KENNESAW STATE UNIVERSITY FOUNDATION, INC.

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2019

KENNESAW STATE UNIVERSITY FOUNDATION, INC.

CONSOLIDATED FINANCIAL REPORT
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MAULDIN & JENKINS

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, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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, 2019 and 2018, 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 5, 2019

KENNESAW STATE UNIVERSITY
FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS	2019	2018
Cash	**$ 20,976,524**	$ 17,918,782
Unconditional promises to give, net	**10,327,431**	9,394,723
Rents receivable, net of allowance accounts 2019 $238,549; 2018 $183,800	**338,240**	170,756
Accounts receivable - other	**133,971**	129,703
Accounts receivable - related party	**336,964**	346,542
Prepaid expenses	**59,675**	217,638
Other assets	**12,198**	8,700
Investments	**66,337,034**	63,185,446
Net investments in direct financing leases	**219,778,180**	229,012,891
Donated art	**553,650**	553,650
Property and equipment, net	**82,251,932**	86,660,243
Assets limited as to use	**52,811,934**	53,669,323
Total assets	**$ 453,917,733**	$ 461,268,397
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	**$ 375,233**	$ 837,251
Accounts payable - related party	**1,524,353**	1,599,219
Invested funds held for KSU Alumni	**80,051**	-
Security deposits payable	**29,678**	29,678
Accrued expenses	**78,078**	735,422
Accrued interest	**7,586,660**	7,901,099
Bonds payable, net	**359,924,955**	375,096,063
Annuity obligation	**2,815**	91,723
Deferred revenue	**779,628**	1,068,340
Total liabilities	**370,381,451**	387,358,795
Net assets		
Without donor restrictions		
Undesignated	**3,367,192**	8,245,730
Designated by the Board for housing reserves	**4,151,465**	2,611,627
Designated by the Board for student support - scholarships	**654,552**	306,000
Designated by the Board for academic learning center	**2,000,000**	-
Designated by the Board for Foundation gift matching	**6,000,000**	-
	16,173,209	11,163,357
With donor restrictions		
Purpose restrictions	**29,381,899**	27,033,909
Perpetual in nature	**38,031,973**	35,783,710
Underwater endowments	**(50,799)**	(71,374)
	67,363,073	62,746,245
Total net assets	**83,536,282**	73,909,602
Total liabilities and net assets	**$ 453,917,733**	$ 461,268,397

See Notes to Consolidated Financial Statements.

KENNESAW STATE UNIVERSITY FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions and special events	$ 115,670	$ 7,703,873	$ 7,819,543
Investment income	1,596,723	1,023,393	2,620,116
Net realized and unrealized gain (loss) on investments	266,949	1,139,593	1,406,542
Donated services	91,887	-	91,887
Management fee income	350,539	-	350,539
Loss on extinguishment of bond debt	-	-	-
Loss on write-off of direct financing lease	(1,031,791)	-	(1,031,791)
Change in value of split interest agreements	-	81,480	81,480
Leasing income	40,670,611	-	40,670,611
Total revenues	42,060,588	9,948,339	52,008,927
Net assets released from restrictions:			
Satisfaction of program restrictions	5,172,284	(5,172,284)	-
Total revenues and other support	47,232,872	4,776,055	52,008,927
EXPENSES			
Program services:			
Scholarships & awards	2,622,282	-	2,622,282
Academic programs and dean support	2,162,062	-	2,162,062
Other university support	1,097,124	-	1,097,124
Housing support	981,822	-	981,822
Special events & programs	879,341	-	879,341
Campus facilities	32,664,858	-	32,664,858
Total program services	40,407,489	-	40,407,489
Supporting services:			
Management and general	1,841,239	-	1,841,239
Fundraising	133,519	-	133,519
Total supporting services	1,974,758	-	1,974,758
Total expenses and losses	42,382,247	-	42,382,247
CHANGE IN NET ASSETS	4,850,625	4,776,055	9,626,680
NET ASSETS, BEGINNING	11,163,357	62,746,245	73,909,602
CHANGE IN DONOR INTENT	159,227	(159,227)	-
NET ASSETS, ENDING	$ 16,173,209	$ 67,363,073	$ 83,536,282

See Notes to Consolidated Financial Statements.

