

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

FINANCIAL STATEMENTS AND COMPLIANCE

As of and for the Year Ended June 30, 2023

And Report of Independent Auditor

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
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Report of Independent Auditor

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Kennesaw State University Research and Service Foundation, Inc. (the "Foundation"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 6 to the financial statements, during the fiscal year, it was determined that certain balances of net assets had been improperly reported as donor restricted as of June 30, 2022. Net assets have been restated as of July 1, 2022 to correct this error. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 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 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 generally accepted auditing standards 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 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2024, on our consideration of the Foundation'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 Foundation'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 Foundation's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Augusta, Georgia
March 29, 2024

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

ASSETS

Current Assets:

| | |
|------------------------|----------------------------|
| Cash | \$ 3,227,557 |
| Investments | 1,856,663 |
| Grants receivable, net | 1,027,007 |
| Prepaid expenses | <u>53,038</u> |
| Total Assets | <u>\$ 6,164,265</u> |

LIABILITIES AND NET ASSETS

Current Liabilities:

| | |
|----------------------------------|-------------------------|
| Accounts payable | \$ 2,508,447 |
| Deferred revenue | <u>1,602,192</u> |
| Total Current Liabilities | <u>4,110,639</u> |

NET ASSETS

| | |
|---|----------------------------|
| Without donor restrictions | 1,820,283 |
| With donor restrictions | <u>233,343</u> |
| Total Net Assets | <u>2,053,626</u> |
| Total Liabilities and Net Assets | <u>\$ 6,164,265</u> |

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

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|---------------|
| Revenues and Other Support: | | | |
| Grants | \$ 10,541,435 | \$ 605,752 | \$ 11,147,187 |
| Program service revenue | 1,424,397 | 64,500 | 1,488,897 |
| Royalties | 845,649 | - | 845,649 |
| Contributed nonfinancial assets | 272,142 | - | 272,142 |
| Interest income | 190,225 | - | 190,225 |
| Other income | 241,612 | - | 241,612 |
| Net assets released from restrictions | 484,482 | (484,482) | - |
| Total Revenues and Other Support | 13,999,942 | 185,770 | 14,185,712 |
| Expenses: | | | |
| Program Services: | | | |
| Research grants, contracts, and other | 12,724,649 | - | 12,724,649 |
| Development of intellectual property | 90,714 | - | 90,714 |
| Total Program Services | 12,815,363 | - | 12,815,363 |
| Supporting Services: | | | |
| Management and general | 310,940 | - | 310,940 |
| Total Expenses | 13,126,303 | - | 13,126,303 |
| Change in net assets | 873,639 | 185,770 | 1,059,409 |
| Net assets, beginning of year, as restated | 946,644 | 47,573 | 994,217 |
| Net assets, end of year | \$ 1,820,283 | \$ 233,343 | \$ 2,053,626 |

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

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

| | Program Services | | Total Program Services | Supporting Services | Total |
|---------------------------------------|--|---|---------------------------------------|-----------------------------------|----------------------|
| | Research Grants and Contracts | Development of Intellectual Property | | Management and General | |
| Expenses: | | | | | |
| Advertising | \$ - | \$ - | \$ - | \$ 441 | \$ 441 |
| Bank fees | - | - | - | 1,070 | 1,070 |
| Consultants/honorariums | 28,000 | - | 28,000 | 35,010 | 63,010 |
| Dues and subscriptions | 15,205 | - | 15,205 | 5,069 | 20,274 |
| Gifts and contributions | 129,320 | - | 129,320 | 7,800 | 137,120 |
| Management fee | 4,187 | - | 4,187 | - | 4,187 |
| Insurance | - | - | - | 6,866 | 6,866 |
| Legal and accounting | - | - | - | 115,941 | 115,941 |
| Licenses and permits | 26,000 | - | 26,000 | - | 26,000 |
| Materials and supplies | 5,434 | - | 5,434 | 6,527 | 11,961 |
| Meals and entertainment | 23,412 | - | 23,412 | 9,546 | 32,958 |
| Meetings | 2,879 | - | 2,879 | - | 2,879 |
| Miscellaneous | 56,553 | - | 56,553 | 26,758 | 83,311 |
| Postage | - | - | - | 470 | 470 |
| Printing | 167 | - | 167 | - | 167 |
| Registration fees | 5,522 | - | 5,522 | 350 | 5,872 |
| Rent | - | - | - | 2,540 | 2,540 |
| Grants and contracts subcontracted to | | | | | |
| Kennesaw State University | 11,446,585 | - | 11,446,585 | - | 11,446,585 |
| Donated salaries | 90,714 | 90,714 | 181,428 | 90,714 | 272,142 |
| Travel | - | - | - | 1,838 | 1,838 |
| Royalties | 890,671 | - | 890,671 | - | 890,671 |
| Total Expenses | <u>\$ 12,724,649</u> | <u>\$ 90,714</u> | <u>\$ 12,815,363</u> | <u>\$ 310,940</u> | <u>\$ 13,126,303</u> |

