

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

FINANCIAL REPORT

JUNE 30, 2015

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

**FINANCIAL REPORT
JUNE 30, 2015**

TABLE OF CONTENTS

Page

INDEPENDENT AUDITOR'S REPORT.....	1 and 2
FINANCIAL STATEMENTS	
Statements of financial position	3
Statements of activities.....	4 and 5
Statements of functional expenses	6 and 7
Statements of cash flows.....	8
Notes to financial statements.....	9-13
SUPPLEMENTAL INFORMATION	
Schedule of expenditures of federal awards	14 and 15
Notes to schedule of expenditures of federal awards	16
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 <i>GOVERNMENT AUDITING STANDARDS</i>	17 and 18
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133.....	19 and 20
Schedule of findings and questioned costs	21 and 22
Schedule of prior audit findings and questioned costs	23



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of **Kennesaw State University Research and Service Foundation, Inc.** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by 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 22, 2016, 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 22, 2016

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

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014**

<u>Assets</u>	<u>2015</u>	<u>2014</u>
Current assets		
Cash	\$ 2,505,251	\$ 1,014,919
Investments	1,681,136	1,678,578
Grants receivable	1,480,375	1,599,205
Prepaid expenses	32,725	-
Project advances	85,471	72,610
Total current assets	5,784,958	4,365,312
Software, net of accumulated amortization of \$3,968 and \$16,329, respectively	-	529
Total assets	\$ 5,784,958	\$ 4,365,841
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	\$ 2,063,981	\$ 1,680,123
Current maturities of long-term debt	3,236	12,941
Deferred revenue	1,799,756	1,098,599
Total current liabilities	3,866,973	2,791,663
Long-term debt, less current maturities	-	3,236
Total liabilities	3,866,973	2,794,899
Net assets		
Unrestricted	1,531,711	1,216,847
Temporarily restricted	386,274	354,095
Total net assets	1,917,985	1,570,942
Total liabilities and net assets	\$ 5,784,958	\$ 4,365,841

See Notes to Financial Statements.

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

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	Unrestricted	Temporarily Restricted	Total
Revenues and other support			
Contributions	\$ 28,004	\$ 589,951	\$ 617,955
Grants	4,054,901	153,096	4,207,997
Sales and service revenue	1,839,619	-	1,839,619
Royalties	32,575	-	32,575
Donated services and equipment	206,053	-	206,053
Interest income	5,670	-	5,670
Other income	56,222	-	56,222
Net assets released from restrictions	710,868	(710,868)	-
Total revenues and other support	6,933,912	32,179	6,966,091
Expenses			
Research grants and contracts	6,334,488	-	6,334,488
Development of intellectual property	136,550	-	136,550
Management and general	148,010	-	148,010
Total expenses	6,619,048	-	6,619,048
Change in net assets	314,864	32,179	347,043
Net assets, beginning of year	1,216,847	354,095	1,570,942
Net assets, end of year	<u>\$ 1,531,711</u>	<u>\$ 386,274</u>	<u>\$ 1,917,985</u>

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>
Revenues and other support			
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)	-
Total revenues and other support	6,693,283	(45,024)	6,648,259
Expenses			
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
Total expenses	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 FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015**

	<u>Program Services</u>			<u>Total</u>
	<u>Research Grants and Contracts</u>	<u>Development of Intellectual Property</u>	<u>Management and General</u>	
Expenses				
Advertising	\$ 44,353	\$ -	\$ -	\$ 44,353
Bank fees	3,374	-	7,737	11,111
Consultants/Honorariums	801,642	-	88	801,730
Amortization	-	-	529	529
Dues and subscriptions	31,260	-	155	31,415
Equipment	8,221	-	9,758	17,979
Gifts and contributions	35,205	-	202	35,407
Management fee	49,066	14	-	49,080
Information technology services	-	-	750	750
Insurance	46,372	-	3,345	49,717
Legal and accounting	477	60,316	20,376	81,169
Licenses and permits	13,843	-	-	13,843
Materials and supplies	93,089	-	1,517	94,606
Meals and entertainment	257,082	459	3,192	260,733
Miscellaneous	1,748	-	-	1,748
Postage	12,871	-	-	12,871
Printing	34,470	-	-	34,470
Promotional material and incentives	10	-	-	10
Recruiting expense	2,946	-	-	2,946
Registration fees	58,095	-	20,030	78,125
Rent	462,140	-	-	462,140
Research subcontracted to KSU	3,941,224	-	3,839	3,945,063
Salaries and wages	54,530	75,761	75,761	206,052
Scholarships	10,993	-	-	10,993
Sponsorships	11,755	-	-	11,755
Stipends	22,700	-	-	22,700
Telephone	6,163	-	-	6,163
Travel	327,668	-	731	328,399
Utilities	3,191	-	-	3,191
Total expenses	<u>\$ 6,334,488</u>	<u>\$ 136,550</u>	<u>\$ 148,010</u>	<u>\$ 6,619,048</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				Total
	Community Clinic	Research Grants and Contracts	Development of Intellectual Property	Management and General	
Expenses					
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
Management fee	-	26,216	-	-	26,216
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
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
Total expenses	\$ 5,095	\$ 5,894,304	\$ 111,612	\$ 113,786	\$ 6,124,797

See Notes to Financial Statements.

