

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

**FINANCIAL REPORT**

**JUNE 30, 2014**

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

**FINANCIAL REPORT  
JUNE 30, 2014**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Kennesaw State University Research and Service Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kennesaw State University Research and Service Foundation, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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**Other Matters****Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2015, on our consideration of Kennesaw State University Research and Service Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kennesaw State University Research and Service Foundation, Inc.'s internal control over financial reporting and compliance.



Atlanta, Georgia  
January 15, 2015

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

**STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2014 AND 2013**

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Current assets		
Cash	\$ 1,014,919	\$ 1,103,798
Investments	1,678,578	1,676,575
Grants receivable	1,599,205	1,031,613
Prepaid expenses	-	500
Project advances	72,610	49,265
<b>Total current assets</b>	<b>4,365,312</b>	<b>3,861,751</b>
Software, net of accumulated amortization of \$16,329 and \$15,535, respectively	529	1,323
<b>Total assets</b>	<b>\$ 4,365,841</b>	<b>\$ 3,863,074</b>
<b><u>Liabilities and Net Assets</u></b>		
Current liabilities		
Accounts payable	\$ 1,680,123	\$ 2,016,508
Current maturities of long-term debt	12,941	12,941
Deferred revenue	1,098,599	769,968
<b>Total current liabilities</b>	<b>2,791,663</b>	<b>2,799,417</b>
Long-term debt, less current maturities	3,236	16,177
<b>Total liabilities</b>	<b>2,794,899</b>	<b>2,815,594</b>
Net assets		
Unrestricted	1,216,847	648,361
Temporarily restricted	354,095	399,119
<b>Total net assets</b>	<b>1,570,942</b>	<b>1,047,480</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,365,841</b>	<b>\$ 3,863,074</b>

**See Notes to Financial Statements.**

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

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues and other support</b>			
Contributions	\$ 47,628	\$ 622,491	\$ 670,119
Grants	4,049,306	-	4,049,306
Sales and service revenue	1,667,290	-	1,667,290
Royalties	23,737	-	23,737
Donated services and equipment	201,413	-	201,413
Interest income	5,121	-	5,121
Other income	31,273	-	31,273
Net assets released from restrictions	667,515	(667,515)	-
<b>Total revenues and other support</b>	6,693,283	(45,024)	6,648,259
<b>Expenses</b>			
Community clinic	5,095	-	5,095
Research grants and contracts	5,894,304	-	5,894,304
Development of intellectual property	111,612	-	111,612
Management and general	113,786	-	113,786
<b>Total expenses</b>	6,124,797	-	6,124,797
Change in net assets	568,486	(45,024)	523,462
Net assets, beginning of year	648,361	399,119	1,047,480
Net assets, end of year	<u>\$ 1,216,847</u>	<u>\$ 354,095</u>	<u>\$ 1,570,942</u>

**See Notes to Financial Statements.**

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

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues and other support</b>			
Contributions	\$ 25,438	\$ 562,584	\$ 588,022
Grants	3,636,308	-	3,636,308
Sales and service revenue	919,308	-	919,308
Royalties	22,716	-	22,716
Donated services and equipment	212,393	-	212,393
Interest income	3,083	-	3,083
Other income	31,553	-	31,553
Net assets released from restrictions	315,802	(315,802)	-
<b>Total revenues and other support</b>	<b>5,166,601</b>	<b>246,782</b>	<b>5,413,383</b>
<b>Expenses</b>			
Community clinic	51,738	-	51,738
Research grants and contracts	4,521,275	-	4,521,275
Development of intellectual property	92,085	-	92,085
Management and general	141,789	-	141,789
<b>Total expenses</b>	<b>4,806,887</b>	<b>-</b>	<b>4,806,887</b>
Change in net assets	359,714	246,782	606,496
Net assets, beginning of year	288,647	152,337	440,984
Net assets, end of year	<u>\$ 648,361</u>	<u>\$ 399,119</u>	<u>\$ 1,047,480</u>