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

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023

Cash flows from operating activities:

| | |
|---|-----------------|
| Change in net assets | \$ 1,059,409 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | |
| Change in operating assets and liabilities: | |
| Grants receivable | (451,954) |
| Accounts payable | (260,102) |
| Deferred revenue | <u>(55,343)</u> |
| Net cash flows from operating activities | <u>292,010</u> |

Cash flows from investing activities:

| | |
|--------------------------|----------------------------|
| Purchases of investments | <u>(67,442)</u> |
| Net change in cash | 224,568 |
| Cash, beginning of year | <u>3,002,989</u> |
| Cash, end of year | <u><u>\$ 3,227,557</u></u> |

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

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 1—Organization and summary of significant accounting policies

Kennesaw State University Research and Service Foundation, Inc. (the “Foundation”) was established and incorporated as a non-profit organization in the state of Georgia in August 2005 to contribute to the educational, research and service functions of Kennesaw State University (the “University”). The Foundation secures gifts, contributions, and grants from individuals, private organizations, and public agencies and obtains contracts with such individuals or entities for the performance of sponsored research, development, education, or other programs by the various colleges, schools, departments, or other units of the University. Research grants awarded to the Foundation are primarily subcontracted to the University. At June 30, 2023, there was \$2,379,010, due to the University related to research grants awarded. The amounts are included in accounts payable on the statement of financial position.

Basis of Presentation – The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). This basis of accounting involves the application of accrual accounting; consequently, revenues are recognized when earned, and expenses are recognized when incurred.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

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

Fair Value of Financial Instruments – At June 30, 2023, the carrying value of financial instruments such as cash, grants receivable, and accounts payable approximated their fair values due to the short-term maturity of these financial instruments.

Grants Receivable, Net – Grants receivable represents amounts due to the Foundation for research and service from various funding sources. An allowance for uncollectible receivables is provided based on management’s evaluation of potential uncollectible amounts at year-end. As of June 30, 2023, the allowance for uncollectible grants receivables was \$26,179.

Investments – The Foundation invests in Georgia Fund 1, an investment pool managed in trust by the Georgia Office of the State Treasurer. Georgia Fund 1 is managed to maintain a consistent net asset value equal to one dollar per share.

Net Assets – Revenues and other support are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions. At times, the governing board may review its financial standing and designate sums from net assets without donor restrictions for specific operating activities. At June 30, 2023, the governing board has not designated any net assets without donor restrictions for any other purposes.

Net Assets With Donor Restrictions – Net assets subject to donor or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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

JUNE 30, 2023

Note 1—Organization and summary of significant accounting policies (continued)

Revenue Recognition – Contributions are recognized when a donor makes a promise to give to the Foundation that is, in substance, unconditional. Donor-restricted contributions are reported as increases in net assets with donor restrictions or net assets without donor restrictions depending on the nature of the restrictions, or absence thereof. Revenue from non-exchange transactions, contributions, and grants may be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments) and are included in contributions and grants on the accompanying statement of activities once all conditions have been met.

Contributions and grants are only reported as donor-restricted when the restriction is more specific than the broad limits resulting from the nature of the Foundation, the environment in which it operates, and the purposes specified in the Foundation's Articles of Incorporation and Bylaws.

Revenue from sponsored research is recognized as expenditures are made for approved research activities, or the Foundation has been notified of approved research activities related to the funds received and all eligibility requirements have been met.

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

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

The Foundation accounts for uncertain tax positions in accordance with accounting standards that provide guidance on when uncertain tax positions are recognized in an entity's financial statements and how the values of these positions are determined. No liability has been recorded as of June 30, 2023 due to uncertain tax positions.

Contributed Nonfinancial Assets – The Foundation records contributed nonfinancial assets at their estimated fair value on the date of receipt and reported as expense when utilized. The Foundation receives services, space, equipment, and other nonfinancial items without payment or compensation. When the value of such services and support is ascertainable and meets the criteria for recognition, it is recognized in the accompanying financial statements as revenue and expense at the estimated fair value on the date of donation.

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

Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include donated salaries and professional services, which are allocated on the basis of estimates of time and effort.

Adopted Accounting Pronouncements – On July 1, 2022, the Foundation adopted Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)* and its amendments. This standard requires lessees to recognize leases on the statement of financial position as right-of-use ("ROU") assets and lease liabilities based on the value of the discounted future lease payments. In adopting ASC 842, the Foundation elected to use practical expedients, including, but not limited to, not reassessing past lease accounting, and not recording ROU assets or liabilities for leases with terms of one year or less. The Foundation adopted ASU 2016-02 for the year ended June 30, 2023, with no material impact to the financial statements.

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 2—Liquidity and availability

Financial assets available for general expenditure of resources, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2023:

| | | |
|---|----|------------------|
| Cash | \$ | 3,227,557 |
| Investments | | 1,856,663 |
| Grants receivable, net | | 1,027,007 |
| | | <u>6,111,227</u> |
| Less net assets with donor restrictions | | <u>(233,343)</u> |
| | \$ | <u>5,877,884</u> |

The Foundation maintains all cash balances, including amounts in excess of daily requirements, in deposit accounts at major financial institutions and in an investment fund managed in trust by the Office of the State Treasurer.

