

**KENNESAW STATE UNIVERSITY
FOUNDATION, INC.**

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2023 and 2022

And Report of Independent Auditor

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
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Report of Independent Auditor

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

Opinion

We have audited the accompanying consolidated financial statements of Kennesaw State University Foundation, Inc. (a nonprofit organization) and affiliates (collectively, the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kennesaw State University Foundation, Inc. and affiliates as of June 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 opinion. 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 generally accepted 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

Cherry Bekaert LLP

Augusta, Georgia
September 14, 2023

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

JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 28,850,632	\$ 25,789,088
Unconditional promises to give, net	14,620,519	15,642,424
Rents receivable, net	220,335	158,269
Accounts receivable	1,009,693	7,502
Accounts receivable - related parties	167,521	511,536
Prepaid expenses and other assets	46,746	49,560
Investments	121,076,627	106,676,609
Net investment in direct financing leases	208,795,736	195,465,281
Operating leases right-of-use asset, net	4,213,207	5,884,502
Donated assets	1,277,188	804,883
Property and equipment, net	68,749,622	105,245,898
Assets limited as to use	51,611,262	68,796,389
Assets of discontinued operations	-	1,630,399
Total Assets	<u><u>\$ 500,639,088</u></u>	<u><u>\$ 526,662,340</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 536,402	\$ 2,428,693
Accounts payable - related party	908,291	2,901,780
Invested funds held for KSU Alumni Association, Inc.	-	85,892
Accrued expenses	2,271,747	3,768,214
Accrued interest	6,386,256	6,643,548
Operating leases liability	4,287,903	5,941,203
Bonds payable, net	320,816,969	353,722,543
Unearned leasing income	572,507	2,629,145
Total Liabilities	<u><u>335,780,075</u></u>	<u><u>378,121,018</u></u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	18,241,412	19,229,710
Designated by the Board for housing reserves	1,910,658	2,422,266
Designated by the Board for scholarships	449,245	572,859
Designated by the Board for campus services	397,524	169,407
Designated by the Board for quasi-endowment - scholarships	313,545	68,605
Designated by the Board for gift matching	1,000,000	1,000,000
Designated by the Board for honors match	108,395	331,231
Designated by the Board for match advance	2,000,000	2,000,000
Total Net Assets Without Donor Restrictions	<u><u>24,420,779</u></u>	<u><u>25,794,078</u></u>
With Donor Restrictions:		
Purpose and time restrictions	46,116,547	39,191,992
Perpetual in nature	94,591,143	84,766,008
Underwater endowments	(269,456)	(1,210,756)
Total Net Assets With Donor Restrictions	<u><u>140,438,234</u></u>	<u><u>122,747,244</u></u>
Total Net Assets	<u><u>164,859,013</u></u>	<u><u>148,541,322</u></u>
Total Liabilities and Net Assets	<u><u>\$ 500,639,088</u></u>	<u><u>\$ 526,662,340</u></u>

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

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Other Support:			
Contributions and special events	\$ 66,227	\$ 19,288,841	\$ 19,355,068
Contributed nonfinancial assets	709,736	472,306	1,182,042
Net investment return	3,599,461	8,085,781	11,685,242
Management fee income	374,125	-	374,125
Leasing income	36,476,719	-	36,476,719
Total Revenue	<u>41,226,268</u>	<u>27,846,928</u>	<u>69,073,196</u>
Net Assets Released from Restrictions:			
Satisfaction of program restrictions	9,985,809	(9,985,809)	-
Total Revenue and Other Support	<u>51,212,077</u>	<u>17,861,119</u>	<u>69,073,196</u>
Expenses:			
Program Services:			
Scholarships and awards	4,534,292	-	4,534,292
Academic programs and dean support	5,323,023	-	5,323,023
Other University support	2,150,178	-	2,150,178
Special events and programs	721,028	-	721,028
Campus facilities	28,521,055	-	28,521,055
Total Program Services	<u>41,249,576</u>	<u>-</u>	<u>41,249,576</u>
Supporting Services:			
Management and general	2,010,363	-	2,010,363
Fundraising	403,218	-	403,218
Total Supporting Services	<u>2,413,581</u>	<u>-</u>	<u>2,413,581</u>
Total Expenses	<u>43,663,157</u>	<u>-</u>	<u>43,663,157</u>
Other Items:			
Gain on bond defeasance	749,223	-	749,223
Net assets transferred from KSU Alumni Association, Inc.	-	389,640	389,640
Assets transferred to Kennesaw State University	(10,231,211)	-	(10,231,211)
Change in Net Assets from Continuing Operations	<u>(1,933,068)</u>	<u>18,250,759</u>	<u>16,317,691</u>
Change in net assets	(1,933,068)	18,250,759	16,317,691
Net assets, beginning of year	25,794,078	122,747,244	148,541,322
Change in donor intent	559,769	(559,769)	-
Net assets, end of year	<u>\$ 24,420,779</u>	<u>\$ 140,438,234</u>	<u>\$ 164,859,013</u>

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

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Other Support:			
Contributions and special events	\$ 68,153	\$ 12,589,277	\$ 12,657,430
Contributed nonfinancial assets	670,837	178,099	848,936
Net investment return	751,325	(10,051,840)	(9,300,515)
Management fee income	368,020	-	368,020
Leasing income	46,104,543	-	46,104,543
Total Revenue	<u>47,962,878</u>	<u>2,715,536</u>	<u>50,678,414</u>
Net Assets Released from Restrictions:			
Satisfaction of program restrictions	8,122,676	(8,122,676)	-
Total Revenue and Other Support	<u>56,085,554</u>	<u>(5,407,140)</u>	<u>50,678,414</u>
Expenses:			
Program Services:			
Scholarships and awards	3,851,744	-	3,851,744
Academic programs and dean support	4,261,155	-	4,261,155
Other University support	1,462,273	-	1,462,273
Special events and programs	684,210	-	684,210
Campus facilities	28,753,423	-	28,753,423
Total Program Services	<u>39,012,805</u>	<u>-</u>	<u>39,012,805</u>
Supporting Services:			
Management and general	1,736,864	-	1,736,864
Fundraising	400,505	-	400,505
Total Supporting Services	<u>2,137,369</u>	<u>-</u>	<u>2,137,369</u>
Total Expenses	<u>41,150,174</u>	<u>-</u>	<u>41,150,174</u>
Other Items:			
Loss on bond defeasance	(339,584)	-	(339,584)
Assets transferred to Kennesaw State University	(3,139,868)	-	(3,139,868)
Change in Net Assets from Continuing Operations	<u>11,455,928</u>	<u>(5,407,140)</u>	<u>6,048,788</u>
Discontinued Operations:			
Loss from discontinued operations	(168,197)	-	(168,197)
Change in net assets	11,287,731	(5,407,140)	5,880,591
Net assets, beginning of year	14,692,465	127,968,266	142,660,731
Change in donor intent	(186,118)	186,118	-
Net assets, end of year	<u>\$ 25,794,078</u>	<u>\$ 122,747,244</u>	<u>\$ 148,541,322</u>