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
	$ 108,562	$ 10,560,576	$ 10,669,138
	969,345	863,073	1,832,418
	(182,187)	2,188,085	2,005,898
	90,091	-	90,091
	518,047	-	518,047
	(4,795,955)	-	(4,795,955)
	-	-	-
	-	16,980	16,980
	44,447,576	-	44,447,576
	41,155,479	13,628,714	54,784,193
	4,410,723	(4,410,723)	-
	45,566,202	9,217,991	54,784,193
	1,717,943	-	1,717,943
	1,646,472	-	1,646,472
	1,200,106	-	1,200,106
	1,568,600	-	1,568,600
	964,640	-	964,640
	32,340,803	-	32,340,803
	39,438,564	-	39,438,564
	1,849,604	-	1,849,604
	203,118	-	203,118
	2,052,722	-	2,052,722
	41,491,286	-	41,491,286
	4,074,916	9,217,991	13,292,907
	7,099,094	53,517,601	60,616,695
	(10,653)	10,653	-
	$ 11,163,357	$ 62,746,245	$ 73,909,602

KENNESAW STATE UNIVERSITY FOUNDATION, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services			
	Scholarships and Awards	Academic Programs and Dean Support	Other University Support	Housing Support
Grants and other assistance to organizations	$ 2,622,282	$ 1,164,042	$ 480,045	$ 981,822
Compensation of current officers	-	-	-	-
Other salaries and wages	-	-	-	-
Other employee benefits	-	-	-	-
Advertising and promotion	-	19,119	2,348	-
Office expenses	-	188,102	71,051	-
Information technology	-	23,676	-	-
Occupancy	-	6,346	202,235	-
Travel	-	67,733	1,791	-
Conferences, conventions, and meetings	-	431,394	160,356	-
Interest	-	-	-	-
Depreciation	-	-	-	-
Legal fees	-	-	-	-
Accounting	-	-	-	-
Investment management fees	-	-	21,729	-
Other professional and admin fees	-	249,796	48,930	-
Rental operations	-	-	-	-
Promotion and development	-	-	-	-
Dues and professional memberships	-	11,854	60,196	-
Annuity benefit payments	-	-	48,443	-
Total expenses	$ 2,622,282	$ 2,162,062	$ 1,097,124	$ 981,822

See Notes to Consolidated Financial Statements.

Program Services			Supporting Services		
University Special Events	Campus Facilities	Total Program Expenses	Management and General	Fundraising	Total Expenses
$ 222,813	$ 1,064,179	$ 6,535,183	$ -	$ 17,097	$ 6,552,280
-	-	-	295,572	-	295,572
-	-	-	865,828	-	865,828
-	-	-	629	-	629
3,322	-	24,789	981	5,332	31,102
103,734	-	362,887	47,895	20,549	431,331
6,567	-	30,243	15,247	-	45,490
199,599	-	408,180	146,616	225	555,021
103,199	-	172,723	3,061	1,621	177,405
196,833	-	788,583	49,082	71,218	908,883
-	13,372,887	13,372,887	10,739	-	13,383,626
-	5,033,896	5,033,896	3,511	-	5,037,407
1,109	-	1,109	88,253	-	89,362
-	-	-	98,689	-	98,689
-	-	21,729	157,398	-	179,127
38,715	-	337,441	51,934	4,923	394,298
-	13,193,896	13,193,896	-	-	13,193,896
-	-	-	-	9,000	9,000
3,450	-	75,500	5,804	3,554	84,858
-	-	48,443	-	-	48,443
$ 879,341	$ 32,664,858	$ 40,407,489	$ 1,841,239	$ 133,519	$ 42,382,247

KENNESAW STATE UNIVERSITY
FOUNDATION, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services			
	Scholarships and Awards	Academic Programs and Dean Support	Other University Support	Housing Support
Grants and other assistance to organizations	$ 1,717,943	$ 883,374	$ 559,067	$ 1,568,600
Compensation of current officers	-	-	-	-
Other salaries and wages	-	-	-	-
Other employee benefits	-	-	-	-
Advertising and promotion	-	10,713	13,357	-
Office expenses	-	119,069	110,979	-
Information technology	-	587	-	-
Occupancy	-	40,046	198,669	-
Travel	-	48,590	9,139	-
Conferences, conventions, and meetings	-	329,395	145,694	-
Interest	-	-	-	-
Depreciation	-	-	-	-
Legal fees	-	-	-	-
Accounting	-	-	-	-
Investment management fees	-	-	1,784	-
Other professional and admin fees	-	193,712	78,812	-
Rental operations	-	-	-	-
Promotion and development	-	-	-	-
Dues and professional memberships	-	20,986	34,162	-
Annuity benefit payments	-	-	48,443	-
Total expenses	$ 1,717,943	$ 1,646,472	$ 1,200,106	$ 1,568,600

See Notes to Consolidated Financial Statements.

Program Services			Supporting Services		
University Special Events	Campus Facilities	Total Program Expenses	Management and General	Fundraising	Total Expenses
$ 268,544	$ 819,090	$ 5,816,618	$ 58	$ 16,807	$ 5,833,483
-	-	-	349,314	-	349,314
-	-	-	733,175	-	733,175
-	-	-	2,010	-	2,010
7,616	-	31,686	2,004	813	34,503
80,410	-	310,458	45,163	16,483	372,104
-	-	587	43,903	-	44,490
192,074	-	430,789	146,785	1,938	579,512
98,121	-	155,850	14,616	51,583	222,049
134,801	-	609,890	72,534	97,876	780,300
-	14,203,671	14,203,671	18,349	-	14,222,020
-	5,117,854	5,117,854	293	-	5,118,147
1,675	-	1,675	82,841	-	84,516
-	-	-	107,958	-	107,958
-	30	1,814	156,316	-	158,130
178,149	-	450,673	67,086	2,291	520,050
-	12,200,158	12,200,158	-	-	12,200,158
-	-	-	-	11,000	11,000
3,250	-	58,398	7,199	4,327	69,924
-	-	48,443	-	-	48,443
$ 964,640	$ 32,340,803	$ 39,438,564	$ 1,849,604	$ 203,118	$ 41,491,286