**See Notes to Financial Statements.**

# KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2014

	Program Services			Management and General	Total
	Community Clinic	Research Grants and Contracts	Development of Intellectual Property		
<b>Expenses</b>					
Advertising	\$ -	\$ 31,430	\$ -	\$ -	\$ 31,430
Bank fees	-	230	-	6,958	7,188
Consultants/Honorariums	-	654,618	-	693	655,311
Amortization	-	-	-	794	794
Dues and subscriptions	-	17,811	-	-	17,811
Equipment	-	25,950	-	-	25,950
Gifts and contributions	-	18,047	-	120	18,167
Information technology services	-	-	-	4,424	4,424
Insurance	-	64,946	-	3,569	68,515
Lab supplies and fees	477	-	-	-	477
Legal and accounting	-	3,363	38,149	18,813	60,325
Licenses and permits	-	14,274	-	-	14,274
Management fee	-	26,216	-	-	26,216
Materials and supplies	-	83,041	-	797	83,838
Meals and entertainment	-	314,479	-	848	315,327
Meeting	-	94,217	-	-	94,217
Miscellaneous	-	2,781	-	-	2,781
Postage	-	15,106	-	3	15,109
Printing	-	39,821	-	-	39,821
Promotional material and incentives	-	2,713	-	-	2,713
Registration fees	-	22,049	-	1,825	23,874
Rent	1,200	162,179	-	-	163,379
Research subcontracted to KSU	2,181	4,001,727	-	100	4,004,008
Salaries and wages	-	50,261	73,463	73,463	197,187
Scholarships	-	164	-	-	164
Sponsorships	-	26,140	-	-	26,140
Stipends	-	8,400	-	-	8,400
Telephone	37	3,394	-	-	3,431
Travel	-	207,978	-	1,379	209,357
Utilities	1,200	2,969	-	-	4,169
<b>Total expenses</b>	<u>\$ 5,095</u>	<u>\$ 5,894,304</u>	<u>\$ 111,612</u>	<u>\$ 113,786</u>	<u>\$ 6,124,797</u>

**See Notes to Financial Statements.**



# KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2013

	Program Services			Management and General	Total
	Community Clinic	Research Grants and Contracts	Development of Intellectual Property		
<b>Expenses</b>					
Advertising	\$ -	\$ 2,578	\$ -	\$ -	\$ 2,578
Bank fees	-	568	-	3,640	4,208
Consultants/Honorariums	-	206,278	-	-	206,278
Amortization	1,265	3,031	-	794	5,090
Dues and subscriptions	300	28,105	-	2,250	30,655
Equipment	-	70,420	-	-	70,420
Gifts and contributions	-	68,696	-	-	68,696
Information technology services	1,575	5,168	-	850	7,593
Insurance	-	22,580	-	4,936	27,516
Lab supplies and fees	268	258	-	-	526
Legal and accounting	-	11,291	60,134	29,565	100,990
Licenses and permits	150	2,959	-	750	3,859
Materials and supplies	2,171	62,371	-	1,982	66,524
Meals and entertainment	-	122,701	-	4,965	127,666
Medical supplies	115	-	-	-	115
Meeting	-	75	-	-	75
Miscellaneous	-	1,803	-	10,193	11,996
Postage	-	272	-	26	298
Printing	-	39	-	-	39
Promotional material and incentives	-	2,875	-	-	2,875
Registration fees	-	6,916	-	750	7,666
Rent	4,800	189,882	-	-	194,682
Research subcontracted to KSU	8,642	3,480,978	-	259	3,489,879
Salaries and wages	31,951	31,951	31,951	79,740	175,593
Scholarships	-	4,300	-	-	4,300
Sponsorships	-	4,690	-	-	4,690
Stipends	-	52,650	-	-	52,650
Telephone	501	5,277	-	-	5,778
Travel	-	129,317	-	1,089	130,406
Utilities	-	3,246	-	-	3,246
<b>Total expenses</b>	<b>\$ 51,738</b>	<b>\$ 4,521,275</b>	<b>\$ 92,085</b>	<b>\$ 141,789</b>	<b>\$ 4,806,887</b>

**See Notes to Financial Statements.**

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

**STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 523,462	\$ 606,496
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Amortization	794	5,090
Net change in:		
Grants receivable	(567,592)	(270,408)
Prepaid expenses and other assets	(22,845)	(36,713)
Accounts payable	(336,385)	1,014,713
Deferred revenue	328,631	(94,667)
Net cash provided by (used in) operating activities	<u>(73,935)</u>	<u>1,224,511</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of investments	<u>(2,003)</u>	<u>(1,676,575)</u>
Net cash (used in) investing activities	<u>(2,003)</u>	<u>(1,676,575)</u>
<b>FINANCING ACTIVITIES</b>		
Payments on long-term debt	<u>(12,941)</u>	<u>(12,941)</u>
Net cash (used in) financing activities	<u>(12,941)</u>	<u>(12,941)</u>
Decrease in cash	(88,879)	(465,005)
Cash, beginning of year	<u>1,103,798</u>	<u>1,568,803</u>
Cash, end of year	<u>\$ 1,014,919</u>	<u>\$ 1,103,798</u>