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

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 347,043	\$ 523,462
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Amortization	529	794
Net change in:		
Grants receivable	118,830	(567,592)
Prepaid expenses and other assets	(45,586)	(22,845)
Accounts payable	383,858	(336,385)
Deferred revenue	701,157	328,631
Net cash provided by (used in) operating activities	<u>1,505,831</u>	<u>(73,935)</u>
INVESTING ACTIVITIES		
Purchases of investments	<u>(2,558)</u>	<u>(2,003)</u>
Net cash (used in) investing activities	<u>(2,558)</u>	<u>(2,003)</u>
FINANCING ACTIVITIES		
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>
Increase (decrease) in cash	1,490,332	(88,879)
Cash, beginning of year	<u>1,014,919</u>	<u>1,103,798</u>
Cash, end of year	<u>\$ 2,505,251</u>	<u>\$ 1,014,919</u>

See Notes to Financial Statements.

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

NOTE 1. ORGANIZATION

Kennesaw State University Research and Service Foundation, Inc. (the "Foundation") was established and incorporated as a non-profit organization in the state of Georgia in August 2005 to contribute to the educational, research and service functions of Kennesaw State University (the "University"). The Foundation secures gifts, contributions and grants from individuals, private organizations and public agencies and obtains contracts with such individuals or entities for the performance of sponsored research, development, education, or other programs by the various colleges, schools, departments or other units of the University. All research grants awarded to the Foundation are subcontracted to the University. At June 30, 2015 and 2014 there was \$1,837,738 and \$1,593,878, 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, 2015 and 2014.

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

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

Cash Concentration

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

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

Revenue Recognition

Revenue from research 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, 2015 and 2014.

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 statements 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 \$206,053 and \$201,413 for the years ended June 30, 2015 and 2014, respectively.

Software

Software is stated at cost less accumulated amortization. Amortization expense was \$529 and \$794 for the years ended June 30, 2015 and 2014, 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, 2015 and 2014, 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax

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

The Foundation accounts for uncertain tax positions in accordance with accounting standards that provide guidance on when uncertain tax positions are recognized in an entity's financial statements and how the values of these positions are determined. No liability has been recorded as of June 30, 2015 and 2014 due to uncertain tax positions.

Functional Allocation of Expenses

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

Use of Estimates

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

NOTE 3. 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 \$3,236 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,	
2016	<u>\$ 3,236</u>

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

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, 2015 and 2014, by asset class are as follows:

	Investments at Fair Value as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Georgia Fund 1				
Repurchase agreements	\$ -	\$ 420,284	\$ -	\$ 420,284
Certificates of deposit	-	622,020	-	622,020
Agency securities	-	504,341	-	504,341
Commercial paper	-	134,491	-	134,491
	\$ -	\$ 1,681,136	\$ -	\$ 1,681,136

NOTES TO FINANCIAL STATEMENTS

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

	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

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, 2015 and 2014, temporarily restricted net assets were available for the following:

	2015	2014
Research agreements	\$ 386,274	\$ 354,095

Temporarily restricted net assets consist of cash at June 30, 2015 and 2014.

NOTE 6. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions during the years ended June 30, 2015 and 2014 by incurring expenses satisfying the restricted purpose of research and development as specified by donors and grantors. Net assets released from restrictions totaled \$710,868 and \$667,515 for the years ended June 30, 2015 and 2014, 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 22, 2016, 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, 2015**