Note 3—Fair value measurements

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

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

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Net Asset Value ("NAV") – Valued at NAV of shares on the last trading day of the fiscal year, which is the basis for transactions at that date.

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

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

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

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

JUNE 30, 2023

Note 3—Fair value measurements (continued)

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

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

The fair values of the Foundation's investment assets at June 30, 2023 are as follows:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>NAV</u> | <u>Total</u> |
|----------------|----------------|----------------|----------------|---------------------|---------------------|
| Georgia Fund 1 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,856,663</u> | <u>\$ 1,856,663</u> |

There were no unfunded commitments or specified redemption periods as of June 30, 2023.

Note 4—Net assets with donor restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2023.

Net assets with donor restrictions as of June 30, 2023 are restricted for the following purpose:

Subject to expenditure for specified purpose:

| | |
|---------------------|-------------------|
| Research agreements | <u>\$ 233,343</u> |
|---------------------|-------------------|

Note 5—Net assets released from restrictions

Net assets were released from restrictions during the year ended June 30, 2023 by incurring expenses satisfying the restricted purpose of research and service as specified by donors and grantors. Net assets released from restrictions totaled \$484,482 for the year ended June 30, 2023.

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

JUNE 30, 2023

Note 6—Restatement of opening net assets

During the fiscal year, it was determined that certain balances of net assets had been improperly reported as restricted as of June 30, 2022. To correct this error, net assets have been restated as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total Net Assets |
|--|---------------------------------------|------------------------------------|-----------------------------|
| Net assets as previously reported, June 30, 2022 | \$ 467,299 | \$ 526,918 | \$ 994,217 |
| Restatement due to the correction of an error | 479,345 | (479,345) | - |
| Net assets as restated, July 1, 2022 | <u>\$ 946,644</u> | <u>\$ 47,573</u> | <u>\$ 994,217</u> |

Note 7—Contributed nonfinancial assets

The Foundation received the following contributions of nonfinancial assets for the year ended June 30:

| Nonfinancial Contributions Category | Types of Contributions | Report Classification | 2023 |
|--|-----------------------------------|----------------------------------|-------------|
| Donated salaries | Salaries | Contributed nonfinancial assets | \$ 272,142 |

Note 8—Commitments

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

The Foundation may be party to legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the ultimate outcome of the claims and litigation, if any, will not have a material adverse effect on the Foundation's financial position.

Note 9—Subsequent events

Management has evaluated events occurring through March 29, 2024, the date the financial statements were available to be issued.

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kennesaw State University Research and Service Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

The Foundation's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Foundation's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Cherry Bekaert LLP

Augusta, Georgia
March 29, 2024

Report of Independent Auditor on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Kennesaw State University Research and Service Foundation, Inc.'s (the "Foundation") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended June 30, 2023. The Foundation's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Foundation's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Cherry Bekaert LLP

