,940	2.24 %
Academic Support	74,792,057	74,880,910	(88,853)	(0.12)%
Student Services	47,773,481	42,056,482	5,716,999	13.59 %
Institutional Support	61,517,270	55,995,882	5,521,388	9.86 %
Plant Operations and Maintenance	56,146,645	66,010,073	(9,863,428)	(14.94)%
Scholarships and Fellowships	44,038,908	83,801,171	(39,762,263)	(47.45)%
Auxiliary Enterprises	109,238,812	101,476,988	7,761,824	7.65 %
Total Operating Expenses	654,638,239	641,462,248	13,175,991	2.05 %
Interest Expense	11,320,996	10,936,692	384,304	3.51 %
Total Nonoperating Expenses	11,320,996	10,936,692	384,304	3.51 %
Total Expenses	\$ 665,959,235	\$ 652,398,940	\$ 13,560,295	2.08 %

Total operating expenses were \$654,638,239 in fiscal year 2023, an increase of \$13,175,991 when compared with fiscal year 2022. This increase is attributable to an increase in instruction, auxiliary enterprises, research, student services and institutional support. Several of the classifications increased due to higher salaries and benefits for additional faculty and staff as well as a significant increase in pension expense, which was the result of changes to actuarial assumptions. Auxiliary enterprises increased due to higher payroll, higher cost of goods sold in dining and bookstore operations, and repairs and maintenance for housing. Increases in research relate to a higher level of grant and research activity recognized during the year. Scholarships and fellowships expense decreased as less HEERF funds were distributed to students during the year. Activity on the HEERF grant was lower in FY23 as the grant winds down. Plant and operations maintenance expense decreased due lower repair and replacement contributions for Private Public Ventures (PPV) and lower non-capital expenses. In FY22, non-capital expenses in plant operations and maintenance included the Academic Learning Center project. FY23 did not have a similar project.

The following chart depicts the fiscal year 2023 operating expenses by functional classification.

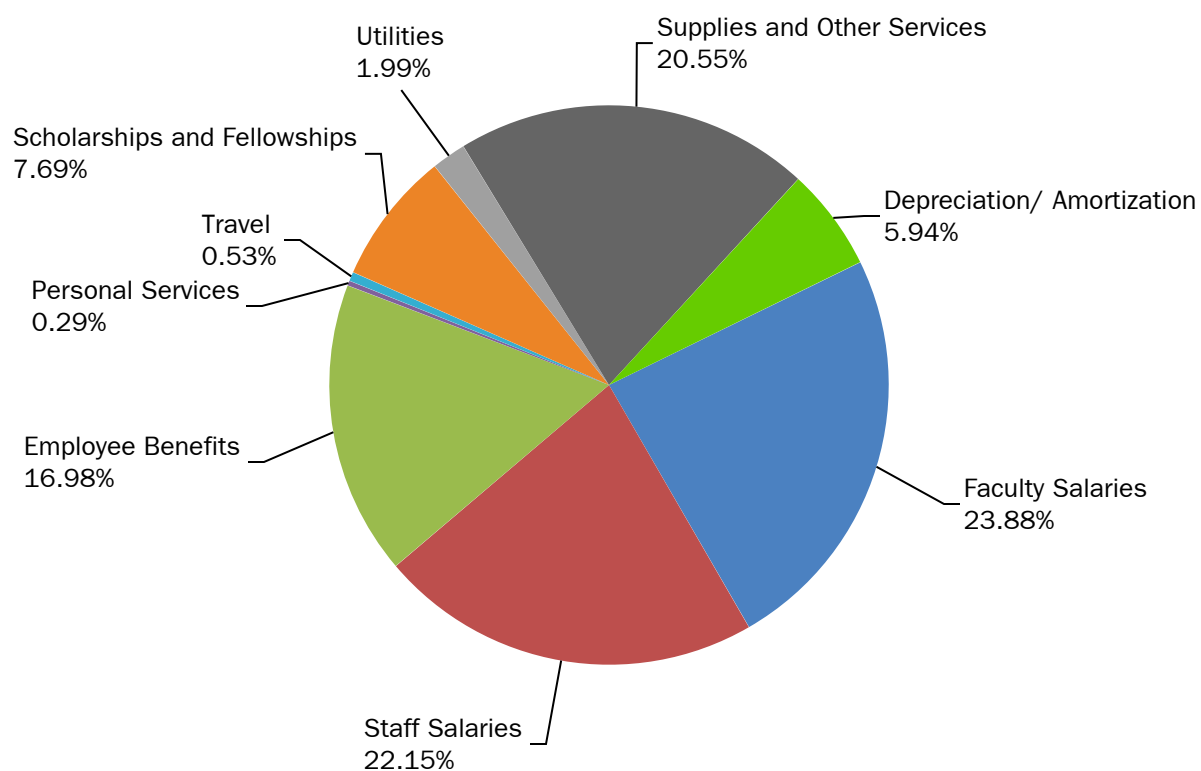


Operating expenses by functional classification for the years ended June 30, 2023, and June 30, 2022, is depicted by the following chart:

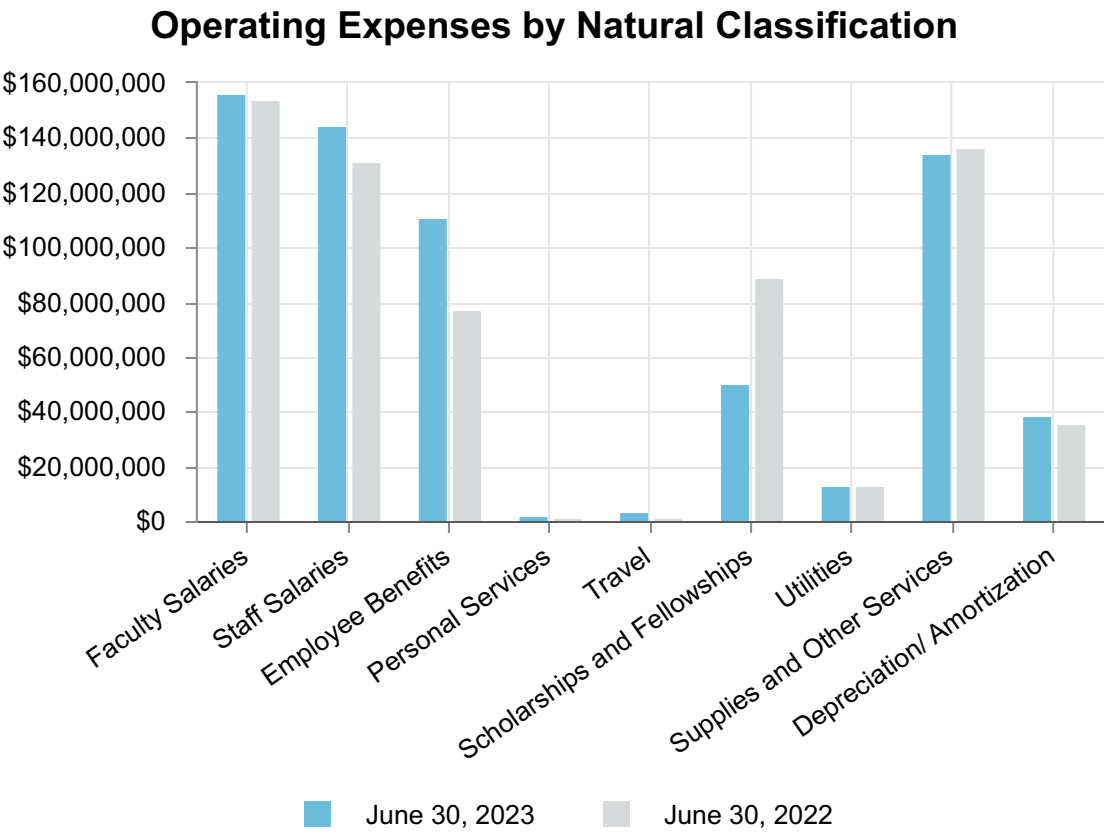


The following chart depicts the fiscal year 2023 operating expenses by natural classification:

Operating Expenses by Natural Classification



Operating expenses by natural classification for the years ended June 30, 2023, and June 30, 2022, is depicted by the following chart:



Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity of the University during the year and is divided into five sections. The first section is concerned with operating cash flows and reflects the net cash used by the various operating activities of the University. The second section is related to cash flows from non-capital financing activities, which reflects the cash received and spent for non-capital financing purposes. The third section summarizes cash flows from capital and related financing activities and contains cash used for the acquisition and construction of capital and related items. The fourth section is comprised of the cash flows from investing activities and includes the purchases, proceeds and interest received from investing activities. The fifth, and final, section reconciles the net cash used to the operating income or loss as reflected on the Statement of Revenues, Expenses and Changes in Net Position.

Cash Flows for the Years Ended June 30, 2023 and June 30, 2022 were as follows:

CONDENSED STATEMENT OF NET CASH FLOWS			June 30, 2023	June 30, 2022
Cash Provided (Used) by:				
Operating Activities	\$	(256,352,022)	\$	(267,624,894)
Non-Capital Financing Activities		350,598,907		355,624,153
Capital and Related Financing Activities		(80,633,185)		(53,944,548)
Investing Activities		6,530,060		(1,241,748)
NET CHANGE IN CASH AND CASH EQUIVALENTS		20,143,760		32,812,963
Cash and Cash Equivalents, beginning of year		193,132,157		160,319,194
Cash and Cash Equivalents, end of year	\$	213,275,917	\$	193,132,157

Capital & Intangible Right-to-Use Assets

Capital assets, net of accumulated depreciation, at June 30, 2023, and June 30, 2022, were as follows:

CAPITAL ASSETS, net of accumulated depreciation	June 30, 2023	June 30, 2022	Increase (Decrease)	% Change
Land	\$ 43,214,057	\$ 43,214,057	\$ —	0.00 %
Capitalized Collections, not depreciated	4,930,933	4,930,933	—	0.00 %
Construction Work-in-Progress	37,786,332	24,275,769	13,510,563	55.65 %
Infrastructure	9,489,896	10,199,183	(709,287)	(6.95)%
Building and Building Improvements	578,431,169	549,380,038	29,051,131	5.29 %
Facilities and Other Improvements	6,869,429	7,526,111	(656,682)	(8.73)%
Equipment	25,598,248	22,630,954	2,967,294	13.11 %
Library Collections	795,640	933,968	(138,328)	(14.81)%
Capitalized Collections, depreciated	1,465,776	4,161,171	(2,695,395)	(64.77)%
Capital Assets, net of accumulated depreciation	\$ 708,581,480	\$ 667,252,184	\$ 41,329,296	6.19 %

Intangible Right-to-Use assets, net of accumulated amortization, at June 30, 2023, and June 30, 2022, were as follows:

INTANGIBLE RIGHT-TO-USE ASSETS, net of accumulated amortization	June 30, 2023	June 30, 2022	Increase (Decrease)	% Change
Intangibles in Progress	\$ 365,225	\$ —	\$ 365,225	100.00 %
Land	745,867	825,513	(79,646)	(9.65)%
Building and Building Improvements	1,609,726	937,553	672,173	71.69 %
Equipment	278,285	224,689	53,596	23.85 %
Subscription Based IT Arrangements (SBITAs)	4,763,238	—	4,763,238	100.00 %
Intangible Right-to-Use Assets, net of accumulated amortization	\$ 7,762,341	\$ 1,987,755	\$ 5,774,586	290.51 %

For additional information concerning capital and intangible right-to-use assets, see Notes 1, 6, 8, and 13 in the Notes to the Financial Statements.

Long-Term Liabilities

Kennesaw State University had long-term liabilities of \$271,809,828 excluding pension and OPEB liability; of which \$21,654,156 was reflected as current liability at June 30, 2023.

For additional information concerning long-term liabilities, see Note 8 and 13 in the Notes to the Financial Statements.

Notes to the Financial Statements

The Notes to the Financial Statements are an integral part of the basic financial statements and communicate information essential for fair presentation. For example, the notes convey information concerning significant accounting policies used to prepare the financial statements, detailed information on cash and investments, receivables, intangible-right-to-use assets, leases, compensated absences, retirement and other post-employment benefits, capital assets and a report of operating expenses by function.

Economic Outlook

Kennesaw State University is not aware of any currently known facts, decisions or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations. The University's overall financial position is strong. The University anticipates that current fiscal year operations will remain consistent when compared to fiscal year 2023. Enrollment is projected to continue to increase with students returning in the fall. The University will maintain a close watch over resources to facilitate the University's ability to react to unknown internal and external issues.



KENNESAW STATE UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2023

	Kennesaw State University	Component Unit
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 212,787,483	\$ 28,850,632
Cash and Cash Equivalents (Externally Restricted)	488,434	—
Short-term Investments	—	24,429,183
Accounts Receivable, net		
Federal Financial Assistance	5,754,905	—
Affiliated Organizations	2,555,793	—
Component Unit	1,097,864	—
Primary Government	—	167,521
Pledges and Contributions	—	5,726,930
Other	8,995,758	1,230,028
Investment in Financing Lease Arrangements - Primary Government	—	8,343,840
Inventories	3,318,752	—
Prepaid Items	19,938,771	46,746
Total Current Assets	254,937,760	68,794,880
Non-Current Assets		
Accounts Receivable, net		
Component Units	3,104,683	—
Due From USO - Capital Liability Reserve Fund	1,941,223	—
Pledges and Contributions	—	8,893,589
Other	1,532,181	—
Investments	365,642	9,113,461
Notes Receivable, net	581,097	—
Investment in Financing Lease Arrangements - Primary Government	—	200,451,896
Non-current Cash (Externally Restricted)	—	51,611,262
Short-term Investments (Externally Restricted)	—	77,972,279
Investments (Externally Restricted)	5,059,381	9,561,704
Capital Assets, net	708,581,480	70,026,810
Intangible Right-to-Use Assets, net	7,762,341	4,213,207
Total Non-Current Assets	728,928,028	431,844,208
TOTAL ASSETS	983,865,788	500,639,088
DEFERRED OUTFLOWS OF RESOURCES		
	\$ 220,226,557	\$ —

The notes to the financial statements are an integral part of this statement.

KENNESAW STATE UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2023

	Kennesaw State University	Component Unit
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 16,477,141	\$ 9,194,405
Salaries Payable	494,994	—
Benefits Payable	929,444	—
Contracts Payable	2,992,104	—
Retainage Payable	831,863	—
Due to Affiliated Organizations	—	34,781
Due to Component Unit	49,957	—
Due to Primary Government	—	873,510
Advances (Including Tuition and Fees)	16,782,023	572,507
Deposits	46,018	—
Deposits Held for Other Organizations	467,413	—
Other Liabilities	172,215	—
Subscription Obligations	873,643	—
Notes Payable - External	1,798,482	—
Notes Payable - Component Units	8,268,489	—
Lease Obligations - External	593,036	48,776
Lease Obligations - Primary Government	—	177,753
Lease Obligations - Component Unit	159,110	—
Revenue Bonds and Notes Payable	—	12,120,000
Compensated Absences	9,961,396	—
Total Current Liabilities	60,897,328	23,021,732
Non-Current Liabilities		
Subscription Obligations	1,913,028	—
Notes Payable - External	41,999,997	—
Notes Payable - Component Units	199,636,821	—
Lease Obligations - External	702,509	598,877
Lease Obligations - Primary Government	—	3,462,497
Lease Obligations - Component Unit	1,542,790	—
Revenue Bonds and Notes Payable	—	308,696,969
Compensated Absences	4,360,527	—
Net Other Post-Employment Benefits Liability	258,936,845	—
Net Pension Liability	320,879,234	—
Total Non-Current Liabilities	829,971,751	312,758,343
TOTAL LIABILITIES	890,869,079	335,780,075
DEFERRED INFLOWS OF RESOURCES	153,726,187	—
NET POSITION		
Net Investment in Capital Assets	406,063,744	(18,817,234)
Restricted for:		
Nonexpendable	5,059,381	94,591,143
Expendable	10,274,535	45,847,091
Unrestricted (Deficit)	(261,900,581)	43,238,013
TOTAL NET POSITION	\$ 159,497,079	\$ 164,859,013

The notes to the financial statements are an integral part of this statement.

KENNESAW STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2023

	Kennesaw State University	Component Unit
OPERATING REVENUES		
Student Tuition and Fees (net)	\$ 202,238,021	\$ —
Grants and Contracts		
Federal	9,482,128	—
State	2,319,735	—
Other	12,407,096	—
Sales and Services	15,756,494	374,125
Rents and Royalties	617,112	36,476,719
Auxiliary Enterprises		
Residence Halls	22,738,721	—
Bookstore	14,311,589	—
Food Services	26,728,134	—
Parking	11,142,585	—
Health Services	3,658,245	—
Intercollegiate Athletics	16,402,099	—
Other Organizations	8,605,974	—
Gifts and Contributions	—	11,136,496
Endowment Income	—	2,340,530
Other Operating Revenues	(2,343,447)	—
Total Operating Revenues	344,064,486	50,327,870
OPERATING EXPENSES		
Faculty Salaries	156,356,989	—
Staff Salaries	144,975,440	3,700,953
Employee Benefits	111,183,687	752,522
Other Personal Services	1,903,425	57,494
Travel	3,484,380	297,221
Scholarships and Fellowships	50,342,133	8,339,217
Utilities	12,991,947	2,488,238
Supplies and Other Services	134,522,571	11,298,258
Depreciation and Amortization	38,877,667	5,601,194
Total Operating Expenses	654,638,239	32,535,097
Operating Income (Loss)	\$ (310,573,753)	\$ 17,792,773

The notes to the financial statements are an integral part of this statement.

KENNESAW STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2023

	Kennesaw State University	Component Unit
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	\$ 232,187,066	\$ —
Grants and Contracts		
Federal	99,970,474	—
State	1,853	—
Other	4,629,003	—
Gifts	15,908,972	—
Investment Income	6,851,908	9,344,712
Interest Expense	(11,320,996)	(11,128,060)
Other Nonoperating Revenues (Expenses)	(2,877,009)	(9,092,348)
Net Nonoperating Revenues (Expenses)	345,351,271	(10,875,696)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	34,777,518	6,917,077
Capital Grants and Gifts		
State	1,048,342	—
Other	6,151,089	—
Additions to Permanent and Term Endowments	—	9,400,614
Special Item	(464,378)	—
Extraordinary Item	1,664,863	—
Total Other Revenues, Expenses, Gains or Losses	8,399,916	9,400,614
Change in Net Position	43,177,434	16,317,691
Net Position, Beginning of Year, As Originally Reported	116,319,645	148,541,322
Net Position, End of Year	\$ 159,497,079	\$ 164,859,013

The notes to the financial statements are an integral part of this statement.

KENNESAW STATE UNIVERSITY

STATEMENT OF CASH FLOWS

FOR FISCAL YEAR ENDED JUNE 30, 2023

	Kennesaw State University
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from Customers	\$ 327,686,934
Grants and Contracts (Exchange)	14,293,744
Payments to Suppliers	(243,088,804)
Payments to Employees	(305,548,886)
Payments for Scholarships and Fellowships	(50,342,133)
Loans Issued to Students	(76,752)
Other Receipts	555,144
Other Payments	168,731
Net Cash Used by Operating Activities	(256,352,022)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	232,187,066
Gifts and Grants Received for Other Than Capital Purposes	116,578,040
Other Non-Capital Financing Receipts	1,911,280
Other Non-Capital Financing Payments	(77,479)
Net Cash Flows Provided by Non-Capital Financing Activities	350,598,907
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Gifts and Grants Received	3,921,175
Proceeds from Sale of Capital Assets	67,624
Purchases of Capital and Intangible Right-to Use Assets	(46,425,418)
Principal Paid on Capital Debt and Leases	(26,849,676)
Interest Paid on Capital Debt and Leases	(11,346,890)
Net Cash Used by Capital and Related Financing Activities	(80,633,185)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	6,530,060
Net Cash Provided by Investing Activities	6,530,060
Net Increase in Cash and Cash Equivalents	20,143,760
Cash and Cash Equivalents, Beginning of Year	193,132,157
Cash and Cash Equivalents, End of Year	\$ 213,275,917

The notes to the financial statements are an integral part of this statement.

KENNESAW STATE UNIVERSITY

STATEMENT OF CASH FLOWS

FOR FISCAL YEAR ENDED JUNE 30, 2023

	Kennesaw State University
RECONCILIATION OF OPERATING LOSS TO	
NET CASH USED BY OPERATING ACTIVITIES:	
Operating Loss	\$ (310,573,753)
Adjustments to Reconcile Net Operating Loss to	
Net Cash Used by Operating Activities	
Depreciation and Amortization	38,877,667
Operating Expenses Related to Noncash Gifts	2,480
Change in Assets and Liabilities:	
Receivables, net	4,487,871
Inventories	(76,454)
Prepaid Items	(585,501)
Notes Receivable, Net	(76,752)
Accounts Payable	3,045,105
Salaries Payable	(922,409)
Benefits Payable	103,071
Retainage Payable	(19,244)
Deposits	5,641
Advances (Including Tuition and Fees)	(5,330,606)
Other Liabilities	(32,938)
Funds Held for Others	168,731
Compensated Absences	298,912
Due to Affiliated Organizations	(246,791)
Net Pension Liability	235,620,583
Net Other Post-Employment Benefit Liability	(61,420,548)
Change in Deferred Inflows/Outflows of Resources:	
Deferred Inflows of Resources	(76,377,621)
Deferred Outflows of Resources	(83,299,466)
Net Cash Used by Operating Activities	<u>\$ (256,352,022)</u>
NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS	
Noncapital Financing Activities Noncash Items:	
Noncapital Gifts	<u>\$ 2,480</u>
Current Year Accruals Related to Non-operating Non-capital Grants and Gifts	<u>\$ 8,719,828</u>
Current Year Accruals Related to Capital Financing Activities	<u>\$ 567,395</u>
Gift of Capital Assets	<u>\$ 487,900</u>
Gain (Loss) on Disposal of Capital Assets	<u>\$ (3,762,819)</u>
Accrual of Capital Asset Related Payables	<u>\$ 4,383,281</u>
Capital Assets Acquired by Incurring Financing Lease Arrangements	<u>\$ 37,132,763</u>
Intangible Right-to-Use Assets Acquired by Incurring Lease Obligations	<u>\$ 1,317,693</u>
Intangible Right-to-Use Assets Acquired by Incurring SBITAs	<u>\$ 3,259,676</u>
Amortization of Capital Financing Activities Advances and Deferred Inflows	<u>\$ 3,455,165</u>
Amortization of Deferred Gain (Loss) of Capital Debt Refunded	<u>\$ 25,894</u>
Other Capital Financing Activities Noncash Items	<u>\$ (389,014)</u>
Unrealized Gain (Loss) on Investments	<u>\$ 321,848</u>

The notes to the financial statements are an integral part of this statement.

KENNESAW STATE UNIVERSITY
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023

	<u>Custodial Funds</u>
ASSETS	
Receivables	
Other	<u>\$ 11,097,777</u>
Total Assets	<u>11,097,777</u>
LIABILITIES	
Cash Overdraft	7,727,773
Accounts Payable	600
Due to Component Units	128,748
Advances	1,607,514
Deposits held for other organizations	3,813
Total Liabilities	<u>9,468,448</u>
NET POSITION	
Restricted for:	
Individuals, Organizations, and Other Governments	<u><u>\$ 1,629,329</u></u>

KENNESAW STATE UNIVERSITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2023

	<u>Custodial Funds</u>
ADDITIONS	
Federal Financial Aid	\$ 134,124,613
State Financial Aid	95,834,382
Other Financial Aid	17,549,526
Clubs and Other Organizations Fund Raising	2,739,761
Public-Private Partnership Passthrough	<u>23,847,957</u>
Total Additions	<u>274,096,239</u>
DEDUCTIONS	
Scholarships and Other Student Support	247,508,522
Student Organizations Support	1,169,218
Public-Private Partnership Passthrough	<u>23,847,957</u>
Total Deductions	<u>272,525,697</u>
Net Increase in Fiduciary Net Position	<u>1,570,542</u>
Net Position, Beginning of Year	<u>58,787</u>
Net Position, End of Year	<u><u>\$ 1,629,329</u></u>

NOTES TO THE

FINANCIAL

STATEMENTS



KENNESAW STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 1 Summary of Significant Accounting Policies

Nature of Operations

Kennesaw State University (University) serves the state and national communities by providing its students with academic instruction that advances fundamental knowledge and by disseminating knowledge to the people of Georgia, the nation, and throughout the world.

Reporting Entity

As defined by Official Code of Georgia Annotated (O.C.G.A) § 20-3-50, the University is part of the University System of Georgia (USG), an organizational unit of the State of Georgia (the State) under the governance of the Board of Regents (Board). The Board has constitutional authority to govern, control and manage the USG. The Board is composed of 19 members, one member from each congressional district in the State and five additional members from the state-at-large, appointed by the Governor and confirmed by the Senate. Members of the Board serve a seven-year term and members may be reappointed to subsequent terms by a sitting governor.

The University does not have the right to sue/be sued without recourse to the State. The University's property is the property of the State and subject to all the limitations and restrictions imposed upon other property of the State by the Constitution and laws of the State. In addition, the University is not legally separate from the State. Accordingly, the University is included within the State's basic financial statements as part of the primary government as defined in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

The accompanying basic financial statements are intended to supplement the State's Annual Comprehensive Financial Report (ACFR) by presenting the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the University. In addition, a discretely presented component unit of the State, as discussed below, has been included since it has been determined to be essential to the fair presentation to these departmental financial statements. These financial statements do not purport to, and do not, present fairly the financial position of the State as of June 30, 2023, the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying basic financial statements should be read in conjunction with the State's ACFR. The most recent State of Georgia ACFR can be obtained through the State Accounting Office, 200 Piedmont Avenue, Suite 1604 (West Tower), Atlanta, Georgia 30334 or online at <https://sao.georgia.gov/statewide-reporting/acfr>.

Discretely Presented Component Unit

The below organization is a legally separate, tax-exempt component unit of the State. Although the State (primary government) is not fiscally accountable for this entity, it has been determined that the nature and significance of the relationship between the primary government and the below organization is such that exclusion from these departmental financial statements would render them misleading. The below organization met the requirements for discrete presentation as defined by GASB Codification Sections 2100 and 2600. The below organization's fiscal year ends on June 30 each year. Separately issued financial statements are available from the following address.

- Kennesaw State University Foundation, Inc., 3391 Town Point Drive, Suite 4530/Mail drop 9101, Kennesaw, GA 30144.

See Component Unit Note 20 for additional information related to the discretely presented component unit.

Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the GASB and are presented as required by these standards to provide a comprehensive, entity-wide perspective of the University's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position and cash flows.

The University's business-type activities and fiduciary fund financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenues in the fiscal year in which eligibility requirements imposed by the provider have been met. All significant intra-fund transactions have been eliminated.

The University reports the following fiduciary funds:

- Custodial Funds - Accounts for activities resulting from the University acting as an agent or fiduciary for various governments, companies, clubs or individuals.

New Accounting Pronouncements

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, effective for fiscal years beginning after December 15, 2020. In fiscal year 2020, the University adopted GASB Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance* which postponed the effective dates of Statement No. 91 to fiscal year 2023. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The adoption of this statement does not have a significant impact on the financial statements and will be applied prospectively.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for fiscal years beginning after June 15, 2022. The objectives of this statement are to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements and to provide guidance for accounting and financial reporting for availability payment arrangements. The adoption of this statement does not have a significant impact on the financial statements and will be applied retroactively.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for fiscal years beginning after June 15, 2022. This statement defines subscription-based information technology arrangements and provides uniform guidance for accounting and financial reporting for transactions that meet that definition. Under this Statement, a government is required to recognize a subscription liability and an intangible right-to-use asset for contracts that meet the definition of a subscription-based information technology arrangement.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*, effective for certain elements of the requirement effective upon issuance. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation. The adoption of this statement does not have a significant impact on the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of petty cash, demand deposits and time deposits in authorized financial institutions, and cash management pools that have the general characteristics of demand deposit accounts. This includes the Board of Regents Short-Term Investment Pool. Cash and Cash Equivalents that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Cash and Cash Equivalents restricted as to use by a third party are reported as externally restricted.

Investments

Investments include financial instruments with terms in excess of 13 months, certain other securities for the production of revenue, land, and other real estate held as investments by endowments. The University accounts for its investments at fair value. Changes in the fair value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Position. The Board of Regents Legal Fund,

the Board of Regents Balanced Income Fund and the Board of Regents Total Return Fund are included as investments.

Investments that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Assets restricted as to use by a third party are reported as externally restricted.