KENNESAW STATE UNIVERSITY
FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 9,626,680	$ 13,292,907
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	5,033,895	5,117,855
Amortization expense	493,753	1,514,881
Amortization of bond premiums and original issue discount	(2,949,861)	(2,070,455)
Contributions restricted for long-term investment	(2,217,799)	(2,479,300)
Transfer of property and equipment to University	-	238,023
Loss on write-off of direct financing lease	1,062,293	-
Net realized and unrealized (gain) on investments	(1,406,542)	(2,005,898)
(Increase) decrease in:		
Unconditional promises to give	(932,708)	(4,547,757)
Accounts receivable - related party	9,578	2,713
Other receivables	(171,752)	(126,883)
Prepaid expenses	157,963	(1,732)
Other assets	(3,498)	758
Increase (decrease) in:		
Accounts payable	(462,018)	(312,399)
Accounts payable - related party	(74,866)	(274,908)
Funds held for others	80,051	-
Security deposits payable	-	(6,791)
Accrued expenses	(657,344)	(784,084)
Accrued interest	(314,439)	100,516
Annuity obligation	(88,908)	(34,413)
Deferred revenue	(288,712)	(220,100)
Net cash provided by operating activities	6,895,766	7,402,933
CASH FLOWS FROM INVESTING ACTIVITIES		
Principal received on net investments in direct financing leases	8,172,418	8,983,854
Purchase of property and equipment	(625,584)	(329,592)
Net purchase of investments	(1,745,046)	(10,023,598)
Net cash (used in) provided by investing activities	5,801,788	(1,369,336)

See Notes to Consolidated Financial Statements.

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in endowment	**2,217,799**	2,479,300
Proceeds from bond issuance	**-**	47,421,969
Bond redemption	**(12,715,000)**	(55,340,000)
Debt issuance costs	**-**	(763,503)
Net change in funds held by Trustee	**857,389**	(3,779,219)
Net cash (used in) financing activities	**(9,639,812)**	(9,981,453)
Net (decrease) increase in cash	**3,057,742**	(3,947,856)
Cash at beginning of year	**17,918,782**	21,866,638
Cash at end of year	**$ 20,976,524**	$ 17,918,782
SUPPLEMENTAL DATA FOR INVESTING AND FINANCING ACTIVITIES		
Interest paid (excluding capitalized interest)	**$ 16,143,439**	$ 16,139,405
Building removed from investment in direct financing lease	**$ -**	$ 238,023

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

Net Assets:

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

Net assets without donor restrictions - Net assets that are not restricted by the donor. These assets are used to support the operations of the Foundation and are at the discretion of the Foundation's Board of Trustees.

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

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

Significant accounting policies: (Continued)

Net Assets: (Continued)

Unrealized and realized gains and losses, and dividends and interest from investing activities may be included in either of these net asset classifications depending on donor-imposed restrictions and the Foundation's interpretation of relevant state law.

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, KSU Houses Real Estate Foundation, LLC, KSU Parking Decks Real Estate Foundation, LLC (North, East, and West Decks), KSU Place Real Estate Foundation, LLC (KSU Place I and II), KSU Sports and Recreation Facilities Foundation, LLC, KSU Sports and Recreation Park Real Estate Foundation, LLC, KSU Town Point Real Estate Foundation, LLC, KSU UP Real Estate Foundation, LLC (Austin Residence Complex Phase I), KSU Village I Real Estate Foundation, LLC (University Village and Village Centre), KSU Village II Real Estate Foundation, LLC (University Village Suites), KSU University II Real Estate Foundation, LLC (Austin Residence Complex Phase II, or "ARC II"), KSUF Housing Management, LLC, Kennesaw Hospitality, LLC (Kennesaw Inn), Kennesaw State Properties, LLC, KSU SRAC Real Estate Foundation, LLC (Student Recreation and Activities Center), 3305 Busbee Real Estate Foundation, LLC, KSU Marietta-Hudson Road Real Estate Foundation, LLC, KSU Cobb Parkway Real Estate Foundation, LLC, SPSU Student Housing I, LLC, KSU Special Events, LLC, and KSU 1250 Marietta Pkwy 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.

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

Significant accounting policies: (Continued)

Contributions: (Continued)

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.

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 $31,102 and $34,503 for the years ended June 30, 2019 and 2018, respectively.

Split-interest agreements:

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

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 $91,887 and $90,091 for the years ended June 30, 2019 and 2018, 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.