	<u>Federal CFDA #</u>	<u>Passthrough Identifying Number</u>	<u>Federal Expenditures</u>
Department of Agriculture			
Passthrough: Georgia Department of Agriculture Specialty Crop Block Grant Program - Farm Bill	10.170	USDA/AMS 2013	4,998
Total Department of Agriculture			4,998
Department of the Interior			
Passthrough: University of West Georgia National Land Remote Sensing - Education Outreach and Research	15.815	1102_54CKSU	1,991
Total Department of the Interior			1,991
Department of State			
Public Diplomacy Program	19.040		103,014
Total Department of State			103,014
Department of Education			
Passthrough: Georgia Department of Education Mathematics and Science Partnerships	84.366	N/A	594,994
Passthrough: University of Georgia Improving Teacher Quality State Grants	84.367	331/4945796, RH216- 331/4945806, RH216- 343/5054446	95,975
Passthrough: Southern Polytechnic Applied Research Corporation Race to the Top	84.395	A10020	31,906
Undergraduate International Studies and Foreign Language Programs	84.016		11,050
Fund for the Improvement of Postsecondary Education	84.116		11,795
Total Department of Education			745,720
National Endowment for the Humanities			
Promotion of the Humanities - Professional Development	45.163		7,418
Passthrough: American Library Association Promotion of the Humanities - Public Programs	45.164	N/A	500
Total National Endowment for the Humanities			7,918
<i>Highway Safety Cluster</i>			
Department of Transportation			
Passthrough: Governor's Office of Highway Safety State and Community Highway Safety	20.600	YA-2013-000-00406, YA-2015- 000-00221	8,848
Total Department of Transportation			8,848
<i>Total Highway Safety Cluster</i>			<i>8,848</i>

KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE FOUNDATION, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
FOR THE YEAR ENDED JUNE 30, 2015**

	Federal CFDA #	Passthrough Identifying Number	Federal Expenditures
<i>Student Financial Assistance Programs Cluster</i>			
Department of Health and Human Services			
Nurse Faculty Loan Program	93.264		64,115
Total Department of Health and Human Services			64,115
<i>Total Student Financial Assistance Programs Cluster</i>			<i>64,115</i>
<i>Research & Development Cluster</i>			
Department of Health and Human Services			
Biomedical Research and Research Training Passthrough: Rush University Medical Center	93.859		184,410
Biomedical Research and Research Training Total Biomedical Research and Research Training Grants	93.859	1R01GM102336-01A0	<u>61,394</u> 245,804
Total Department of Health and Human Services			245,804
National Science Foundation			
Education and Human Resources Passthrough: University of Georgia	47.076		898,282
Education and Human Resources Passthrough: Pennsylvania State University	47.076	RR740-010/4942056, RR470-010/4945266	104,524
Education and Human Resources Total Education and Human Resources Grants	47.076	4690-KSU-NSF-6347	<u>1,615</u> 1,004,421
Mathematical and Physical Sciences Passthrough: The Mathematical Association of America	47.049		29,696
Mathematical and Physical Sciences Total Mathematical and Physical Sciences	47.049	MAA RUMC DMS-0846477	<u>2,724</u> 32,420
Passthrough: Georgia Institute of Technology			
Computer and Information Science and Engineering	47.070	RB011-G10	22,282
Biological Sciences	47.074		245,765
ARRA - Trans-NSF Recovery Act Research Support	47.082		25,926
Total National Science Foundation			1,330,814
National Aeronautics and Space Administration			
Passthrough: Georgia Institute of Technology Science	43.001	RB130-G10	7,288
Total National Aeronautics and Space Administration			7,288
Department of Defense			
Air Force Defense Research Sciences Program Passthrough: The University of Texas at San Antonio	12.800		98,060
Basic and Applied Scientific Research	12.300	326020115H	15,499
Total Department of Defense			113,559
<i>Total Research & Development Cluster</i>			<i>1,697,465</i>
			<u>\$ 2,634,069</u>

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

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**

**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, 2015, 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 22, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 22, 2016



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

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, 2015. 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, 2015.

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 22, 2016

**KENNESAW STATE UNIVERSITY RESEARCH AND SERVICE
FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:

Financial Statements:

Type of auditors' report issued

Unmodified

Yes

No

Internal control over financial reporting:

Material weaknesses identified?

X

Significant deficiencies identified not considered to be material weaknesses?

None
Reported

Noncompliance material to the financial statements noted?

X

Federal Awards:

Internal controls over major programs:

Material weaknesses identified?

X

Significant deficiencies identified not considered to be material weaknesses?

None
Reported

Type of auditors' report issued on compliance for major programs

Unmodified

Audit findings required to be reported in accordance with OMB Circular A-133 Section 510(a)

X

Identification of major programs:

Research & Development Cluster

12.300, 12.800,
43.001, 47.049,
47.070, 47.074,
47.076, 47.082,
93.859

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

\$ 300,000

Yes

No

Auditee qualified as low-risk auditee?

X

Financial statement findings?

X

Federal award findings questioned costs?

X

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
YEAR ENDED JUNE 30, 2015**

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, 2014**

II. FINANCIAL STATEMENT FINDINGS

NONE

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE