KENNESAW STATE UNIVERSITY FOUNDATION, INC.

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2016

KENNESAW STATE UNIVERSITY FOUNDATION, INC.

CONSOLIDATED FINANCIAL REPORT
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of **Kennesaw State University Foundation, Inc.** (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated 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 organization'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 consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kennesaw State University Foundation, Inc. as of June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 6, 2016

KENNESAW STATE UNIVERSITY
FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

ASSETS	2016	2015
Cash	**$ 14,645,148**	$ 9,924,895
Unconditional promises to give, net	**4,343,703**	4,318,076
Rents receivable, net of allowance accounts 2016 $50,322; 2015 $54,617	**148,131**	118,299
Accounts receivable - other	**50,018**	159,326
Accounts receivable - related party	**550,634**	1,513,919
Notes receivable - related party	**18,750**	59,485
Prepaid expenses	**257,984**	288,533
Other assets	**11,030**	11,030
Investments	**45,079,481**	40,804,084
Net investments in direct financing leases	**223,558,847**	232,381,689
Donated art	**1,896,711**	2,099,011
Property and equipment, net	**97,385,283**	113,548,088
Debt issuance costs,		
net of amortization accounts 2016 $2,643,804; 2015 $3,300,922	**7,138,882**	7,535,945
Assets limited as to use	**48,787,844**	46,754,636
Total assets	**$ 443,872,446**	$ 459,517,016
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	**$ 237,853**	$ 444,672
Accounts payable - related party	**2,367,200**	2,047,300
Security deposits payable	**98,991**	43,455
Accrued expenses	**1,480,886**	3,125,431
Accrued interest	**8,422,299**	7,732,991
Notes payable	**-**	12,718,473
Bonds payable, net	**381,780,400**	390,731,820
Annuity obligation	**43,776**	63,788
Deferred revenue	**872,392**	681,728
Total liabilities	**395,303,797**	417,589,658
Net assets		
Unrestricted	**4,327,853**	164,560
Temporarily restricted	**10,931,290**	12,546,074
Permanently restricted	**33,309,506**	29,216,724
Total net assets	**48,568,649**	41,927,358
Total liabilities and net assets	**$ 443,872,446**	$ 459,517,016

See Notes to Consolidated Financial Statements.

KENNESAW STATE UNIVERSITY
FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Contributions and special events	$ 153,616	$ 2,204,167	$ 3,811,874	$ 6,169,657
Investment income	414,466	613,752	-	1,028,218
Net realized and unrealized gain (loss) on investments	(66,650)	(574,796)	-	(641,446)
Donated services	115,008	-	-	115,008
Management fee income	358,790	-	-	358,790
Loss on extinguishment of bond debt	(305,308)	-	-	(305,308)
Leasing income	42,217,563	-	-	42,217,563
Total revenues	42,887,485	2,243,123	3,811,874	48,942,482
Net assets released from restrictions:				
Satisfaction of program restrictions	3,551,999	(3,551,999)	-	-
Total revenues and other support	46,439,484	(1,308,876)	3,811,874	48,942,482
EXPENSES				
Program services:				
Scholarships & awards	1,284,754	-	-	1,284,754
Academic programs and dean support	1,320,749	-	-	1,320,749
Other university support	2,504,004	-	-	2,504,004
Athletics	273,166	-	-	273,166
Special events & programs	275,286	-	-	275,286
Campus facilities:				
Rental operations	12,655,293	-	-	12,655,293
Depreciation	5,229,865	-	-	5,229,865
Amortization	577,813	-	-	577,813
Debt service	15,884,578	-	-	15,884,578
Total campus facilities	34,347,549	-	-	34,347,549
Total program services	40,005,508	-	-	40,005,508
Supporting services:				
Management and general	2,070,331	-	-	2,070,331
Fundraising	225,352	-	-	225,352
Total supporting services	2,295,683	-	-	2,295,683
Total expenses and losses	42,301,191	-	-	42,301,191
CHANGE IN NET ASSETS	4,138,293	(1,308,876)	3,811,874	6,641,291
NET ASSETS (DEFICIT), BEGINNING	164,560	12,546,074	29,216,724	41,927,358
CHANGE IN DONOR INTENT	25,000	(305,908)	280,908	-
NET ASSETS, ENDING	$ 4,327,853	$ 10,931,290	$ 33,309,506	$ 48,568,649

See Notes to Consolidated Financial Statements.

2015			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 132,261	$ 3,073,318	$ 3,578,506	$ 6,784,085
857,039	629,296	-	1,486,335
3,553,505	(229,315)	-	3,324,190
119,309	-	-	119,309
417,251	-	-	417,251
(6,660,774)	-	-	(6,660,774)
42,779,647	-	-	42,779,647
41,198,238	3,473,299	3,578,506	48,250,043
3,502,384	(3,502,384)	-	-
44,700,622	(29,085)	3,578,506	48,250,043
1,151,127	-	-	1,151,127
1,415,327	-	-	1,415,327
2,311,301	-	-	2,311,301
254,509	-	-	254,509
128,080	-	-	128,080
11,815,208	-	-	11,815,208
5,292,344	-	-	5,292,344
646,488	-	-	646,488
16,044,803	-	-	16,044,803
33,798,843	-	-	33,798,843
39,059,187	-	-	39,059,187
1,985,565	-	-	1,985,565
222,518	-	-	222,518
2,208,083	-	-	2,208,083
41,267,270	-	-	41,267,270
3,433,352	(29,085)	3,578,506	6,982,773
(3,268,091)	12,594,670	25,618,006	34,944,585
(701)	(19,511)	20,212	-
$ 164,560	$ 12,546,074	$ 29,216,724	$ 41,927,358

KENNESAW STATE UNIVERSITY
FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	**$ 6,641,291**	$ 6,982,773
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	**5,229,865**	5,292,344
Amortization expense	**1,184,807**	4,187,064
Amortization of bond premiums and original issue discount	**(2,097,076)**	(2,002,548)
Contributions restricted for long-term investment	**(3,811,874)**	(3,578,506)
Transfer of donated art to University	**202,300**	-
Net realized and unrealized loss (gain) on investments	**641,446**	(3,324,190)
(Increase) decrease in:		
Unconditional promises to give	**(25,627)**	(2,976,932)
Accounts receivable - related party	**963,285**	(1,131,338)
Notes receivable - related party	**40,735**	31,692
Other receivables	**79,476**	49,493
Prepaid expenses	**30,549**	100,729
Other assets	**-**	44,824
Increase (decrease) in:		
Accounts payable	**(206,819)**	(30,769)
Accounts payable - related party	**319,900**	(9,682)
Security deposits payable	**55,536**	(1,343)
Accrued expenses	**(1,644,545)**	374,142
Accrued interest	**689,308**	(1,271,642)
Annuity obligation	**(20,012)**	(20,012)
Deferred revenue	**190,664**	171,176
Net cash provided by operating activities	**8,463,209**	2,887,275
CASH FLOWS FROM INVESTING ACTIVITIES		
Principal received on net investments in direct financing leases	**7,481,492**	3,235,954
Purchase of property and equipment	**(356,254)**	(18,417,742)
Net purchase of investments	**(4,916,843)**	(195,443)
Proceeds from sale of property and equipment	**12,630,544**	-
Payments of capital interest	**-**	(1,714,944)
Net cash provided by (used in) investing activities	**14,838,939**	(17,092,175)

See Notes to Consolidated Financial Statements.