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

Significant accounting policies: (Continued)

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.

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. Alternative investments, which are not readily marketable, are carried at estimated fair values as provided by external investment managers. The Foundation reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in estimating the fair value of the alternative investments. The estimated fair values may differ significantly from the values that would have been used had ready markets for these securities existed.

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, 2019 and 2018, 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.

The Foundation received income which is considered unrelated business income subject to federal and state income taxes. At June 30, 2019, the Foundation had net operating loss carryforwards of $449,059 available to offset future taxable income and expiring at various dates from 2033 – 2034.

Functional Allocation of Expenses:

The cost of providing the various programs and other activities have been summarized on a functional basis on the consolidated statement of activities. The statements of functional expenses present the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited as required by FASB's Not-for-Profit presentation and disclosure guidance.

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

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

Significant accounting policies: (Continued)

New accounting pronouncements:

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for financial statements issued for fiscal years beginning after December 15, 2019. The Foundation is assessing the impact the new guidance will have on its consolidated financial statements.

In 2019, the Foundation adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented, which did not have an effect on total net assets or change in net assets for the year ended June 30, 2018.

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, 2019 and 2018, the Foundation's uninsured cash balances totaled $24,720,548 and $21,454,562, 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. LIQUIDITY AND AVAILABILITY

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

Financial assets at year-end:		
Cash and cash equivalents	$	10,384,712
Pledges receivable – without donor restriction		1,961
Rents receivable		129,841
Accounts receivable – other		133,971
Accounts receivable – related party		336,964
Non-endowed investments		19,561,094
Assets limited as to use		52,811,933
		83,360,476
Designations on liquid assets:		
Board designated assets for housing reserves		4,308,975
Board designated assets for scholarships		656,964
Board designated assets for academic learning center		2,000,000
Board designated assets for Foundation gift matching		6,000,000
Cash restricted to campus facilities		1,608,318
Amounts held or pledges under bond trust agreements		53,074,366
		67,648,623
Total financial assets without donor or other restrictions available for general use within one year	$	15,711,853

As part of the Foundation's liquidity plan, the Foundation allocates approximately half of its annual operating expenses, or approximately $4,000,000, as an operating reserve plus a $2,000,000 working capital reserve. The remaining balance of $9,711,852 is available as undesignated liquid assets. The Foundation has current liabilities at June 30, 2019 of $1,551,753 leaving a remaining balance of $8,160,099 as undesignated and uncommitted liquid assets.

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

NOTE 4. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2019 and 2018 consisted of the following unconditional promises to give:

	2019	2018
Pledges without donor restrictions	$ 3,932	$ 4,750
Pledges with donor restrictions – purpose restrictions	7,365,714	6,725,527
Pledges with donor restrictions – perpetual in nature	4,270,495	4,046,192
Unconditional promises to give before discount and allowance for uncollectible pledges	11,640,141	10,776,469
Less unamortized discount	1,043,665	1,195,084
Subtotal	10,596,476	9,581,385
Less allowance for uncollectible pledges	269,045	186,662
	$ 10,327,431	$ 9,394,723
Amount due in:		
Less than one year	$ 4,820,852	$ 3,623,341
One to three years	6,178,503	5,919,140
More than three years	640,786	1,233,988
Total	$ 11,640,141	$ 10,776,469

For the years ending June 30, 2019 and 2018, the discount rate used was 5 percent.

NOTE 5. INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	NAV Practical Expedient	Total
Money market funds	$ 5,585,822	$ -	$ -	$ -	$ 5,585,822
Government and agency securities	4,224,368	-	-	-	4,224,368
Corporate bonds	13,217,267	-	-	-	13,217,267
High yield bonds	446,548	-	-	-	446,548
Commercial paper	-	6,979,940	-	-	6,979,940
Equity securities:					
Large cap value	2,759,755	-	-	-	2,759,755
Large cap growth	9,784,720	-	-	-	9,784,720
Mid cap	5,406,298	-	-	-	5,406,298
Small cap	4,520,273	-	-	-	4,520,273
International equities	3,120,347	-	-	-	3,120,347
Total equity securities	25,591,393	-	-	-	25,591,393
Mutual funds:					
Bond funds	876,346	-	-	-	876,346
Emerging markets	1,824,387	-	-	-	1,824,387
Specific strategy	4,852,537	-	-	-	4,852,537
Real estate	-	-	-	1,363,830	1,363,830
Commodities	1,374,596	-	-	-	1,374,596
Total mutual funds	8,927,866	-	-	1,363,830	10,291,696
Total investments at fair value	$ 57,993,264	$ 6,979,940	$ -	$ 1,363,830	$ 66,337,034

The real estate funds invest primarily in U.S. commercial real estate. The fair values of the investment in this category have been estimated using the net asset value of the Foundation's ownership interest in partners' capital. These investments are less liquid and, generally, cannot be redeemed with the funds through normal redemption procedures. Under the Fund's share repurchase plan, redemption can be requested monthly and is subject to acceptance by the Fund manager.