Accounts Receivable

Accounts receivable consists of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty and staff, the majority of whom reside in the State of Georgia. Accounts receivable also includes amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

Resale inventories are valued at cost using the average-cost basis.

Prepaid Items

Payments made to vendors and state and local government organizations for services that will benefit periods beyond June 30, 2023, are recorded as prepaid items.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that exceed \$100,000 and/or significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation, which also includes amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, and copyrights, as well as software, is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 60 years for buildings, 20 to 25 years for infrastructure and land improvements, 10 years for library books, and 3 to 20 years for equipment. Residual values will generally be 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

To fully understand plant additions in the University, it is necessary to look at the activities of the Georgia State Financing and Investment Commission (GSFIC) - an organization that is external to the USG. GSFIC issues bonds for and on behalf of the State of Georgia, pursuant to powers granted to it in the Constitution of the State of Georgia and the Act creating the GSFIC. The bonds so issued constitute direct and general obligations of the State of Georgia, to the payment of which the full faith, credit and taxing power of the State are pledged.

For projects managed by GSFIC, GSFIC retains construction in progress in its accounting records throughout the construction period and transfers the entire project to the institutional unit of the University System when complete. For projects managed by institutions of the USG, the institutions retain construction in progress on their books and are reimbursed by GSFIC.

Intangible Right-To-Use Assets

The University leases certain academic spaces, administrative offices, and equipment under lease agreements. The University has both leases under which it is obligated as a lessee and leases for which it is a lessor. Leases, as a lessee, are included in intangible right-to-use assets and lease obligations on the Statement of Net Position. Financed leases, which transfer ownership, are included in capital assets and notes payable on the Statement of Net Position.

The University also entered into certain subscription-based agreements to use vendor-provided information technology (IT). Subscription-based information technology arrangements (SBITAs) result in an intangible right-to-use asset and a subscription obligation on the Statement of Net Position. The University capitalizes SBITA items that are greater than \$100,000 over the subscription term and the initial term exceeds 12 months.

An intangible right-to-use asset represents the University's right to use an underlying asset for the lease or subscription term. Lease and/or subscription obligations represent the University's liability to make lease and/or

subscription payments arising from the lease and/or subscription agreement. Intangible right-to-use assets, lease obligations, and subscription obligations are recognized based on the present value of lease and/or subscription payments over the lease term, where the initial term exceeds 12 months. Residual value guarantees and the value of an option to extend or terminate a lease and/or subscription are reflected to the extent it is reasonably certain to be paid or exercised. Variable payments based on future performance or usage are not included in the measurement of the lease and/or subscription liability. Intangible right-to-use assets are amortized using a straight-line basis over the shorter of the lease and/or subscription term or useful life of the underlying asset. Prepayments made before the commencement of the lease and/or subscription are reported as intangible right-to-use assets in progress.

Rental income arising from leases as a lessor is included as a receivable and deferred inflow of resources at the commencement of the lease and revenue is recognized on a straight line basis over the lease term.

Capital Liability Reserve Fund

The Capital Liability Reserve Fund (Fund) was established by the Board of Regents to protect the fiscal integrity of the USG to maintain the strongest possible credit ratings associated with Public Private Venture (PPV) projects and to ensure that the Board of Regents can effectively support its long-term lease obligations. All USG institutions participating in the PPV program finance the Fund. The Fund serves as a pooled reserve that is managed by the Board of Regents. The Fund shall only be used to address significant shortfalls and only insofar as a requesting USG institution is unable to make the required PPV lease payment to the designated affiliated organization. The Fund will continue as long as the Board of Regents has rental obligations under the PPV program and at the conclusion of the program, funds will be returned to each institution. The balance included on the University's Statement of Net Position as Due from USO - Capital Liability Reserve Fund of \$1,941,223 represents the University's contribution to the Fund.

Deferred Outflows of Resources

Deferred outflows of resources consist of the consumption of net position that is applicable to a future reporting period.

Advances

Advances include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Advances also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits

Deposits represent good faith deposits from students to reserve housing assignments, meal plans or other auxiliary services.

Deposits Held for Other Organizations

Deposits held for other organizations result primarily from escheated funds that are the result of unclaimed property.

Compensated Absences

Employee vacation pay is accrued at the end of the fiscal year for financial statement purposes. The liability and expense incurred are recorded at the end of the fiscal year as compensated absences in the Statement of Net Position, and as a component of compensation and benefit expense in the Statements of Revenues, Expenses and Changes in Net Position.

Non-current Liabilities

Non-current liabilities include: (1) liabilities that will not be paid within the next fiscal year and (2) lease obligations with contractual maturities greater than one year.

Deferred Inflows of Resources

Deferred inflows of resources consist of the acquisition of net position that is applicable to a future reporting period.

Other Post-Employment Benefit (OPEB) and Net OPEB Liability

The net OPEB liability represents the University's proportionate share of the difference between the total OPEB liability and the fiduciary net position or the fair value of the plan assets as of a given measurement date.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Board of Regents Retiree Health Benefit Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Pensions and Net Pension Liability

The net pension liability represents the University's proportionate share of the difference between the total pension liability as a result of the exchange for employee services for compensation and the fiduciary net position or the fair value of the plan assets as of a given measurement date.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plans' fiduciary net position, additions to/deductions from the plans fiduciary net position have been determined on the same basis as they are reported by Teachers Retirement System of Georgia and Employees' Retirement System of Georgia. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Public-Private and Public-Public Partnerships

A public-private or public-public partnership (PPP) is an arrangement in which a government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset. Some PPP's are service concession arrangements.

Net Position

The University's net position is classified as follows:

Net investment in capital assets represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets and intangible right-to-use assets. To the extent debt has been incurred but not yet expended for capital assets or intangible right-to-use assets, such amounts are not included as a component of net investment in capital assets. The term "debt obligations" as used in this definition does not include debt of the GSFIC as discussed previously in Note 1 - Capital Assets section.

Restricted - nonexpendable net position includes endowments and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal. For institution-controlled, donor-restricted endowments, the by-laws of the Board of Regents of the University System of Georgia permits each individual institution to use prudent judgment in the spending of current realized and unrealized endowment appreciation. Donor-restricted endowment appreciation is periodically transferred to restricted - expendable accounts for expenditure as specified by the purpose of the endowment. The University maintains pertinent information related to each endowment fund including donor; amount and date of donation; restrictions by the source of limitations; limitations on investments, etc.

Restricted - expendable net position includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions by external third parties.

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of the governing board or management to meet current expenses for those purposes, except for unexpended state appropriations (surplus). Unexpended state appropriations must be refunded to the Office of the State Treasurer. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

Income Taxes

The University, as a political subdivision of the State of Georgia, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

Classification of Revenues and Expenses

The Statement of Revenues, Expenses and Changes in Net Position classifies fiscal year activity as operating and nonoperating according to the following criteria:

- Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) certain federal, state and local grants and contracts, and (3) sales and services.
- Nonoperating revenue includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenue by GASB Statements No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, such as state appropriations and investment income.
- Operating expense includes activities that have the characteristics of exchange transactions.
- Nonoperating expense includes activities that have the characteristics of non-exchange transactions, such as capital financing costs and costs related to investment activity.

Scholarship Allowances

Scholarship allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state, or nongovernmental programs are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded contra revenue for scholarship allowances. Tuition and fees and other student charges reported on the Statement of Revenues, Expenses and Changes in Net Position are net of discounts and allowances of \$71,073,536.

Special Items

Significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence are considered special items.

In July and August 2022, KSU sold easements for two properties and recognized a gain of \$487,900, which is reflected as a special item.

In February 2023, the leases for the North parking deck, East and West parking decks, Frey Lake Houses (administrative offices) and Chastain Pointe (office and instructional complex) were amended with a revised payment schedule. The revised payment schedule called for a payment of \$16,489,855 in February 2023 and no further payments throughout the leases expiring in 2029, 2026, 2027, and 2036, respectively. As a result, the notes payable related to the buildings were reduced to zero and a loss of \$952,278 was recognized.

Extraordinary Items

Significant transactions or other events that are both unusual in nature and infrequent in occurrence are considered extraordinary items.

In FY23, the University recognized \$6,375,884 in insurance recovery funds and \$4,711,021 in expenses due to severe winter weather in December 2022 which resulted in pipes freezing and bursting in several University buildings. This event was infrequent and unusual for the University and resulted in an extraordinary item of \$1,664,863.

Restatement of Prior Year Net Position

The University made prior period adjustments due to the adoption of GASB Statement No. 96. Under this statement, a governmental end user is required to recognize a subscription liability and an intangible right-to-use subscription asset.

For business-type activities, the results are an overall increase in liabilities of \$2,528,501 and an overall increase in assets of \$2,528,501 for a net impact on net position of \$0. The increase in liabilities is the result of an increase in subscription obligations, which is evidenced by the restatement noted in Note 8, *Long-Term Liabilities*. The increase in assets is the result of an increase in intangible right-to-use assets, which is evidence by the restatement noted in Note 6, *Capital Assets and Intangible Right-to-Use Assets*. This change is in accordance with generally accepted accounting principles.

Note 2 Deposits and Investments

Cash and cash equivalents and investments as of June 30, 2023, are classified in the accompanying statement of net position and statement of fiduciary net position as follows:

Statement of Net Position

Current

Cash and Cash Equivalents	\$	212,787,483
Cash and Cash Equivalents (Externally Restricted)		488,434

Noncurrent

Investments		365,642
Investments (Externally Restricted)		5,059,381

Statement of Fiduciary Net Position

Cash and Cash Equivalents		(7,727,773)
	\$	<u>210,973,167</u>

Cash on hand, deposits and investments as of June 30, 2023, consist of the following:

Cash on Hand	\$	63,600
Deposits with Financial Institutions		124,625,741
Investments		86,283,826
	\$	<u>210,973,167</u>

A. Deposits with Financial Institutions

Deposits include certificates of deposits and demand deposit accounts, including certain interest-bearing demand deposit accounts. The custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be recovered. Funds belonging to the State of Georgia (and thus the University) cannot be placed in a depository paying interest longer than ten days without the depository providing a surety bond to the State. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the Official Code of Georgia Annotated (O.C.G.A.) § 50-17-59:

1. Bonds, bills, notes, certificates of indebtedness, or other direct obligations of the United States or of the State of Georgia.
2. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.
3. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.

4. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.
5. Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association and the Federal National Mortgage Association.
6. Letters of credit issued by a Federal Home Loan Bank.
7. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

The University participates in the State's Secure Deposit Program (SDP), a multi-bank pledging pool. The SDP requires participating banks that accept public deposits in Georgia to operate under the policy and procedures of the program. The Georgia Office of State Treasurer (OST) sets the collateral requirements and pledging level for each covered depository. There are four tiers of collateralization levels specifying percentages of eligible securities to secure covered Deposits: 25%, 50%, 75%, and 110%. The SDP also provides for collateral levels to be increased to up to 125% if economic or financial conditions warrants. The program lists the type of eligible collateral. The OST approves authorized custodians.

In accordance with the SDP, if a covered depository defaults, losses to public depositors are first satisfied with any applicable insurance, followed by demands of payment under any letters of credit or sale of the covered depository's collateral. If necessary, any remaining losses are to be satisfied by assessments made against the other participating covered depositories. Therefore, for disclosure purposes, all deposits of the SDP are considered to be fully collateralized.

At June 30, 2023, the bank balances of the University's deposits totaled \$126,461,205. Of these deposits, \$0 were exposed to custodial credit risk. This balance includes deposits in Fiduciary funds as these balances are not separable from the holdings of the University.

B. Investments

The University maintains an investment policy which fosters sound and prudent judgment in the management of assets to ensure safety of capital consistent with the fiduciary responsibility it has to the citizens of Georgia. All investments conform to and are consistent with donor intent, Board of Regents policy and applicable federal and state laws.

GASB Statement No. 72, *Fair Value Measurements and Application* requires fair value measurement be classified and disclosed in one of the following three categories ("Fair Value Hierarchy"):

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 - Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1; inputs include comparable market transactions, pricing of similar instruments, values reported by the administrator, and pricing expectations based on internal modeling. Fair value is determined through the use of models or other valuation methodologies, such as matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investments. Investments classified in Level 3 include guaranteed investment contracts. Guaranteed investment contracts are valued by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit worthiness of the issuer.

The following table summarizes the valuation of the University's investments measured at fair value as of June 30, 2023.

	Fair Value	Fair Value Hierarchy Level 1
Investment type:		
Equity Securities - Domestic	\$ 350,202	\$ 350,202
Other	15,440	15,440
	365,642	<u>\$ 365,642</u>
Investment Pools		
Board of Regents		
Short-Term Fund	80,858,803	
Legal Fund	198,718	
Balanced Income Fund	1,063,779	
Total Return Fund	3,796,884	
	<u>\$ 86,283,826</u>	
Total Investments		

Board of Regents Pooled Investment Program

The USG serves as fiscal agent for various units of the University System of Georgia and affiliated organizations. The USG pools the monies of these organizations with the USG's monies for investment purposes. The investment pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The fair value of the investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each pooled investment fund balance at fair value along with a pro rata share of the pooled fund's investment returns.

The USG maintains investment policy guidelines for each pooled investment fund that is offered to qualified University System participants. These policies are intended to foster sound and prudent responsibility each institution has to the citizens of Georgia, and which conforms to the Board of Regents investment policy. All investments must be consistent with donor intent, Board of Regents policy, and applicable Federal and state laws. Units of the University System of Georgia and their affiliated organizations may participate in the pooled investment fund program. The overall character of the pooled fund portfolio should be one of above average quality, possessing at most an average degree of investment risk.

The University's position in the pooled investment fund options are described below.

1. **Short-Term Fund**

The Fund provides a current return and stability of principal while affording a means of overnight liquidity for projected cash needs. Investments are in securities allowed under O.C.G.A. § 50-17-59 and § 50-17-63. The average maturities of investments in this fund will typically range between daily and four years, and the fund will typically have an overall average duration of $\frac{3}{4}$ - 1 year. The overall character of the portfolio is of Agency quality, possessing a minimal degree of financial risk. The market value of the University's position in the Short-Term Fund at June 30, 2023 was \$80,858,803, of which 100% is invested in debt securities. The Effective Duration of the Fund is 0.93 years.

2. **Legal Fund**

The Fund provides an opportunity for greater return and modest principal growth to the extent possible with the securities allowed under O.C.G.A. § 50-17-59 and § 50-17-63. The average maturities of investments in this fund will typically range between three and five years, with a maximum of thirty years for any individual investment. The overall character of the portfolio is Agency quality, possessing a minimal degree of financial risk. The market value of the University's position in the Legal Fund at June 30, 2023, was \$198,718, of which 100% is invested in debt securities. The Effective Duration of the Fund is 3.47 years.

3. **Balanced Income Fund**

The Fund is designed to be a vehicle to invest funds that are not subject to the state regulations concerning investing in equities. This pool is appropriate for investing longer term funds that require a more conservative investment strategy. Permitted investments in the fund are domestic US equities, domestic investment grade fixed income, and cash equivalents.

The equity allocation shall range between 20% and 40%, with a target of 30% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 60% and 80%, with a target of 70% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high-quality short-term instruments. The market value of the University's position in the Balanced Income Fund at June 30, 2023, was \$1,063,779, of which 66% is invested in debt securities. The Effective Duration of the Fund is 5.46 years.

4. **Total Return Fund**

The Fund is another pool designed to be a vehicle to invest funds that are not subject to state regulations concerning investing in equities. This pool offers greater overall equity exposure and is appropriate for investing longer term funds such as endowments. Permitted investments in the fund are domestic US equities, domestic investment grade fixed income, and cash equivalents.

The equity allocation shall range between 60% and 80%, with a target of 70% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 20% and 40%, with a target of 30% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high-quality short-term instruments. The market value of the University's position in the Total Return Fund at June 30, 2023, was \$3,796,884, of which 30% is invested in debt securities. The Effective Duration of the Fund is 5.68 years.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The University does not have a formal policy for managing interest rate risk for investments.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the University will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The University does not have a formal policy for managing custodial credit risk for investments.

At June 30, 2023, \$0 was uninsured and held by the investment's counterparty's trust department or agent, but not in the University's name.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University does not have a formal policy for managing credit quality risk for investments.

1. In the Short-Term Fund and Legal Fund, all debt issues must be eligible investments under O.C.G.A § 50-17-59 and 50-17-63. Other investment portfolios of debt securities funds also must meet the eligible investment criteria under the same code section.
2. In the Balanced Income Fund and Total Return Fund, total fixed income portfolios should have an average credit quality rating of at least A. Overnight investments shall be limited to high quality institutional money market mutual funds rated A1, P1 or other high quality short-term debt instruments rated at least AA+.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University does not have a formal policy for managing concentration of credit for investments and has no exposure to concentration of credit risk at June 30, 2023.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Exposure to foreign currency credit risk is limited to funds maintained in foreign accounts for the Study Abroad Program. The University does not have a formal policy for managing foreign currency risk and does not have any exposure to foreign currency risk at June 30, 2023.

Note 3 Accounts Receivable

Accounts receivable consisted of the following at June 30, 2023:

	Business Type Activities	Fiduciary Fund
Student Tuition and Fees	\$ 6,909,684	\$ 49,229
Auxiliary Enterprises and Other Operating Activities	6,239,456	
Federal Financial Assistance	5,754,905	1,031,645
Georgia Student Finance Commission		10,016,903
Georgia State Financing and Investment Commission	567,394	
Due from Affiliated Organizations	2,555,793	
Due from Component Unit	4,202,547	
Due From Other USG Institutions	1,962,023	
Lease Receivable	1,676,743	
Other	2,278,971	
	32,147,516	11,097,777
Less: Allowance for Doubtful Accounts	7,165,109	
Net Accounts Receivable	\$ 24,982,407	\$ 11,097,777

Note 4 Inventories

Inventories consisted of merchandise for resale of \$3,318,752 at June 30, 2023.

Note 5 Notes and Loans Receivable

Notes receivable consists of resources made available for financial loans to students of the University. The Nurse Faculty Loan Program (NFLP) comprises the majority of the loans receivable at June 30, 2023. The NFLP offers loans to students enrolled in advanced education nursing degree programs who are committed to become nurse faculty. In exchange for full-time post-graduation employment as nurse faculty, the program authorizes cancellation of up to 85% of any such loan (plus interest thereon). Allowances for uncollectible loans are reported based on management's best estimate considering type, age, collection history, and other factors considered appropriate. At June 30, 2023, the allowance for uncollectible loans was \$0.

Note 6 Capital and Intangible Right-to-Use Assets

Changes in capital assets for the year ended June 30, 2023, are shown below:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023
Capital Assets, Not Being Depreciated:				
Land	\$ 43,214,057	\$ —	\$ —	\$ 43,214,057
Capitalized Collections	4,930,933	—	—	4,930,933
Construction Work-in-Progress	24,275,769	30,406,688	16,896,125	37,786,332
Total Capital Assets Not Being Depreciated	72,420,759	30,406,688	16,896,125	85,931,322
Capital Assets, Being Depreciated				
Infrastructure	18,407,203	—	—	18,407,203
Building and Building Improvements	930,447,646	57,081,097	—	987,528,743
Facilities and Other Improvements	14,144,875	—	—	14,144,875
Equipment	75,281,440	10,639,653	3,027,122	82,893,971
Library Collections	26,641,097	90,301	165,325	26,566,073
Capitalized Collections	6,314,375	24,073	3,875,000	2,463,448
Total Capital Assets Being Depreciated	1,071,236,636	67,835,124	7,067,447	1,132,004,313
Less: Accumulated Depreciation				
Infrastructure	8,208,020	709,287	—	8,917,307
Building and Building Improvements	381,067,608	28,029,966	—	409,097,574
Facilities and Other Improvements	6,618,764	656,682	—	7,275,446
Equipment	52,650,486	7,469,369	2,824,132	57,295,723
Library Collections	25,707,129	228,629	165,325	25,770,433
Capitalized Collections	2,153,204	111,916	1,267,448	997,672
Total Accumulated Depreciation	476,405,211	37,205,849	4,256,905	509,354,155
Total Capital Assets, Being Depreciate Net	594,831,425	30,629,275	2,810,542	622,650,158
Capital Assets, net	\$ 667,252,184	\$ 61,035,963	\$ 19,706,667	\$ 708,581,480

For projects managed by GSFIC, GSFIC retains construction-in-progress on its books throughout the construction period and transfers the entire project to the University when complete. For projects managed by the University, the University retains construction-in-progress on its books and is reimbursed by GSFIC. At June 30, 2023, GSFIC had \$144,180 construction in progress for incomplete GSFIC managed projects for the University.

Changes in intangible right-to-use assets for the year ended June 30, 2023 are shown below:

	(Restated) Beginning Balances July 1, 2022	Additions	Reductions	Ending Balance June 30, 2023
Intangible Right-to-use Assets, Not Being Amortized:				
Intangibles in Progress	\$ —	\$ 365,225	—	\$ 365,225
Intangible Right-to-use Assets				
Land and Land Improvements	973,566	—	—	973,566
Building and Building Improvements	1,028,758	1,053,852	—	2,082,610
Equipment	346,508	196,650	—	543,158
Subscription Based IT Arrangements (SBITAs)	2,528,501	3,302,176	—	5,830,677
Total Leased Assets Being Amortized	4,877,333	4,552,678	—	9,430,011
Less: Accumulated amortization				
Land and Land Improvements	148,053	79,646	—	227,699
Building and Building Improvements	91,205	381,679	—	472,884
Equipment	121,819	143,054	—	264,873
Subscription Based IT Arrangements (SBITAs)	—	1,067,439	—	1,067,439
Total Accumulated Amortization	361,077	1,671,818	—	2,032,895
Total Intangible Right-to-use Assets, Being Amortized, Net	4,516,256	2,880,860	—	7,397,116
Intangible Right-to-use Assets, net	\$ 4,516,256	\$ 3,246,085	\$ —	\$ 7,762,341

The July 1, 2022 balance related to intangible right-to-use assets was restated as a result of the implementation of GASB Statement No. 96.

A comparison of depreciation & amortization expense for the last three fiscal years is as follows:

Fiscal Year	Depreciation & Amortization
2023	\$ 38,877,667
2022	\$ 35,475,307
2021	\$ 32,938,061

Note 7 Advances (Including Tuition and Fees)

Business-type activities advances, including tuition and fees, consisted of the following at June 30, 2023:

	<u>Current Liabilities</u>
Prepaid Tuition and Fees	\$ 13,742,516
Grants and Contracts	646,658
Other - Advances	<u>2,392,849</u>
Totals	<u><u>\$ 16,782,023</u></u>

Fiduciary fund advances in the amount of \$1,607,514 consists of student support received prior to eligibility requirements being met.

Note 8 Long-Term Liabilities

Changes in long-term liability for the year ended June 30, 2023, was as follows:

	(Restated) Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Current Portion
Lease & Subscription Obligations					
Lease Obligations	\$ 2,051,992	\$ 1,317,693	\$ 372,240	\$ 2,997,445	\$ 752,146
Subscription Obligations	<u>2,528,501</u>	<u>3,259,676</u>	<u>3,001,506</u>	<u>2,786,671</u>	<u>873,643</u>
Total	<u>4,580,493</u>	<u>4,577,369</u>	<u>3,373,746</u>	<u>5,784,116</u>	<u>1,625,789</u>
Other Liabilities					
Compensated Absences	14,023,011	11,150,099	10,851,187	14,321,923	9,961,396
Notes Payable	<u>240,021,373</u>	<u>37,132,763</u>	<u>25,450,347</u>	<u>251,703,789</u>	<u>10,066,971</u>
Total	<u>254,044,384</u>	<u>48,282,862</u>	<u>36,301,534</u>	<u>266,025,712</u>	<u>20,028,367</u>
Total Long-Term Obligations	<u><u>\$ 258,624,877</u></u>	<u><u>\$ 52,860,231</u></u>	<u><u>\$ 39,675,280</u></u>	<u><u>\$ 271,809,828</u></u>	<u><u>\$ 21,654,156</u></u>

The July 1, 2022 balance related to lease and subscription obligations was restated as a result of the implementation of GASB Statement No. 96. See Note 1 - Restatement of Prior Year Net Position for additional information related to these transactions.

See Note 14, Retirement Plans for information related to net pension liability. See Note 17, Post-Employment Benefits Other Than Pension Benefits, for information related to net other post-employment benefits liability.

Notes Payable

Financing Lease Agreements

The University is obligated under various multi-year financing lease agreements for the acquisition or use of real property and equipment, whereby the asset(s) transfers ownership at the end of the agreement.

In accordance with O.C.G.A. § 50-5-64, these agreements shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed. These agreements may be renewed only by a positive action taken by the University. In addition, these agreements shall terminate if the State does not provide adequate funding, but that is considered a remote possibility. The University's principal and interest payments related to financing lease agreements for fiscal year 2023 were \$25,663,711 and \$11,243,522, respectively.

The University has \$207,905,310 in outstanding notes payable due to component units for financing lease agreements. Notes Payable included the addition of a financing lease agreement, The Summit, a 508-bed residence hall. This increase was partially offset by annual payments.

In February 2023, the leases for the North parking deck, East and West parking decks, Frey Lake Houses (administrative offices) and Chastain Pointe (office and instructional complex) were amended with a revised payment schedule. The revised payment schedule called for a payment of \$16,489,855 in February 2023 and no further payments throughout the leases expiring in 2026, 2027, 2029, and 2036, respectively. As a result, the notes payable related to the buildings were reduced to zero.

The following is a summary of the carrying values of assets held under financing lease agreements at June 30, 2023:

Description	Gross Amount	Less: Accumulated Amortization	Net Assets Held Under Financing Lease Arrangements at June 30, 2023	Outstanding Balances per Lease Schedules at June 30, 2023
	(+)	(-)	(=)	
Financed Land and Land Improvements	\$ 19,879,664	\$ —	\$ 19,879,664	\$ —
Finance Buildings and Building Improvements	317,720,783	126,005,391	191,715,392	251,703,789
Total Assets Held Under Finance Lease Arrangement	<u>\$ 337,600,447</u>	<u>\$ 126,005,391</u>	<u>\$ 211,595,056</u>	<u>\$ 251,703,789</u>

The following schedule lists the pertinent information for each of the University 's financing lease agreements:

Description	Lessor	Original Principal	Lease Term	Begin Month/ Year	End Month/ Year	Outstanding Principal
Frey Lake Road Houses	KSU Foundation	2,907,645	12 years	October 2015	June 2027	0 (1)
East & West Parking Decks	KSU Foundation	12,658,233	11 years	October 2015	June 2026	0 (1)
Building Complex	KSU Foundation	1,747,658	19 years	June 2017	June 2036	0 (1)
Building Complex	KSU Foundation	4,054,414	19 years	June 2017	June 2036	0 (1)
North Parking Deck	KSU Foundation	10,435,200	14 years	October 2015	June 2029	0 (1)
Central Parking Deck	KSU Foundation	28,528,584	21 years	February 2017	June 2038	22,632,038 (1)
Dining Hall Facility	KSU Foundation	17,012,109	22 years	February 2017	June 2039	14,271,331 (1)
Sports Complex	KSU Foundation	61,884,585	24 years	September 2020	June 2044	54,162,754 (1)
Student Housing (UPII)	KSU Foundation	26,768,863	29 years	August 2012	June 2041	23,243,144 (1)
Summit Student Housing	KSU Foundation	37,132,763	30 years	July 2022	June 2052	37,346,127 (1)
Student Recreation Center	KSU Foundation	43,053,851	28 years	July 2014	June 2042	35,239,623 (1)
Marietta Student Housing - Howell	KSU Foundation	9,854,543	31 years	July 2021	June 2052	9,826,177 (1)
Commons Housing	KSU Foundation	8,742,600	14 years	June 2013	June 2027	3,096,278 (1)
Courtyard Housing	KSU Foundation	18,387,400	16 years	June 2013	June 2029	8,087,838 (1)
Parking Deck	USG Real Estate Foundation	17,323,738	25 years	June 2015	June 2040	14,413,364
Housing / Dining	USG Real Estate Foundation	34,019,686	20 years	March 2019	June 2039	29,385,115
Total Financed Leases		<u>\$ 334,511,872</u>				<u>\$ 251,703,789</u>

All of the financing lease agreements above are related-party transactions (1)

Below is the annual debt service related to the outstanding notes payable at June 30, 2023.

	Principal	Interest
Year Ending June 30:		
2024	\$ 10,066,971	\$ 10,698,458
2025	10,528,855	10,248,974
2026	11,002,787	9,784,397
2027	11,503,759	9,298,146
2028	11,175,872	8,803,682
2029 through 2033	57,310,674	36,574,797
2034 through 2038	69,950,583	22,718,332
2039 through 2043	46,613,004	8,536,155
2044 through 2048	14,181,716	2,455,817
2049 through 2053	9,369,568	657,153
Total Minimum Lease Payments	<u>\$ 251,703,789</u>	<u>\$ 119,775,911</u>

Note 9 Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources reported on the Statement of Net Position as of June 30, 2023, consisted of the following:

Deferred Outflows of Resources

Deferred Loss on Debt Refunding	\$ 497,414
Deferred Defined Benefit Pension Plans (See Note 14)	159,510,790
Deferred OPEB Plan (See Note 17)	60,218,353
Total Deferred Outflows of Resources	<u>\$ 220,226,557</u>

Deferred Inflows of Resources

Deferred Gain on Debt Refunding	\$ 1,886,875
Deferred Inflows Public-Private or Public-Public Partnership (PPP)	47,019,431
Deferred Defined Benefit Pension Plans (See Note 14)	4,409,001
Deferred OPEB Plan (See Note 17)	95,416,280
Deferred Resources - Leases	4,994,600
Total Deferred Inflows of Resources	<u>\$ 153,726,187</u>

Deferred Outflow/Inflow on Debt Refunding

The unamortized deferred loss on debt refunding at year end, related to refunding debt on two residence halls and a parking deck, is \$497,414. The unamortized deferred gain on debt refunding of \$1,886,875 relates to refunding debt on housing and dining facilities.

Leases

At June 30, 2023, Kennesaw State University (KSU) was a participant in three lease agreements as the lessor.

In June 2011, Kennesaw State University entered into an agreement with Kennesaw State University Foundation, Inc. (KSUF) for the KSU Sports and Recreation Park on the KSU campus. The agreement for the sports and recreation park is renewable for 29 years. As of June 30, 2023, the total remaining receivables are \$3,968,196. The amortized revenue recorded in fiscal year 2023 was \$210,647 and the remaining deferred inflow of resources was \$3,317,857.

In September 2008, Kennesaw State University (KSU) entered into an agreement with Verizon Wireless for cell tower space. The agreement is renewable for 25 years. As of June 30, 2023, the total remaining receivables are \$707,660. The amortized revenue recorded in fiscal year 2023 was \$56,083 and the remaining deferred inflow of resources was \$671,657.

In August 2010, Kennesaw State University (KSU) entered into an agreement with AT&T for cell tower space. The agreement is renewable for 25 years. As of June 30, 2023, the total remaining receivables are \$1,058,961. The amortized revenue recorded in fiscal year 2023 was \$83,924 and the remaining deferred inflow of resources was \$1,005,086.

Public-Private or Public-Public Partnerships (PPP)

At June 30, 2023, Kennesaw State University (KSU) was a participant in four Public-Private Partnerships.

In August 2001, KSU entered into an agreement with Kennesaw State University Foundation, Inc. (KSUF) whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the residence hall ("University Place") in accordance with a contractual agreement between the two parties. Under the terms of the agreement, University received no funds upfront from KSUF, but will take full ownership of the residence hall at the end of the operating agreement in August 2037.

In August 2003, KSU entered into an agreement with KSUF whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the housing ("University Village") in accordance with a contractual agreement between the parties. Under the terms of the agreement, University received no funds upfront from KSUF, but will take full ownership of the housing at the end of the operating agreement in July 2036.

In August 2007, KSU entered into an agreement with KSUF whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the housing ("University Suites") in accordance with a contractual agreement between the parties. Under the terms of the agreement, University received no funds upfront from KSUF, but will take full ownership of the housing at the end of the operating agreement in September 2038.

In August 2020, the University entered into an agreement with KSUF to simplify the student experience for KSUF-owned housing (University Place, University Village, and University Suites). Under this agreement, KSU is responsible for providing property management services on behalf of KSUF in a fiduciary capacity for billing and the collection of housing charges.

In July 2017, KSU entered into an agreement with a food service provider whereby the vendor will operate a restaurant in accordance with a contractual agreement between the two parties. Under the terms of the agreement, University received no funds upfront, but will take full ownership of the equipment and improvements at the end of the operating agreement in June 2027.

At June 30, 2023, the University reports the three housing residences and one retail space as capital assets with a net carrying value of \$47,019,431. For fiscal year 2023, the University reported a remaining deferred inflows of resources of \$47,019,431 and amortized revenue of \$3,455,165.

For the fiscal year 2023, KSU received variable payments related to revenue sharing arrangements, based on performance of the operator and/or the usage of the underlying PPP asset in the amount of \$133,475.

Description	Operator	Begin Month/Year	PPP Term	Discount Rate (if applicable)	Amortized Revenue in Current Year	Interest Income	Remaining Deferred Inflow of Resources	Related Party for Institution
University Place	KSU Foundation	August 2001	35 years	N/A	617,809	—	7,683,454	Yes
University Village	KSU Foundation	August 2003	33 years	N/A	1,331,314	—	17,123,778	Yes
University Village Suites	KSU Foundation	August 2007	31 years	N/A	1,474,924	—	21,856,545	Yes
Panda Express	Panda Express	July 2017	20 years	N/A	31,118	—	355,654	No
Total PPPs					<u>\$ 3,455,165</u>	<u>\$ —</u>	<u>\$47,019,431</u>	

Note 10 Net Position

The breakdown of business-type activity net position for the University fund at June 30, 2023, is as follows:

Net Investment in Capital Assets	<u>\$ 406,063,744</u>
Restricted for	
Nonexpendable	
Permanent Endowment	<u>5,059,381</u>
Expendable	
Sponsored and Other Organized Activities	9,203,978
Federal Loans	962,187
Institutional Loans	108,370
Sub-Total	<u>10,274,535</u>
Unrestricted	
Auxiliary Enterprises Operations	57,961,054
Reserve for Encumbrances	92,785,786
Capital Liability Reserve Fund	1,941,223
Other Unrestricted (Deficit)	(414,588,644)
Sub-Total	<u>(261,900,581)</u>
Total Net Position	<u>\$ 159,497,079</u>

Other unrestricted net position is reduced by \$294,134,772 related to the recording of net OPEB liability, deferred inflows of resources, and deferred outflows of resources related to the OPEB plan. Other unrestricted net position is also reduced by \$165,777,445 related to the recording of net pension liability, deferred inflows of resources, and deferred outflows of resources on defined benefit pension plans. These OPEB and pension balances are mostly funded through state appropriation and student tuition and fees and are subject to State surplus rules which prevents the accumulation of budgetary fund balance. Therefore, the University is statutorily unable to maintain accumulated net position to offset these OPEB and pension balances.

Changes in Net Position for the year ended June 30, 2023 are as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023
Net Investments in Capital Assets	\$ 373,887,406	\$ 115,087,683	\$ 82,911,345	\$ 406,063,744
Restricted Net Position	8,607,349	136,009,720	129,283,153	15,333,916
Unrestricted Net Position	(266,175,110)	576,003,958	571,729,429	(261,900,581)
Total Net Position	<u>\$ 116,319,645</u>	<u>\$ 827,101,361</u>	<u>\$ 783,923,927</u>	<u>\$ 159,497,079</u>

Note 11 Endowments

Donor Restricted Endowments

Investments of the University's endowment funds are pooled, unless required to be separately invested by the donor. For University controlled, donor-restricted endowments, where the donor has not provided specific instructions, the Board of Regents permits Institutions to develop policies for authorizing and spending realized and unrealized endowment income and appreciation as they determined to be prudent. Realized and unrealized appreciation in excess of the amount budgeted for current spending is retained by the endowments.

For endowment funds where the donor has not provided specific instructions, investment return of the University's endowment funds is predicated under classical trust doctrines. Unless the donor has stipulated otherwise, capital gains and losses are accounted for as part of the endowment principal and are not available for expenditure.

Note 12 Significant Commitments

See the Net Position note for amounts reserved for outstanding encumbrances at June 30, 2023. The University did not have any other significant unearned outstanding construction or renovation contracts in excess of these encumbrances at June 30, 2023.

Note 13 Leases and Subscriptions

Lease Obligations

In accordance with O.C.G.A. § 50-5-64, these agreements shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed. These agreements may be renewed only by a positive action taken by the University. In addition, these agreements shall terminate if the State does not provide adequate funding, but that is considered a remote possibility. The University's principal and interest payments related to leases for fiscal year 2023 were \$193,450 and \$52,474, respectively. Interest rates range from 0.3449 % to 5.983%.

The University has \$1,701,900 in outstanding lease obligations due to component units. The Institution has \$959,261 in outstanding lease obligations due to affiliated organizations and other related party organizations.

There were no residual guaranteed payment, variable payments based on performance, nor termination penalties expensed for fiscal year ended June 30, 2023.

The following is a summary of the carrying values of intangible right-to-use assets held under lease at June 30, 2023:

Description	Gross Amount	Less: Accumulated Depreciation	Net Assets Held Under Lease Obligations at June 30, 2023	Outstanding Balance per Lease Schedules at June 30, 2023
	(+)	(-)	(=)	
Leased Land and Land Improvements	\$ 973,566	\$ 227,699	\$ 745,867	\$ 761,198
Leased Equipment	543,158	264,873	278,285	276,081
Leased Buildings and Building Improvements	2,082,610	472,884	1,609,726	1,960,166
Total Assets Held Under Lease	<u>\$ 3,599,334</u>	<u>\$ 965,456</u>	<u>\$ 2,633,878</u>	<u>\$ 2,997,445</u>

The following schedule lists the pertinent information for each of the University's leases:

LEASE SCHEDULE

Description	Lessor	Original Principal	Lease Term	Begin Month/Year	End Month/Year	Outstanding Principal
Classroom Building	KSU Foundation	\$ 953,858	9 years	July 2021	August 2030	\$ 437,413 (1)
Clinic	KSU Foundation	685,000	15 years	July 2021	June 2036	452,996 (1)
1st United Lutheran Church	1st United Lutheran Church	98,054	5 years	July 2021	June 2026	60,206
Canon Print Shop	Canon	156,248	2 years	July 2021	July 2023	7,625
Machinist Union	KSU Foundation	875,512	13 years	July 2021	October 2034	700,993 (1)
N17082035 Fold/Stuff Machine	Quadient	3,506	1 year	July 2021	August 2022	—
N18101170 Talon Express Mail	Quadient	16,106	2 years	July 2021	September 2023	2,630
N19111200 WTS Tracking	Quadient	16,275	3 years	July 2021	September 2024	10,560
N20021899 WTS Tracking	Quadient	50,117	4 years	July 2021	June 2025	35,900
N21041215 DS85i Feeder	Quadient	46,225	5 years	July 2021	March 2026	34,806
N21073098 WTS & Scanner	Quadient	25,183	5 years	July 2021	June 2026	15,500
N21082092 iX7 Mail Machine	Quadient	20,206	5 years	August 2021	July 2026	13,743
Ricoh IMC2500 Copier	Ricoh	4,894	4 years	February 2022	January 2026	3,270
Ricoh IMC3000 Copier	Ricoh	7,750	5 years	December 2021	November 2026	5,440
N22032442 & N22032418 iX9C	Quadient	108,533	5 years	August 2022	July 2027	86,974
WTS Parcel Locker (Bkstr)	Quadient	19,753	5 years	September 2022	August 2027	16,773
IMC2500 Copier (KST207)	Ricoh	4,236	4 years	July 2022	February 2026	3,185
Canon iJet Color	Canon	16,074	3 years	July 2022	June 2025	11,136
IMC3000 Copier (MJ330)	Ricoh	3,930	2 years	July 2022	October 2024	2,353
4 - IMC3000 Copiers	Ricoh	14,215	2 years	July 2022	October 2024	8,511
MP2555SP Copier	Ricoh	2,445	2 years	July 2022	October 2024	1,464
IMC6000 Copier	Ricoh	5,805	2 years	July 2022	October 2024	3,475
3 - IMC2500 Copiers	Ricoh	9,288	2 years	July 2022	October 2024	5,561
IMC4500 Copier	Ricoh	4,487	2 years	July 2022	October 2024	2,686
MP3055SP Copier	Ricoh	2,793	2 years	July 2022	October 2024	1,672
IMC2500 Copier (MJ263)	Ricoh	3,096	2 years	July 2022	October 2024	1,854
2 - IM350F Copiers	Ricoh	1,996	2 years	July 2022	October 2024	960
Gateway Newsstand	KSU Foundation	161,784	5 years	July 2022	June 2027	110,498 (1)
3380 Town Point (Football Ops)	KSU Athletic Association	959,261	4 years	July 2022	February 2026	959,261 (1)
Total Leases		<u>\$ 4,276,630</u>				<u>\$ 2,997,445</u>

(1) These leases are related-party transactions.

Below is the annual future commitments related to the outstanding lease obligations at June 30, 2023:

	Principal	Interest
Year Ending June 30:		
2024	\$ 752,145	\$ 70,136
2025	546,041	53,673
2026	453,234	41,459
2027	214,019	34,247
2028	157,366	28,811
2029 through 2033	648,586	71,780
2034 through 2038	226,054	11,331
Total Minimum Lease Payments	<u>\$ 2,997,445</u>	<u>\$ 311,437</u>

Subscription Obligations

The University has no outstanding subscription obligations due to component units, affiliated organizations and other related party organizations.

There were no variable payments based on performance, nor termination penalties expensed for fiscal year ended June 30, 2023.

The University's principal and interest payments related to SBITA's for fiscal year 2023 were \$992,515 and \$50,894, respectively.

The following is a summary of the carrying values of intangible right-to-use assets held under SBITA at June 30, 2023:

Description	Gross Amount	Less: Accumulated Amortization	Net Assets Held Under Subscription Obligations at June 30, 2023	Outstanding Balance per Subscription Schedules at June 30, 2023
Subscription Based IT Arrangements (SBITAs)	<u>\$ 5,830,676</u>	<u>\$ 1,067,436</u>	<u>\$ 4,763,240</u>	<u>\$ 2,786,671</u>

Below is the future commitments related to the outstanding subscription obligations year at June 30, 2023:

	Principal	Interest
Year Ending June 30:		
2024	\$ 873,643	\$ 62,585
2025	877,371	42,831
2026	548,915	22,994
2027	486,742	10,618
Total Minimum Subscription Payments	<u>\$ 2,786,671</u>	<u>\$ 139,028</u>

Note 14 Retirement Plans

The University participates in various retirement plans administered by the State of Georgia under two major retirement systems: Teachers Retirement System of Georgia (TRS) and Employees' Retirement System of Georgia (ERS). These two systems issue separate publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained from the respective administrative offices.