**See Notes to Financial Statements.**

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

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## **NOTE 1. ORGANIZATION**

Kennesaw State University Research and Service Foundation, Inc. (the "Foundation") was established and incorporated as a non-profit organization in the State of Georgia in August 2005 to contribute to the educational, research and service functions of Kennesaw State University (the "University"). The Foundation secures gifts, contributions and grants from individuals, private organizations and public agencies and obtains contracts with such individuals or entities for the performance of sponsored research, development, education, or other programs by the various colleges, schools, departments or other units of the University. All research grants awarded to the Foundation are subcontracted to the University. At June 30, 2014 and 2013 there was \$1,593,878 and \$1,964,661, respectively, due to the University related to research grants awarded. The amounts are included in accounts payable on the statements of financial position.

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Presentation**

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

The Foundation presents its financial statements in accordance with Financial Accounting Standards Board (FASB) ASC, *Financial Statements of Not-for-Profit Organizations*. Under this standard, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Foundation does not have any permanently restricted net assets as of June 30, 2014 and 2013.

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

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

### **Cash Concentration**

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Contributions

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

#### Revenue Recognition

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

#### Grants Receivable

Grants receivable represents amounts due to the Foundation for research from various funding sources. An allowance for uncollectible receivables is provided based on management's evaluation of potential uncollectible amounts at year end. Management did not consider any amounts to be uncollectible at June 30, 2014 and 2013.

#### Deferred Revenue

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

#### Donated Services and Equipment

Donated services and equipment are reflected as revenues and other support in the accompanying statement of activities at their estimated values at the date of receipt. Donated services represent salaries and wages paid by the University on behalf of the Foundation. Donated equipment represents equipment donated by third parties. Donated services and equipment totaled \$201,413 and \$212,393 for the years ended June 30, 2014 and 2013, respectively.

#### Software

Software is stated at cost less accumulated amortization. Amortization amounted to \$794 and \$5,090 for the years ended June 30, 2014 and 2013, respectively and is computed using the straight-line method over the estimated useful life of 3 years.

#### Fair Value of Financial Instruments

At June 30, 2014 and 2013, the carrying value of financial instruments such as cash, accounts receivable and payable approximated their fair values due to the short-term maturity of these financial instruments.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Income Tax

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

The Foundation accounts for uncertain tax positions in accordance with accounting standards that provide guidance on when uncertain tax positions are recognized in an entity's financial statements and how the values of these positions are determined. No liability has been recorded as of June 30, 2014 and 2013 due to uncertain tax positions.

With few exceptions, the Foundation is no longer subject to U.S. federal income tax examinations for years before 2010.

#### Functional Allocation of Expenses

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

#### Use of Estimates

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

### NOTE 3. LONG-TERM DEBT

The Foundation received an uncollateralized zero interest term loan from a related party, Kennesaw State University Foundation, during the year ended June 30, 2011. The loan is payable in quarterly principal installments of \$3,235 and matures on September 30, 2015.

Scheduled maturities required on long-term debt for future years are as follows:

During the year ended June 30,		
2015	\$	12,941
2016		3,236
Total	\$	<u>16,177</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. FAIR VALUE MEASUREMENTS

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

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

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

Level 2: Inputs to the valuation methodology include:

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

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

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

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

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

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

The fair values of the Foundation's investment assets at June 30, 2014 and 2013, by asset class are as follows:

	Investments at Fair Value as of June 30, 2014			
	Level 1	Level 2	Level 3	Total
Georgia Fund 1				
Repurchase agreements	\$ -	\$ 537,145	\$ -	\$ 537,145
Certificates of deposit	-	520,359	-	520,359
Agency securities	-	470,002	-	470,002
Commercial paper	-	151,072	-	151,072
	\$ -	\$ 1,678,578	\$ -	\$ 1,678,578

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

	Investments at Fair Value as of June 30, 2013			
	Level 1	Level 2	Level 3	Total
Georgia Fund 1				
Repurchase agreements	\$ -	\$ 620,333	\$ -	\$ 620,333
Certificates of deposit	-	519,738	-	519,738
Agency securities	-	452,675	-	452,675
Commercial paper	-	83,829	-	83,829
	\$ -	\$ 1,676,575	\$ -	\$ 1,676,575

### NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

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

At June 30, 2014 and 2013, temporarily restricted net assets were available for the following:

	2014	2013
Research agreements	\$ 354,095	\$ 399,119

Temporarily restricted net assets consist of cash at June 30, 2014 and 2013.