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

NOTE 5. 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, 2018:

	Level 1	Level 2	Level 3	NAV Practical Expedient	Total
Money market funds	$ 3,864,128	$ -	$ -	$ -	$ 3,864,128
Government and agency securities	12,095,903	-	-	-	12,095,903
Corporate bonds	13,920,429	-	-	-	13,920,429
High yield bonds	551,158	-	-	-	551,158
Equity securities:					
Large cap value	2,247,738	-	-	-	2,247,738
Large cap growth	7,415,314	-	-	-	7,415,314
Mid cap	5,320,882	-	-	-	5,320,882
Small cap	3,674,990	-	-	-	3,674,990
International equities	4,531,978	-	-	-	4,531,978
Total equity securities	23,190,902	-	-	-	23,190,902
Mutual funds:					
Bond funds	1,055,322	-	-	-	1,055,322
Emerging markets	2,994,851	-	-	-	2,994,851
Specific strategy	3,851,534	-	-	-	3,851,534
Commodities	1,661,219	-	-	-	1,661,219
Total mutual funds	9,562,926	-	-	-	9,562,926
Total investments at fair value	$ 63,185,446	$ -	$ -	$ -	$ 63,185,446

Investment expenses incurred totaled $179,127 and $158,130 for the years ended June 30, 2019 and 2018, respectively.

NOTE 6. 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, 2018, the Foundation removed a building with a value of $238,023 from investments in direct financing leases. The Foundation gifted the building to the University.

NOTE 6. INVESTMENTS IN DIRECT-FINANCING LEASES (Continued)

Following is a summary of the components of the Foundation's net investment in direct-financing type leases at June 30, 2019 and 2018:

	2019	2018
Total minimum lease payments to be received	**$ 347,155,928**	$ 367,986,351
Less unearned income	**127,377,748**	138,973,460
Net investment	**$ 219,778,180**	$ 229,012,891

Net minimum lease payments to be received as of June 30, 2019 are:

June 30,	
2020	$ 8,443,685
2021	9,437,839
2022	9,904,890
2023	10,401,997
2024	11,128,431
Thereafter	170,461,338
	$ 219,778,180

NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2019 and 2018, consists of the following:

	Life	2019	2018
Land	**-**	**$ 5,303,920**	$ 5,303,920
Land improvements	**-**	**122,425**	122,425
Buildings and improvements	**10-39.5**	**135,719,099**	135,695,500
Furniture, fixtures and equipment	**5**	**12,634,543**	12,028,986
Computer software	**3**	**82,581**	82,581
		153,862,568	153,233,412
Less accumulated depreciation		**71,610,636**	66,573,169
		$ 82,251,932	$ 86,660,243

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.

The Foundation leases space to a related party, as well as a third party, on a year to year lease at KSU Center which is primarily a University facility. Subsequent to year end, the Foundation transferred the building to the University.

NOTE 7. PROPERTY AND EQUIPMENT (Continued)

Effective July 1, 2017, the Foundation entered into a master lease agreement for the entire Chastain Pointe property with the Board of Regents.

NOTE 8. 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.

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.

A summary of the assets limited as to use held by the Trustee under the Trust Indenture as of June 30, 2019 and 2018 is as follows:

	2019	2018
Revenue Funds	**$ 5,825**	$ 610,981
Debt Service Funds	**16,634,694**	16,609,575
Surplus Funds	**4,976,865**	4,988,682
Bond Funds	**18,790,266**	18,792,892
Project Funds	**128,294**	302,680
R&R Funds	**12,275,990**	12,364,513
	$ 52,811,934	$ 53,669,323

NOTE 9. BONDS PAYABLE

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 matured each year, with the final maturity date on November 1, 2018, subject to mandatory and optional redemption provisions. The bonds bore interest, payable semiannually, at rates, set at issuance, ranging from 4.00% to 5.00%.

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

The bonds matured during the year ended June 30, 2019.

NOTE 9. BONDS PAYABLE (Continued)

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.

During the year ended June 30, 2018, $43,560,000 of the University Facilities Series 2010A bonds met the legal requirements for defeasance of the bond liability due to the issuance of the 2017 Series Refunding Bonds. The partial defeasance resulted in a loss on extinguishment of debt of $4,795,955 that is included on the consolidated statement of activities for the year ending June 30, 2018. Therefore, neither the escrow cash nor the bonds payable for the above mentioned Series 2010A portion are included on the consolidated statement of financial position at June 30, 2018.

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 2010B and C Bonds
2020	$ 1,025,000
2021	1,265,000
2022	420,000
2023	475,000
2024	535,000
Thereafter	16,090,000
	$ 19,810,000

NOTE 9. BONDS PAYABLE (Continued)

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 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 2011 bonds redeemed in the principal amounts set forth in the following table:

Redemption Date (July 15,)		2011 Bonds
2020	$	690,000
2021		725,000
2022		760,000
2023		800,000
2024		825,000
Thereafter		23,260,000
	$	27,060,000

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
2020	$ 1,060,000
2021	1,095,000
2022	1,135,000
2023	1,180,000
2024	1,230,000
Thereafter	34,590,000
	$ 40,290,000

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 $7,260,000 and the “Student Housing Subordinate Series 2013B” in the amount of $28,935,000. 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
2020	$ 2,090,000
2021	2,175,000
2022	2,275,000
2023	2,380,000
2024	2,485,000
Thereafter	17,025,000
	$ 28,430,000

<u>Series 2013 Housing Refunding Bonds Payable:</u>

During the year ended June 30, 2013, the Development Authority of the City of Marietta issued Student Housing Facilities Refunding Revenue bonds and loaned the proceeds to the SPSU Student Housing I, LLC, a subsidiary of the Foundation. The Series 2013 bonds were issued to refund the SPSU 2003 Series bonds. The refund met the legal requirements for defeasance of the bond liability. The Foundation acquired these bonds during 2017 as a result of the acquisition of The Polytechnic Foundation disclosed in Note 18.

The bonds were issued in the aggregate principal amount of $27,130,000. The bonds consist of one series in the amount of $27,130,000. The Series 2013, will mature on July 15, 2029, subject to mandatory and optional redemption provisions.

The bonds bear interest, payable semiannually on June 15th and December 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 University Facilities, 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 Series 2013 bonds redeemed in the principal amounts set forth in the following table:

Redemption Date (June 15,)	2013 Student Housing Refunding
2020	$ 1,685,000
2021	1,750,000
2022	1,790,000
2023	1,840,000
2024	1,935,000
Thereafter	9,120,000
	$ 18,120,000

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%.

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 2014 bonds redeemed in the principal amounts set forth in the following table:

Redemption Date (July 15,)	Housing 2014A, B and C Bonds
2020	$ 855,000
2021	895,000
2022	940,000
2023	985,000
2024	1,040,000
Thereafter	38,730,000
	$ 43,445,000

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 under the 2004 Master Trust Indenture 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 15^{th} and July 15^{th}, 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
2020	$ 1,325,000
2021	1,390,000
2022	1,450,000
2023	1,520,000
2024	1,700,000
Thereafter	48,630,000
	$ 56,015,000

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
2020	$ 2,525,000
2021	2,640,000
2022	2,770,000
2023	2,900,000
2024	3,010,000
Thereafter	16,175,000
	$ 30,020,000

Series 2017 Parking and Dining Hall Refunding Lease Revenue Bonds Payable:

During the year ended June 30, 2017, the Development Authority of Cobb County issued the Parking and Dining Hall Refunding Lease Revenue bonds and loaned the proceeds to the Kennesaw State University Foundation. The Series 2017 bonds were issued to refund $31,770,000 of the 2007 Parking Series and $19,510,000 of the 2008 Dining Hall Series.

The bonds were issued in the aggregate principal amount of $46,085,000. The bonds consist of one series in the amount of $46,085,000. The Series 2017 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 2.00% to 5.00%.

The terms of the bonds require the Foundation to set rates and charges for the Parking and Dining Hall 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 Dining Hall 2017 bonds redeemed in the principal amounts set forth in the following table:

Redemption Date (July 15,)	Parking and Dining Hall 2017
2020	$ 1,320,000
2021	1,385,000
2022	1,455,000
2023	1,525,000
2024	1,605,000
Thereafter	37,230,000
	$ 44,520,000

<u>Series 2017 Sports and Recreation Park Lease Revenue Refunding Bonds Payable:</u>

During the year ended June 30, 2018, the Development Authority of Cobb County issued the Sports and Recreation Park Lease Revenue Refunding bonds and loaned the proceeds to the Kennesaw State University Foundation. The Series 2017 bonds were issued to refund $43,560,000 of the University Facilities 2010A Series.

The bonds were issued in the aggregate principal amount of $42,580,000. The bonds consist of one series in the amount of $42,580,000. The Series 2017 will mature on July 15, 2040, 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 3.25% to 5.00%.

The terms of the bonds require the Foundation to set rates and charges for the Sports and Recreation Park 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 Sports and Recreation Park 2017 bonds redeemed in the principal amounts set forth in the following table:

Redemption Date (July 15,)	Sports and Recreation 2017
2020	$ -
2021	-
2022	1,470,000
2023	1,505,000
2024	1,540,000
Thereafter	38,065,000
	$ 42,580,000

Summary:

A summary of the components of bonds payable at June 30, 2019 and 2018 is as follows:

	2019	2018
Series 2008 bonds payable	**$ -**	$ 755,000
Series 2010 bonds payable	**19,810,000**	20,675,000
Series 2011 bonds payable	**27,060,000**	27,730,000
Series 2013 bonds payable	**86,840,000**	91,500,000
Series 2014 bonds payable	**43,445,000**	44,255,000
Series 2015 bonds payable	**86,035,000**	89,735,000
Series 2017 bonds payable	**87,100,000**	88,355,000
Unamortized original issue premium, net	**14,739,723**	17,689,584
Unamortized bond issue costs, net	**(5,104,768)**	(5,598,521)
	$ 359,924,955	$ 375,096,063

Bond interest expense incurred totaled $13,372,892 and $14,057,609 for the years ended June 30, 2019 and 2018, respectively.