The University also provides the Regents Retirement Plan.

The significant retirement plans that the University participates in are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

A. Teachers Retirement System of Georgia and Employees' Retirement System of Georgia

General Information about the Teachers Retirement System

Plan description

All teachers of the University as defined in O.C.G.A. § 47-3-60 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at trsga.com/publications.

Benefits Provided

TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60.

Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2023. The University's contractually required contribution rate for the year ended June 30, 2023, was 19.98% of the annual University payroll. The University's contributions to TRS totaled \$30,551,245, for the year ended June 30, 2023.

General Information about the Employees' Retirement System

Plan description

ERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at ers.ga.gov/financials.

Benefits provided

The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are new plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS.

ERS members hired prior to January 1, 2009, also have the option to irrevocably change their membership to GSEPS.

Under the old plan, the new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Contributions

Member contributions under the old plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the old plan, the State pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these State contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The required contribution rate for the year ended June 30, 2023 was 31.01% of annual covered payroll for old and new plan members and 27.47% for GSEPS members. The rates include the annual actuarially determined contribution rate of 24.67% of annual covered payroll for old and new plan members and 21.59% for GSEPS members, plus a 6.34% adjustment to the old and new plan and a 5.88% adjustment to the GSEPS plan for the commencement of COLA prefunding for certain retired ERS members. The University's contributions to ERS totaled \$61,702 for the year ended June 30, 2023. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the University reported a liability for its proportionate share of the net pension liability for TRS and ERS. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2021. An expected total pension liability as of June 30, 2022, was determined using standard roll-forward techniques. The University's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2022. At June 30, 2022, the University's TRS proportion was 0.985529%, which was an increase of 0.026059% from its proportion measured as of June 30, 2021. At June 30, 2022, the University's ERS proportion was 0.012861%, which was a decrease of (0.004238)% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the University recognized pension expense of \$49,870,546 for TRS and \$159,129 for ERS. At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,284,123	\$ 1,665,781	\$ 1,845	\$ 7,790
Changes of assumptions	48,173,269	—	152,681	—
Net difference between projected and actual earnings on pension plan investments	62,874,888	—	99,797	—
Changes in proportion and differences between contributions and proportionate share of contributions	4,311,240	2,643,141	—	92,289
Contributions subsequent to the measurement date	30,551,245	—	61,702	—
Total	<u>\$ 159,194,765</u>	<u>\$ 4,308,922</u>	<u>\$ 316,025</u>	<u>\$ 100,079</u>

The University's contributions subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	TRS	ERS
2024	\$ 33,587,189	\$ 58,946
2025	\$ 25,163,460	\$ 16,061
2026	\$ 19,181,742	\$ 2,488
2027	\$ 46,402,207	\$ 76,749
2028	\$ —	\$ —

Actuarial assumptions

The total pension liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System

Inflation	2.50%
Salary increases	3.00% - 8.75%, average, including inflation
Investment rate of return	6.90%, net of pension plan investment expense, including inflation
Post-retirement benefit increases	1.50% semi-annually

Post-retirement mortality rates for service retirements and beneficiaries were based on the Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree mortality table (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. Post-retirement mortality rates for disability retirements were based on the Pub-2010 Teachers Mortality Table for Disabled Retirees (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. The Pub-2010 Teachers Headcount Weighted Below Median Employee mortality table with ages set forward one year and adjusted 106% as used for death prior to retirement. Future improvement in mortality rates was assumed using the MP-2019 projection scale generationally. These rates of improvement were reduced by 20% for all years prior to the ultimate rate.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018, with the exception of the investment rate of return and payroll growth assumption.

Employees' Retirement System

Inflation	2.50%
Salary increases	3.00 – 6.75%, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the Pub-2010 General Employee Table, with no adjustments, projected generationally with the MP-2019 scale used for both males and females while in active service. Post-retirement mortality rates were based on the Pub-2010 Family of Tables, with the MP-2019 projection scale applied generationally, as follows: service retirees – General Healthy Annuitant mortality table with further adjustments (set forward one year and adjusted 105% and 108% respectively for males and females); disability retirees – General Disabled Table (set back three years for males, and adjusted 103% and 106% for males and females, respectively); beneficiaries – General Contingent Survivors Table (set forward to two years for both males and females and adjusted 106% and 105% respectively).

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2019.

The long-term expected rate of return on TRS and ERS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	TRS target allocation	TRS Long-term expected real rate of return*	ERS target allocation	ERS Long-term expected real rate of return*
Fixed income	30.00 %	0.20 %	30.00 %	0.20 %
Domestic large equities	46.30 %	9.40 %	46.30 %	9.40 %
Domestic small equities	1.20 %	13.40 %	1.20 %	13.40 %
International developed market equities	12.30 %	9.40 %	12.30 %	9.40 %
International emerging market equities	5.20 %	11.40 %	5.20 %	11.40 %
Alternatives	5.00 %	10.50 %	5.00 %	10.50 %
Total	<u>100.00 %</u>		<u>100.00 %</u>	

* Rates shown are net of inflation

Discount rate

The discount rate used to measure the total TRS and ERS pension liability was 6.90% and 7.00%, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and ERS pension plans fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Institute's proportionate share of the net pension liability to changes in the discount rate:

The following presents the University's proportionate share of the net pension liability calculated using the discount rate, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Teachers Retirement System:

	1% Decrease 5.90%	Current discount rate 6.90%	1% Increase 7.90%
Proportionate share of the net pension liability	\$ 482,804,675	\$ 320,020,317	\$ 187,085,355

Employees' Retirement System:

	1% Decrease 6.00%	Current discount rate 7.00%	1% Increase 8.00%
Proportionate share of the net pension liability	\$ 1,143,378	\$ 858,917	\$ 619,708

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS and ERS financial reports which are publicly available at trs.ga.com/publications and ers.ga.gov/financials, respectively.

B. Defined Contribution Plan:

Regents Retirement Plan

Plan Description

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan that was created/established by the Georgia General Assembly in O.C.G.A. § 47-21-1 et seq. and administered by the Board of Regents of the University System of Georgia (Board). O.C.G.A. § 47-3-68(a) defines who may participate in the Regents Retirement Plan. An "eligible university system employee" is a faculty member or all exempt full and partial benefit eligible employees, as designated by the regulations of the Board. Under the Regents Retirement Plan, a plan participant may purchase annuity contracts from three approved vendors (VALIC, Fidelity, and TIAA-CREF) for the purpose of receiving retirement and death benefits. Benefits depend solely on amounts contributed to the plan plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the annuity contracts.

Funding Policy

The institutions of the USG make monthly employer contributions to the Regents Retirement Plan on behalf of participants at rates determined by the Board. The Board reviews the contribution amount every three (3) years. For fiscal year 2023, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 6.00% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

The University and the covered employees made the required contributions of \$10,848,041 (9.24%) and \$7,044,184 (6.00%), respectively.

VALIC, Fidelity, and TIAA-CREF have separately issued financial reports which may be obtained through their respective corporate offices.

Note 15 Risk Management

The USG offers its employees and retirees under the age of 65 access to three self-insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2023, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan.

The University's participating employees and eligible retirees pay premiums into the plan fund to access benefits coverage. All units of the USG share the risk of loss for claims associated with these plans. The plan fund is considered to be a self-sustaining risk fund. The USG has contracted with Blue Cross and Blue Shield of Georgia, a wholly owned subsidiary of Anthem, Inc., to serve as the claims administrator for the self-insured healthcare plan options. In addition to the self-insured healthcare plan options offered to the employees and eligible retirees of the

USG, a fully insured HMO healthcare plan option also is offered through Kaiser Permanente. The Comprehensive Care plan has a carved-out prescription drug plan administered through CVS Caremark. Pharmacy drug claims are processed in accordance with guidelines established for the Board of Regents' Prescription Drug Benefit Program. Generally, claims are submitted by participating pharmacies directly to CVS Caremark for verification, processing and payment. CVS Caremark maintains an eligibility file based on information furnished by Blue Cross and Blue Shield of Georgia on behalf of the various organizational units of the University System of Georgia. The self-insured dental plan is administered through Delta Dental.

Retirees aged 65 and older participate in a secondary healthcare coverage for Medicare-eligible retirees and dependents provided through a retiree health care exchange option. The USG makes contributions to a health reimbursement account, which can be used by the retiree to pay premiums and out-of-pocket healthcare-related expenses.

The Department of Administrative Services (DOAS) has the responsibility for the State of Georgia of making and carrying out decisions that will minimize the adverse effects of accidental losses that involve State government assets. The State believes it is more economical to manage its risks internally and set aside assets for claim settlement. Accordingly, DOAS processes claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, unemployment compensation, and law enforcement officers' indemnification. Limited amounts of commercial insurance are purchased applicable to property, employee and automobile liability, fidelity and certain other risks.

The University is part of the State of Georgia reporting entity, and as such, is covered by the State of Georgia risk management program administered by DOAS. Premiums for the risk management program are charged to the various state organizations by DOAS to provide claims servicing and claims payment.

A self-insured program of professional liability for its employees was established by the Board of Regents of the University System of Georgia under powers authorized by the O.C.G.A § 45-9-1.

The program insures the employees to the extent that they are not immune from liability against personal liability for damages arising out of the performance of their duties or in any way connected therewith. The program is administered by DOAS as a Self-Insurance Fund.

Note 16 Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. This could result in refunds to the grantor agency for any expenditure disallowed under grant terms. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the Institution expects such amounts, if any, to be immaterial to its overall financial position.

Litigation, claims and assessments filed against the University, if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the State of Georgia Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023.

Note 17 Post-Employment Benefits Other Than Pension Benefits

Board of Regents Retiree Health Benefit Plan

Plan Description and Funding Policy

The Board of Regents Retiree Health Benefit Plan (Plan) is a single-employer, defined-benefit, healthcare plan administered by the University System Office, an organizational unit of the USG. The Plan was authorized pursuant to OCGA § 47-21-21 for the purpose of accumulating funds necessary to meet employer costs of retiree post-employment health insurance benefits.

Pursuant to the general powers conferred by the OCGA § 20-3-31, the USG has established group health and life insurance programs for regular employees of the USG. It is the policy of the USG to permit employees of the USG eligible for retirement or who become permanently and totally disabled to continue as members of the group health and life insurance programs. The USG offers its employees and retirees under the age of 65 access to three self-insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2023, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan. The USG offers a self-insured dental plan administered by Delta Dental.

Retirees age 65 and older participate in a secondary healthcare coverage for Medicare-eligible retirees and dependents provided through a retiree health care exchange option. The USG makes contributions to the retirees' health reimbursement account, which can be used by the retiree to pay premiums and out-of-pocket healthcare related expenses.

The University's membership in the Plan consisted of the following at June 30, 2023:

Active Employees	3,538
Retirees or Beneficiaries Receiving Benefits	868
Retirees Receiving Life Insurance Only	163
Total	<u><u>4,569</u></u>

The contribution requirements of plan members and the employer are established and may be amended by the Board. The Plan is substantially funded on a "pay-as-you-go" basis; however, amounts above the pay-as-you-go basis may be contributed annually, either by specific appropriation or by Board designation.

The University pays the employer portion for group insurance for eligible retirees. The employer portion of health insurance for its eligible retirees is based on rates that are established annually by the Board for the upcoming plan year. For the 2023 plan year, the employer rate was approximately 84% of the total health insurance cost for eligible retirees and the retiree rate was approximately 16%. For employees hired on or after January 1, 2013, and retirees after January 1, 2018, the amount the USG contributes is tied to years of service, which ranges from 0% to 100%. With regard to life insurance, the employer covers the total premium cost for \$25,000 of basic life insurance. If an individual elects to have supplemental, and/or, dependent life insurance coverage, such costs are borne entirely by the retiree.

For fiscal year 2023, the University contributed \$6,821,622 to the plan for current premiums or claims.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, the University reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of May 1, 2022. An expected total OPEB liability as of June 30, 2022 was determined using standard roll-forward techniques. The University's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2022. At June 30, 2022, the University's proportion was 6.536627%, which was an increase of 0.171591% from its proportion measured as of

June 30, 2021. For the year ended June 30, 2023, the University recognized OPEB expense of \$3,622,624. At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,956,222	\$ 2,168,482
Changes of assumptions	22,263,425	93,247,798
Net difference between projected and actual earnings on OPEB plan investments	1,047,536	—
Changes in proportion and differences between contributions and proportionate share of contributions	18,129,548	—
Contributions subsequent to the measurement date	6,821,622	—
Total	<u>\$ 60,218,353</u>	<u>\$ 95,416,280</u>

The University's contributions subsequent to the measurement date of \$6,821,622 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:		
2024	\$	(11,113,462)
2025	\$	(11,199,618)
2026	\$	(11,685,754)
2027	\$	(8,245,015)
2028	\$	224,300

Actuarial assumptions

The total OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of May 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Cost Method	Entry Age Normal
Amortization Method	Closed amortization period for initial unfunded and subsequent actuarial gains/losses.
Asset Method	Fair Value
Interest Discounting and Salary Growth	Interest Rate as of 6/30/2022 3.54% GO 20-Municipal Bond Index Rate Interest Rate as of 6/30/2021 2.16% from Bond Buyers GO 20- Municipal Bond Index; Discount Rate 2.18%
	Long-term Rate of Return 4.36% General Inflation 2.40% Salary Increase 3.75%
Mortality Rates	Pub - 2010 for Teachers (headcount weighted) projected with a scale MP-2021
Initial Healthcare Cost Trend	
Pre-Medicare Eligible	7%
Medicare Eligible	4%
Ultimate Trend Rate	
Pre-Medicare Eligible	4.5%
Medicare Eligible	4%
Year Ultimate Trend is Reached	Fiscal Year 2034 for Pre-Medicare Eligible, Fiscal Year 2022 for Medicare Eligible
Experience Study	Economic and demographic assumptions are based on the results of the most recent actuarial experience study over the Plan, which covered a three-year period ending June 30, 2019 with the exception of the disability and salary increase assumptions. These assumptions are based on the results of the most recent actuarial experience study of the Teachers Retirement System of Georgia, which covered the five year period ending June 30, 2018.

Changes in Assumptions Since Prior Valuation

The financial accounting valuation reflects the following assumption changes:

- Expected claims costs were updated to reflect actual experience.
- Trend rate schedule was updated to reflect anticipated future experience.
- Mortality improvement scale was updated from MP-2020 to MP-2021.
- Mortality base rates for future disabled participants were updated to reflect Pub-2010 for Teachers (headcount weighted) disabled mortality,
- The discount rate was updated from 2.18% as of June 30, 2021, to 3.54% as of June 30, 2022; and
- The Expected Return on Assets was changed from 4.37% to 4.36%.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2022, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return, Net of Inflation	Target Allocation
Fixed Income	0.34 %	70 %
Equity Allocation	4.03 %	30 %

Discount rate

The Plan's projected fiduciary net position at the end of 2025 is \$0, based on the valuation completed for the fiscal year ending June 30, 2022. As such, the Plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current Plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2026. Therefore, the long-term expected rate of return on Plan investments of 4.36% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2022. Instead, a yield or index rate for a 20 year, tax-exempt general obligation municipal bond with an average rating of AA or higher was used. This rate was determined to be 3.54% from the Bond Buyers GO 20-Bond Municipal Bond Index. This rate is comprised primarily of the yield or index rate for a 20 year, tax exempt general obligation bond with an average rating of AA or higher (2.16% from the Bond Buyers GO 20-Bond Municipal Bond Index).

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the University's proportionate share of the net OPEB liability, as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.54%) or 1 percentage-point higher (4.54%) than the current discount rate (3.54%):

	1% Decrease 2.54%	Current Rate 3.54%	1% Increase 4.54%
Proportionate Share of the Net OPEB Liability	\$ 307,589,512	\$ 258,936,845	\$ 220,644,218

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the University's proportionate share of the net OPEB liability, as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
Proportionate Share of the Net OPEB Liability	\$ 222,193,428	\$ 258,936,845	\$ 306,121,156
Pre-Medicare Eligible	6.0% decreasing to 3.5%	7.0% decreasing to 4.5%	8.0% decreasing to 5.5%
Medicare Eligible	3%	4%	5%

OPEB plan fiduciary net position:

Detailed information about the Plan's fiduciary net position is available in the USG Annual Consolidated Financial Report which is publicly available at usg.edu/fiscal_affairs/financial_reporting/.

Note 18 Operating Expenses with Functional Classifications

Business-type activity operating expenses by functional classification for fiscal year 2023 are shown below:

Functional Classification	Natural Classification				
	Faculty Salaries	Staff Salaries	Employee Benefits	Personal Services	Travel
Instruction	\$ 139,345,288	\$ 18,616,811	\$ 60,914,211	\$ 176,807	\$ 1,691,790
Research	2,823,442	5,622,513	1,303,936	13	434,697
Public Service	357,059	3,901,286	1,290,177	4,394	108,409
Academic Support	12,378,253	27,393,119	12,425,656	178,913	323,185
Student Services	171,029	25,493,935	8,375,224	16,748	271,646
Institutional Support	1,280,418	24,472,569	13,539,158	1,183,057	130,389
Plant Operations and Maintenance	—	15,049,077	5,634,179	—	29,746
Scholarships and Fellowships	—	—	—	—	—
Auxiliary Enterprises	1,500	24,426,130	7,701,146	343,493	494,518
Total Operating Expenses	<u>\$ 156,356,989</u>	<u>\$ 144,975,440</u>	<u>\$ 111,183,687</u>	<u>\$ 1,903,425</u>	<u>\$ 3,484,380</u>

Functional Classification	Natural Classification				
	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation/Amortization	Total Operating Expenses
Instruction	\$ 456,763	\$ 404,640	\$ 10,856,057	\$ 2,903,156	\$ 235,365,523
Research	1,020,390	25,932	5,582,877	631,157	17,444,957
Public Service	103,300	10,529	2,507,685	37,747	8,320,586
Academic Support	—	164,900	18,218,624	3,709,407	74,792,057
Student Services	156,374	723,688	8,882,608	3,682,229	47,773,481
Institutional Support	7,630	373,494	18,329,781	2,200,774	61,517,270
Plant Operations and Maintenance	—	6,056,394	17,308,950	12,068,299	56,146,645
Scholarships and Fellowships	44,038,908	—	—	—	44,038,908
Auxiliary Enterprises	4,558,768	5,232,370	52,835,989	13,644,898	109,238,812
Total Operating Expenses	<u>\$ 50,342,133</u>	<u>\$ 12,991,947</u>	<u>\$ 134,522,571</u>	<u>\$ 38,877,667</u>	<u>\$ 654,638,239</u>

Note 19 Subsequent Event

Kennesaw State University has no subsequent events.

Note 20 Component Unit

Kennesaw State University Foundation, Inc.

The Kennesaw State University Foundation (KSUF) is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements.

The relationship between Kennesaw State University and the Kennesaw State University Foundation, Inc. is such that exclusion of KSUF financial statements from these departmental financial statements would render them misleading. KSUF met the requirements for discrete presentation as defined by GASB Codification Sections 2100 and 2600.

The KSUF acts primarily as a fund-raising and financing organization to supplement the resources that are available to the Kennesaw State University in support of its programs. During the year ended June 30, 2023, the KSUF distributed approximately \$8,339,217 to Kennesaw State University in support of capital outlay projects, scholarships and other supporting activities.

The University manages the operations of the Foundation owned housing for a management fee. The budgeted dollar amount as well as the management fee received from Foundation was accounted as Other Grants and Contract revenues by the University offset by the expenses incurred by University to manage the housing.

On June 3, 2023, the Board of Directors of the Kennesaw State University Alumni Association, Inc. (the "Association"), which is an affiliated organization of KSU, voted to dissolve the Association and transfer its assets and liabilities, including its endowments that were previously administered by the Foundation, to the Foundation. On June 5, 2023, the Association transferred the majority of its assets, primarily cash of \$300,022, to the Foundation. The transfer of all remaining assets and liabilities were completed on June 30, 2023, with the resulting transfer of total net assets to the Foundation of \$389,640. The Association was legally dissolved on July 18, 2023.

Component unit's investments are comprised of the following amounts at June 30, 2023:

Investment type	Fair Value
Debt Securities	
U.S. Treasuries	
Explicitly Guaranteed	\$ 978,340
Corporate Debt	20,028,820
Mutual Bond Funds	13,039,844
Other Investments	
Equity Mutual Funds - Domestic	7,155,535
Equity Mutual Funds - International	50,057,080
Hedge Funds	9,626,777
Private Equities	3,791,279
Private Equity Limited Partnerships	1,276,608
Real Estate Investment Trusts	3,526,975
Real Asset Limited Partnerships	5,863,121
Venture Capital Equity Funds	5,732,248
Total Investments	<u>121,076,627</u>

Component unit's endowments are comprised of the following amounts at June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning Balance	\$ 399,836	\$ 88,846,059	\$ 89,245,895
Contributions	—	9,400,612	9,400,612
Net realized and unrealized gains	14,350	8,073,858	8,088,208
Appropriation of endowment assets for expenditure	(88,113)	(2,252,417)	(2,340,530)
Transfers to comply with donor intent	—	1,619,882	1,619,882
Other	95,867	224,603	320,470
Ending	<u>\$ 421,940</u>	<u>\$ 105,912,597</u>	<u>\$ 106,334,537</u>

Amounts due to component unit related to investments in financing lease arrangements as of June 30, 2023, is as follows:

	Principal	Interest	Total
Year Ending June 30:			
2024	\$ 8,343,840	\$ 8,550,329	\$ 16,894,169
2025	8,709,207	8,193,681	16,902,888
2026	9,092,246	7,820,798	16,913,044
2027	9,492,996	7,430,948	16,923,944
2028	9,069,916	7,033,057	16,102,973
2029 through 2033	44,806,696	29,472,928	74,279,624
2034 through 2038	53,587,680	19,190,124	72,777,804
2039 through 2043	42,141,858	8,323,621	50,465,479
2044 through 2048	14,181,716	2,455,814	16,637,530
2049 through 2053	9,369,581	657,151	10,026,732
Total Minimum Lease Payments to be Received	<u>\$ 208,795,736</u>	<u>\$ 99,128,451</u>	<u>\$ 307,924,187</u>

Component unit's capital assets are comprised of the following amounts at June 30, 2023:

Capital Assets not being Depreciated:

Land	\$ 4,997,484
Capitalized Collections	<u>1,277,188</u>
Total Capital Assets not being Depreciated	6,274,672

Capital Assets being Depreciated:

Building and Building Improvements	138,231,087
Equipment	12,247,109
Software	<u>82,581</u>
Total Capital Assets being Depreciated	150,560,777

Less Total Accumulated Depreciation	<u>86,808,639</u>
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Total Capital Assets being Depreciated, Net	<u>63,752,138</u>
---	-------------------

Capital Assets, Net	<u>\$ 70,026,810</u>
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Combined component unit's intangible right-to-use assets are comprised of the following amounts at June 30, 2023:

Intangible Right-to-use Assets	
Facilities and Other Improvements	\$ 4,903,107
Total Leased Assets Being Amortized	<u>4,903,107</u>
Less: Accumulated Amortization	
Facilities and Other Improvements	<u>689,900</u>
Total Accumulated Amortization	<u>689,900</u>
Intangible Right-to-use Assets, Net	<u><u>\$ 4,213,207</u></u>

Component unit's long-term liabilities are comprised of the following amounts at June 30, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within One Year
Lease Obligation	\$ 5,941,203	\$ —	\$ 1,653,300	\$ 4,287,903	\$ 226,529
Liabilities under Split Interest Agreement	1,165	—	1,165	—	—
Revenue/Mortgage Bonds Payable	342,549,999	—	30,514,999	312,035,000	12,120,000
Bond - Premium	15,695,250	—	3,059,794	12,635,456	—
Bond - (Discount and Issuance Cost)	(4,522,706)	—	(669,219)	(3,853,487)	—
Total Long Term Liabilities	<u>\$ 359,664,911</u>	<u>\$ —</u>	<u>\$ 34,560,039</u>	<u>\$ 325,104,872</u>	<u>\$ 12,346,529</u>

Component unit's lease obligations are comprised of the following amounts at June 30, 2023:

	Principal	Interest	Total
Year ending June 30:			
2024	\$ 226,529	\$ 72,994	\$ 299,523
2025	238,002	69,025	307,027
2026	248,371	64,864	313,235
2027	253,545	60,571	314,116
2028	258,820	56,191	315,011
2029 through 2033	1,376,869	212,083	1,588,952
2034 through 2038	1,225,678	95,080	1,320,758
2039 through 2043	460,089	8,235	468,324
Total minimum lease payments	<u>\$ 4,287,903</u>	<u>\$ 639,043</u>	<u>\$ 4,926,946</u>

Component unit's bonds payable are comprised of the following amounts at June 30, 2023:

	Principal	Interest	Total
Year ending June 30:			
2024	\$ 12,120,000	\$ 12,979,681	\$ 25,099,681
2025	13,375,000	12,393,180	25,768,180
2026	13,985,000	11,759,061	25,744,061
2027	15,055,000	11,347,283	26,402,283
2028	14,475,000	10,394,609	24,869,609
2029 through 2033	78,425,000	41,138,138	119,563,138
2034 through 2038	87,275,000	22,780,460	110,055,460
2039 through 2043	49,910,000	8,372,800	58,282,800
2044 through 2048	16,745,000	2,893,517	19,638,517
2239 through 2053	10,670,000	1,021,450	11,691,450
2054 through 2058	—	—	—
	\$ 312,035,000	\$ 135,080,179	\$ 447,115,179
Bond Premium	12,635,456		12,635,456
Bond (Discount)	(3,853,487)		(3,853,487)
	<u>\$ 320,816,969</u>	<u>\$ 135,080,179</u>	<u>\$ 455,897,148</u>



REQUIRED

SUPPLEMENTARY

INFORMATION

**KENNESAW STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
DEFINED BENEFIT PENSION PLAN
FOR THE LAST TEN FISCAL YEARS**

	Year Ended	Actuarially Determined Contribution (a)	Contributions in Relation to the Actuarially Determined Contribution (b)	Contribution Deficiency (Excess) (b-a)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
Employees' Retirement System	June 30, 2023	\$ 61,702	\$ 61,702	\$ —	\$ 198,975	31.01%
	June 30, 2022	\$ 79,453	\$ 79,453	\$ —	\$ 322,586	24.63%
	June 30, 2021	\$ 104,701	\$ 104,701	\$ —	\$ 424,578	24.66%
	June 30, 2020	\$ 102,597	\$ 102,597	\$ —	\$ 457,657	22.42%
	June 30, 2019	\$ 96,890	\$ 96,890	\$ —	\$ 329,046	29.45%
	June 30, 2018	\$ 33,651	\$ 33,651	\$ —	\$ 137,017	24.56%
	June 30, 2017	\$ 49,098	\$ 49,098	\$ —	\$ 198,195	24.77%
	June 30, 2016	\$ 39,126	\$ 39,126	\$ —	\$ 158,275	24.72%
	June 30, 2015	\$ 23,268	\$ 23,268	\$ —	\$ 105,956	21.96%
	June 30, 2014	\$ 31,308	\$ 31,308	\$ —	\$ 169,321	18.49%
Teachers' Retirement System	June 30, 2023	\$ 30,551,245	\$ 30,551,245	\$ —	\$ 152,909,134	19.98%
	June 30, 2022	\$ 26,466,513	\$ 26,466,513	\$ —	\$ 133,593,648	19.81%
	June 30, 2021	\$ 23,680,274	\$ 23,680,274	\$ —	\$ 124,240,682	19.06%
	June 30, 2020	\$ 26,588,070	\$ 26,588,070	\$ —	\$ 125,771,381	21.14%
	June 30, 2019	\$ 25,259,080	\$ 25,259,080	\$ —	\$ 121,159,582	20.85%
	June 30, 2018	\$ 19,646,648	\$ 19,646,648	\$ —	\$ 116,891,631	16.81%
	June 30, 2017	\$ 14,757,957	\$ 14,757,957	\$ —	\$ 103,247,814	14.29%
	June 30, 2016	\$ 13,576,004	\$ 13,576,004	\$ —	\$ 95,179,702	14.26%
	June 30, 2015	\$ 11,607,133	\$ 11,607,133	\$ —	\$ 88,267,171	13.15%
	June 30, 2014	\$ 8,326,658	\$ 8,326,658	\$ —	\$ 66,613,266	12.50%

KENNESAW STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS
FOR THE LAST NINE FISCAL YEARS*

	Year Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Employees' Retirement System	June 30, 2023	0.012861%	\$ 858,917	\$ 322,586	266.26%	67.44%
	June 30, 2022	0.017099%	\$ 399,929	\$ 424,578	94.19%	87.62%
	June 30, 2021	0.017383%	\$ 732,686	\$ 457,657	160.10%	76.21%
	June 30, 2020	0.014079%	\$ 580,974	\$ 329,046	176.56%	76.74%
	June 30, 2019	0.005372%	\$ 220,845	\$ 137,017	161.18%	76.68%
	June 30, 2018	0.008080%	\$ 328,156	\$ 198,195	165.57%	76.33%
	June 30, 2017	0.006807%	\$ 322,000	\$ 158,275	203.44%	72.34%
	June 30, 2016	0.004634%	\$ 187,742	\$ 105,956	177.19%	76.20%
	June 30, 2015	0.735200%	\$ 282,497	\$ 169,321	166.84%	77.99%
Teachers Retirement System	June 30, 2023	0.985529%	\$ 320,020,317	\$ 133,593,648	239.55%	72.85%
	June 30, 2022	0.959470%	\$ 84,858,722	\$ 124,240,682	68.30%	92.03%
	June 30, 2021	0.970005%	\$ 234,973,177	\$ 125,771,381	186.83%	77.01%
	June 30, 2020	0.991055%	\$ 213,103,623	\$ 121,159,582	175.89%	78.56%
	June 30, 2019	0.980684%	\$ 182,035,957	\$ 116,891,631	155.73%	80.27%
	June 30, 2018	0.898854%	\$ 167,054,784	\$ 103,247,814	161.80%	79.33%
	June 30, 2017	0.866499%	\$ 178,768,405	\$ 95,179,702	187.82%	76.06%
	June 30, 2016	0.835486%	\$ 127,194,447	\$ 88,267,171	144.10%	81.44%
	June 30, 2015	0.823564%	\$ 104,046,449	\$ 66,613,266	156.19%	81.03%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**KENNESAW STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
DEFINED BENEFIT PENSION PLAN
METHODS AND ASSUMPTIONS
FOR FISCAL YEAR ENDED JUNE 30, 2023**

Changes of assumptions

Employees' Retirement System:

On December 17, 2020, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System based on the experience study prepared for the five-year period ending June 30, 2019. Primary among the changes were the updates to the rates of mortality, retirement, withdrawal, and salary increases. This also included a change in the long-term assumed investment rate of return to 7.00%.

On April 21, 2022, the Board adopted a new funding policy which, in part, provides that the Actuarial Accrued Liability and Normal Cost of the System will include a prefunded variable Cost-of-Living Adjustment (COLA) for eligible retirees and beneficiaries of the System. Under the new policy, future COLAs are provided through a profit-sharing mechanism using the System's asset performance. The assumption for future COLAs was set at 1.05%. In addition, the funding policy set the assumed rate of return at 7.20% for the June 30, 2021 valuation and established a new Transitional Unfunded Actuarial Accrued Liability as of June 30, 2021 which will be amortized over a closed 20-year period.

Teachers Retirement System:

On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

On May 15, 2019, the Board adopted and recommended changes from the smoothed valuation interest rate methodology that has been in effect since June 30, 2009, to a constant interest rate method. In conjunction with the methodology, the long-term assumed rate of return in assets (discount rate) has been changed from 7.50% to 7.25%, and the assumed annual rate of inflation has been reduced from 2.75% to 2.50%.

In 2019 and later, the expectation of retired life mortality was changed to the Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree mortality table from the RP-2000 Mortality Tables. In 2019, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience.

On May 11, 2022, the Board adopted recommended changes to the long-term assumed rate of return and payroll growth assumption utilized by the System. The long-term assumed rate of return was changed from 7.25% to 6.90%, and the payroll growth assumption was changed from 3.00% to 2.50%.

**KENNESAW STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS FOR OPEB PLAN
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
FOR THE LAST SEVEN FISCAL YEARS***

Year Ended	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contribution (b)	Contribution Deficiency (Excess) (b-a)	Covered Employee Payroll (c)	Contributions as a Percentage of Covered Employee Payroll (b/c)
June 30, 2023	\$ 6,821,622	\$ 6,821,622	\$ —	\$ 274,619,299	2.48%
June 30, 2022	\$ 9,565,891	\$ 9,565,891	\$ —	\$ 260,415,130	3.67%
June 30, 2021	\$ 7,471,326	\$ 7,471,326	\$ —	\$ 234,273,937	3.19%
June 30, 2020	\$ 6,388,334	\$ 6,388,334	\$ —	\$ 228,397,295	2.80%
June 30, 2019	\$ 9,940,821	\$ 9,940,821	\$ —	\$ 219,848,409	4.52%
June 30, 2018	\$ 9,499,540	\$ 9,499,540	\$ —	\$ 211,487,878	4.49%
June 30, 2017	\$ 5,809,862	\$ 5,809,862	\$ —	\$ 192,024,215	3.03%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**KENNESAW STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
FOR THE LAST SIX FISCAL YEARS***

Year Ended	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Employee Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
June 30, 2023	6.536627%	\$ 258,936,845	\$ 260,415,130	99.43%	5.08%
June 30, 2022	6.365036%	\$ 320,357,393	\$ 234,273,937	136.74%	3.74%
June 30, 2021	6.214816%	\$ 331,480,838	\$ 228,397,295	145.13%	2.91%
June 30, 2020	6.198176%	\$ 277,155,654	\$ 219,848,409	126.07%	3.13%
June 30, 2019	5.996430%	\$ 264,487,602	\$ 211,487,878	125.06%	1.69%
June 30, 2018	5.834138%	\$ 246,184,631	\$ 192,024,215	128.20%	0.19%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**KENNESAW STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION FOR OPEB PLAN
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
METHODS AND ASSUMPTIONS
FOR FISCAL YEAR ENDED JUNE 30, 2023**

Changes in Assumptions Since Prior Valuation

The financial accounting valuation reflects the following assumption changes:

- Expected claims costs were updated to reflect actual experience.
- Trend rate schedule was updated to reflect anticipated future experience.
- Mortality improvement scale was updated from MP-2020 to MP-2021.
- Mortality base rates for future disabled participants were updated to reflect Pub-2010 for Teachers (headcount weighted) disabled mortality,
- The discount rate was updated from 2.18% as of June 30, 2021, to 3.54% as of June 30, 2022; and
- The Expected Return on Assets was changed from 4.37% to 4.36%.

A photograph of three students studying in a modern library or study hall. They are seated at wooden desks with patterned backrests, separated by wooden dividers. Large windows with horizontal blinds are in the background, showing a green campus landscape. A yellow banner with the word 'SUPPLEMENTARY' is overlaid on the top left, and a grey banner with the word 'INFORMATION' is overlaid below it.

SUPPLEMENTARY

INFORMATION

KENNESAW STATE UNIVERSITY
BALANCE SHEET (NON-GAAP BASIS)
BUDGET FUNDS
JUNE 30, 2023
(UNAUDITED)

ASSETS

Cash and Cash Equivalents	\$	115,633,354.48
Investments		101,030.34
Accounts Receivable		
Federal Financial Assistance		7,589,065.52
Other		18,803,635.46
Prepaid Expenditures		448,185.90
Other Assets		20,800.00
		<hr/>
Total Assets	\$	<u><u>142,596,071.70</u></u>

LIABILITIES AND FUND EQUITY

Liabilities

Accrued Payroll	\$	394,513.04
Encumbrance Payable		83,772,392.24
Accounts Payable		2,304,693.64
Unearned Revenue		13,886,063.43
Funds Held for Others		443,057.01
Other Liabilities		45,147.10
		<hr/>
Total Liabilities		<u>100,845,866.46</u>

Fund Balances

Reserved		
Department Sales and Services		13,567,968.64
Indirect Cost Recoveries		5,933,358.57
Technology Fees		2,648,520.50
Restricted/Sponsored Funds		8,666,467.55
Uncollectible Accounts Receivable		4,438,859.07
Tuition Carry - Forward		6,275,951.61
Unreserved		
Surplus		219,079.30
		<hr/>
Total Fund Balances		<u>41,750,205.24</u>
		<hr/>
Total Liabilities and Fund Balances	\$	<u><u>142,596,071.70</u></u>

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

KENNESAW STATE UNIVERSITY
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Appropriation	Final Budget	Funds Available Compared to Budget	
			Current Year Revenues	Prior Year Reserve Carry-Over
Public Service / Special Funding Initiatives				
State Appropriation				
State General Funds	<u>\$ 918,641.00</u>	<u>\$ 918,641.00</u>	<u>\$ 918,641.00</u>	<u>\$ —</u>
Teaching				
State Appropriation				
State General Funds	228,731,323.00	231,377,323.00	231,377,323.00	—
Federal Funds				
Federal Funds Not Specifically Identified	69,012,727.00	93,241,171.00	87,265,499.27	—
Federal Funds - COVID19				
Federal Funds Not Specifically Identified - COVID		21,314,277.00	21,220,795.60	14,053.64
Other Funds	<u>241,162,082.00</u>	<u>291,967,056.00</u>	<u>281,036,974.47</u>	<u>29,844,572.12</u>
Total Teaching	<u>538,906,132.00</u>	<u>637,899,827.00</u>	<u>620,900,592.34</u>	<u>29,858,625.76</u>
Total Operating Activity	<u>\$ 539,824,773.00</u>	<u>\$ 638,818,468.00</u>	<u>\$ 621,819,233.34</u>	<u>\$ 29,858,625.76</u>

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

KENNESAW STATE UNIVERSITY
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Funds Available Compared to Budget			Expenditures Compared to Budget		Excess (Deficiency) of Funds Available Over/(Under) Expenditures
	Program Transfers or Adjustments	Total Funds Available	Variance Positive (Negative)	Actual	Variance Positive (Negative)	
Public Service / Special Funding Initiatives						
State Appropriation						
State General Funds	\$ —	\$ 918,641.00	\$ —	\$ 918,641.00	\$ —	\$ —
Teaching						
State Appropriation						
State General Funds	—	231,377,323.00	—	231,376,906.58	416.42	416.42
Federal Funds						
Federal Funds Not Specifically Identified	—	87,265,499.27	(5,975,671.73)	87,265,499.27	5,975,671.73	—
Federal Funds - COVID19						
Federal Funds Not Specifically Identified - COVID	—	21,234,849.24	(79,427.76)	21,220,795.60	93,481.40	14,053.64
Other Funds	—	310,881,546.59	18,914,490.59	274,410,993.33	17,556,062.67	36,470,553.26
Total Teaching	—	650,759,218.10	12,859,391.10	614,274,194.78	23,625,632.22	36,485,023.32
Total Operating Activity	\$ —	651,677,859.10	12,859,391.10	615,192,835.78	23,625,632.22	36,485,023.32

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

KENNESAW STATE UNIVERSITY
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Beginning Fund Balance/(Deficit)	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2022 Surplus	Prior Year Adjustments	Other Adjustments
Public Service / Special Funding Initiatives					
State Appropriation					
State General Funds	\$ —	\$ —	\$ —	\$ —	\$ —
Teaching					
State Appropriation					
State General Funds	16,886.74	—	(16,886.74)	47,785.72	—
Federal Funds					
Federal Funds Not Specifically Identified	—	—	—	—	—
Federal Funds - COVID19					
Federal Funds Not Specifically Identified- COVID	14,053.64	(14,053.64)	—	—	—
Other Funds	29,936,582.96	(29,844,572.12)	(92,010.84)	1,146,444.98	(367,907.85)
Total Teaching	29,967,523.34	(29,858,625.76)	(108,897.58)	1,194,230.70	(367,907.85)
Total Operating Activity	29,967,523.34	(29,858,625.76)	(108,897.58)	1,194,230.70	(367,907.85)
Prior Year Reserves					
Not Available for Expenditure					
Uncollectible Accounts Receivable	4,070,951.22	—	—	—	367,907.85
Budget Unit Totals	\$ 34,038,474.56	\$ (29,858,625.76)	\$ (108,897.58)	\$ 1,194,230.70	\$ —

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

KENNESAW STATE UNIVERSITY
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Early Return of Fiscal Year 2023 Surplus	Excess of Funds Available Over Expenditures	Ending Fund Balance June 30, 2023	Analysis of Ending Fund Balance		
				Reserved	Surplus	Total
Public Service / Special Funding Initiatives						
State Appropriation						
State General Funds	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Teaching						
State Appropriation						
State General Funds	—	416.42	48,202.14	—	48,202.14	48,202.14
Federal Funds						
Federal Funds Not Specifically Identified	—	—	—	—	—	—
Federal Funds - COVID19						
Federal Funds Not Specifically Identified- COVID	—	14,053.64	14,053.64	14,053.64	—	14,053.64
Other Funds	—	36,470,553.26	37,249,090.39	37,078,213.23	170,877.16	37,249,090.39
Total Teaching	—	36,485,023.32	37,311,346.17	37,092,266.87	219,079.30	37,311,346.17
Total Operating Activity	—	36,485,023.32	37,311,346.17	37,092,266.87	219,079.30	37,311,346.17
Prior Year Reserves						
Not Available for Expenditure						
Uncollectible Accounts Receivable	—	—	4,438,859.07	4,438,859.07	—	4,438,859.07
Budget Unit Totals	<u>\$ —</u>	<u>\$ 36,485,023.32</u>	<u>\$ 41,750,205.24</u>	<u>\$ 41,531,125.94</u>	<u>\$ 219,079.30</u>	<u>\$ 41,750,205.24</u>
				Departmental Sales and Services	\$ 13,567,968.64	\$ — \$ 13,567,968.64
				Indirect Cost Recovery	5,933,358.57	— 5,933,358.57
				Technology Fees	2,648,520.50	— 2,648,520.50
				Restricted/Sponsored Funds	8,666,467.55	— 8,666,467.55
				Tuition Carry-Forward	6,275,951.61	— 6,275,951.61
				Uncollectible Accounts Receivable	4,438,859.07	— 4,438,859.07
				Surplus	—	219,079.30 219,079.30
					<u>\$ 41,531,125.94</u>	<u>\$ 219,079.30</u> <u>\$ 41,750,205.24</u>

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

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