### NOTE 6. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions during the years ended June 30, 2014 and 2013 by incurring expenses satisfying the restricted purpose of research and development as specified by donors and grantors. Net assets released from restrictions totaled \$667,515 and \$315,802 for the years ended June 30, 2014 and 2013, respectively.

### NOTE 7. COMMITMENTS

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

### NOTE 8. SUBSEQUENT EVENTS

Management has evaluated events occurring through January 15, 2015, the date the financial statements were available to be issued.

## **SUPPLEMENTAL INFORMATION**



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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Federal CFDA #</b>	<b>Passthrough Identifying Number</b>	<b>Federal Expenditures</b>
<b>Department of Defense</b>			
KSU STARTALK	12.900		103,322
<b>Total Department of Defense</b>			<b>103,322</b>
<b>Department of the Interior</b>			
Passthrough: University of West Georgia StateView Program Development and Operations for the State of Georgia	15.815	SA0812-17254-01	1,978
<b>Total Department of the Interior</b>			<b>1,978</b>
<b>United States Institute of Peace</b>			
Humanitarian Assistance, Refugees, & Peacebuilding Workshop Series	91.004		453
<b>Total United States Institute of Peace</b>			<b>453</b>
<b>National Aeronautics and Space Administration</b>			
Passthrough: Georgia Institute of Technology NASA Space Grant Consortium	43.001	RB130-G10	15,584
<b>Total National Aeronautics and Space Administration</b>			<b>15,584</b>
<b>Department of Education</b>			
Passthrough: Georgia Department of Education Northwest Georgia Math and Science Education Partnership	84.366	N/A	526,285
Passthrough: University of Georgia Improving Teacher Quality State Grants Statistics and Probability Math Teachers' Circle	84.367	RH216-309/4941506	8,139
SciTech	84.367	N/A	17,750
The Cobb County Area 2 Teaching Collaborative	84.367	N/A	28,954
Watershed Conversation: A Cobb/Paulding Environmental Science Curriculum	84.367	N/A	18,834
			73,677
Asian Studies at Kennesaw State University	84.016		105,379
<b>Total Department of Education</b>			<b>705,341</b>
<b>National Endowment for the Humanities</b>			
Passthrough: American Library Association Let's Talk About It: Muslim Journeys	45.164	N/A	3,014
<b>Total National Endowment for the Humanities</b>			<b>3,014</b>
<i>Highway Safety Cluster</i>			
<b>Department of Transportation</b>			
Passthrough: Governor's Office of Highway Safety Young Adult Application	20.600	YA-2013-000-00406	11,209
<b>Total Department of Transportation</b>			<b>11,209</b>
<i>CDBG - Entitlement Grants Cluster</i>			
<b>Department of Housing and Urban Development</b>			
Passthrough: Cobb County CDBG Program Cobb County Development Block Grant Program	14.218	CD12-C12CW-P	2,181
<b>Total Department of Housing and Urban Development</b>			<b>2,181</b>

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Federal CFDA #</u>	<u>Passthrough Identifying Number</u>	<u>Federal Expenditures</u>
<i>Research &amp; Development Cluster</i>			
<b>Department of Health and Human Services</b>			
Biomedical Research and Research Training Grants			
Passthrough: The Regents of the University of New Mexico			
Center for the Spatiotemporal Modeling of Cell Signaling (STMC)	93.859	3R85S	2,229
Passthrough: Rush University Medical Center			
Selectivity and Permeation in the Human Voltage-gated Proton Channel, hHv1	93.859	N/A	40,228
Purification of a Modified Flagellar Export Apparatus	93.859		71,126
Molecular Mechanism of Aririn Function During Myogenesis	93.859		91,669
DNA-Binding Protein Discovery by the Combinatorial Method REPSA	93.859		40,230
Total Biomedical Research and Research Training Grants			<u>245,482</u>
<b>Total Department of Health and Human Services</b>			<b>245,482</b>
<b>National Science Foundation</b>			
Mathematical and Physical Sciences Grants			
Differential and Total Cross Sections of Top Quard Production and Other Processes at the LHC	47.049		42,335
Passthrough: Brigham Young University			
Cyclic Dominating Sets	47.049	N/A	6,250
Total Mathematical and Physical Sciences Grants			<u>48,585</u>
Passthrough: Georgia Institute of Technology			
Center for Chemical Evolution	47.070	RB011-G10	29,730
Biological Sciences Grants			
Investigating Hox Gene Regulation of Paired Appendage Patterning in the Basal Actinopterygian, Polyodon	47.074		117,964
Regulation of Flagellar Biogenesis in H. Pylori	47.074		48,034
Characterization of the Manganese Centers of Oxalate Oxidase from Ceriporiopsis Subvermispora	47.074		25,167
Investigating Novel Mechanisms of MAPKAP Kinase 2 (MK2) Regulation	47.074		115,017
MRI: Acquisition of a Confocal Microscope for Multidisciplinary Research	47.074		301,000
Voltagegated Proton Channels in Dinoflagellates	47.074		33,105
Acquisition of a Spectropolarimeter	47.074		102,951
Passthrough: Regents of the University of Michigan			
The Spider and the Web: Inference in Ecological Networks	47.074	3R85S	18,818
Total Biological Sciences Grants			<u>762,056</u>
Education and Human Resources Grants			
Recruiting and Retaining Teacher Leaders in Physics and Chemistry	47.076		460,125
WIKled Biology	47.076		44,813
Scholarship Program in Science and Mathematics	47.076		16,604
Teacher Recruitment Initiative in Physics and Chemistry	47.076		145,657
Collaborative Research: Analytic Method Transfer - Development of Case Stu	47.076		7,352
The Pipeline to Teacher Preparation in Chemistry and Physics	47.076		58,610
TELBio: Teaching English Learners Biology	47.076		35,493
Passthrough: University of Georgia			
Strengthening the Stem Pipeline in the Peach State Recruitment, Retention and Research (New Alliance)	47.076	RR740-010/4940376	89,895
Passthrough: The Pennsylvania State University			
Integrating Quality Talk Professional Development to Enhance Professional Vision and Leadership for STEM Teachers in High-Need Schools	47.076	N/A	16,083
Total Education and Human Resources Grants			<u>874,632</u>
Passthrough: Utah Valley University			
CI-Team Implementation Project: Native American Regional IT Industry Workforce Development	47.080	N/A	10,258
ARRA - Increasing Mathematics Teachers for ALL Students	47.082		53,197
<b>Total National Science Foundation</b>			<b>1,778,458</b>
<b>Department of Defense</b>			
Multi-Chromatic Ultrashort Pulse Filamentation and Bulk Modification in Dielectrics	12.800		127,212
Passthrough: The University of Texas at San Antonio			
Collegiate Cyber Defense Competition	12.300	26-0201-15 KSURS	16,665
<b>Total Department of Defense</b>			<b>143,877</b>
			<b>\$ 3,010,899</b>

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

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**NOTE 1. BASIS OF PRESENTATION**

Kennesaw State University Research and Service Foundation, Inc. presents its schedule of expenditures of federal awards on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

**NOTE 2. SUBRECIPIENT**

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kennesaw State University Research and Service Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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 January 15, 2015.

***Internal Control Over Financial Reporting***

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

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

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

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**Compliance and Other Matters**

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

**Purpose of this Report**

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

Mauldin & Jenkins, LLC

Atlanta, Georgia  
January 15, 2015



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

### Report on Compliance for Each Major Federal Program

We have audited Kennesaw State University Research and Service Foundation, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Kennesaw State University Research and Service Foundation, Inc.'s major federal programs for the year ended June 30, 2014. Kennesaw State University Research and Service Foundation, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Kennesaw State University Research and Service Foundation, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kennesaw State University Research and Service Foundation, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, Kennesaw State University Research and Service Foundation, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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## Report on Internal Control Over Compliance

Management of Kennesaw State University Research and Service Foundation, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Kennesaw State University Research and Service Foundation, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Kennesaw State University Research and Service Foundation, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia  
January 15, 2015

**KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE  
FOUNDATION, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014**

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**I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:**

**Financial Statements:**

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

**Federal Awards:**

Internal controls over major programs:		
Material weaknesses identified?		<u>X</u>
Significant deficiencies identified not considered to be material weaknesses?		<u>None Reported</u>
Type of auditors' report issued on compliance for major programs	<u>Unmodified</u>	
Audit findings required to be reported in accordance with OMB Circular A-133 Section 510(a)	<u>None</u>	

**Identification of major programs:**

Research & Development Cluster	12.300, 12.800, 47.049, 47.070, 47.074, 47.076, 47.080, 47.082, 93.859
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Dollar threshold used to distinguish between Type A and Type B programs	<u>\$ 300,000</u>	
	<u>Yes</u>	<u>No</u>
Auditee qualified as low-risk auditee?		<u>X</u>
Financial statement findings?		<u>X</u>
Federal award findings questioned costs?		<u>X</u>



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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
YEAR ENDED JUNE 30, 2014**

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**II. FINANCIAL STATEMENT FINDINGS**

NONE

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

NONE

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

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

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**II. FINANCIAL STATEMENT FINDINGS**

NONE

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

NONE