The fair value of the bonds at June 30, 2019 and 2018 was $384,024,997 and $402,287,826, 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. During 2017, the Foundation acquired a second split-interest agreement as a result of the acquisition of The Polytechnic Foundation. During 2019, the obligation of the first agreement was met and the funds were transferred to an endowment as required by the agreement. The gifts received are included in investments at a fair value of $12,995 and $316,502 at June 30, 2019 and 2018, respectively. The annuity obligations are $2,815 and $91,723 at June 30, 2019 and 2018, respectively. The present value of the annuity liabilities were calculated using a 3.4% 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 $20,000 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 (Village Suites). 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 (Austin Residence Complex Phase II). 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, 2019, future minimum lease payments payable under the noncancelable operating leases described in the preceding paragraphs are due as follows:

Years ending June 30,	Totals
2020	$ 217,600
2021	217,600
2022	217,600
2023	217,600
2024	217,600
Thereafter	1,228,000
	$ 2,316,000

NOTE 12. DEFERRED COMPENSATION PLAN

The Foundation has non-qualified deferred compensation arrangements whereby an obligation has been recorded. At June 30, 2018, the obligation was $75,000 and recorded in accrued expenses on the consolidated statements of financial position. The obligation was paid during 2019.

NOTE 13. MANAGEMENT AGREEMENT

On February 1, 2017, the Foundation entered into a management agreement with a third party for the management of Chastain Pointe. The agreement provides for a monthly payment of $3,030. The term of this agreement is year-to-year. Management fee expense related to this agreement amounted to $36,360 and $36,000 at June 30, 2019 and 2018, respectively.

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 $3,950. The term of this agreement is year-to-year. Management fee expense related to this agreement amounted to $46,896 for the years ended June 30, 2019 and 2018.

In November, 2016, the Foundation entered into a management agreement with a third party to manage a hotel purchased by a wholly owned subsidiary. The agreement provides for a monthly payment of 3.5% of the hotel's gross monthly revenues (with a minimum $3,500) plus $500 for monthly financial statement reporting. Management fee expense related to these agreements amounted to $49,639 and $50,017 for the years ended June 30, 2019 and 2018, respectively.

NOTE 14. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purpose or periods.

	2019	2018
Subject to expenditure for specified purpose:		
Academic and program support	**$ 9,107,726**	$ 7,530,986
Scholarships	**6,304,983**	6,622,863
Special events	**1,916,507**	1,956,395
Other University support	**1,718,186**	1,310,801
Promises to give, the proceeds from which have been restricted by donor for:		
Academic & program support	**4,685,600**	4,008,083
Scholarships	**1,852,710**	1,393,558
Special events	**14,428**	201,605
Other University support	**-**	382,755
	25,600,140	23,407,046
Subject to the passage of time:		
Assets held under split-interest agreements	**9,026**	221,513
	9,026	221,513
Endowments:		
Subject to NFP endowment spending policy and appropriation:		
Scholarships	**19,736,118**	18,071,146
Program support	**18,295,855**	17,712,564
Promises to give, the proceeds from which have been restricted by donor for:		
Scholarships	**3,487,733**	2,945,000
Program support	**285,000**	460,350
Underwater endowments	**(50,799)**	(71,374)
	41,753,907	39,117,686
Total net assets with donor restrictions	**$ 67,363,073**	$ 62,746,245

NOTE 15. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the years ended June 30, 2019 and 2018 by incurring expenses satisfying the restricted purposes specified by donors as follows:

Purpose restrictions accomplished:

	2019	2018
Scholarships and awards	**$ 1,975,402**	$ 1,598,215
Academic programs	**2,115,749**	1,563,110
Special events and programs	**451,153**	506,121
Other university support	**629,980**	743,277
	$ 5,172,284	$ 4,410,723

NOTE 16. ENDOWMENT

The Foundation's endowment consists of approximately 310 individual funds established by donors to provide annual funding for a variety of purposes.