	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in endowment	**3,811,874**	3,578,506
Principal payments on notes payable	**(12,718,473)**	(3,455,005)
Proceeds from bond issuance	**41,190,654**	113,237,345
Bond redemption	**(48,044,998)**	(115,600,000)
Debt issuance costs	**(787,744)**	(2,007,155)
Net change in funds held by Trustee	**(2,033,208)**	17,427,344
Net cash (used in) provided by financing activities	**(18,581,895)**	13,181,035
Net increase (decrease) in cash	**4,720,253**	(1,023,865)
Cash at beginning of year	**9,924,895**	10,948,760
Cash at end of year	**$ 14,645,148**	$ 9,924,895
SUPPLEMENTAL DATA FOR INVESTING AND FINANCING ACTIVITIES		
Interest paid (excluding capitalized interest)	**$ 16,349,102**	$ 17,412,476
Land removed from investment in direct financing lease	**$ 1,341,350**	$ -

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of activities:

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

Significant accounting policies:

Basis of presentation:

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Foundation presents its financial statements in accordance with the Financial Accounting Standards Board's (FASB's) *Not-For-Profit* presentation and disclosure guidance. Under this guidance, the Foundation is required to report information regarding its financial position and activities according to three categories of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets are not subject to donor-imposed restrictions. Temporarily restricted net assets are subject to donor-imposed restrictions that may be met either by the actions of the Foundation or the passage of time. Permanently restricted net assets are permanently subject to donor imposed restrictions.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies: (Continued)

Basis of consolidation:

The consolidated financial statements of Kennesaw State University Foundation, Inc. includes the accounts of Kennesaw State University Foundation, Inc., Kennesaw State University Real Estate Foundation, LLC, KSU Center Real Estate Foundation, LLC, KSU Central Parking Deck Real Estate Foundation, LLC, KSU Chastain Pointe Real Estate Foundation, LLC, KSU Dining Hall Real Estate Foundation, LLC (Dining Hall and Bowen Building), KSU Houses Real Estate Foundation, LLC, KSU Parking Decks Real Estate Foundation, LLC (North, East, and West Decks), KSU Place Real Estate Foundation, LLC (KSU Place I and II), KSU Sports and Recreation Facilities Foundation, LLC, KSU Sports and Recreation Park Real Estate Foundation, LLC, KSU Town Point Real Estate Foundation, LLC, KSU UP Real Estate Foundation, LLC (Austin Residence Complex Phase I), KSU Village I Real Estate Foundation, LLC (University Village and Village Centre), KSU Village II Real Estate Foundation, LLC (University Village Suites), KSU University II Real Estate Foundation, LLC (Austin Residence Complex Phase II), KSUF Housing Management, LLC, Kennesaw Hospitality, LLC (Best Western), Kennesaw State Properties, LLC, KSU SRAC Real Estate Foundation, LLC (Student Recreation and Activities Center), and 3305 Busbee Real Estate Foundation, LLC. Intercompany accounts and all significant intercompany transactions have been eliminated.

Contributions:

Contributions received, including unconditional promises to give, are recognized as revenues in the period received at their estimated fair value less an appropriate allowance for uncollectible amounts. Conditional promises to give are recognized when the conditions are substantially met. Pledges receivable over more than one year are recorded at their discounted present value. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. The allowance for doubtful pledges is based on specifically identified amounts that the Foundation believes to be uncollectible.

An additional allowance is recorded based on certain percentages of aged pledged receivables, which are determined based on historical experience and management's assessment of the general financial conditions affecting the Foundation's donor base. If actual collections experience changes, revisions to the allowance may be required.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies: (Continued)

Revenue recognition:

Rental income is recorded under the straight-line method over the lease terms. Rental agreements are generally year-to-year. Deferred revenue represents rent received for future periods. An allowance is recorded based on historical experience and management's assessment of specific accounts.

Advertising costs:

Advertising costs are charged to income as they are incurred. Advertising costs amounted to $173,747 and $245,363 for the years ended June 30, 2016 and 2015, respectively.

Split-interest agreements:

The Foundation is the beneficiary of an annuity. The Foundation's interest in split-interest agreements is reported as a contribution in the year received at its net present value.

Donor-imposed restrictions:

The Foundation recognizes the expiration of donor-imposed restrictions in the period in which the restrictions expire.

Temporarily restricted accounting:

Endowment and other income along with private gifts which have donor stipulations that limit their use are recorded as revenue under temporarily restricted net assets and released from restrictions when a stipulated time restriction ends or purpose restriction expires. The related expenses are recorded under unrestricted net assets. Reclassifications of beginning restricted balances may change due to superseded pledge agreements signed subsequent to year end or clarifications with donors. These changes are reflected as transfers on the consolidated statement of activities.

Endowment accounting:

Permanent endowment funds are subject to the restrictions of the gift instruments which require that the principal be invested in perpetuity. Unless explicitly stated in the gift instrument, accumulated realized and unrealized gains of the permanent endowment funds have been classified as temporarily restricted net assets. See Note 16 for discussion on endowment accounting.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies: (Continued)

Change in donor intent:

During the year ended June 30, 2016, the Foundation obtained a change in donor intent regarding contributions previously recorded totaling $305,908, resulting in transfers from temporarily restricted net assets to permanently restricted net assets in the amount of $280,908, and from temporarily restricted net assets to unrestricted net assets in the amount of $25,000.

During the year ended June 30, 2015, the Foundation obtained a change in donor intent regarding contributions previously recorded totaling $20,212, resulting in transfers from unrestricted net assets to permanently restricted net assets in the amount of $701, and from temporarily restricted net assets to permanently restricted net assets in the amount of $19,511.

Donated services:

Donated services are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. Donated service expense, which primarily represents rents paid by the University on behalf of the Foundation, is reflected under supporting services as management and general expense in the accompanying consolidated statement of activities. Donated services totaled $115,008 and $119,309 for the years ended June 30, 2016 and 2015, respectively.

Investments:

Investments are recorded at fair value. Donated investments are recorded at fair value on the date received. Realized and unrealized gains and losses on the portfolio are recognized as income or loss.

Donated art:

Donated art is recorded at fair market value on the date received.

Equipment under direct-financing:

The Foundation leases real estate to the University. The leases are accounted for as direct-financing type leases. The present value of the minimum lease payments is recorded as an asset and is amortized as payments are received. The difference between gross minimum lease payments and the present value of the gross minimum lease payments is recorded as unearned income and is amortized as payments are received.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies: (Continued)

Rental property and equipment:

Property and equipment are stated at cost. Substantially all property is held for leasing. Depreciation is computed on the straight-line method over the estimated useful lives of the property and equipment. For property constructed on leased land, the estimated useful life represents the terms of the land lease.

Maintenance and repairs of equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale, or other disposition of equipment, the cost and accumulated depreciation are eliminated from the accounts, and gain or loss is included in the statement of activities.

Debt issuance costs:

Debt issuance costs, comprised principally of underwriting, legal, and printing fees, are recorded as deferred charges and amortized over the term of the debt using the effective interest method.

Bond premiums and discounts:

Bond premiums are presented as an increase of the face amount of bonds payable. Bond discounts are presented as a decrease of the face amount of bonds payable. Both are amortized over the term of the debt using the effective interest method.

Use of estimates:

The Foundation prepares its consolidated financial statements in accordance with generally accepted accounting principles, which require management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the consolidated financial statements, as well as the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies: (Continued)

Fair value of financial instruments:

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

Cash and cash equivalents and temporary investments - The carrying amount approximates fair value because of the short-term maturity of these instruments.

Investments - Investments are carried at fair value based on quoted market prices for those or similar investments.

Bond proceeds restricted for construction, debt service, and reserves - Funds held by the trustee are carried at fair value based on quoted market prices for those or similar investments.

Operating funds held by trustee - Funds held by the trustee are carried at fair value based on quoted market prices for those or similar investments.

Bonds payable - Fair value, as disclosed in Note 9, is the price that would be paid to transfer the liability in an orderly transaction between market participants.

Other receivables and payables - The carrying amount approximates fair value because of the short-term maturity of these instruments.

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

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

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies: (Continued)

Fair value of financial instruments: (Continued)

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

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

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

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

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

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

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

For the fiscal years ended June 30, 2016 and 2015, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies: (Continued)

Income tax status:

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

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

NOTE 2. CONCENTRATION OF CREDIT RISK

Cash is maintained at multiple financial institutions and, as a result, credit exposure to any one institution is limited. The Federal Deposit Insurance Corporation (FDIC) secures accounts in insured institutions up to $250,000 per depositor.

At times, the balance of the Foundation's accounts may exceed the federally insured limits. As of June 30, 2016 and 2015, the Foundation's uninsured cash balances totaled $18,830,760 and $12,421,786, respectively. The Foundation has not experienced any losses on its cash and believes it is not exposed to any significant credit risk on cash.

NOTE 3. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2016 and 2015 consisted of the following unconditional promises to give:

	2016	2015
Unrestricted pledges	$ 143,618	$ 118,842
Restricted pledges to future periods	1,958,732	2,045,935
Endowment pledges	3,462,555	3,440,189
Unconditional promises to give before discount and allowance for uncollectible pledges	5,564,905	5,604,966
Less unamortized discount	1,093,676	1,155,469
Subtotal	4,471,229	4,449,497
Less allowance for uncollectible pledges	127,526	131,421
	$ 4,343,703	$ 4,318,076
Amount due in:		
Less than one year	$ 1,174,305	$ 711,014
One to three years	2,195,600	2,393,652
More than three years	2,195,000	2,500,300
Total	$ 5,564,905	$ 5,604,966

For the years ending June 30, 2016 and 2015, the discount rate used was 5 percent.

NOTE 4. INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 4,358,996	$ -	$ -	$ 4,358,996
Government and agency securities	13,696,138	-	-	13,696,138
Corporate bonds	3,946,601	-	-	3,946,601
High yield bonds	619,600	-	-	619,600
Equity securities:				
Large cap value	2,372,223	-	-	2,372,223
Large cap growth	4,309,888	-	-	4,309,888
Mid cap	1,790,521	-	-	1,790,521
Mid cap growth	840,713	-	-	840,713
Small cap	1,541,510	-	-	1,541,510
International equities	3,106,382	-	-	3,106,382
Total equity securities	13,961,237	-	-	13,961,237
Mutual funds:				
Bond funds	938,313	-	-	938,313
Emerging markets	1,541,222	-	-	1,541,222
Specific strategy	3,043,821	-	-	3,043,821
REIT	1,701,627	-	-	1,701,627
Commodities	1,271,926	-	-	1,271,926
Total mutual funds	8,496,909	-	-	8,496,909
Total investments at fair value	$ 45,079,481	$ -	$ -	$ 45,079,481

NOTE 4. INVESTMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy described in Note 1, the Foundation's investments at fair value as of June 30, 2015:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 2,189,625	$ -	$ -	$ 2,189,625
Government and agency securities	10,955,386	-	-	10,955,386
Corporate bonds	4,185,923	-	-	4,185,923
High yield bonds	574,809	-	-	574,809
Equity securities:				
Large cap value	3,584,330	-	-	3,584,330
Large cap growth	3,718,235	-	-	3,718,235
Mid cap	2,060,785	-	-	2,060,785
Mid cap growth	911,426	-	-	911,426
Small cap	1,986,905	-	-	1,986,905
International equities	3,413,381			3,413,381
Total equity securities	15,675,062	-	-	15,675,062
Mutual funds:				
Bond funds	859,727	-	-	859,727
Emerging markets	1,165,459	-	-	1,165,459
Specific strategy	2,897,178	-	-	2,897,178
REIT	1,417,813	-	-	1,417,813
Commodities	883,102	-	-	883,102
Total mutual funds	7,223,279	-	-	7,223,279
Total investments at fair value	$ 40,804,084	$ -	$ -	$ 40,804,084

Investment expenses incurred totaled $104,272 and $105,839 for the years ended June 30, 2016 and 2015, respectively.

NOTE 5. INVESTMENTS IN DIRECT-FINANCING LEASES

The Foundation's leasing operations consist of leasing real estate to the University under direct-financing type leases expiring in various years through 2042.

During the year ended June 30, 2016, the Foundation removed land with a value of $1,341,350 from investments in direct financing leases. The Foundation intends to gift the land to the University in the subsequent year.

Following is a summary of the components of the Foundation's net investment in direct-financing type leases at June 30, 2016 and 2015:

	2016	2015
Total minimum lease payments to be received	**$ 386,667,610**	$ 419,222,822
Less unearned income	**163,108,763**	186,841,133
Net investment	**$ 223,558,847**	$ 232,381,689

Net minimum lease payments to be received as of June 30, 2016 for each of the next five years are:

June 30,	
2017	6,769,753
2018	7,292,981
2019	7,776,632
2020	6,809,248
2021	7,321,845
Thereafter	187,588,388
	$ 223,558,847

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2016 and 2015, consists of the following:

	Life	**2016**	2015
Land	**-**	**$ 6,035,380**	$ 4,693,897
Land improvements	**-**	**75,603**	75,603
Buildings and land improvements	**10-39.5**	**138,485,445**	151,033,720
Furniture, fixtures and equipment	**5**	**10,554,500**	10,280,648
Computer software	**3**	**30,200**	30,200
		155,181,128	166,114,068
Less accumulated depreciation		**57,795,845**	52,565,980
		$ 97,385,283	$ 113,548,088

NOTE 6. PROPERTY AND EQUIPMENT (Continued)

Property consists of student housing, University facilities, land held for future University development, classroom and office space, athletic facilities, hospitality facilities, dining facilities, and retail space.

The student housing is rented on a year to year basis with terms primarily beginning in August.

KSU Center, primarily a University facility, has three leases at June 30, 2016. The Foundation leases space to a related party, as well as a third party, on a year to year lease.

Chastain Pointe, primarily an office park, has twenty four leases at June 30, 2016. The Foundation leases space to three related parties on various year to year leases. The Foundation leases space to nine third parties which expire at various times through 2018.

University Village contains some retail space leased to a third party on a year to year basis. The lease expires in 2018.

At June 30, 2016, future minimum lease payments receivable under the noncancelable KSU Center, Chastain Pointe, Town Point, and University Village operating leases described in the preceding paragraphs are due as follows:

Years ending June 30,		
2017		187,034
2018		87,379
2019		15,021
	$	289,434

NOTE 7. ASSETS LIMITED AS TO USE

The financing of the purchase of various facilities including student housing, parking decks and residential housing is subject to the terms of Trust Indentures between the Development Authority of Cobb County and Trustees. Under the provisions of the Trust Indentures, Debt Service Reserve Funds will be used to pay principal of, premium, if any, and interest on the bonds if insufficient funds are on deposit with the Trustees on the date such payment is due. The Trust Indentures also provide for other funds, including the Repair and Replacement Funds and the Surplus Funds. Pursuant to the Agreements, the Borrower has agreed to deliver the gross revenues attributable to the project to the Trustees for deposit in the Revenue Funds, as applicable, from which the operating expenses of the project, debt service of the bonds, and other amounts will be paid.

Bond Funds were established to be used as sinking funds to pay the principal of, premium, if any, and interest on the bonds.

NOTE 7. ASSETS LIMITED AS TO USE (Continued)

If on any interest payment date there should be insufficient funds within an account in the bond funds to pay interest, principal or premium due on the respective series of bonds, there shall be transferred to the respective account in the bond funds from the related account in the debt service reserve funds such amounts as are necessary to pay the interest, principal, and premium due on the related series of bonds.

Project Funds were established to maintain bond proceeds which will be used to fund construction. At project completion, any excess in this fund can only be used to repay debt.

Capitalized Interest Funds were established to pay interest on the bonds until the account is depleted.

A summary of the assets limited as to use held by the Trustee under the Trust Indenture as of June 30, 2016 and 2015 is as follows:

	2016	2015
Revenue Funds	**$ 597,382**	$ 1,019,284
Debt Service Funds	**17,811,712**	17,874,033
Surplus Funds	**4,962,575**	5,265,407
Bond Funds	**19,071,623**	15,195,073
Project Funds	**591,451**	2,820,805
R&R Funds	**5,753,101**	3,878,967
Capitalized Interest Funds	**-**	701,067
	$ 48,787,844	$ 46,754,636

NOTE 8. LINE OF CREDIT AND NOTES PAYABLE

During the year ended June 30, 2015, the Foundation elected to use its temporarily restricted funds to pay down a note with a bank. At the same time, the Foundation entered into an agreement with a bank to open a reducing revolver note for the purpose of maintaining liquidity after the prepayment of the existing term debt. The note matures on October 27, 2017 and bears interest at the 30 day LIBOR rate plus 2.25%. The note is unsecured and the revolving commitment will be reduced quarterly, based on a 32 month amortization schedule. The note bears unused commitment fees of .75% payable quarterly in arrears. The available borrowing amount on this unsecured note is $1,350,000. At June 30, 2016 and 2015, the revolving note did not have an outstanding balance.

NOTE 8. LINE OF CREDIT AND NOTES PAYABLE (Continued)

During the year ended June 30, 2015, the Foundation elected to use its temporarily restricted funds to pay down a note with a bank. At the same time, the Foundation entered into another agreement with a bank to open a reducing revolver note for the purpose of maintaining liquidity after the prepayment of the existing term debt. The note matures on October 27, 2017 and bears interest at the 30 day LIBOR rate plus 2.10%. The note is secured by buildings and land, and the revolving commitment will be reduced quarterly, based on a 330 month amortization schedule. The note bears unused commitment fees of .75% payable quarterly in arrears. The available borrowing amount on this secured note is $1,900,000. At June 30, 2016 and 2015 the revolving note did not have an outstanding balance.

During the year ended June 30, 2015, the Foundation renewed an unsecured line of credit of $2,500,000. The line of credit bears interest at the 30 day LIBOR plus 1.75% and matured February, 2016. During the year ended June 30, 2016, the Foundation renewed the unsecured line of credit under the same terms. At June 30, 2016 and 2015, the line of credit did not have an outstanding balance.

During the year ended June 30, 2014, the Foundation entered into a secured term note with a bank in the amount of $12,790,473 to acquire property that includes seventeen acres of land, an existing 113,000 square foot building, and a paved parking lot that has 722 parking spaces. The University's master plan includes using the repurposed building for a new student health center, additional laboratory space, needed storage space, and a practice facility for a new marching band program. The note accrued interest at the 30 day LIBOR plus 2.25%, with interest payments due monthly. The 30 day LIBOR rate was .184% at June 30, 2015. The note was collateralized by the building and land. At June 30, 2015 the outstanding balance on the note was $12,718,473. In September 2015 the property was sold to the University System of Georgia's Board of Regents for $12,550,000 and the note was paid in full. The land was valued at $12,630,544, creating a loss on the sale of land of $80,544.

NOTE 9. BONDS PAYABLE

<u>Series 2004 Bonds Payable:</u>

During the year ended June 30, 2005, the Development Authority of Cobb County issued revenue bonds and loaned the proceeds to Kennesaw State University Foundation. The Series 2004A, B, C, and D housing and facilities bonds were issued to finance the cost of construction of 132 beds of new student housing, a portion of the purchase and renovation of the property known as "Chastain Pointe," and refunding of the 2003A bond series, including payment of swap termination fees. The Series 2004 University Facilities Bonds were issued to finance a portion of the purchase and renovation of the property known as "Chastain Pointe" and refund $3,919,200 of the 2003B bond series, including payment of swap termination fees. The Series 2004 Parking Bonds were issued to finance or refinance certain parking facilities and refund a portion of the 2003A and 2003B bond series, including payment of swap termination fees. The obligations of the Foundation under the bond documents are nonrecourse obligations.

NOTE 9. BONDS PAYABLE (Continued)

The bonds were issued in the aggregate principal amount of $155,060,000. The bonds consist of six series, the “Student Housing Senior Series 2004A” in the amount of $49,715,000, the “University Facilities Taxable Senior Series 2004B” in the amount of $8,050,000, the “Student Housing Subordinate Series 2004C” in the amount of $18,240,000, the “Student Housing Subordinate Series 2004D” in the amount of $34,275,000, the “Series 2004 University Facilities Lease Revenue Bonds” in the amount of $8,400,000, and the “Series 2004 Parking Bonds” in the amount of $36,380,000. The Series 2004A, 2004C, and 2004D bonds will mature on July 15, 2036, subject to mandatory and optional redemption provisions.

During the year ended June 30, 2014, $6,285,000 of the 2004A Student Housing Senior Series and $27,205,000 of the 2004C Housing Subordinate Series bonds met the legal requirements for defeasance of the bond liability due to the issuance of 2013A and 2013B Student Housing Refunding Series.

During the year ended June 30, 2016, the remaining $5,450,000 of the Series 2004 University Facilities Bonds and $23,125,000 of the Series 2004 University Parking Bonds met the legal requirements for defeasance of the bond liability due to the issuance of 2015 Series Bond. The partial defeasance resulted in a gain on extinguishment of debt of $83,457 that is included on the consolidated statement of activities for the year ending June 30, 2016. Therefore, neither the escrow cash nor the bonds payable for the above mentioned Series 2004 portion are included on the consolidated statement of financial position at June 30, 2016.

Series 2006 Bonds Payable:

During the year ended June 30, 2007, the Development Authority of Cobb County issued revenue bonds and loaned the proceeds to Kennesaw State University Foundation. The Series 2006A and B bonds were issued to repay an interim loan incurred to finance the acquisition of an office building on approximately 6.3 acres, Town Point, the acquisition of approximately 7.2 acres of unimproved land for future development, to pay the cost of issuance of the 2006 bonds and to pay a portion of the premium for a surety bond. The bonds were issued in the aggregate principal amount of $15,055,000. The bonds consist of two series, the “Revenue Bonds 2006A” in the amount of $12,810,000, and the “Taxable Revenue Bonds 2006B” in the amount of $2,245,000. The Series 2006A bonds will mature on July 15, 2031, subject to mandatory and optional redemption provisions. The Series 2006B bonds matured on July 15, 2013, subject to mandatory and optional redemption provisions. The bonds bear interest, payable semiannually on January 15^{th} and July 15^{th}, commencing July 15, 2007, at a fixed interest rate set at issuance. Interest will accrue at the fixed rate until converted to another fixed rate in accordance with the terms of the Indenture. The applicable interest rates ranged from 4.00% to 5.34%.

NOTE 9. BONDS PAYABLE (Continued)

During the year ended June 30, 2016, $11,030,000 of the 2006A Revenue Bonds met the legal requirements for defeasance of the bond liability due to the issuance of the 2015 Series Bond. The defeasance resulted in a loss on extinguishment of debt of $388,765 that is included on the consolidated statement of activities for the year ending June 30, 2016. Therefore, neither the escrow cash nor the bonds payable for the above mentioned Series 2006 portion are included on the consolidated statement of financial position at June 30, 2016.

Series 2007 Parking Facilities Bonds Payable:

During the year ended June 30, 2008, the Development Authority of Cobb County issued revenue bonds and loaned the proceeds to Kennesaw State University Foundation. The Series 2007 parking facilities bonds were issued to finance the costs of acquisition, construction, and equipping of a parking deck containing approximately 2,500 parking spaces on land leased by KSU Central Parking Deck Real Estate Foundation, LLC, and to fund capitalized interest, debt service reserve, and pay a portion of the costs of issuance of the Series 2007 Parking Facilities Bonds.

The bonds were issued in the aggregate principal amount of $38,550,000. The Series 2007 parking facility bonds will mature on July 15, 2038, subject to mandatory and optional redemption provisions. The bonds bear interest, payable semiannually on January 15th and July 15th, at a fixed interest rate set at issuance. Interest will accrue at the fixed rate until converted to another fixed rate in accordance with the terms of the Indenture. The applicable interest rates ranged from 4.00% to 4.75%.

During 2009, $725,000 of the Series 2007 bonds referenced above meet the legal requirements for defeasance of the bond liability.

The terms of the bonds require the Foundation to lease the related facilities to the Board of Regents through year to year rental agreements that have multi-year renewal options, in amounts that the debt service coverage ratio, calculated at the end of each fiscal year, will not be less than 1.0 in each fiscal year while the rental agreements are in effect.

NOTE 9. BONDS PAYABLE (Continued)

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Series 2007 bonds redeemed in the principal amounts set forth in the following table:

Redemption Date (July 15,)	Parking Facilities 2007 Bonds
2017	865,000
2018	900,000
2019	935,000
2020	970,000
2021	1,010,000
Thereafter	27,955,000
	$ 32,635,000

Series 2007 Student Housing Bonds Payable:

During the year ended June 30, 2008, the Development Authority of Cobb County issued student housing revenue bonds and loaned the proceeds to Kennesaw State University Foundation. The Series 2007A, B, and C bonds were issued to finance the acquisition, construction, renovation, furnishing and equipping of student housing to be located on the campus of Kennesaw State University on land leased by Village II Real Estate Foundation, LLC, funding a debt service reserve, funding capitalized interest on the Series 2007 bonds, and pay all or a portion of the costs of issuing the Series 2007 bonds.

The bonds were issued in the aggregate principal amount of $53,320,000. The Series 2007A, B and C, bonds will mature on July 15, 2038, subject to mandatory and optional redemption provisions. The bonds bear interest, payable semiannually on January 15th and July 15th, at a fixed interest rate set at issuance. Interest will accrue at the fixed rate until converted to another fixed rate in accordance with the terms of the Indenture. The applicable interest rates ranged from 3.50% to 5.25%.

During the year ended June 30, 2015, $25,250,000 of the 2007A Student Housing Senior Series, $7,510,000 of the 2007B Student Housing Subordinate Series, and $14,860,000 of the Series 2007C Student Housing Junior Subordinate Series met the legal requirements for defeasance of the bond liability due to the issuance of the 2015A, 2015B, and 2015C Student Housing Refunding Series. Therefore, neither the escrow cash not the bonds payable for the above mentioned 2007A, 2007B, and 2007C series are included on the consolidated statement of financial position at June 30, 2015. The defeasance resulted in a loss on extinguishment of debt of $5,727,936 that is included on the consolidated statement of activities for the year ending June 30, 2015.

NOTE 9. BONDS PAYABLE (Continued)

Series 2008 KSU Center Bonds Payable:

During the year ended June 30, 2009, the Development Authority of Cobb County issued Educational Facility Revenue Refunding bonds and loaned the proceeds to the Kennesaw State University Foundation. The Series 2008 bonds were issued to refund the KSU 1998 Series Bonds. The forward purchase agreement and swap agreement were terminated with the refunding.

The bonds were issued in the aggregate principal amount of $10,495,000. A portion of the Series 2008 bonds will mature each year, with the final maturity date on November 1, 2018, subject to mandatory and optional redemption provisions. The bonds bear interest, payable semiannually, at rates, set at issuance, ranging from 4.00% to 5.00%.

The terms of the bonds require the Foundation to lease the related facilities to the Board of Regents through year to year rental agreements that have multi-year renewal options, in amounts that the debt service coverage ratio, calculated at the end of each fiscal year, will not be less than 1.0 in each fiscal year while the rental agreements are in effect.

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Series 2008 bonds redeemed in the principal amounts set forth in the following table:

Redemption Date (July 15,)	2008 Bonds
2017	1,220,000
2018	1,280,000
2019	755,000
	$ 3,255,000

Series 2008 Dining Hall Bonds Payable:

During the year ended June 30, 2009, the Development Authority of Cobb County issued Dining Hall Lease Revenue bonds and loaned the proceeds to the Kennesaw State University Foundation. The Series 2008 bonds were issued to finance the construction of the KSU Dining Hall facility project and to purchase additional University facilities.

The bonds were issued in the aggregate principal amount of $21,955,000. The Series 2008 bonds will mature on July 15, 2039, subject to mandatory and optional redemption provisions. The bonds bear interest, payable semiannually on January 15th and July 15th, at rates, set at issuance, ranging from 4.00% to 5.75%.

The terms of the bonds require the Foundation to lease the related facilities to the Board of Regents through year to year rental agreements that have multi-year renewal options, in amounts that the debt service coverage ratio, calculated at the end of each fiscal year, will not be less than 1.0 in each fiscal year while the rental agreements are in effect.

NOTE 9. BONDS PAYABLE (Continued)

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Series 2008 bonds redeemed in the principal amounts set forth in the following table:

Redemption Date (July 15,)	2008 Bonds
2017	430,000
2018	450,000
2019	470,000
2020	495,000
2021	520,000
Thereafter	17,575,000
	$ 19,940,000

Series 2010 Sports Stadium and Recreation Park Bonds Payable:

During the year ended June 30, 2011, the Development Authority of Cobb County issued Sports and Recreation Lease Revenue bonds and loaned the proceeds to the Kennesaw State University Foundation. The Series 2010A, B, and C facilities bonds were issued to finance the purchase of land, and the cost of construction for the sports stadium and recreation park.

The bonds were issued in the aggregate principal amount of $66,830,000. The bonds consist of three series, the "University Facilities Series 2010A" in the amount of $43,790,000, the "University Facilities Taxable Series 2010B" in the amount of $5,255,000, and the "Recovery Zone Facility Series 2010C" in the amount of $17,785,000.

The Series 2010A and 2010C bonds will mature on July 15, 2040, subject to mandatory and optional redemption provisions. The Series 2010B bonds will mature on July 15, 2020, subject to mandatory and optional redemption provisions. The bonds bear interest, payable semiannually on January 15th and July 15th, at rates, set at issuance, ranging from 4.00% to 5.125%.

The terms of the bonds require the Foundation to lease the related facilities to the Board of Regents through year to year rental agreements that have multi-year renewal options, in amounts that the debt service coverage ratio, calculated at the end of each fiscal year, will not be less than 1.0 in each fiscal year while the rental agreements are in effect.

NOTE 9. BONDS PAYABLE (Continued)

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Series 2010 bonds redeemed in the principal amounts set forth in the following table:

Redemption Date (July 15,)	Facilities 2010A, B, and C Bonds
2017	575,000
2018	715,000
2019	865,000
2020	1,025,000
2021	1,265,000
Thereafter	61,080,000
	$ 65,525,000

Series 2011 Student Housing Bonds Payable:

During the year ended June 30, 2012, the Development Authority of Cobb County issued revenue bonds and loaned the proceeds to the Kennesaw State University Foundation. The Series 2011 bonds were issued to finance the construction of the 2011 Housing project.

The bonds were issued in the aggregate principal amount of $30,215,000. The Series 2011 bonds will mature on July 15, 2041, subject to mandatory and optional redemption provisions.

The bonds bear interest, payable semiannually on January 15^{th} and July 15^{th}, at rates, set at issuance, ranging from 3.00% to 5.00%.

The terms of the bonds require the Foundation to lease the related facilities to the Board of Regents through year to year rental agreements that have multi-year renewal options, in amounts that the debt service coverage ratio, calculated at the end of each fiscal year, will not be less than 1.0 in each fiscal year while the rental agreements are in effect.

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Series 2011 bonds redeemed in the principal amounts set forth in the following table:

Redemption Date (July 15,)	2011 Bonds
2017	630,000
2018	650,000
2019	670,000
2020	690,000
2021	725,000
Thereafter	25,645,000
	$ 29,010,000

NOTE 9. BONDS PAYABLE (Continued)

Series 2013 Student Recreation and Activities Center Bonds Payable:

During the year ended June 30, 2013, the Development Authority of Cobb County issued revenue bonds and loaned the proceeds to the Kennesaw State University Foundation. The Series 2013 bonds were issued to finance the construction of the 2013 Student Recreation and Activities Center project.

The bonds were issued in the aggregate principal amount of $43,290,000. The Series 2013 bonds will mature on July 15, 2042, subject to mandatory and optional redemption provisions. The bonds bear interest, payable semiannually on January 15th and July 15th, at rates, set at issuance, ranging from 3.00% to 5.00%.

The terms of the bonds require the Foundation to lease the related facilities to the Board of Regents through year to year rental agreements that have multi-year renewal options, in amounts that the debt service coverage ratio, calculated at the end of each fiscal year, will not be less than 1.0 in each fiscal year while the rental agreements are in effect.

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Series 2013 bonds redeemed in the principal amounts set forth in the following table:

Redemption Date (July 15,)	2013 Bonds
2017	970,000
2018	1,000,000
2019	1,030,000
2020	1,060,000
2021	1,095,000
Thereafter	38,135,000
	$ 43,290,000

Series 2013 Student Housing Refunding Bonds Payable:

During the year ended June 30, 2014, the Development Authority of Cobb County issued Student Housing Refunding Revenue bonds and loaned the proceeds to the Kennesaw State University Foundation. The Series 2013A and B bonds were issued to refund $6,285,000 of the 2004A Student Housing Senior Series and $27,205,000 of the 2004C Student Housing Subordinate Series.

The bonds were issued in the aggregate principal amount of $36,195,000. The bonds consist of two series, the “Student Housing Senior Series 2013A” in the amount of $28,935,000 and the “Student Housing Subordinate Series 2013B” in the amount of $7,260,000. The Series 2013A will mature on July 15, 2036, subject to mandatory and optional redemption provisions. The Series 2013B will mature on July 15, 2026, subject to mandatory and optional redemption provisions.

NOTE 9. BONDS PAYABLE (Continued)

The bonds bear interest, payable semiannually on January 15th and July 15th, at rates set at issuance ranging from 2.00% to 5.25%.

The terms of the bonds require the Foundation to set rates and charges for the Housing project, such that the debt service coverage ratio, calculated at the end of each fiscal year, will not be less than 1.2.

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Housing Series 2013 bonds redeemed in the principal amounts set forth in the following table:

Redemption Date (July 15,)	Housing 2013A and B Bonds
2017	1,865,000
2018	1,930,000
2019	2,010,000
2020	2,090,000
2021	2,175,000
Thereafter	24,165,000
	$ 34,235,000

Series 2014 Student Housing Refunding Bonds Payable:

During the year ended June 30, 2015, the Development Authority of Cobb County issued Student Housing Refunding Revenue bonds and loaned the proceeds to the Kennesaw State University Foundation. The Series 2014A, B and C bonds were issued to refund $21,455,000 of the 2004A Student Housing Senior Series, $9,005,000 of the 2004C Student Housing Subordinate Series, and $16,035,000 of the 2004D Student Housing Subordinate Series.

The bonds were issued in the aggregate principal amount of $46,540,000. The bonds consist of three series, the “Student Housing Senior Series 2014A” in the amount of $21,520,000, the “Student Housing Subordinate Series 2014B” in the amount of $9,220,000 and the “Student Housing Junior Subordinate Series 2014C” in the amount of $15,820,000. The Series 2014A will mature on July 15, 2036, subject to mandatory and optional redemption provisions. The Series 2014B will mature on July 15, 2036, subject to mandatory and optional redemption provisions. The Series 2014C will mature on July 15, 2036, subject to mandatory and option redemption provisions.

The bonds bear interest, payable semiannually on January 15th and July 15th, at rates set at issuance ranging from 3.00% to 5.00%.

NOTE 9. BONDS PAYABLE (Continued)

The terms of the bonds require the Foundation to set rates and charges for the Housing project, such that the debt service coverage ratio, calculated at the end of each fiscal year, will not be less than 1.2.

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Housing Series 2014 bonds redeemed in the principal amounts set forth in the following table:

Redemption Date (July 15,)		Housing 2014A, B and C Bonds
2017		745,000
2018		775,000
2019		810,000
2020		855,000
2021		895,000
Thereafter		41,695,000
	$	45,775,000

Series 2015 Student Housing Refunding Bonds Payable:

During the year ended June 30, 2015, the Development Authority of Cobb County issued Student Housing Refunding Revenue bonds and loaned the proceeds to the Kennesaw State University Foundation. The Series 2015A, B, and C bonds were issued to refund $12,560,000 of the 2004D Student Housing Subordinate Series, $25,250,000 of the 2007A Student Housing Senior Series, $7,510,000 of the 2007B Student Housing Subordinate Series, and $14,860,000 of the 2007C Student Housing Junior Subordinate Series.

The bonds were issued in the aggregate principal amount of $59,790,000. The bonds consist of three series, the “Student Housing Senior Series 2015A” in the amount of $24,465,000, the “Student Housing Subordinate Series 2015B” in the amount of $8,145,000 and the “Student Housing Junior Subordinate Series 2015C” in the amount of $27,180,000. The Series 2015A, B and C will mature on July 15, 2038, subject to mandatory and optional redemption provisions.

The bonds bear interest, payable semiannually on January 15th and July 15th, at rates set at issuance ranging from 2.00% to 5.00%.

The terms of the bonds require the Foundation to set rates and charges for the Housing project, such that the debt service coverage ratio, calculated at the end of each fiscal year, will not be less than 1.2.

NOTE 9. BONDS PAYABLE (Continued)

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Housing Series 2015 bonds redeemed in the principal amounts set forth in the following table:

Redemption Date (July 15,)	Housing 2015A, B and C Bonds
2017	1,190,000
2018	1,215,000
2019	1,270,000
2020	1,325,000
2021	1,390,000
Thereafter	53,300,000
	$ 59,690,000

Series 2015 Parking and University Facilities Revenue Bonds Payable:

During the year ended June 30, 2016, the Development Authority of Cobb County issued Parking and University Facilities Revenue bonds and loaned the proceeds to the Kennesaw State University Foundation. The Series 2015 bonds were issued to refund $23,125,000 of the 2004 Parking Series, $5,450,000 of the 2004 Facilities Series, and $11,030,000 of the 2006A Facilities Series.

The bonds were issued in the aggregate principal amount of $37,285,000. The bonds consist of one series in the amount of $37,285,000. The Series 2015 will mature on July 15, 2030, subject to mandatory and optional redemption provisions.

The bonds bear interest, payable semiannually on January 15th and July 15th, at rates set at issuance ranging from 3.00% to 5.00%.

The terms of the bonds require the Foundation to set rates and charges for the Parking and Facilities project, such that the debt service coverage ratio, calculated at the end of each fiscal year, will not be less than 1.0.