Augusta, Georgia
March 29, 2024

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

| Cluster/ Agency Program | Project Name | Identifying Number | ALN # | Total Federal Expenditures | Amount Provided to Subrecipients |
|---|--|--------------------|-------------------|----------------------------------|--|
| CORPORATION FOR NATIONAL AND COMMUNITY SERVICE | | | | | |
| AmeriCorps Volunteers in Service to America Direct Awards | KSURSF/CNCS/AmericorpsVISTA | 431631 | 94.013 | \$ 20,000 | \$ 20,000 |
| | | | Total ALN #94.013 | 20,000 | 20,000 |
| | Total Corporation for National and Community Service | | | 20,000 | 20,000 |
| HIGHWAY SAFETY CLUSTER | | | | | |
| DEPARTMENT OF TRANSPORTATION | | | | | |
| State and Community Highway Safety Direct Awards | KSURSF/GOHS/YAKSUFY22 | 431628 | 20.600 | 13,726 | 12,827 |
| | | | Total ALN #20.600 | 13,726 | 12,827 |
| | Total Department of Transportation | | | 13,726 | 12,827 |
| | Total Highway Safety Cluster | | | 13,726 | 12,827 |
| RESEARCH & DEVELOPMENT CLUSTER | | | | | |
| DEPARTMENT OF AGRICULTURE | | | | | |
| Specialty Crop Block Grant Program - Farm Bill Direct Awards | KSURSF/USDA/PSCE-MUSHROOM | 431626 | 10.170 | 24,444 | 24,444 |
| | | | Total ALN #10.170 | 24,444 | 24,444 |
| Agriculture and Food Research Initiative (AFRI) Pass-through from: Bowling Green State University | KSURSF/USDANIFA/BGSU-Pollntion | 431583 | 10.310 | 33,531 | 31,335 |
| | | | Total ALN #10.310 | 33,531 | 31,335 |
| National Fish and Wildlife Foundation Pass-through from: Texas Parks & Wildlife Department | KSURSF/NFWF-TPWD/TricoloredBat | 431541 | 10.683 | 32,546 | 30,415 |
| | | | Total ALN #10.683 | 32,546 | 30,415 |
| | Total Department of Agriculture | | | 90,521 | 86,194 |
| DEPARTMENT OF DEFENSE | | | | | |
| Military Medical Research and Development Direct Awards | KSURSF/UTHSCSA/MilitaryTrainee | 431608 | 12.420 | 15,746 | 14,715 |
| | | | Total ALN #12.420 | 15,746 | 14,715 |
| Basic Scientific Research Direct Awards | KSURSF/Army/CognitiveProcesses | 431578 / 431636 | 12.431 | 313,195 | 304,756 |
| | | | Total ALN #12.431 | 313,195 | 304,756 |
| Information Security Grants Direct Awards | KSURSF/NSA/DODCySP2021 | 431614 / 431666 | 12.902 | 74,269 | 73,312 |
| | | | Total ALN #12.902 | 74,269 | 73,312 |
| GenCyber Grants Program Direct Awards | KSURSF/NSA/Gencyber 2022-24 | 431659 | 12.903 | 95,738 | 89,467 |
| | | | Total ALN #12.903 | 95,738 | 89,467 |
| CyberSecurity Core Curriculum Direct Awards | KSURSF/NSA/Towson/QUARCEL | 431691 | 12.905 | 34,664 | 33,507 |
| Pass-through from: Towson University | KSURSF/Towson/LearningModules | 431690 | 12.905 | 18,895 | 17,658 |
| University of Louisville Research Foundation, Inc. | KSURSF/UULRF/NSA/HealthcareCybe | 431680 | 12.905 | 22,930 | 21,428 |
| | | | Total ALN #12.905 | 76,489 | 72,593 |
| | Total Department of Defense | | | 575,437 | 554,843 |
| DEPARTMENT OF THE INTERIOR | | | | | |
| Endangered Species Recovery Implementation Direct Awards | KSURSF/NFWF/TestVOCsWNS.66731 | 431580 | 15.657 | 72,331 | 69,840 |
| | | | Total ALN #15.657 | 72,331 | 69,840 |
| Candidate Species Conservation Direct Awards | KSURSF/USFWS/Chamberlaini | 431662 | 15.660 | 5,569 | 5,361 |
| Pass-through from: Juniata College/NSF | KSURSF/JUNIATA/NSF-RCN-UBE | 431668 | 15.660 | 8,749 | 8,176 |
| | | | Total ALN #15.660 | 14,318 | 13,537 |
| | Total Department of the Interior | | | 86,649 | 83,377 |
| DEPARTMENT OF STATE | | | | | |
| Academic Exchange Programs - Undergraduate Programs Direct Awards | | | 19.009 | 21,591 | 20,177 |
| Pass-through from: University of Nebraska at Omaha | KSURSF/WorldLearning/Ghana2021 | 431579 | 19.009 | 136,314 | 127,554 |
| | | | Total ALN #19.009 | 157,905 | 147,731 |
| | Total Department of State | | | 157,905 | 147,731 |

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED JUNE 30, 2023

| Cluster/ Agency Program | Project Name | Identifying Number | ALN # | Total Federal Expenditures | Amount Provided to Subrecipients |
|---|---------------------------------|--|--|----------------------------------|--|
| NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION | | | | | |
| Sea Grant Collage Program Institutional Plan Omnibus Proposal | | | | | |
| Pass-through from: | | | | | |
| University of Puerto Rico | | | 11.417 | 28,077 | 27,151 |
| | | | Total ALN #11.417 | 28,077 | 27,151 |
| | | | Total Oceanic and Atmospheric Administration | 28,077 | 27,151 |
| NATIONAL AERONAUTICS AND SPACE ADMINISTRATION | | | | | |
| Office of Stem Engagement (OSTEM) | | | | | |
| Pass-through from: | | | | | |
| GA Tech/NASA | KSURSF/GT/NASA-FY21-STEMenrich | 431592 | 43.008 | 7,054 | 6,775 |
| GA Tech_NASA | KSURSF/GT/NASA-FY21-Leadership | 431591 | 43.008 | 13,544 | 13,075 |
| | | | Total ALN #43.008 | 20,598 | 19,850 |
| | | | Total National Aeronautics and Space Administration | 20,598 | 19,850 |
| NATIONAL ENDOWMENT FOR THE HUMANITIES | | | | | |
| Promotion of the Humanities Division of Preservation and Access | | | | | |
| Direct Awards | KSURSF/NEH/Mountains Metropoli | 431686 | 45.149 | 7,376 | 6,893 |
| | | | Total ALN #45.149 | 7,376 | 6,893 |
| Promotion of the Humanities Fellowships and Stipends | | | | | |
| Direct Awards | KSURSF/NEH/NATURALHISTORY | 431708 | 45.160 | 3,829 | 3,829 |
| | | | Total ALN #45.160 | 3,829 | 3,829 |
| | | | Total National Aeronautics and Space Administration | 11,205 | 10,722 |
| NATIONAL SCIENCE FOUNDATION | | | | | |
| Engineering | | | | | |
| Direct Awards | KSURSF/NSF/CAREERCeellularHydro | 431610 | 47.041 | 41,128 | 38,434 |
| Pass-through from: | | | | | |
| North Carolina State University | KSURSF/NSF/EFRI NEWLAW | 431516 | 47.041 | 22,370 | 20,933 |
| | | | Total ALN #47.041 | 63,498 | 59,367 |
| Mathematical and Physical Sciences | | | | | |
| Direct Awards | KSURSF/NSF/Collaborative-AMPS | 431667 / 660 / 571 / 656 / 506 / 539 / 643 / 543 / 622 / 657 / 650 / 617 | 47.049 | 572,525 | 535,065 |
| | | | Total ALN #47.049 | 572,525 | 535,065 |
| Computer and Information Science and Engineering | | | | | |
| Direct Awards | KSURSF/NSF/RethinkVirtualizat | 431655 / 609 / 613 / 673 / 640 / 641 / 533 / 696 / 590 / 474 | 47.070 | 426,965 | 401,875 |
| | | | Total ALN #47.070 | 426,965 | 401,875 |
| Biological Sciences | | | | | |
| Direct Awards | KSURSF/NSF/TranscriptFact21-24 | 431606 / 611 / 661 / 615 / 597 | 47.074 | 300,951 | 286,640 |
| | | | Total ALN #47.074 | 300,951 | 286,640 |
| Social, Behavioral, and Economic Sciences | | | | | |
| Direct Awards | KSURSF/UCF/ERAC-DP | 431653 | 47.075 | 43,493 | 40,644 |
| | | | Total ALN #47.075 | 43,493 | 40,644 |
| STEM Education (formerly Education and Human Resources) | | | | | |
| Direct Awards | KSURSF/NSF/ChemistryModeling | 431466 / 559 / 317 / 654 / 475 / 647 / 645 / 598 / 319 / 618 / 648 / 569 / 585 / 544 | 47.076 | \$ 640,410 | \$ 613,171 |
| Pass-through from: | | | | | |
| University of Nebraska-Lincoln | KSURSF/UN-LINCOLN/ACT-UP-MATH | 431669 | 47.076 | 21,222 | 19,832 |
| University of Georgia | KSURSF/UGA/LSAMP FY23 | 431685 | 47.076 | 46,203 | 45,797 |
| University of Georgia | KSURSF/NSF-UGA/LSAMP-KSU-Y5 | 431582 | 47.076 | 13,401 | 12,975 |
| University of Georgia | KSURSF/NSF-UGA/LSAMPFY21 | 431581 | 47.076 | 38,106 | 38,100 |
| | | | Total ALN #47.076 | 759,342 | 729,875 |
| Polar Programs | | | | | |
| Direct Awards | KSURSF/NSF/CLIMATECHANGE | 431692 | 47.078 | 24,966 | 23,331 |
| | | | Total ALN #47.078 | 24,966 | 23,331 |
| | | | Total National Science Foundation | 2,191,740 | 2,076,797 |
| DEPARTMENT OF ENERGY | | | | | |
| Office of Science Financial Assistance Program | | | | | |
| Direct Awards | KSURSF/DOE/HYBRID-NETWORKS | 431625 | 81.049 | 29,760 | 28,268 |
| | | | Total ALN #81.049 | 29,760 | 28,268 |
| Technical Assistance | | | | | |
| Pass-through from: | | | | | |
| LBNL-University of California | KSURSF/DOE-LBNL/Geo-Economics | 431560 | 81.000 | 78,963 | 73,791 |
| | | | Total ALN #81.000 | 78,963 | 73,791 |