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

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

YEAR ENDED JUNE 30, 2023

	Program Services					Total Program Expenses	Supporting Services		
	Scholarships and Awards	Academic Programs and Dean Support	Other University Support	Special Events and Programs	Campus Facilities		Management and General	Fundraising	Total Expenses
Expenses:									
Grants and other assistance to organizations	\$ 4,534,292	\$ 2,959,461	\$ 803,396	\$ 13,880	\$ -	\$ 8,311,029	\$ 3,794	\$ 24,393	\$ 8,339,216
Other salaries and wages	-	-	53,000	-	3,028,586	3,081,586	1,371,889	-	4,453,475
Accounting and professional fees	-	750,745	351,505	3,221	39,937	1,145,408	231,941	54,414	1,431,763
Advertising and promotion	-	31,617	8,055	-	-	39,672	-	-	39,672
Office	-	231,122	245,267	15,190	-	491,579	29,401	109,823	630,803
Information technology	-	99,665	4,023	861	-	104,549	53,845	600	158,994
Occupancy - building and space rental	-	34,562	62,136	230,573	204,714	531,985	219,804	3,428	755,217
Travel	-	216,036	14,549	31,820	-	262,405	5,553	29,262	297,220
Conferences, conventions, and meetings	-	641,965	324,116	246,700	-	1,212,781	65,483	107,797	1,386,061
Interest	-	-	-	-	11,128,060	11,128,060	-	-	11,128,060
Depreciation	-	-	-	-	5,601,194	5,601,194	-	-	5,601,194
Other professional and administrative fees	-	7,357	-	-	-	7,357	22,970	5,150	35,477
Utilities	-	-	-	-	2,488,238	2,488,238	-	-	2,488,238
Rental operations	-	-	-	-	6,030,326	6,030,326	-	-	6,030,326
Promotion and development	-	324,855	219,203	178,733	-	722,791	5,076	50,244	778,111
Dues and professional memberships	-	25,638	64,928	50	-	90,616	607	18,107	109,330
Total Expenses	\$ 4,534,292	\$ 5,323,023	\$ 2,150,178	\$ 721,028	\$ 28,521,055	\$ 41,249,576	\$ 2,010,363	\$ 403,218	\$ 43,663,157

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

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

YEAR ENDED JUNE 30, 2022

	Program Services					Total Program Expenses	Supporting Services		
	Scholarships and Awards	Academic Programs and Dean Support	Other University Support	Special Events and Programs	Campus Facilities		Management and General	Fundraising	Total Expenses
Expenses:									
Grants and other assistance to organizations	\$ 3,851,744	\$ 2,855,726	\$ 262,713	\$ 21,533	\$ -	\$ 6,991,716	\$ -	\$ 18,032	\$ 7,009,748
Compensation of current officers	-	-	-	-	-	-	388,563	-	388,563
Other salaries and wages	-	237,406	311,021	158,782	2,388,989	3,096,198	872,751	12,971	3,981,920
Accounting and professional fees	-	446,267	190,370	2,239	4,500	643,376	121,082	65,849	830,307
Advertising and promotion	-	8,450	3,572	-	-	12,022	-	-	12,022
Office	-	132,292	125,520	25,169	-	282,981	32,085	88,025	403,091
Information technology	-	56,677	6,709	5,755	-	69,141	44,227	25,030	138,398
Occupancy - building and space rental	-	24,003	297,578	273,892	267,095	862,568	204,479	4,988	1,072,035
Travel	-	48,779	763	8,309	-	57,851	1,611	63,091	122,553
Conferences, conventions, and meetings	-	387,076	184,690	183,405	-	755,171	39,517	90,964	885,652
Interest	-	-	-	-	11,317,161	11,317,161	-	-	11,317,161
Depreciation	-	-	-	-	5,770,251	5,770,251	1,756	-	5,772,007
Other professional and administrative fees	-	4,821	766	-	-	5,587	23,168	4,737	33,492
Utilities	-	-	-	-	2,459,287	2,459,287	-	-	2,459,287
Rental operations	-	-	-	-	6,546,140	6,546,140	-	-	6,546,140
Promotion and development	-	30,291	15,134	4,751	-	50,176	-	9,860	60,036
Dues and professional memberships	-	29,367	63,437	375	-	93,179	7,625	16,958	117,762
Total Expenses from Continuing Operations	3,851,744	4,261,155	1,462,273	684,210	28,753,423	39,012,805	1,736,864	400,505	41,150,174
Total Expenses from Discontinued Operations	-	-	-	-	312,733	312,733	-	-	312,733
Total Expenses	\$ 3,851,744	\$ 4,261,155	\$ 1,462,273	\$ 684,210	\$ 29,066,156	\$ 39,325,538	\$ 1,736,864	\$ 400,505	\$ 41,462,907

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

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

YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 16,317,691	\$ 5,880,591
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation expense	5,601,194	5,772,007
Amortization expense of bond issuance costs	440,490	452,045
Amortization of bond premiums and original issue discount	(3,034,119)	(2,983,031)
Contributions restricted for long-term investment	(3,870,193)	(1,459,480)
Contributed nonfinancial assets - donated assets	(472,305)	(178,099)
Amortization of right-of-use assets	1,671,295	704,809
Net assets transferred from KSU Alumni Association, Inc.	(89,618)	-
Loss on disposal of property and equipment	67,793	153,648
(Gains) losses on defeasance of debt	(749,223)	339,584
Net realized and unrealized (gains) losses on investments	(9,125,508)	9,675,996
Change in operating assets and liabilities:		
Unconditional promises to give, net	1,021,905	827,329
Rents receivable, net	(62,066)	(131,179)
Accounts receivable	(1,002,191)	18,502
Accounts receivable - related parties	344,015	23,537
Prepaid expenses and other assets	2,814	26,214
Accounts payable	(1,892,291)	629,448
Accounts payable - related party	(1,993,489)	2,148,874
Invested funds held for KSU Alumni Association, Inc.	3,726	(12,290)
Accrued expenses	(1,496,467)	2,331,438
Accrued interest	(257,292)	(955,032)
Operating leases liability	(1,653,300)	(648,108)
Unearned leasing income	(56,638)	6,947
Net cash flows from operating activities	<u>(283,777)</u>	<u>22,623,750</u>
Cash flows from investing activities:		
Principal received on net investments in direct financing leases	24,754,586	8,792,744
Proceeds from sale of property and equipment to Kennesaw State University	856,644	-
Purchase of property and equipment	(1,014,910)	(32,805,941)
Purchase of property and equipment transferred to net investment in direct financing leases	(6,674,622)	-
Net purchase of investments	<u>(5,274,510)</u>	<u>(22,804,992)</u>
Net cash flows from investing activities	<u>12,647,188</u>	<u>(46,818,189)</u>

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

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

YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for investment in endowment	\$ 3,870,193	\$ 1,459,480
Proceeds from bond issuance	-	36,172,714
Payments of bond issuance costs	-	(1,021,833)
Bonds payable redemptions and payments	(30,515,000)	(50,635,000)
Net cash flows from financing activities	<u>(26,644,807)</u>	<u>(14,024,639)</u>
Net change in cash and cash equivalents	(14,281,396)	(38,219,078)
Cash and cash equivalents, beginning of year	94,743,290	132,962,368
Cash and cash equivalents, end of year	<u>\$ 80,461,894</u>	<u>\$ 94,743,290</u>
Cash and cash equivalents	\$ 28,850,632	\$ 25,789,088
Assets limited as to use	51,611,262	68,796,389
Cash from discontinued operations	-	157,813
Cash and cash equivalents, end of year	<u>\$ 80,461,894</u>	<u>\$ 94,743,290</u>
Supplemental data for financing activities:		
Interest paid (excluding capitalized interest)	<u>\$ 13,271,131</u>	<u>\$ 15,427,498</u>
Supplemental disclosure of noncash transactions:		
Transfer of assets of discontinued operations to operating cash	<u>\$ 157,813</u>	<u>\$ -</u>
Transfer of land from assets of discontinued operations to property and equipment	<u>\$ 1,472,586</u>	<u>\$ -</u>
Transfer of property and equipment acquired in prior year to net investment in direct financing leases	<u>\$ 32,458,141</u>	<u>\$ -</u>
Transfer of unearned leasing income to net investment in direct financing leases	<u>\$ 2,000,000</u>	<u>\$ -</u>

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

KENNESAW STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 1—Nature of Operations

Kennesaw State University Foundation, Inc. and affiliates (collectively, the “Foundation”) is a nonprofit foundation exempt from federal and state income taxes under Internal Revenue Code (“IRC”) Section 501(c)(3). The Foundation’s mission is to be an advocate for Kennesaw State University (the “University”) and to receive, invest, account for, and allocate private gifts and contributions in support of the University, a related party, in Cobb County, Georgia. The Foundation provides student housing, parking, leases administrative, dining, classroom, and athletic space to the University.

Note 2—Summary of significant accounting policies

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

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

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

Net Assets Without Donor Restrictions – Net assets that are not restricted by the donor. These assets are used to support the operations of the Foundation and are at the discretion of the Foundation’s Board of Trustees. From time to time, the Board of Trustees may designate certain amounts to be utilized or invested to meet specific objectives of the Foundation. Such amounts would be reflected as board designated net assets.

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

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 2—Summary of significant accounting policies (continued)

Net investment returns from investing activities may be included in either of these net asset classifications depending on donor-imposed restrictions and the Foundation's interpretation of relevant state law.

Revenue Recognition – Contributions received, including unconditional promises to give, are recognized as revenues in the period received at their estimated fair value less an appropriate allowance for uncollectible amounts. Conditional contributions with a measurable performance or other barrier and a right of return or release are not recognized until the conditions on which they depend are substantially met. Unconditional promises to give due over more than one year are recorded at their discounted present value. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. The allowance for doubtful unconditional promises to give is based on specifically identified amounts that the Foundation believes to be uncollectible. An additional allowance is recorded based on certain percentages of aged promises to give, which are determined based on historical experience and management's assessment of the general financial conditions affecting the Foundation's donor base. If actual collections experience changes, revisions to the allowance may be required.

Rental income is recorded under the straight-line method over the lease terms and is recognized when the rental payments become due. Rental agreements are generally year-to-year. Deferred revenue represents rent received for future periods. Management's determination of the allowance for doubtful accounts is based on an evaluation of the rents receivable, past experience, current economic conditions, and other risks inherent in the rents receivable portfolio. The allowance for doubtful accounts was \$280,259 and \$170,051 at June 30, 2023 and 2022, respectively.

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

Contributed Nonfinancial Assets – The Foundation records contributed nonfinancial assets at their estimated fair value or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor and expense when utilized.

Split-Interest Agreement – The Foundation is the beneficiary of one annuity. In 2017, the Foundation acquired a split-interest agreement as a result of the acquisition of The Polytechnic Foundation. The gifts received are included in investments at a fair value of \$13,865 and \$13,339 at June 30, 2023 and 2022, respectively. The annuity obligations are \$615 and \$1,165 at June 30, 2023 and 2022, respectively, and are recorded in accounts payable on the statements of financial position. The present value of the annuity liabilities were calculated using a 3.4% discount rate. The Foundation's interest in split-interest agreements are reported as contribution revenue in the year received at its net present value.

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

Investments – Investments are recorded at fair value. The Foundation's investments in mutual funds are valued at the net asset values ("NAV") reported on the active markets in which the mutual funds are traded. Donated investments are recorded at fair value on the date received. Alternative investments, which are not readily marketable, are carried at estimated fair values as provided by external investment managers. Realized and unrealized gains and losses on investments are recognized as net investment return in the statements of activities.

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 2—Summary of significant accounting policies (continued)

Net Investment in Direct Financing Leases – The Foundation leases real estate to the University. The leases are accounted for as direct financing type leases. The present value of the minimum lease payments is recorded as an asset and is amortized as payments are received. Interest on the direct financing leases is recognized over the lease term using the effective interest method and is reported as leasing income on the consolidated statements of activities.

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

Debt Issuance Costs – Debt issuance costs, comprised principally of underwriting, legal, and printing fees, are recorded as deferred charges and amortized over the term of the related debt using the effective interest method. Debt issuance costs are presented as a reduction of the carrying amount of bonds payable rather than as an asset in the consolidated statements of financial position.

Bond Premiums and Discounts – Bond premiums and discounts are presented as either an increase or decrease of the carrying amount of bonds payable in the consolidated statements of financial position. Both are amortized over the term of the related bonds payable using the effective interest method.

Advertising Costs – Advertising costs are charged to income as they are incurred. Advertising costs amounted to \$39,672 and \$12,022 for the years ended June 30, 2023 and 2022, respectively.

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

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

Investments – Investments are carried at fair value based on quoted market prices for those or similar investments. Alternative and private investment funds are valued at NAV of shares on the last day of the fiscal year. The external fund managers utilize a security pricing hierarchy as its basis for fair value measurement. The Foundation reviews and evaluates the values provided by the investment managers and believes the valuation methods and assumptions used in estimating the fair value accurately reflects the fair value of the alternative investments. The estimated fair values may differ significantly from the values that would have been used had ready markets for these securities existed.

Assets Limited as to Use – Represents funds held by the trustee, which are classified as cash equivalents.

Bonds Payable – Fair value, as disclosed in Note 10, is the price that would be paid to transfer the liability in an orderly transaction between market participants.

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

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 2—Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

For the fiscal years ended June 30, 2023 and 2022, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers.

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

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 2—Summary of significant accounting policies (continued)

The consolidated statements of activities report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include advertising and promotion, office, information technology, occupancy, travel, conferences, conventions and meetings, other professional and administrative fees, and dues and professional memberships, which are all allocated on the basis of estimates of time and effort.

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

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

The Foundation received income, which is considered unrelated business income subject to federal and state income taxes. At June 30, 2023, the Foundation had net operating loss carryforwards of approximately \$764,000 available to offset future taxable income and expiring at various dates from 2033 through 2034.

Transfers to Comply with Donor Intent – At times the Foundation receives requests by donors or their designees to change the use for which the donor's original gift was intended or upon the occurrence of certain events stipulated in the gift agreement to reclassify gifts previously made from without donor restriction to with donor restriction.

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

Concentration of Credit Risk – Cash and cash equivalents are maintained at multiple financial institutions and, as a result, credit exposure to any one institution is limited. The Federal Deposit Insurance Corporation secures accounts in insured institutions up to \$250,000 per depositor. At times, the Foundation's may have amounts on deposit that exceed the federally insured limits. As of June 30, 2023 and 2022, the Foundation's uninsured cash and cash equivalent balances totaled approximately \$21,193,000 and \$25,200,000, respectively. The Foundation has not experienced any losses on its cash and cash equivalents and management believes the Foundation is not exposed to any significant credit risk on deposits at financial institutions.

Future Accounting Pronouncements – In June 2016, FASB issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses (Topic 326)* and subsequently related amendments. This guidance replaces the existing incurred loss impairment guidance and establishes a single allowance framework for financial assets carried at amortized cost based on expected credit losses. The estimate of expected credit losses requires the incorporation of historical information, current conditions, and reasonable and supportable forecasts. This ASU will be effective for the year ending June 30, 2024. The Foundation is currently evaluating the effect the adoption of this ASU will have on the consolidated financial statements.

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 3—Liquidity and availability of resources

The Foundation defines financial assets available for general expenditure as only assets included in accounts without donor or board designated restrictions. Board designated assets below represents board designated net assets plus accrued distributions included in accounts payable and accrued expenses at year end. Financial assets available for general expenditure, that is, without donor restrictions or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following.

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 681,612	\$ 3,727,085
Unconditional promises to give – without donor restriction, net	-	41
Rents receivable, net	220,335	158,268
Accounts receivable	1,009,694	7,501
Accounts receivable – related parties	167,521	511,536
Non-endowed investments	20,964,216	18,341,738
	<u>23,043,378</u>	<u>22,746,169</u>
Designations of liquid assets:		
Board-designated assets for housing reserves	2,333,002	2,468,007
Board-designated assets for scholarships	487,311	585,009
Board-designated assets for campus services	398,219	169,407
Board-designated assets for quasi-endowment - scholarships	313,545	68,605
Board-designated assets for gift matching	1,000,000	1,000,000
Board-designated assets for honors match	108,395	331,231
Board-designated assets for match advance	2,000,000	2,000,000
Cash restricted for capital projects	1,979,995	1,129,935
	<u>8,620,467</u>	<u>7,752,194</u>
Total financial assets without donor or other restrictions available for general use within one year	<u>\$ 14,422,911</u>	<u>\$ 14,993,975</u>

As part of the Foundation’s liquidity plan, the Foundation allocates approximately half of its annual operating expenses, or approximately \$4,000,000, as an operating reserve plus a \$1,600,000 working capital reserve. At June 30, 2023, the Foundation’s operating and working capital reserves totaled approximately \$6,815,000. The remaining balance of \$7,607,911 was available as undesignated liquid assets. The Foundation has current liabilities at June 30, 2023 of approximately \$3,215,803 leaving a remaining balance of \$4,392,108 as undesignated and uncommitted liquid assets.

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

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 4—Contributed nonfinancial assets

Contributed nonfinancial assets for the years ended June 30 consisted of the following:

Nonfinancial Contributions Category	Type of Contributions	2023	2022
Donated rents	Office space	\$ 164,717	\$ 164,717
Donated salaries	Salaries	545,019	506,120
Artwork	Paintings, lithographs and prints	217,791	169,300
Equipment	Robots	254,010	-
Media	Books, historical documents and printed music	505	3,797
Vehicle	Motorcycle	-	4,500
Artifacts	Various artifacts	-	502
		<u>\$ 1,182,042</u>	<u>\$ 848,936</u>

Contributed nonfinancial assets are generally not sold but are utilized to support the Foundation's programmatic work in support of its mission. The Foundation also recognizes contributed services as contributed nonfinancial assets revenues at their estimated fair value on the date of receipt if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated.

Donated rents and salaries paid by the University on behalf of the Foundation, are reflected in supporting services as management and general expense in the accompanying consolidated statements of activities.

Note 5—Unconditional promises to give, net

Unconditional promises to give, net at June 30 consisted of the following:

	2023	2022
Promises to give without donor restrictions	\$ -	\$ 41
Promises to give with donor restrictions – purpose restrictions	8,094,650	7,636,595
Promises to give with donor restrictions – perpetual in nature	7,730,723	9,235,783
Unconditional promises to give before discount and allowance for uncollectible pledges	15,825,373	16,872,419
Less unamortized discount	(950,567)	(1,014,669)
	14,874,806	15,857,750
Less allowance for uncollectible promises to give	(254,287)	(215,326)
	<u>\$ 14,620,519</u>	<u>\$ 15,642,424</u>
Amount due in:		
Less than one year	\$ 844,833	\$ 2,064,023
One to three years	8,070,940	9,071,969
More than three years	6,909,600	5,736,427
	<u>\$ 15,825,373</u>	<u>\$ 16,872,419</u>

The discount rate used for unconditional pledges at June 30, 2023 and 2022, was approximately 1%.

Three donors accounted for 58% of gross unconditional promises to give as of June 30, 2023. Two donors accounted for 59% of gross unconditional promises to give as of June 30, 2022.

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 6—Investments and fair value measurements

The following table summarizes the valuation of the Foundation's investments measured at fair value on a recurring basis as of June 30, 2023, based on the level of input utilized to measure fair value within the fair value hierarchy described in Note 2:

	Level 1	Level 2	Level 3	NAV Practical Expedient	Total
U.S. equity funds	\$ -	-	\$ -	\$ 2,108,571	\$ 2,108,571
Global equity funds	-	-	-	50,057,080	50,057,080
Corporate bonds	11,259,980	-	-	-	11,259,980
Commercial paper	-	8,768,840	-	-	8,768,840
Government and agency securities	978,340	-	-	-	978,340
Global equity natural resources fund	-	-	-	5,046,964	5,046,964
Core bond funds	-	-	-	13,039,844	13,039,844
Credit series funds	-	-	-	5,732,248	5,732,248
Hedge funds	-	-	-	9,626,777	9,626,777
Real estate investment trust funds	-	-	-	3,526,975	3,526,975
Subtotal	12,238,320	8,768,840	-	89,138,459	110,145,619
Private capital:					
Private equity	-	-	-	3,791,279	3,791,279
Private credit	-	-	-	1,276,608	1,276,608
Private real assets	-	-	-	5,863,121	5,863,121
	-	-	-	10,931,008	10,931,008
Total investments	\$ 12,238,320	\$ 8,768,840	\$ -	\$ 100,069,467	\$ 121,076,627

The following table summarizes the valuation of the Foundation's investments measured at fair value on a recurring basis as of June 30, 2022, based on the level of input utilized to measure fair value within the fair value hierarchy described in Note 2:

	Level 1	Level 2	Level 3	NAV Practical Expedient	Total
U.S. equity funds	\$ -	\$ -	\$ -	\$ 1,215,230	\$ 1,215,230
Global equity funds	-	-	-	42,657,956	42,657,956
Corporate bonds	13,122,153	-	-	-	13,122,153
Commercial paper	-	1,971,640	-	-	1,971,640
Government and agency securities	7,938,880	-	-	-	7,938,880
Global equity natural resources fund	-	-	-	4,388,178	4,388,178
Core bond funds	-	-	-	9,172,279	9,172,279
Credit series funds	-	-	-	5,325,608	5,325,608
Hedge funds	-	-	-	9,570,383	9,570,383
Real estate investment trust funds	-	-	-	2,344,021	2,344,021
Subtotal	21,061,033	1,971,640	-	74,673,655	97,706,328
Private capital:					
Private equity	-	-	-	2,378,085	2,378,085
Private credit	-	-	-	755,902	755,902
Private real assets	-	-	-	5,836,294	5,836,294
	-	-	-	8,970,281	8,970,281
Total investments	\$ 21,061,033	\$ 1,971,640	\$ -	\$ 83,643,936	\$ 106,676,609

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 6—Investments and fair value measurements (continued)

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

The following table presents the nature and risk of assets with fair values estimated using NAV held at June 30, 2023:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
U.S. equity funds	\$ 2,108,571	\$ -	N/A	N/A
Global equity funds	50,057,080	-	Daily, Monthly, Quarterly	30 - 60 days
Global equity natural resources fund	5,046,964	-	N/A	N/A
Core bond funds	13,039,844	-	N/A	N/A
CF credit series funds	5,732,248	-	Quarterly	60 days
Global absolute alpha company	9,626,777	-	N/A	N/A
Real estate investment trust funds	3,526,975	-	N/A	N/A
Private capital	10,931,008	16,103,146	Illiquid	N/A
	<u>\$ 100,069,467</u>	<u>\$ 16,103,146</u>		

The following table presents the nature and risk of assets with fair values estimated using NAV held at June 30, 2022:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
U.S. equity funds	\$ 1,215,230	\$ -	N/A	N/A
Global equity funds	42,657,956	-	Daily, Monthly, Quarterly	30 - 60 days
Global equity natural resources fund	4,388,178	-	N/A	N/A
Core bond funds	9,172,279	-	N/A	N/A
CF credit series funds	5,325,608	-	Quarterly	60 days
Global absolute alpha company	9,570,383	-	N/A	N/A
Real estate investment trust funds	2,344,021	-	N/A	N/A
Private capital	8,970,281	14,700,584	Illiquid	N/A
	<u>\$ 83,643,936</u>	<u>\$ 14,700,584</u>		

The Foundation had investments in various marketable and non-marketable investment funds at Commonfund. The Foundation had the ability to redeem assets at the fund's stated NAV on at least an annual basis at the fund's regular liquidity terms for any funds classified as marketable. The Foundation also holds several funds, which are classified as non-marketable alternative investments. In general, the non-marketable funds are illiquid, limited partnerships that do not offer access to redemptions during the life of the partnership.

The Foundation invests in following marketable investment fund types:

Global Equity Funds, Monthly Liquidity – The global equity strategy focuses primarily on a diversified portfolio of common stocks and equity-linked securities of companies in the global public equity markets. The strategy employs active and passive equity strategies and is unconstrained by geography, strategy and market capitalization.

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 6—Investments and fair value measurements (continued)

Core Bond Funds, High Quality Bond, Weekly Liquidity – The high-quality bond strategy focuses on investments in investment-grade fixed income securities in an attempt to outperform the broad U.S. bond market. Investment grade securities are those rated in one of the four highest categories by a nationally recognized rating agency.

CF Credit Series, Quarterly Liquidity – The credit strategy will invest primarily in a portfolio consisting of fixed income credit securities, including, but not limited to, global sovereign debt (including emerging market local currency sovereign debt), non-U.S. currency exposure, dollar-denominated high yield bonds, dollar-denominated bank loans, non-agency residential mortgages, commercial mortgage-backed securities, asset-backed securities and other structured credit, commingled partnership/limited liability company interests and registered investment companies.

Global Absolute Alpha Company, Quarterly Liquidity – This hedge fund seeks to provide investors with a marketable alternative strategies investment program capable of producing consistently positive returns regardless of the direction of the broader markets by allocating assets to multiple Sub-Advisers and/or multiple Portfolio Funds selected by the Manager.

Real Estate Investment Trusts (“REITs”), Monthly Liquidity – A REIT generally owns or finances the acquisition of income producing real estate, including commercial real estate, in a manner that qualifies for favorable U.S. tax treatment. The REIT strategy seeks to provide actively managed exposure to REITs that provide returns above a benchmark index. These investments may include publicly traded REITs and other related U.S. and non-U.S. securities and derivatives.

Private capital includes the following marketable investment with quarterly liquidity:

Core Real Estate – The core real estate strategy focuses on investing client assets with multiple Managers in a diversified portfolio of stabilized, income producing assets primarily from the four major property types (office, industrial, apartment and retail) that are located in larger regional markets and have high occupancy levels, stable tenants, staggered lease expirations and competitive market rents. The objective of the core real estate strategy is to provide a net rate of return to investors in excess of the NCREIF Fund Index, with low correlation to the equity, fixed income and other alternative asset classes.

Private capital also includes the following illiquid non-marketable investments:

Private Credit – The private credit strategy focuses on generating income and risk-adjusted returns through investment with Managers focusing primarily on investments in U.S. corporate middle market direct lending, with some exposure to non-U.S. corporate middle market direct lending, real estate direct lending and other private credit opportunities. Managers are expected to invest primarily in (but not be limited to) privately originated senior secured loans to corporate middle market borrowers and collateralized loans to real estate borrowers. Managers may also invest in junior tranches of structured credit transactions such as residential and commercial mortgage-backed and other asset backed securitizations.

Opportunistic Real Estate – The opportunistic real estate strategy seeks Managers that can generate superior risk-adjusted returns and long-term growth, with relatively low correlation to the public equity markets, through an investment strategy focusing on “Non-Core” real estate investments. These investments may include core assets that need repositioning or properties not included in the core bucket such as storage facilities, student housing and medical facilities. This strategy is generally not limited by diversification constraints, portfolio allocation projections, or investment vehicle type. The strategy seeks superior real-asset or real-asset related transactions and invests with Managers that purchase real property and related securities located anywhere in the world, but with a focus on U.S. transactions.

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 6—Investments and fair value measurements (continued)

Global Private Equity – The global private equity strategy offers investors the opportunity to invest in a wide variety of transactions involving domestic and global companies, such as growth equity financing, leveraged buyouts, industry consolidations, recapitalizations, restructurings, and distressed situations. These strategies aim to invest with funds offered by private equity Managers who combine strategic operating and financial expertise, focusing on Managers who invest in a wide range of middle-market companies. In addition, these strategies focus on Managers that increase operating efficiencies, make strategic acquisitions, expand product lines and/or enter new markets, recruit senior managers and formulate appropriate strategy and governance across select geographic regions around the world.

Secondaries – The secondary strategy seeks to acquire investments principally in secondary market transactions in leveraged buyout, growth equity, distressed securities, mezzanine financing, natural resources, and venture capital investment funds on a global basis. The secondary strategy also invests directly in pooled investment vehicles or funds of funds. The secondary strategy may, to a lesser extent, make direct equity, equity-like, or debt investments acquired from third parties, and acquires investments other than in privately-negotiated secondary transactions, including through the primary markets.

Venture Capital – Venture capital strategies aim to give investors the opportunity to earn long-term capital appreciation by investing in earlier-stage, high-growth potential private companies from around the world, primarily in the information technology and healthcare sectors. Client accounts employing this strategy seek to diversify their investments with Managers by stage, strategy, geography, industry, and vintage year. These investment strategies are executed through Managers located around the world.

Real Assets and Sustainability Investments – These investments focus on the sustainability sector and natural resources. These funds will invest in companies, operating platforms and funds in a diversified set of sustainability sectors and environmental themes such as: (a) renewables and related strategies; (b) food, agriculture and water; and (c) resource efficiency and broader sustainability, in North America as well as globally. This strategy aims to include direct investments, co-investments, investments in operating platforms, secondaries and commitments to primary funds that may be considered capacity-constrained or otherwise with difficult to access Managers.

Private Natural Resources – This investment strategy focuses on investments in the natural resources sector including investments in the oil and natural gas production, oilfield services, power generation and other natural resources related industries, including energy infrastructure, clean energy, mining and mineral extraction, and timber. The preponderance of natural resources investments is in companies based in the U.S and Canada. The natural resources strategy seeks to diversify across different industries, stages of corporate development, including different levels of the energy production and distribution industry, and styles of investment within the natural resources sector. The natural resources strategy encompasses both private equity strategies (acquisition, development, recapitalization and restructuring transactions) and property acquisition strategies (such as direct investments with Managers focusing on the drilling of proved reserves or similar investments).

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

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 6—Investments and fair value measurements (continued)

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

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 2,829,294	\$ 740,709
Net realized and unrealized gains (losses)	9,125,508	(9,675,996)
Investment expenses	<u>(269,560)</u>	<u>(365,228)</u>
Total net investment return	11,685,242	(9,300,515)
Less board designated endowment net investment return	(14,350)	8,345
Less donor restricted endowment net investment return	<u>(8,073,858)</u>	<u>10,033,696</u>
Operating net investment return	<u>\$ 3,597,034</u>	<u>\$ 741,526</u>

Operating net investment return is generated from short-term and designated investments.

Note 7—Net investment in direct financing leases

The Foundation's leasing operations consist of leasing real estate to the University under direct financing type leases expiring in various years through 2052.