NOTE 9. BONDS PAYABLE (Continued)

The Foundation shall exercise its option under the Loan Agreement and Indenture to have the Parking and Facilities 2015 bonds redeemed in the principal amounts set forth in the following table:

Redemption Date (July 15,)	Parking and Facilities 2015
2017	2,485,000
2018	2,350,000
2019	2,430,000
2020	2,525,000
2021	2,640,000
Thereafter	24,855,000
	$ 37,285,000

Summary:

A summary of the components of bonds payable at June 30, 2016 and 2015 is as follows:

	2016	2015
Series 2004 bonds payable	**$ -**	$ 30,340,000
Series 2006 bonds payable	**-**	11,540,000
Series 2007 bonds payable	**32,635,000**	33,465,000
Series 2008 bonds payable	**23,195,000**	24,770,000
Series 2010 bonds payable	**65,525,000**	65,980,000
Series 2011 bonds payable	**29,010,000**	29,620,000
Series 2013 bonds payable	**77,525,000**	79,335,000
Series 2014 bonds payable	**45,775,000**	46,560,000
Series 2015 bonds payable	**96,975,000**	59,790,000
Unamortized original issue premium, net	**11,140,400**	9,331,820
	$ 381,780,400	$ 390,731,820

Bond interest expense incurred totaled $15,573,041 and $15,439,412 for the years ended June 30, 2016 and 2015, respectively. During the year ended June 30, 2015 interest totaling $1,714,944 was capitalized.

The fair value of the bonds at June 30, 2016 and 2015 was $447,527,237 and $435,788,300, respectively.

NOTE 10. SPLIT-INTEREST AGREEMENTS

During 2002, the Foundation received a charitable gift of stock in exchange for the Foundation's promise to pay a fixed amount for a specified period of time to the donor. The stock received is included in investments at a fair value of $325,721 and $366,180 at June 30, 2016 and 2015, respectively. The annuity obligation is $43,776 and $63,788 at June 30, 2016 and 2015, respectively. The present value of the annuity liability was calculated using a 5.6% discount rate.

NOTE 11. LEASE COMMITMENTS

The Foundation entered into four ground leases in August 2001 with the Board of Regents of the University System of Georgia for the purpose of erecting, operating, and maintaining a student housing facility (Austin Residence Complex Phase I), two parking decks, and an expansion of one parking deck. The primary term of the student housing facility ground lease is thirty years and the primary term of the three parking deck leases is twenty-five years. The Foundation agreed to pay the Board of Regents of the University System of Georgia the sum of one dollar per year in advance upon execution of three of the leases.

The Foundation agreed to pay the Board of Regents of the University System of Georgia the sum of $197,600 per year for the North Deck ground lease. The Foundation entered into a ground lease in October 2003 with the Board of Regents of the University System of Georgia for the purpose of erecting, operating, and maintaining a student housing facility (University Village). The primary term of the student housing facility ground lease was twenty five years. The Foundation entered into an amendment agreement in June 2010 with the Board of Regents of the University System of Georgia to extend the lease maturity terms of the original lease by an additional five years and eight months, extending the lease life to over thirty years. In the amendment agreement, the Foundation agreed to pay the lessor the sum of twenty thousand dollars per year.

The Foundation entered into a ground lease in October of 2007 with the Board of Regents of the University System of Georgia for the purposes of erecting, operating and maintaining student housing. The term of the lease is thirty years. The Foundation agreed to pay the lessor the sum of ten dollars per year in advance upon execution of the lease.

The Foundation entered into a ground lease in November of 2007 with the Board of Regents of the University System of Georgia for the purpose of erecting, operating and maintaining a parking deck (Central Parking Deck). The term of the lease is thirty years. The Foundation agreed to pay the lessor the sum of ten dollars per year in advance upon execution of the lease.

The Foundation entered into a ground lease in November of 2008 with the Board of Regents of the University System of Georgia for the purpose of erecting, operating and maintaining a dining hall. The term of the lease is thirty years. The Foundation agreed to pay the lessor the sum of ten dollars per year in advance upon execution of the lease.

NOTE 11. LEASE COMMITMENTS (Continued)

The Foundation entered into a ground lease in August of 2011 with the Board of Regents of the University System of Georgia for the purposes of erecting, operating and maintaining student housing. The term of the lease is thirty years. The Foundation agreed to pay the lessor the sum of ten dollars per year in advance upon execution of the lease.

The Foundation entered into a ground lease in March of 2013 with the Board of Regents of the University System of Georgia for the purpose of erecting, operating and maintaining a student recreation activity center. The term of the lease is thirty years. The Foundation agreed to pay the lessor the sum of ten dollars per year in advance upon execution of the lease.

Title to the improvements vest with the Lessee until the end of the primary term, unless sooner terminated pursuant to the terms of the lease. The Foundation agreed to convey right, title, and interests and surrender possession of the premises and improvements at the expiration of the primary term or such date of earlier termination pursuant to the provisions of the lease.

At June 30, 2016, future minimum lease payments payable under the noncancelable operating leases described in the preceding paragraphs are due as follows:

Years ending June 30,	Totals
2017	217,600
2018	217,600
2019	217,600
2020	217,600
2021	217,600
Thereafter	1,880,800
	$ 2,968,800

NOTE 12. DEFERRED COMPENSATION PLAN

The Foundation has non-qualified deferred compensation arrangements whereby an obligation has been recorded. At June 30, 2016 and 2015, the obligation was $25,000 and $208,084, respectively, and recorded in accrued expenses on the consolidated statements of financial position.

NOTE 13. MANAGEMENT AGREEMENT

On February 28, 2014, the Foundation entered into a management agreement with a third party for the management of Chastain Pointe. The new agreement provides for a monthly payment of $3,000. Management fee expense related to this agreement amounted to $36,000 at June 30, 2016 and 2015.

NOTE 13. MANAGEMENT AGREEMENT (Continued)

In December 2005, the Foundation entered into a management agreement with a third party for the management of Town Point. The agreement provides for a monthly payment of $3,908. Management fee expense related to this agreement amounted to $46,896 for the years ended June 30, 2016 and 2015.

In November 2008, the Foundation entered into a management agreement with a third party for the management of the Best Western hotel purchased by a wholly-owned subsidiary. The agreement provides for a monthly payment of 5% of the hotel's gross monthly revenues plus $800 for monthly financial statement reporting. Management fee expense related to this agreement amounted to $74,980 and $75,174 for the years ended June 30, 2016 and 2015, respectively.

NOTE 14. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets available for University support consist of the following at June 30:

	2016	2015
Departmental use		
Cash	**$ 3,974,627**	$ 3,116,164
Unconditional promises to give	**1,588,614**	1,676,490
Accounts receivable	**11,500**	-
Due from unrestricted fund	**2,054,740**	3,021,462
Investments	**3,639,285**	4,738,591
Donated art	**23,000**	225,300
Accounts payable and accrued expenses	**(116,373)**	(70,169)
Accounts payable – related party	**(200,327)**	(97,976)
Gift annuity payable	**(43,776)**	(63,788)
	$ 10,931,290	$ 12,546,074

Permanently restricted net assets which earnings are used for University support consist of the following at June 30:

	2016	2015
Perpetuity and income restrictions		
Cash	**$ 74,786**	$ 52,123
Unconditional promises to give	**2,736,994**	2,595,256
Investments	**29,417,807**	25,534,586
Donated art	**841,000**	841,000
Loan for under water endowments	**238,919**	193,759
	$ 33,309,506	$ 29,216,724

NOTE 15. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the years ended June 30, 2016 and 2015 by incurring expenses satisfying the restricted purposes specified by donors as follows:

Purpose restrictions accomplished:

	2016	2015
Scholarships and awards	**$ 1,245,055**	$ 1,160,556
Athletic programs	**-**	18,536
Academic programs	**1,044,591**	1,207,298
Special events and programs	**100,215**	41,488
Other university support	**1,162,138**	1,074,506
	$ 3,551,999	$ 3,502,384

NOTE 16. ENDOWMENT

Interpretation of Relevant Law

In approving endowment spending and related policies, as part of the prudent and diligent discharge of its duties, the Board of Trustees of the Foundation, as authorized by the UPMIFA, has relied upon the actions, reports, information, advice, and counsel taken or provided by its duly constituted committees and the duly appointed officers of the Foundation and in doing so has interpreted the law to require the preservation of the historic dollar value of donor-restricted endowment funds, absent explicit donor directions to the contrary.

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

The portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified for accounting and financial statement purposes in accordance with requirements of the Financial Accounting Standards Board and the law.

Funds with Deficiencies

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $238,319 and $193,759 as of June 30, 2016 and 2015, respectively. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

NOTE 16. ENDOWMENT (Continued)

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the historic dollar value of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of benchmark indexes of similar assets classes while assuming a moderate level of investment risk. The following are benchmark indexes: Russell Top 200 Index, Russell Mid Cap Index, Russell 2000 Index, MSCI EAFE Index (Net), MSCI Emerging Markets Index (Net), Barclays Aggregate Bond Index, Barclays Global High Yield Index, Citigroup WGBI ex USD, FTSE NAREIT all REIT Index and Dow Jones Commodity Index. The Foundation's target rate of the return 6.75% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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

At June 30, 2016 and 2015, the target assets allocations were as follows:

	2016	2015
Large Cap Domestic Equity	**21%**	21%
Mid Cap Domestic Growth Equity	**10%**	10%
Small Cap Domestic	**5%**	5%
Domestic Bonds	**24%**	24%
Foreign Bonds	**3%**	3%
High Yield Bonds	**4%**	4%
International Equity	**10%**	10%
Emerging Markets	**7%**	7%
Commodities	**6%**	6%
Real Estate	**5%**	5%
Specific Strategy	**5%**	5%
	100%	100%

NOTE 16. ENDOWMENT (Continued)

Spending Policy and How the Investment Objectives Related to Spending Policy

The Foundation had an endowment spending policy for the years ending June 30, 2016 and 2015 appropriating for distribution 0% to 3.25%, calculated based on a sliding scale of its endowment fund's fair value as of the calendar year-end of preceding fiscal year in which the distribution is planned. The sliding scale was based on the balance of each endowment in relation to the corpus balance of each endowment. The Foundation's Board of Trustees review spending policies annually and approve distributions they deem to be prudent.

The Endowment Net Asset Composition by type of Fund as of June 30, 2016 is as follows:

	Endowment Net Asset Composition by Type of Fund as of June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (238,319)	$ 3,578,895	$ 33,309,505	$ 36,650,082
Total funds	$ (238,319)	$ 3,578,895	$ 33,309,505	$ 36,650,082

The Changes in Endowment Net Assets for the year ended June 30, 2016 are:

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (193,759)	$ 4,572,311	$ 29,216,724	$ 33,595,276
Investment return:				
Investment income	-	606,473	-	606,473
Realized and unrealized gains (losses) below the permanent corpus	(44,560)	44,560	-	-
Net depreciation (realized and unrealized)	-	(611,401)	-	(611,401)
Total investment return	(44,560)	39,632	-	(4,928)
Contributions	-	183,138	3,811,874	3,995,012
Appropriation of endowment assets for expenditure	-	(1,198,027)	-	(1,198,027)
Net asset reclassification due to change in donor intent	-	(18,159)	280,908	262,749
Endowment net assets, end of year	$ (238,319)	$ 3,578,895	$ 33,309,506	$ 36,650,082

NOTE 16. ENDOWMENT (Continued)

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only)

	2016
Permanently Restricted Net Assets	
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by UPMIFA	$ 33,309,506
Total endowment funds classified as permanently restricted net assets	$ 33,309,506
Temporarily Restricted Net Assets	
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:	
Without purpose restrictions	$ -
With purpose restrictions	3,578,895
Total endowment funds classified as temporarily restricted net assets	$ 3,578,895

The Endowment Net Asset Composition by type of Fund as of June 30, 2015 is as follows:

Endowment Net Asset Composition by Type of Fund as of June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (193,759)	$ 4,572,311	$ 29,216,724	$ 33,595,276
Total funds	$ (193,759)	$ 4,572,311	$ 29,216,724	$ 33,595,276

NOTE 16. ENDOWMENT (Continued)

The Changes in Endowment Net Assets for the year ended June 30, 2015 are:

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2015			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, beginning of year	$ (171,033)	$ 5,641,496	$ 25,618,006	$ 31,088,469
Investment return:				
Investment income	-	620,851	-	620,851
Realized and unrealized gains (losses) below the permanent corpus	(22,726)	22,726	-	-
Net appreciation (realized and unrealized)	-	(249,566)	-	(249,566)
Total investment return	(22,726)	394,011	-	371,285
Contributions	-	12,575	3,578,506	3,591,081
Appropriation of endowment assets for expenditure	-	(1,218,349)	-	(1,218,349)
Net asset reclassification due to change in donor intent	$ -	(257,422)	20,212	(237,210)
Endowment net assets, end of year	$ (193,759)	$ 4,572,311	$ 29,216,724	$ 33,595,276

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only)

	2015
Permanently Restricted Net Assets	
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by UPMIFA	$ 29,216,724
Total endowment funds classified as permanently restricted net assets	$ 29,216,724
Temporarily Restricted Net Assets	
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:	
Without purpose restrictions	$ -
With purpose restrictions	4,572,311
Total endowment funds classified as temporarily restricted net assets	$ 4,572,311

NOTE 17. RELATED PARTY TRANSACTIONS

The Foundation has entered into an agreement with Kennesaw State University to manage the parking decks that are leased to the University. Total management fees paid to the Foundation under this agreement was $24,249 and $97,000 for the years ended June 30, 2016 and 2015, respectively.

The Foundation entered into an operating agreement with the University to manage its Austin Residential Complex Phase II. Total fees paid to the Foundation under this agreement were $175,823 and $137,456 for the years ended June 30, 2016 and 2015, respectively.

The Foundation has a note receivable from KSU Athletics in the amount of $18,750 and $56,250 at June 30, 2016 and 2015, respectively.

The Foundation has a note receivable from the Kennesaw State University Research Foundation of $3,235 at June 30, 2015.

The Foundation has $980,000 of expense reimbursement for housing included in the consolidated statement of activities in other university support as of June 30, 2016 and 2015.

The Foundation acts as an agent on behalf of Kennesaw State University and invests amounts previously gifted to the University. At June 30, 2016 and 2015, the total balance recorded as an agency fund asset and liability are $418,772 and $438,822, respectively.

At June 30, 2016 and 2015, amounts due from the University are as follows:

	2016	2015
ARC II Management Fee	**$ 103,701**	$ 161,533
ARC II Initiative	**83,325**	83,325
ARC II Operations	**5,274**	23,757
Surface Parking Agreement	**158,060**	158,060
Utility Expense North Deck, HOOT	**9,077**	16,601
Sports Park Events	**130,771**	191,698
Insurance Reimbursements	**45,231**	21,985
Chastain Pt Facilities Use Agreements	**-**	71,960
KSU Center R&R	**-**	785,000
Operating Accounts Receivable	**15,195**	-
	$ 550,634	$ 1,513,919

NOTE 17. RELATED PARTY TRANSACTIONS (Continued)

At June 30, 2016 and 2015, amounts due to the University are as follows:

	2016	2015
Housing MOU	$ 980,000	$ 980,000
North Parking Deck Ground Lease	-	197,600
Village Suites Ground Lease	-	20,000
Resident Housing Fee Payable	14,600	6,887
Operating Accounts Payable	655,479	331,768
ARC Phase II Management Agreement	172,825	-
Sports Park Operations	94,625	72,223
	$ 1,917,529	$ 1,608,478

NOTE 18. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events occurring through September 6, 2016, the date on which the financial statements were available to be issued.