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED JUNE 30, 2023

| Cluster/ Agency | Program | Project Name | Identifying Number | ALN # | Total Federal Expenditures | Amount Provided to Subrecipients |
|---|---|--------------------------------|----------------------|-------------------------------|----------------------------------|--|
| | Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Assistance Direct Awards | KSURSF/NSF/OrdHyperLoss | 431538 | 81.117 Total ALN #81.117 | 300,755 300,755 | 286,681 286,681 |
| | | | | Total Department of Energy | 409,478 | 388,740 |
| DEPARTMENT OF EDUCATION | Javits Gifted and Talented Students Education Direct Awards | KSURSF/EMU/MATTEROFEQUITY | 431677 | 84.206A Total ALN #84.206A | 14,851 14,851 | 14,361 14,361 |
| | Education Research, Development and Dissemination Pass-through from: Middle Tennessee State University | KSURSF/MTSU/PDConnectAPChem | 431599 | 84.305A Total ALN #84.305A | 678 678 | 633 633 |
| | Gaining Early Awareness and Readiness for Undergraduate Programs Direct Awards | KSURSF/GATECH/GearUp | 431448 | 84.334 Total ALN #84.334 | 159,431 159,431 | 156,480 156,480 |
| | | | | Total Department of Education | 174,960 | 171,474 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Georgia Title IV-E Welfare Education & Training Program Pass-through from: Georgia State University | | 42700-040-0000106788 | 83.658 Total ALN #83.658 | 92,933 92,933 | 92,933 92,933 |
| | Oral Diseases and Disorders Research Direct Awards | KSURSF/NIH/RemovingBarriersSup | 431683 / 637 | 93.121 Total ALN #93.121 | 89,067 89,067 | 83,740 83,740 |
| | Injury Prevention and Control Research and State and Community Based Programs Pass-through from: Georgia State University | KSURSF/GSU/SUSI-SexViolence | 431595 | 93.136 Total ALN #93.136 | 12,996 12,996 | 12,145 12,145 |
| | Mental Health Research Grants Direct Awards | KSURSF/NIH/PTSD | 431588 | 93.242 Total ALN #93.242 | 182,623 182,623 | 170,662 170,662 |
| | Substance Abuse and Mental Health Services Projects of Regional and National Significance Direct Awards | KSURF/SAMHSA/MEDOPIODDIS | 431674 | 93.243 | 131,281 | 129,766 |
| | Pass-through from: Georgia State University | KSURSF/GSU/NATLCTRONCHLDTRFK | 431697 | 93.243 Total ALN #93.243 | 313 131,594 | 307 130,073 |
| | Discovery and Applied Research for Technological Innovations to Improve Human Health Direct Awards | KSURSF/NIH/CPPA | 431537 / 688 / 644 | 93.286 Total ALN #93.286 | 80,180 80,180 | 74,929 74,929 |
| | Chafee Education and Training Vouchers Program (ETV) Direct Awards | KSURSF/NIH/SPAD | 431607 | 93.310 Total ALN #93.310 | 227,771 227,771 | 212,852 212,852 |
| | Mental and Behavioral Health Education and Training Grants Direct Awards | KSURSF/HRSA/CEBBH | 431623 | 93.732 Total ALN #93.732 | 235,638 235,638 | 232,877 232,877 |
| | Supporting and Maintaining a Surveillance System for Chronic Kidney Disease (CKD) in the United States Pass-through from: RCMAR | KSURSF/RCMAR/BUILDRESILIENCE | 431681 | 93.833 Total ALN #93.833 | 14,356 14,356 | 14,356 14,356 |
| | Cardiovascular Diseases Research Direct awards | KSURSF/NIH/Akirin/NuRDInter | 431676 / 635 | 93.837 | 818,215 | 778,645 |
| | Pass-through from: Rice University | KSURSF/RICE/NIH/ShearForces | 431576 | 93.837 Total ALN #93.837 | 36,150 854,365 | 33,783 812,428 |
| | Allergy and Infectious Diseases Research Direct awards | KSURSF/NIH/PARALOGS | 431672 / 605 | 93.855 Total ALN #93.855 | 571,362 571,362 | \$ 554,842 554,842 |