For improvements constructed under a ground lease, the lessee retains ownership of the improvements until the conclusion of the primary term, unless the lease is terminated earlier in accordance with the terms stipulated in the lease agreement. For direct financing type leases in which the Foundation holds full ownership of the land, the Foundation has committed to transferring all rights, title, and interests and delivering possession of both the premises and improvements upon the expiration of the primary term or any earlier termination date as stipulated in the lease terms.

Following is a summary of the components of the Foundation's net investment in direct financing leases at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Total future minimum lease payments to be received	\$ 307,924,187	\$ 288,880,870
Less unearned interest income	<u>(99,128,451)</u>	<u>(93,415,589)</u>
Net investment in direct financing leases	<u>\$ 208,795,736</u>	<u>\$ 195,465,281</u>

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 7—Net investment in direct financing leases (continued)

Future minimum payments to be received under direct financing leases at June 30, 2023 are as follows:

Years Ending June 30,

2024	\$ 16,894,169
2025	16,902,888
2026	16,913,044
2027	16,923,944
2028	16,102,973
Thereafter	<u>224,187,169</u>
	<u>\$ 307,924,187</u>

Note 8—Property and equipment, net

Property and equipment, net at June 30, 2023 and 2022 consisted of the following:

	<u>Life</u>	<u>2023</u>	<u>2022</u>
Land		\$ 4,923,154	\$ 3,450,568
Land improvements		74,330	69,348
Building improvements	10-39.5	138,231,087	135,597,830
Furniture, fixtures, and equipment	5	12,247,109	11,927,052
Computer software	3	82,581	82,581
Construction in progress		<u>-</u>	<u>35,336,621</u>
		155,558,261	186,464,000
Less accumulated depreciation		<u>(86,808,639)</u>	<u>(81,218,102)</u>
		<u>\$ 68,749,622</u>	<u>\$ 105,245,898</u>

Property and equipment primarily consists of student housing, University facilities, land held for future University development, classroom and office space, athletic facilities, dining facilities, and retail space. Depreciation expense for the years ended June 30, 2023 and 2022 was \$5,601,194 and \$5,772,007, respectively.

Interest expense capitalized was approximately \$-0- and \$1,216,000 for the years ended June 30, 2023 and 2022, respectively.

During the year ended June 30, 2020, the Foundation entered into a new agreement through the KSU 2020 Housing Real Estate Foundation to construct new housing on campus. There were no remaining commitments as of June 30, 2023.

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 9—Assets limited as to use

The financing of the purchase of various facilities including student housing, parking decks, and residential housing are subject to the terms of trust indentures between the Development Authority of Cobb County and trustees. Under the provisions of the trust indentures, the Foundation is required to maintain amounts on deposit with trustees.

A summary of the assets limited as to use held by the trustee under trust indentures at June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Revenue funds	\$ 1,074,851	\$ 114
Debt service reserve funds	14,347,483	14,431,051
Surplus funds	4,022,559	6,116,367
Bond funds	16,031,958	18,753,746
Project funds	2,778,148	8,849,509
Repair and replacement funds	13,356,263	20,645,602
	<u>\$ 51,611,262</u>	<u>\$ 68,796,389</u>

Note 10—Bonds payable

The Foundation has entered into multiple loan agreements to borrow bond proceeds from the Development Authority of Cobb County or Development Authority of the city of Marietta. The Foundation uses the proceeds of these loans to fund construction, acquisition, renovation, and the equipping of various facilities located on the University's campus. The properties are secured by certain real properties and by the Foundation's interest in certain rents and leases derived from these facilities. The bonds are paid semi-annually. Maturity is subject to mandatory and optional redemption. The terms of the bonds require the Foundation to lease the related facility to the Board of Regents through year-to-year rental agreements that have multi-year renewal options, in amounts that debt service coverage ratio calculated at the end of the fiscal year is not less than prescribed limits while the rental agreements are in affect. The Foundation shall exercise its option under the loan agreement and indenture to have the bonds redeemed in the principal amounts set forth in the loan agreements.

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 10—Bonds payable (continued)

Bonds payable outstanding at June 30 are as follows:

Revenue Bonds	Debt Service	Original Issue Amount	Interest Rates	Maturing Through Year	Outstanding Balances	
	Coverage Ratio Minimum				2023	2022
Series 2013 Student Housing Refunding						
Student Housing Senior Series 2013A	1.20	7,260,000	2.00% - 5.25%	2036	\$ 15,110,000	\$ 18,255,000
Student Housing Subordinate Series 2013B	1.20	28,935,000	2.00% - 5.25%	2026	3,050,000	3,635,000
Series 2013 Housing Refunding	1.00	27,130,000	2.00% - 5.00%	2029	11,055,000	12,895,000
Series 2014 Student Housing Refunding:						
Student Housing Senior Series 2014A	1.20	21,520,000	3.00% - 5.00%	2036	18,765,000	21,520,000
Student Housing Subordinate Series 2014B	1.20	9,220,000	3.00% - 5.00%	2036	9,220,000	9,220,000
Student Housing Junior Subordinate Series 2014C	1.20	15,820,000	3.00% - 5.00%	2036	9,030,000	10,015,000
Series 2015 Student Housing:						
Student Housing Senior Series 2015A	1.20	24,465,000	2.00% - 5.00%	2038	18,940,000	20,510,000
Student Housing Subordinate Series 2015B	1.20	8,145,000	2.00% - 5.00%	2038	6,325,000	6,610,000
Student Housing Junior Subordinate Series 2015C	1.20	27,180,000	2.00% - 5.00%	2038	24,260,000	24,730,000
Series 2015 Parking and University Facilities	1.00	37,285,000	3.00% - 5.00%	2030	-	14,750,000
Series 2017 Parking and Dining Hall Refunding Lease	1.00	46,085,000	2.00% - 5.00%	2039	38,835,000	40,360,000
Series 2017 Sports and Recreation Park Lease	1.00	42,580,000	3.25% - 5.00%	2040	39,605,000	41,110,000
Series 2020 Sports and Recreation Park Refunding and Howell Hall Renovation:						
Sports Park Recovery Zone Series 2020A	1.00	16,940,000	2.00% - 4.00%	2044	18,985,000	16,700,000
Sports Park Recovery Zone Taxable Series 2020B	1.00	2,335,000	2.00% - 4.00%	2044	-	2,335,000
Howell Hall Renovation Series 2020C	1.00	9,625,000	2.00% - 4.00%	2052	9,445,000	9,625,000
Series 2020 Student Housing	1.00	35,360,000	2.00% - 5.00%	2052	35,360,000	35,360,000
Series 2021 Student Housing Refunding	1.00	22,905,000	2.38% - 4.00%	2041	22,095,000	22,095,000
Series 2022 Student Recreation and Activities Center	1.00	32,825,000	4.00% - 5.00%	2042	31,955,000	32,825,000
Subtotal					312,035,000	342,550,000
Unamortized original issue premium					12,635,453	15,695,248
Unamortized bond issue costs					(3,853,484)	(4,522,705)
Total					\$ 320,816,969	\$ 353,722,543

Refunding and defeasance of revenue bonds

Series 2021 Student Housing Refunding Bonds Payable – During the year ended June 30, 2022, the Development Authority of Cobb County issued Student Housing Refunding Revenue bonds and loaned the proceeds to the KSU University II Real Estate Foundation, LLC. The Series 2021 bonds were issued to refund \$24,885,000 of the Series 2011 Student Housing Bonds. An irrevocable sum of \$25,198,948 was deposited in an escrow fund and used to pay all outstanding bond maturities as of October 21, 2021, including accrued interest through the call date of \$313,948. As a result, the previously issued bonds are deemed extinguished for accounting purposes resulting in a loss of \$705,237, which was recognized in the year ended June 30, 2022.