<u>Interpretation of Relevant Law</u>

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

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

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

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: ICE BofAML 0-3 Month T-Bills, Russell Top 200 Index, Russell Mid Cap Index, Russell 2000 Index, MSCI EAFE Free Index (Net), MSCI EMF TR Net EmrgMrkts, BBG Barclays US Aggregate Bond Index, ICE BOFMAL Global Broad Market ex, BBG Barclays Global High Yield Index, HFRX Global Hedge Fund Index, Russell Microcap Index, 50% NCREIF TBI, 50% NCREIF Property and Bloomberg (DJ UBS) Commodity Index. The target rate of the return for the KSU Foundation is 6.75%. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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

At June 30, 2019 and 2018, the target assets allocations were as follows:

	2019	2018
Cash	**2%**	0%
Large Cap Domestic Equity	**20%**	21%
Mid Cap Domestic Growth Equity	**12%**	10%
Small Cap Domestic	**9%**	5%
Domestic Bonds	**17%**	24%
Foreign Bonds	**2%**	3%
High Yield Bonds	**2%**	4%
International Equity	**11%**	10%
Emerging Markets	**5%**	7%
Commodities	**3%**	6%
Real Estate	**3%**	5%
Specific Strategy	**14%**	5%
	100%	100%

NOTE 16. ENDOWMENT (Continued)

The Endowment Net Asset Composition by type of Fund as of June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor	**$ -**	**$ 38,031,973**	**$ 38,031,973**
Accumulated investment gains	**-**	**9,433,970**	**9,433,970**
Total funds	**$ -**	**$ 47,465,943**	**$ 47,465,943**

The Endowment Net Asset Composition by type of Fund as of June 30, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor	$ -	$ 35,783,710	$ 35,783,710
Accumulated investment gains	-	8,669,083	8,669,083
Total funds	$ -	$ 44,452,793	$ 44,452,793

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2018, funds with original gift values of $1,848,374, fair values of $1,777,000, and deficiencies of $71,374 were reported in net assets with donor restrictions. At June 30, 2019, funds with original gift values of $1,449,128, fair values of $1,398,329, and deficiencies of $50,799 were reported in net assets with donor restrictions.

Spending Policy and How the Investment Objectives Related to Spending Policy

In accordance with UPMIFA the Foundation considers the following factors in making a determination to appropriate and allocate assets for spending or accumulate assets of an endowment fund:

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

NOTE 16. ENDOWMENT (Continued)

The Foundation had an endowment spending policy for the years ending June 30, 2019 and 2018 appropriating for distribution 0% to 3.65% and 0% to 3.25%, respectively, calculated based on a sliding scale from 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 Foundation has increased its spending policy to 4% for subsequent years.

Changes in Endowment net assets for the years ended June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	**$ -**	**$ 44,452,793**	**$ 44,452,793**
Investment return, net	**-**	**1,792,698**	**1,792,097**
Contributions	**-**	**2,010,189**	**2,010,189**
Appropriation of endowment assets pursuant to spending-rate policy	**-**	**(1,179,819)**	**(1,179,819)**
Transfers to comply with donor intent	**-**	**390,082**	**390,082**
Endowment net assets, end of year	**$ -**	**$ 47,465,943**	**$ 47,465,342**

Changes in Endowment net assets for the years ended June 30, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 40,551,732	$ 40,551,732
Investment return, net	-	3,077,732	3,077,732
Contributions	-	1,949,039	1,949,039
Appropriation of endowment assets pursuant to spending-rate policy	-	(1,458,003)	(1,458,003)
Transfers to comply with donor intent	-	332,293	332,293
Endowment net assets, end of year	$ -	$ 44,452,793	$ 44,452,793

NOTE 17. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2019, the Foundation entered into a memorandum of understanding with the University to manage the Foundation's housing properties. Total fees paid to the University under this agreement were $475,746 for the year ended June 30, 2019.

During the year ended June 30, 2018, 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 $172,990 for the year ended June 30, 2018.

The Foundation entered into an agreement with the University to manage certain Sports Park events. Total fees paid to the Foundation under this agreement was $192,478 and $186,996 for June 30, 2019 and 2018, respectively. The Foundation also has a sublease agreement with the University for its use of the Sports Park. Total fees paid to the University under this agreement were $192,478 and $186,996 for June 30, 2019 and 2018, respectively.

The Foundation has an accrued payable to a related party of $16,845 at June 30, 2018 in accordance with a separation agreement.

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, 2018.

At June 30, 2019 and 2018, amounts due from the University are as follows:

	2019	2018
ARC II Initiative	**$ -**	$ 83,325
ARC II Operations	**-**	127,231
Utility Expense North Deck	**-**	1,794
Sports Park Events	**-**	65,736
Insurance Reimbursements	**-**	23,331
Operating Accounts Receivable	**336,964**	16,237
Marietta Housing Operations	**-**	28,888
	$ 336,964	$ 346,542

NOTE 17. RELATED PARTY TRANSACTIONS (Continued)

At June 30, 2019 and 2018, amounts due to the University are as follows:

	2019	2018
Housing MOU	$ **996,188**	$ 980,000
Resident Housing Fee Payable	**20,850**	10,450
Operating Accounts Payable	**504,903**	418,636
Allocation of payroll to Housing	**-**	161,433
Scholarships payable	**2,412**	28,700
	$ **1,524,353**	$ 1,599,219

NOTE 18. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events occurring through September 5, 2019, the date on which the financial statements were available to be issued.