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED JUNE 30, 2023

| Cluster/ Agency | Program | Project Name | Identifying Number | ALN # | Total Federal Expenditures | Amount Provided to Subrecipients |
|---|---|--|--------------------------------|---|----------------------------------|--|
| | Biomedical Research and Research Training | | | | | |
| | Direct Awards | KSURSF/NIH/CRISPR | 431513 / 633 / 642 / 575 / 646 | 93.859 | 369,646 | 351,546 |
| | Pass-through from: | | | | | |
| | Ubitrix | KSURSF/NIH/mHealthAppSecurity | 431629 | 93.859 | 58,776 | 54,926 |
| | | | | Total ALN #93.859 | 428,422 | 406,472 |
| | Child Health and Human Development Extramural Research | | | | | |
| | Direct Awards | KSURSF/EMORY/PostpartumFamPlan | 431627 / 570 | 93.865 | 108,263 | 101,151 |
| | | | | Total ALN #93.865 | 108,263 | 101,151 |
| | Aging Research | | | | | |
| | Direct Awards | KSURSF/NIH/HITCircuitTraining | 431616 / 527 | 93.866 | 387,259 | 365,342 |
| | | | | Total ALN #93.866 | 387,259 | 365,342 |
| | | | | Total Department of Health and Human Services | 3,416,829 | 3,264,802 |
| DEPARTMENT OF HOMELAND SECURITY | | | | | | |
| | Centers for Homeland Security | | | | | |
| | Pass-through from: | | | | | |
| | University of Nebraska | NATIONAL COKSURSF/UNIV/NEBRASKA/N 431694 | | 97.061 | 23,154 | 21,637 |
| | | | | Total ALN #97.061 | 23,154 | 21,637 |
| | Homeland Security Grant Program | | | | | |
| | Pass-through from: | | | | | |
| | Georgia Emergency Management Agency | KSURSF/GEMA/EnhancedSecurity | 431589 | 97.067 | 8,025 | 8,025 |
| | | | | Total ALN #97.067 | 8,025 | 8,025 |
| | | | | Total Department of Homeland Security | 31,179 | 29,662 |
| DEPARTMENT OF VETERANS AFFAIRS | | | | | | |
| | Staff Sergeant Parker Gordon Fox Suicide Prevention Grant Program | | | | | |
| | Direct | KSURSF/GDVS/SUICIDEREDUCTION | 431679 | 64.055 | 312,997 | 292,496 |
| | Pass-through from: | | | | | |
| | Highlands Rivers Behavioral Health | KSURSF/HIGHLAND/CHEROKEE | 431695 | 64.055 | 2,809 | 2,624 |
| | | | | Total ALN #64.055 | 315,806 | 295,120 |
| | | | | Total Department of Veterans Affairs | 315,806 | 295,120 |
| | | | | Total Research & Development Cluster | 7,510,384 | 7,156,463 |
| STUDENT FINANCIAL AID CLUSTER | | | | | | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | | |
| | Nurse Faculty Loan Program (NFLP) | | | | | |
| | Direct Awards | KSURSF/HRSA/FY20 | 431542 | 93.264 | (33,473) | (33,473) |
| | | | | Total ALN #93.264 | (33,473) | (33,473) |
| | | | | Total Student Financial Aid Cluster | (33,473) | (33,473) |
| TRIO CLUSTER | | | | | | |
| DEPARTMENT OF EDUCATION | | | | | | |
| | TRIO Upward Bound | | | | | |
| | Direct Awards | KSURSF/DOE/Rockmart-Cedartown | 431469 | 84.047 | 100,173 | 98,415 |
| | | KSURSF/DOE/EastPaulding | 431482 | 84.047 | 80,584 | 79,257 |
| | | KSURSF/DOE/HIRAMUPBOUND | 431665 | 84.047 | 221,208 | 217,548 |
| | | KSURSF/DOE/HiramHigh | 431468 | 84.047A | 81,689 | 80,367 |
| | | KSURSF/DOE/ROCKMART-CEDARTOWN | 431663 | 84.047A | 306,500 | 301,007 |
| | | KSURSF/DOE/EASTPAULDINGUPBOUND | 431675 | 84.047A | 251,878 | 247,360 |
| | | | | Total ALN #84.047 | 1,042,032 | 1,023,954 |
| | | | | Total TRIO Cluster | 1,042,032 | 1,023,954 |
| DEPARTMENT OF EDUCATION | | | | | | |
| | Education Stabilization Funds | | | | | |
| | American Rescue Plan Elementary and Secondary Emergency Relief Fund | | | | | |
| | Direct Awards | KSURSF/DOE/EASTPAULDINGUPBOUND | 431652 | 84.425U | 349,259 | 341,560 |
| | | | | Total Department of Education | 349,259 | 341,560 |
| | | | | Total Schedule of Expenditures of Federal Awards | \$ 8,901,928 | \$ 8,521,331 |

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Kennesaw State University Research and Service Foundation, Inc. (the "Foundation") under programs of the federal government for the year ended June 30, 2023 and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in its net assets, or cash flows of the Foundation.

Note 2—Summary of significant accounting policies

Basis of Accounting – Expenditures reported on the Schedule are prepared on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Negative Expenditures – Negative expenditures reported in the Schedule may be the result of a correction of an expenditure which was originally posted in a prior fiscal year, such as the recording of a refund for goods or services not received. Although the current expenditures on a grant may be negative, the total of all expenditures on the grant is expected to be positive over its entire period of performance.

Note 3—Assistance Listing numbers

All programs included in the Schedule are presented by Federal agency and major subdivision within the Federal agency. Pass-through awards have been presented by pass-through entity and Federal identification number or pass-through entity identification number, when available.

Note 4—Indirect cost rate

The Foundation has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Note 5—Noncash awards

The Foundation did not receive any material noncash federal awards during the year ended June 30, 2023.

Note 6—Contingencies

These award programs are subject to financial and compliance audits by grantor agencies. The amount, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, although the Foundation expects such amounts, if any, to be immaterial.

Note 7—Subrecipient

The Foundation provided all federal awards, net of a portion of the indirect costs retained by the Foundation, to Kennesaw State University as a subrecipient.

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness identified? X yes no
- Significant deficiencies identified that are not considered to be material weaknesses yes X none reported

Noncompliance material to financial statements noted yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness identified? yes X no
- Significant deficiencies identified that are not considered to be material weaknesses yes X none reported

Noncompliance material to federal awards yes X no

Type of auditor's report issued on compliance for the major federal program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of the major federal program:

Assistance
Listing #

Various (listed by ALN number on the Schedule)

Program Name

Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B Programs

\$ 750,000

Auditee qualified as low-risk auditee? X yes no

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

Section II. Findings in Relation to the Audit of the Financial Statements

Material Weakness

2023-001: Year-End Closing Process

Condition: The year-end closing process for the year ended June 30, 2023, extended over a period of time because monthly procedures were not performed during the fiscal year as it pertains to proper classification of net assets and accounting for proper revenue recognition resulting in a restatement of opening net assets, an overstatement of revenue and understatement of deferred revenue.

Criteria: Internal controls should be sufficient to provide assurance over the integrity of the year-end close process and ensure that financial statement balances are properly reconciled and reported.

Cause: There is an insufficient procedures in place at year-end to ensure that grant revenues, deferred revenue, and net assets are appropriately reconciled and reported in accordance with Generally Accepted Accounting Principles.

Effect: Because of the lack of timely review from the proper level of management, \$480,000 of grant revenue was recognized before eligibility requirements were met. Additionally, because prior year revenues were not recorded in accordance with donor / grantor restrictions, opening net position was restated to reflect restrictions on available resources. The restatement increased opening net assets without donor restrictions and decreased opening net assets with donor restrictions by \$379,345.

Repeat Finding: Yes.

Recommendation: Procedures should be implemented to ensure timely management review of revenue and deferred revenues, including net asset classifications resulting from donor / grantor restrictions. Additional oversight and review of detailed project reporting, including the timing of revenue recognition and classification resulting from donor / grantor restrictions are necessary to ensure proper cutoff and classification of revenues during the year-end close process.

Management's Response and Corrective Action Plan: See attached management's corrective action plan.

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

Section III. Federal Awards Findings and Questioned Costs

None noted.

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2023

Finding 2022-001 Year-end Closing Process

Condition: Grant revenues were not accurately recorded in the appropriate financial reporting period, also resulting in misstatement of accounts receivable and deferred revenue.

Current Status: Finding is repeated in the 2023 audit as finding 2023-001.

Finding 2022-002 Allowable Costs – Incomplete Time and Effort Certifications

Condition: To meet the requirements of the Uniform Guidance for time and effort reporting, the Foundation utilizes an after-the-fact effort reporting system to certify that salaries charged, or cost shared, to Federal awards are reasonable and consistent with the work performed. The individual's effort is first assigned to specific awards in the payroll system based on anticipated activities. Actual effort expended is then certified by a responsible person with suitable means of verification that the work was performed, generally the Principal Investigator, at the end of each semester. The Grants Office manually creates time and effort reports each semester. These effort reports are by Federal award and note all the employees who had payroll charged or cost shared to the project, the percentage of each employee's total payroll charged or cost shared to the project, as well as the percentage of each employee's total payroll charged to other projects or activities so that 100 percent of each employee's effort is reported. The Principal Investigator for each Federal award is required to sign the Time and Effort reports to certify the reasonableness of the estimated total work effort for the period covered by the report.

During our testing of the Research and Development Cluster, we sampled 40 expenditures. The sample was not intended to be and was not statistically valid. These 40 expenditures represented charges made on 20 federal awards. Payroll charges for 29 employees were selected for 9 of these federal awards. Our review of the Time and Effort Certifications resulted in the following:

- Certifications were not completed for five (5) employees who had charges on two (2) projects in our sample.
- For all the Time and Effort Certifications reviewed, the percentages of effort being certified were calculated based on the date the payroll charges were made or adjusted. If adjustments from a prior period were posted to a subsequent period, the percentage of effort for the period being certified were distorted and did not truly reflect the percentage of effort for the current term being certified.

Current Status: Finding has been resolved.



Kennesaw State University
Research and Service Foundation, Inc.

Audit Finding Number: 2023-001

Auditee's Response: We agree with the auditor's recommendation in finding 2023-001.

Corrective Action Plan: Procedures will be implemented to ensure the timely management review for deferred revenues. On the front end, cash received from fixed-price grants will be booked to deferred revenue first. When a new grant is received and a project ID is created, the project ID will be provided to the senior accountant for inclusion in the monthly journal entries. On the back end, the KSURSF team will develop a report that captures the activity of all grants by project ID. As part of a monthly checklist, the report will be reviewed to confirm the addition of new grants and the Director of Grants Accounting will confirm that fixed-price grants have been recorded appropriately to deferred revenue. As part of the monthly reconciliation for deferred revenue, the KSURSF team will explain any balances in revenues and expenses. The Controller will review the revenues and expenses by project report quarterly to look for excess revenue/expense.

Additionally, procedures will be implemented to ensure timely review of net asset classifications. Immediately, all projects identified as "with donor restrictions" will have current year activity reviewed and reclassified to the 02 fund. Software defaults for these projects will be checked, including speed charts, to confirm that all transactions running through the system are being recorded to 02. The KSURSF team will connect with the software vendor to see if business validation rules can be set up to create errors if a restricted grant has activity that attempts to post to fund 01. On a monthly basis, the Director of Grants Accounting will run a revenues and expenses report for restricted grants by project ID in fund 01 and correct any activity recorded. The Controller will review the end-of-year TRNA schedule utilizing the revenues and expenses by project ID report.

Anticipated Completion Date: March 2024 (complete and in practice)

Responsible Person, Title: Rob Bridges, Director of Grants Accounting

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