Series 2022 Student Recreation and Activities Center Refunding Bonds Payable – During the year ended June 30, 2022, the Development Authority of Cobb County issued revenue bonds and loaned the proceeds to the KSU SRAC Real Estate Foundation, LLC. The Series 2022 bonds were issued to refund \$37,000,000 of the Series 2013 Student Recreation and Activities Center Bonds. An irrevocable sum of \$37,712,420 was deposited in an escrow fund to pay the bonds outstanding with a par amount of \$32,825,000 which have a call date of July 15, 2022. As a result, the previously issued bonds are deemed extinguished for accounting purposes resulting in a gain of \$365,653, which was recognized in the year ended June 30, 2022.

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 10—Bonds payable (continued)

Series 2014, 2013, and 2015 Student Housing Bonds Payable – During the year ended June 30, 2023, the Foundation entered into an Escrow Deposit Agreement to pay and defease the remaining Series 2015 Bonds that refunded the 2006A Facilities Series, and partially refunded the 2013, 2014, and 2015 Housing bond series. An irrevocable sum of \$17,607,666 was deposited in an escrow fund to pay the bonds outstanding with a par amount of \$17,440,000 which have a call date of July 15, 2025. As a result, the previously issued bonds are deemed extinguished for accounting purposes resulting in a gain of \$749,223, which was recognized in the year ended June 30, 2023.

Bond interest expense incurred totaled \$11,128,060 and \$11,317,161 for the years ended June 30, 2023 and 2022, respectively.

The estimated aggregate maturities of bonds payable at June 30, 2023 are as follows:

Years Ending June 30,

2024	\$ 12,120,000
2025	13,375,000
2026	13,985,000
2027	15,055,000
2028	14,475,000
Thereafter	<u>243,025,000</u>
	<u><u>\$ 312,035,000</u></u>

Management believes they are in compliance with all debt service coverage ratio requirements and bond covenants at June 30, 2023.

The fair value of the bonds at June 30, 2023 and 2022 was approximately \$314,565,000 and \$348,187,000, respectively, and are classified as Level 1.

Note 11—Lease commitments

The Foundation entered into agreements with the Board of Regents for the purposes of erecting, renovating, operating, and maintaining student housing facilities and parking decks under the following terms:

Ground Lease	Initiation Year	Term	Annual Lease Payment
Board of Regents			
Austin Residence Complex Phase I	2001	30 years	\$ 1
East Parking Deck	2001	25 years	1
West Parking Deck	2001	25 years	1
North Deck	2001	25 years	197,600
University Village	2005	30 years	20,000
Village Suites	2007	30 years	10
Central Parking Deck	2007	30 years	10
Dining Hall	2008	30 years	10
Austin Residence Complex Phase II	2011	30 years	10
Student Recreation Activity Center	2013	30 years	10
Howell Hall	2020	30 years	10
2020 Student Housing	2020	30 years	10

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 11—Lease commitments (continued)

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

The Foundation entered into a lease commencing in July 2020 with Cobb Galleria for the purpose of providing professional education classroom space. The term of the lease is two years. The Foundation agrees to pay \$23,908 monthly rent for the first year of the lease followed by \$24,625 in the second year. This lease expired on June 30, 2022 and was not renewed.

The Foundation entered into a lease with 1250 South Marietta Parkway commencing in March 2019 for the Greyhound property. In March 2020, the Foundation agreed to a four-year renewal through March 2024. The Foundation agrees to pay \$42,000 annually in \$3,500 monthly installments throughout the term of the lease. In May 2023, the property was sold to the University, cancelling the related lease.

The Foundation entered into an agreement with the University to manage certain Sports Park events. Total fees paid to the Foundation under this agreement was \$216,065 and \$227,969 for the years ended June 30, 2023 and 2022, respectively. The Foundation also has a sublease agreement with the University for its use of the Sports Park. Total fees paid to the University under this agreement were \$216,065 and \$227,969 for the years ended June 30, 2023 and 2022, respectively.

The Foundation entered into a ground lease with the University commencing in 2003 and amended in 2010 for the use of certain real property on the University’s campus. In 2010, the Foundation agreed to pay \$20,000 annually through June 30, 2036.

The Foundation has operating lease right-of-use asset, net of amortization, of \$4,213,207 and \$5,884,502, and an operating lease liability of \$4,287,903 and \$5,941,203, reported on the consolidated statements of financial position at June 30, 2023 and 2022, respectively. The weighted average discount rate was 1.76% and 1.54% on June 30, 2023 and 2022, respectively. The weighted average remaining lease term was 15.9 and 14.4 years, on June 30, 2023, and 2022, respectively. Operating lease expense included in management and general expenses were \$514,171 and \$798,009, for the years ended June 30, 2023 and 2022, respectively. Cash paid for amounts included in measurement of lease liabilities were \$496,852 and \$734,356 for the years ended June 30, 2023 and 2022, respectively. Sublease income, included in leasing income, was \$84,488 and \$303,249 for the years ended June 30, 2023 and 2022, respectively.

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

<u>Years Ending June 30,</u>	
2024	\$ 299,523
2025	307,027
2026	313,235
2027	314,116
2028	315,011
Thereafter	3,378,034
	<u>4,926,946</u>
Less interest	(639,043)
	<u><u>\$ 4,287,903</u></u>

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 12—Net assets with donor restrictions

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Academic and program support	\$ 23,353,684	\$ 20,628,437
Scholarships	10,168,496	6,783,944
Special events	2,196,251	2,219,059
Other University support	2,712,609	2,231,772
Unconditional promises to give, the proceeds from which have been restricted by donor for:		
Academic and program support	3,685,320	1,047,696
Scholarships and awards	3,799,030	5,817,203
Special events and programs	45,860	45,635
Other University support	144,621	408,120
	<u>46,105,871</u>	<u>39,181,866</u>
Subject to the passage of time:		
Assets held under split-interest agreements	<u>10,676</u>	<u>10,126</u>
Subject to purpose and time restrictions	<u>46,116,547</u>	<u>39,191,992</u>
Underwater endowments	<u>(269,456)</u>	<u>(1,210,756)</u>
Perpetual in nature:		
Subject to endowment spending policy and appropriation:		
Scholarships	62,929,274	55,045,874
Program support	20,007,584	21,396,405
Special events and programs	1,172,517	-
Other University Support	3,536,080	-
Promises to give, the proceeds from which have been restricted by donor for:		
Scholarships	2,218,223	2,293,729
Academic programs	12,500	-
Program support	4,714,965	6,030,000
Total perpetual in nature	<u>94,591,143</u>	<u>84,766,008</u>
Total net assets with donor restrictions	<u>\$ 140,438,234</u>	<u>\$ 122,747,244</u>

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 12—Net assets with donor restrictions (continued)

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Cash	\$ 23,780,446	\$ 2,429,089
Unconditional promises to give, net	7,674,840	7,318,655
Investments	16,744,409	31,597,424
Donated art	-	251,233
Accounts payable and accrued expenses	(2,352,604)	(3,615,165)
Total subject to expenditure for specified purpose	<u>45,847,091</u>	<u>37,981,236</u>
Perpetual in nature		
Cash	111,471	64,061
Unconditional promises to give, net	6,945,689	8,323,729
Investments	87,533,983	76,378,218
Total perpetual in nature	<u>94,591,143</u>	<u>84,766,008</u>
Total net assets with donor restrictions	<u>\$ 140,438,234</u>	<u>\$ 122,747,244</u>

Note 13—Net assets released from restrictions

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

Purpose restrictions accomplished:

	<u>2023</u>	<u>2022</u>
Scholarships and awards	\$ 3,648,793	\$ 2,945,560
Academic and program support	5,350,965	4,302,876
Special events and programs	454,300	354,337
Other University support	531,751	519,903
	<u>\$ 9,985,809</u>	<u>\$ 8,122,676</u>

Note 14—Endowment

The Foundation's endowment consists of approximately 420 individual funds by donors to provide annual funding for a variety of purposes.

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

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

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 14—Endowment (continued)

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

Funds with Deficiencies – From time to time, certain donor-restricted endowment funds may have fair values less than the amount the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration.

Underwater endowment funds consisted of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Original gift value	\$ 9,150,126	\$ 19,720,596
Fair value	<u>8,880,670</u>	<u>18,509,840</u>
Deficiencies	<u>\$ (269,456)</u>	<u>\$ (1,210,756)</u>

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

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

At June 30, 2023 and 2022, the target assets allocations were as follows:

	<u>2023</u>	<u>2022</u>
Large Cap Domestic Equity	43%	43%
Domestic Bonds	13%	13%
Real Estate	4%	4%
Private Capital	12%	12%
Private Natural Resources	4%	4%
Public Natural Resources	2%	2%
Private Real Estate	5%	5%
Diversifying Strategies	10%	10%
Credit	7%	7%
	<u>100%</u>	<u>100%</u>

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 14—Endowment (continued)

The endowment net asset composition by type of fund as of June 30, 2023 and 2022 is as follows:

2023	Without Donor Restrictions	With Donor Restrictions	Total
Non-restricted endowment funds:			
Board-designated honors match	\$ 108,395	\$ -	\$ 108,395
Board-designated quasi-endowment - scholarship	313,545	-	313,545
Donor-restricted endowment fund:			
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor	-	87,645,455	87,645,455
Accumulated investment gains	-	18,267,142	18,267,142
Total funds	<u>\$ 421,940</u>	<u>\$ 105,912,597</u>	<u>\$ 106,334,537</u>

2022	Without Donor Restrictions	With Donor Restrictions	Total
Non-restricted endowment funds			
Board-designated honors match	\$ 331,231	\$ -	\$ 331,231
Board-designated quasi-endowment - scholarship	68,605	-	68,605
Donor-restricted endowment fund			
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor	-	76,442,279	76,442,279
Accumulated investment gains	-	12,403,780	12,403,780
Total funds	<u>\$ 399,836</u>	<u>\$ 88,846,059</u>	<u>\$ 89,245,895</u>

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

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

The Foundation had an endowment spending policy for the years ended June 30, 2023 and 2022 appropriating for distribution 0% to 4% calculated based on the average fair value balance of the last 12 rolling quarters, respectively, as of the calendar year-end of preceding fiscal year that was adjusted using a sliding scale based on its endowment fund's fair value as of the calendar year-end of preceding fiscal year in which the distribution is planned.

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 14—Endowment (continued)

Changes in endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

2023	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 399,836	\$ 88,846,059	\$ 89,245,895
Investment return, net	14,350	8,073,858	8,088,208
Contributions	-	9,400,614	9,400,614
Appropriation of endowment assets pursuant to spending-rate policy	(88,113)	(2,252,417)	(2,340,530)
Transfers to comply with donor intent	-	1,619,882	1,619,882
Quasi-endowment	230,850	-	230,850
Transfer from KSU Alumni Association, Inc.	-	89,618	89,618
Honors Program Matching Fund	(134,983)	134,983	-
Endowment net assets, end of year	<u>\$ 421,940</u>	<u>\$ 105,912,597</u>	<u>\$ 106,334,537</u>

2022	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 458,145	\$ 96,037,780	\$ 96,495,925
Investment return, net	(8,345)	(10,033,696)	(10,042,041)
Contributions	-	3,030,938	3,030,938
Appropriation of endowment assets pursuant to spending-rate policy	-	(1,501,015)	(1,501,015)
Transfers to comply with donor intent	-	1,185,138	1,185,138
Quasi-endowment	76,950	-	76,950
Honors Program Matching Fund	(126,914)	126,914	-
Endowment net assets, end of year	<u>\$ 399,836</u>	<u>\$ 88,846,059</u>	<u>\$ 89,245,895</u>

The board-designated endowment for the KSU Journey Honors College Endowment Matching Fund consists of \$5,000,000 that the Foundation was contractually obligated to set aside to fund-matching gifts. The board-designated endowments purpose is to match 50% of any endowed gift, or legally binding pledge of at least \$50,000, to a named endowment fund for the exclusive support of the KSU Journey Honors College, up to a maximum of \$5,000,000. During the years ended June 30, 2023 and 2022, \$134,983 and \$126,914, respectively, were transferred from board designated to with donor restrictions. The total amount provided by the Foundation for the Honors Program Matching Fund through June 30, 2023 was \$4,891,605.

Note 15—Related party transactions

During the year ended June 30, 2019, the Foundation entered into a memorandum of understanding with the University to manage the Foundation's housing properties. Total fees paid to the University under this agreement were \$479,916 and \$484,626 for the years ended June 30, 2023 and 2022, respectively.

During the year ended June 30, 2020, the Foundation entered into an agreement with the University to sublease property at 1032 S. Marietta Parkway SE, Marietta, Georgia 30060, for the use of parking for the Marietta campus. Total fees paid to the Foundation under this agreement were \$56,188 and \$55,538 for the years ended June 30, 2023 and 2022, respectively.

KENNESAW STATE UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 15—Related party transactions (continued)

During the year ended June 30, 2020, the Foundation entered into an agreement with the University to sublease property at 100 Galleria Parkway, Atlanta, Georgia 30339, for the use of additional classroom space, commencing on July 1, 2020. Total fees paid to the Foundation under this agreement was \$211,391 for the year ended June 30, 2022. This agreement was terminated during the fiscal year ended June 30, 2022.

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

	<u>2023</u>	<u>2022</u>
Operating accounts receivable	\$ 167,521	\$ 511,536

At June 30, amounts due to the University and its affiliates were as follows:

	<u>2023</u>	<u>2022</u>
Town Point repair and replacement	\$ -	\$ 843,827
Operating accounts payable	669,110	1,700,483
Scholarships payable	204,401	357,470
KSU Athletic Association payable	34,780	-
	<u>\$ 908,291</u>	<u>\$ 2,901,780</u>

On June 3, 2023, the Board of Directors of the Kennesaw State University Alumni Association, Inc. (the "Association") 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 was 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.

Note 16—Discontinued operations

In July 2020, the Foundation discontinued its hospitality operations, the Kennesaw Inn. The Foundation accounted for the Hospitality business as a discontinued operation. During the year ended June 30, 2021, the board made the decision to cease operations at the Kennesaw Inn and demolish the building. At June 30, 2022, the assets held relating to the Foundation's discontinued hospitality business unit was as follows:

	<u>2022</u>
Assets of discontinued operations:	
Cash	\$ 157,813
Property and equipment, net	1,472,586
	<u>\$ 1,630,399</u>

The Foundation reported a loss from the discontinued hospitality business unit of \$168,197 for the year ended June 30, 2022, which included support and revenue of \$144,536 and program expenses of \$312,733.

During the year ended June 30, 2023, the Foundation's management reevaluated its future plans for the land previously held as assets for discontinued operations. It was determined that the land would be utilized for other purposes and was, therefore, transferred to property and equipment.

Note 17—Subsequent events

The Foundation has evaluated subsequent events occurring through September 14, 2023, the date on which the consolidated financial statements were available to be issued.