

ANNUAL FINANCIAL REPORT 2022

Including Independent Auditor's Report



KENNESAW STATE UNIVERSITY
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For the Fiscal Year Ended June 30, 2022

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INTRODUCTION





Message from the President

It is my pleasure to present to you the Fiscal Year 2022 Annual Financial Report for Kennesaw State University. KSU's fiscal position is strong, bolstered by continued enrollment growth and intentional steps taken to operate within anticipated budgets. As a public institution, the university continues to prioritize good stewardship of the tuition and funds entrusted to us while providing students with access to a vibrant learning environment, world-class faculty, and a supportive campus community. This commitment and our dedication to excellence in financial reporting, controls, and transparency have again earned Kennesaw State the "Award of Distinction for Excellent Financial Reporting" for fiscal year 2021 from the Georgia Department of Audits and Accounts. This marks the sixth year in a row that the institution has received such recognition.

As noted, KSU has benefitted from enrollment numbers that have continued to grow at both the undergraduate and graduate level, with nearly 43,000 students matriculating for fall 2021. To meet the demands of this enrollment growth, KSU continues to dedicate resources to the teaching mission, with more than 80 new faculty members in place for the upcoming fall semester. These investments intentionally address class waitlists, with a reduction this past spring semester of 11%; increase course availability; and focus on student progression and graduation. The university developed additional resources to advance student success including *Flight26*, an exciting new initiative designed to connect first-year students together through their shared identity as members of the Class of 2026. Another effort, the President's Focused Learner's Program, targets academically at-risk students with resources to help them maintain their degree progression. These and other efforts serve to strengthen the connection to KSU and positively impact student retention.

Kennesaw State's status as an R2 institution was reaffirmed in 2021, demonstrating continued growth in research support and opportunities for faculty and students. In the last fiscal year, KSU was awarded more than 135 external funding grants, equaling more than \$12.5 million. Successful proposals included grants from the National Science Foundation (NSF), the Health Resources & Services Administration (HRSA), and the National Institutes of Health (NIH).

With the support of the University System of Georgia and the Board of Regents, KSU completed the construction of new academic and residential buildings to better serve our student population. In February, we celebrated the opening of the Academic Learning Center (ALC) which is a state-of-the-art learning facility with new classrooms, seminar rooms and study spaces that will impact student success for years to come. In addition, a new residence hall, The Summit, is welcoming first year students for the upcoming fall semester and will provide more than 500 new beds to help meet the demand for on-campus housing. The Summit will provide another opportunity for first-year students to connect with their peers and the campus community, which can have a positive impact on their academic performance.



Through collaboration with the USG, Kennesaw State developed new and exciting degree programs that will meet the future workforce needs of the state of Georgia. New graduate programs approved by the Board of Regents included a Ph.D. in Computer Science and a Master of Science in Digital Financial Technologies. These degree pathways support the university's goals of becoming one of the top R2 institutions in the nation while preparing a highly educated workforce for Georgia.

Kennesaw State had the opportunity to present to the Board of Regents in January for the "Campus Spotlight" to highlight our work assisting students with needs beyond the classroom. Through the KSU CARES program, students can access support services to address food insecurities, homelessness or other circumstances that can impact their ability to learn. Wellbeing@KSU, launched in the past year, provides students with 24/7 access to mental health resources and professionals, along with counseling and services to help cope with the stresses that sometimes accompany campus life. These are just two of the many services available to promote a healthy environment and a supportive campus community.

The commitment to Kennesaw State by stakeholders outside of the university has continued to impact students in major ways. We encourage philanthropic giving dedicated to student scholarships, and our endowment has more than doubled in less than three years, now exceeding \$100 million. This giving included the single largest gift in the history of KSU's Southern Polytechnic College of Engineering and Engineering Technology. More than 1,000 students have received the KSU Foundation supported GAP scholarship, which provides funds to help students in financial difficulty during their final semester before graduation. Since the inception of the scholarship, nearly 92% of students receiving the funds graduated.

As you can see, our growth and momentum place Kennesaw State University in a positive position as we head into fiscal year 2023. We are grateful for the support that Kennesaw State continues to receive from the University System of Georgia and the State of Georgia and look forward to future successes in the new academic year.

A handwritten signature in black ink that reads "Kathy S. Schwaig".

Kathy Schwaig
President



**KENNESAW STATE
UNIVERSITY**
OFFICE OF THE VICE PRESIDENT
FOR FINANCE

Letter of Transmittal

August 15, 2022

To: Dr. Kathy Schwaig, President
Kennesaw State University

The Annual Financial Report (AFR) for the Kennesaw State University includes the financial statements for the year ended June 30, 2022, as well as other useful information to help ensure the Institution's accountability and integrity to the public. The AFR also includes the Management Discussion and Analysis, with all necessary disclosures to assist the reader in gaining a broader and more thorough understanding of the Institution's financial position as a result of operations for the fiscal year ended June 30, 2022.

Kennesaw State University management is responsible for the accuracy of this information and for the completeness and fairness of its presentation, including all disclosures. We believe the information is accurate and fairly presents the Institution's financial position, revenues, expenses and other changes in net position.

The University's financial records are included in the University System of Georgia's financial report, which is audited by the State of Georgia Department of Audits and Accounts (DOAA) on an annual basis. The University's internal auditors also perform fiscal compliance and performance reviews, sharing the results with the University's management. The audit of the University's financial assistance programs is performed by the DOAA in conjunction with the statewide Single Audit.

Sincerely,

Aaron Howell
Chief Financial Officer



FINANCIALS



INDEPENDENT AUDITOR'S REPORT

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the Board of Regents of the University System of Georgia
and
Dr. Kathy Schwaig, President
Kennesaw State University

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, discretely presented component unit, and fiduciary activities of the Kennesaw State University (University), a unit of the University System of Georgia, which is an organizational unit of the State of Georgia, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, discretely presented component unit, and fiduciary activities of the University as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The financial statements of the discretely presented component unit were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. The other auditors audited the financial statements of the discretely presented component unit in accordance with GAAS but not in accordance with *Government Auditing Standards*.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 1, the financial statements of the University are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only those portions of the business-type activities, discretely presented component unit, and fiduciary activities of the State of Georgia that are attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Georgia as of June 30, 2022, the changes in its financial position or, where applicable, its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As described in Note 1 to the financial statements, in 2022, the University adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. The University restated beginning balances for the effect of GASB Statement No. 87. Our opinions are not modified with respect to this matter.

As discussed in Note 1 to the financial statements, in 2022, the University restated the prior period financial statements to correct an error. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient appropriate evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2022 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

A copy of this report has been filed as a permanent record and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,



Greg S. Griffin
State Auditor

December 19, 2022

KENNESAW STATE UNIVERSITY

Management's Discussion and Analysis

Introduction

Kennesaw State University (University) is one of the 26 institutions of higher education of the University System of Georgia (USG). The University, offering instruction on campuses in Kennesaw and Marietta, Georgia, was founded in 1963 and has nationally ranked degrees in business, engineering and first-year programs, as well as premier teaching, nursing, architecture, science and math programs. This broad range of educational opportunities attracts a highly qualified faculty and a student body exceeding 42,000 students in the fall of fiscal year 2022, making it the third largest Institution in the USG. The Institution had a 4.4% increase in enrollment which exceeded the average for research and comprehensive universities in Georgia. Comparison numbers follow:

	STUDENT HEADCOUNT	STUDENT FTE
FY 2022	42,983	38,292
FY 2021	41,181	36,738
FY 2020	37,807	33,757

Overview of the Financial Statements and Financial Analysis

The University is pleased to present its financial statements for fiscal year 2022. The emphasis of discussions about these statements will be on current year data. There are three business-type activities financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. There are two fiduciary financial statements presented: the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position. This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year. Comparative data is provided for fiscal year 2022 and fiscal year 2021.

Statement of Net Position

The Statement of Net Position is a financial condition snapshot as of June 30, 2022, and includes all assets, deferred inflows & outflows and liabilities, both current and non-current. The differences between current and non-current assets are discussed in the Notes to the Financial Statements. The Statement of Net Position is prepared under the accrual basis of accounting which requires revenue and asset recognition when the service is provided, and expense and liability recognition when goods or services are received despite when cash is actually exchanged.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the University and how much the University owes vendors. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources (net position) is one indicator of the University's financial health. Increases or decreases in net position provide an indicator of the improvement or decline of the University's financial health when considered in conjunction with other non-financial conditions, such as facilities and enrollment. Net Position is divided into three major categories.

The first category is the net investment in capital assets. It provides the University's equity in property, plant and equipment owned by the University.

The next category is restricted, which is divided into two categories, non-expendable and expendable. The corpus of non-expendable, restricted resources is available only for investment purposes. Expendable, restricted resources are available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.

The final category is unrestricted. Unrestricted resources are available to the University for any lawful purpose.

The following table summarizes the Statement of Net Position:

CONDENSED STATEMENT OF NET POSITION	June 30, 2022	June 30, 2021⁽¹⁾	Increase/ (Decrease)	% Change
ASSETS				
Current Assets	\$ 230,921,030	\$ 181,563,453	\$ 49,357,577	27.18 %
Capital Assets, Net	667,252,184	623,300,380	43,951,804	7.05 %
Intangible Right-to-Use Assets, Net	1,987,755		1,987,755	100.00 %
Other Assets	13,944,943	8,319,361	5,625,582	67.62 %
TOTAL ASSETS	914,105,912	813,183,194	100,922,718	12.41 %
DEFERRED OUTFLOWS	137,019,126	141,133,866	(4,114,740)	(2.92)%
LIABILITIES				
Current Liabilities	60,325,436	57,355,327	2,970,109	5.18 %
Non-Current Liabilities	640,803,054	802,429,438	(161,626,384)	(20.14)%
TOTAL LIABILITIES	701,128,490	859,784,765	(158,656,275)	(18.45)%
DEFERRED INFLOWS	233,676,903	84,261,317	149,415,586	177.32 %
NET POSITION				
Net Investment in Capital Assets	373,887,406	324,407,900	49,479,506	15.25 %
Restricted, Non-Expendable	4,784,806	5,505,687	(720,881)	(13.09)%
Restricted, Expendable	3,822,543	1,773,642	2,048,901	115.52 %
Unrestricted (Deficit)	(266,175,110)	(321,416,251)	55,241,141	17.19 %
TOTAL NET POSITION	\$ 116,319,645	\$ 10,270,978	\$ 106,048,667	1,032.51 %

⁽¹⁾ The amounts reported for June 30, 2021 were not adjusted for the restatement of \$4,727,224 for total net position.

Total assets increased \$100,922,718 which was due to an increase in current assets of \$49,357,577, an increase in net capital assets of \$43,951,804, an increase in intangible right-to-use assets of \$1,987,755, and an increase in other assets of \$5,625,582. In current assets, cash and cash equivalents increased by \$32,812,963 primarily due to an increase in non-operating revenues. Increases in state appropriations and Higher Education Emergency Relief Funds (HEERF) outpaced increases in expenses, contributing to the positive change in non-operating revenues and cash and cash equivalents. Capital assets increased significantly with the transfer of the Academic Learning Center from the Georgia State Financing and Investment Commission (GSFIC) to Kennesaw State University. The value of the building received was approximately \$42 million, which included \$2 million in pre-funded capital assets provided by KSU. Intangible right-to-use assets includes the University's right to use an underlying asset for a lease term and is recognized for the first time in FY22 with the adoption of GASB Statement No. 87. Other assets include an increase to prepaid items due to \$12.6 million in prefunding activity by the University for the GSFIC Marietta STEM building project.

Total deferred outflows of resources decreased by \$4,114,740 which was due to a decrease in deferred outflows on defined benefit pension plans of \$5,182,839 and a decrease in deferred outflows on debt refunding of \$92,035. This decrease was partially offset by a increase in the University's share of deferred outflows on defined benefit pension plans of \$1,160,134. Deferred outflows of resources for pensions and OPEB are tied to changes in assumptions for measuring the liability, differences between expected and actual experience in a health care plan (e.g., claims) and pensions, and differences in expected and actual investment income. Changes in liability due to these events are deferred and expensed in future years.

Total liabilities decreased \$158,656,275 which was due to a decrease in non-current liabilities of \$161,626,384 and an increase in current liabilities of \$2,970,109. The decrease in non-current liabilities was primarily due to a decrease in the University's proportionate share of net pension liability and OPEB liability. Pension and OPEB liabilities represent the benefits that current and former employees have earned and are expected to be paid after they retire. The Teachers Retirement System of Georgia and Employees' Retirement System of Georgia made significant changes to actuarial assumptions that caused the liability to decrease \$150,447,212. Conversely, this change had a large impact to deferred inflows of resources and pension expense. Lease purchase obligations meeting the GASB Statement No. 87 criteria for financed purchases were reclassified to notes payable. Notes payable held relatively constant with the typical annual payments offset by the addition of a liability for the Howell Hall (residence hall) renovation.

Total deferred inflows of resources increased by \$149,415,586 which was due to an increase in the University's proportionate share of deferred inflow on OPEB of \$21,004,840, a decrease in deferred inflows on service concession arrangements of \$3,488,112, an increase in deferred inflow on defined benefit pension plans of \$125,327,406, and a decrease in deferred inflow on debt refunding of \$117,929. With the adoption of GASB Statement No. 87, \$6,689,382 of deferred inflows related to leases was also added. Deferred inflows for OPEB and pensions relate to changes in assumptions, experience and investment earnings, that affect the corresponding liability and are recognized as revenue in future periods.

The combination of the change in total assets and deferred outflows of resources and the change in total liabilities and deferred inflows of resources yielded an increase in net position of 106,048,667. This change in net position is due to an increase in unrestricted net position, which resulted from increases in state appropriations and HEERF grant funding, an increase in net invested in capital assets due to the transfer of the Academic Learning Center from GSFIC, and a decrease to pension and OPEB expenses.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the operating and non-operating revenues received by the University, the operating and non-operating expenses paid by the University, and any other revenues, expenses, gains and losses received or spent by the University. Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Non-operating revenues are revenues received for which goods and services are not provided. For example, state appropriations are non-operating because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services for those revenues.

The following table summarizes Revenues, Expenses and Changes in Net Position:

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	June 30, 2022	June 30, 2021⁽¹⁾	Increase/ (Decrease)	% Change
Operating Revenue	\$ 346,548,540	\$ 310,062,053	\$ 36,486,487	11.77 %
Operating Expense	641,462,248	581,818,143	59,644,105	10.25 %
Operating Income/Loss	(294,913,708)	(271,756,090)	(23,157,618)	(8.52)%
Non-Operating Revenue and Expense	346,546,764	256,569,207	89,977,557	35.07 %
Income (Loss) before Other Revenues, Expenses, Gains, or Losses	51,633,056	(15,186,883)	66,819,939	439.98 %
Other Revenues, Expenses, Gains and Losses	49,688,387	8,320,478	41,367,909	497.18 %
Change in Net Position	101,321,443	(6,866,405)	108,187,848	1,575.61 %
Net Position at beginning of year, restated	14,998,202	17,137,383	(2,139,181)	(12.48)%
Net Position at End of Year	\$ 116,319,645	\$ 10,270,978	\$ 106,048,667	1,032.51 %

⁽¹⁾ The amounts reported for June 30, 2021 were not adjusted for the restatement of \$4,727,224 for net position.

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year, which is represented by an increase in net position at the end of the year. Some highlights of the information presented on this statement are as follows:

Revenues

Operating revenues increased by \$36,486,487. Operating revenues were primarily impacted by an increase of \$5,436,542 in student tuition and fees, an increase of \$24,288,044 in auxiliary revenues and an increase of \$5,069,288 in sales and service revenues. Student tuition and fees increased with enrollment growth. Auxiliary revenues rebounded from the impacts of COVID, with the largest increase related to the dining operations which was able to restore hours of operation that were previously reduced. Sales in service revenues increased due to increased events and study abroad activities.

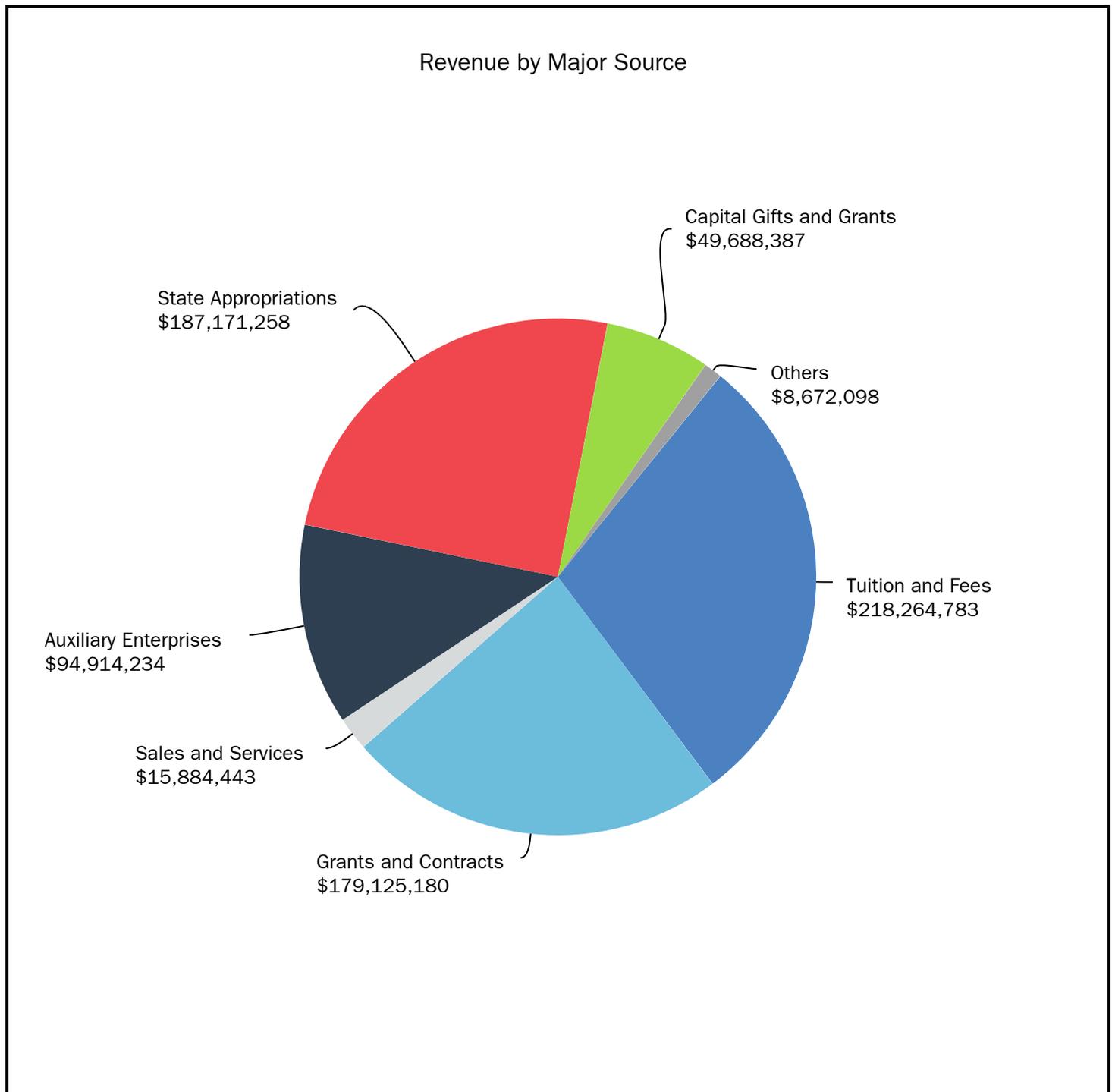
Non-Operating revenue and expenses, which includes state appropriations, non-operating grants and contracts and interest expense, increased by \$89,977,557 primarily due to an increase of \$42,347,585 in state appropriations and approximately \$44 million in additional Higher Education Emergency Relief Funds and Pell Funds.

Other revenues, expenses, gains, losses increased by \$41,367,909 primarily due to the transfer of the Academic Learning Center building from GSFIC recognized in capital grants and gifts.

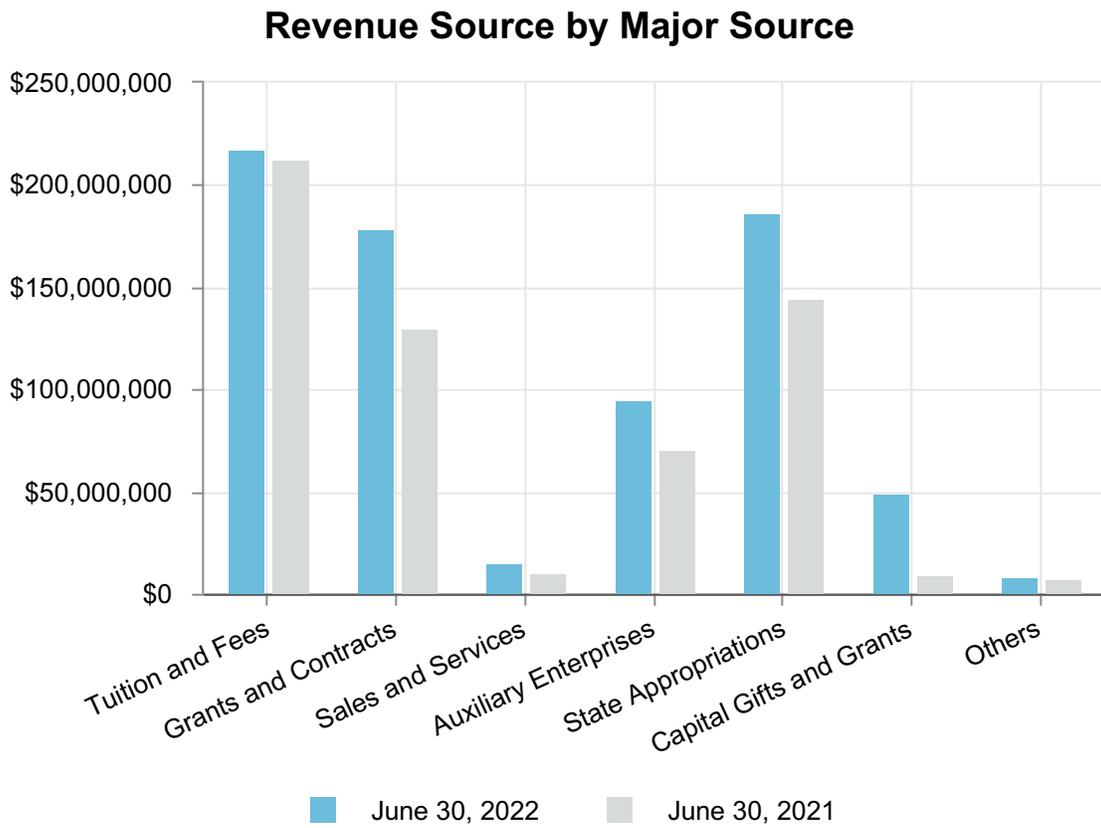
For the years ended June 30, 2022 and June 30, 2021, revenues by source were as follows:

REVENUES BY SOURCE	June 30, 2022	June 30, 2021	Increase/ (Decrease)	% Change
Tuition and Fees	\$ 218,264,783	\$ 212,828,241	\$ 5,436,542	2.55 %
Grants and Contracts	17,670,095	13,673,668	3,996,427	29.23 %
Sales and Services	15,884,443	10,815,155	5,069,288	46.87 %
Auxiliary Enterprises	94,914,234	70,626,190	24,288,044	34.39 %
Other Operating Revenues	(185,015)	2,118,799	(2,303,814)	(108.73)%
Total Operating Revenues	346,548,540	310,062,053	36,486,487	11.77 %
State Appropriations	187,171,258	144,823,673	42,347,585	29.24 %
Grants and Contracts	161,455,085	116,818,627	44,636,458	38.21 %
Gifts	11,264,270	5,391,997	5,872,273	108.91 %
Investment Income	(1,958,093)	1,616,927	(3,575,020)	(221.10)%
Other Nonoperating Revenues	(449,064)	(10,845)	(438,219)	(4,040.75)%
Total Nonoperating Revenues	357,483,456	268,640,379	88,843,077	33.07 %
State Capital Gifts and Grants	44,388,895	4,539,774	39,849,121	877.78 %
Other Capital Gifts and Grants	5,299,492	4,988,000	311,492	6.24 %
Total Capital Gifts and Grants	49,688,387	9,527,774	40,160,613	421.51 %
Special Items	—	(1,207,296)	1,207,296	100.00 %
Total Revenues	\$ 753,720,383	\$ 587,022,910	\$ 166,697,473	28.40 %

Revenue by source (state appropriations, grants and contracts, tuition and fees, auxiliaries, gifts and other sources) is depicted by the following chart:



Revenue by major source for the years ended June 30, 2022, and June 30, 2021, is depicted by the following chart:



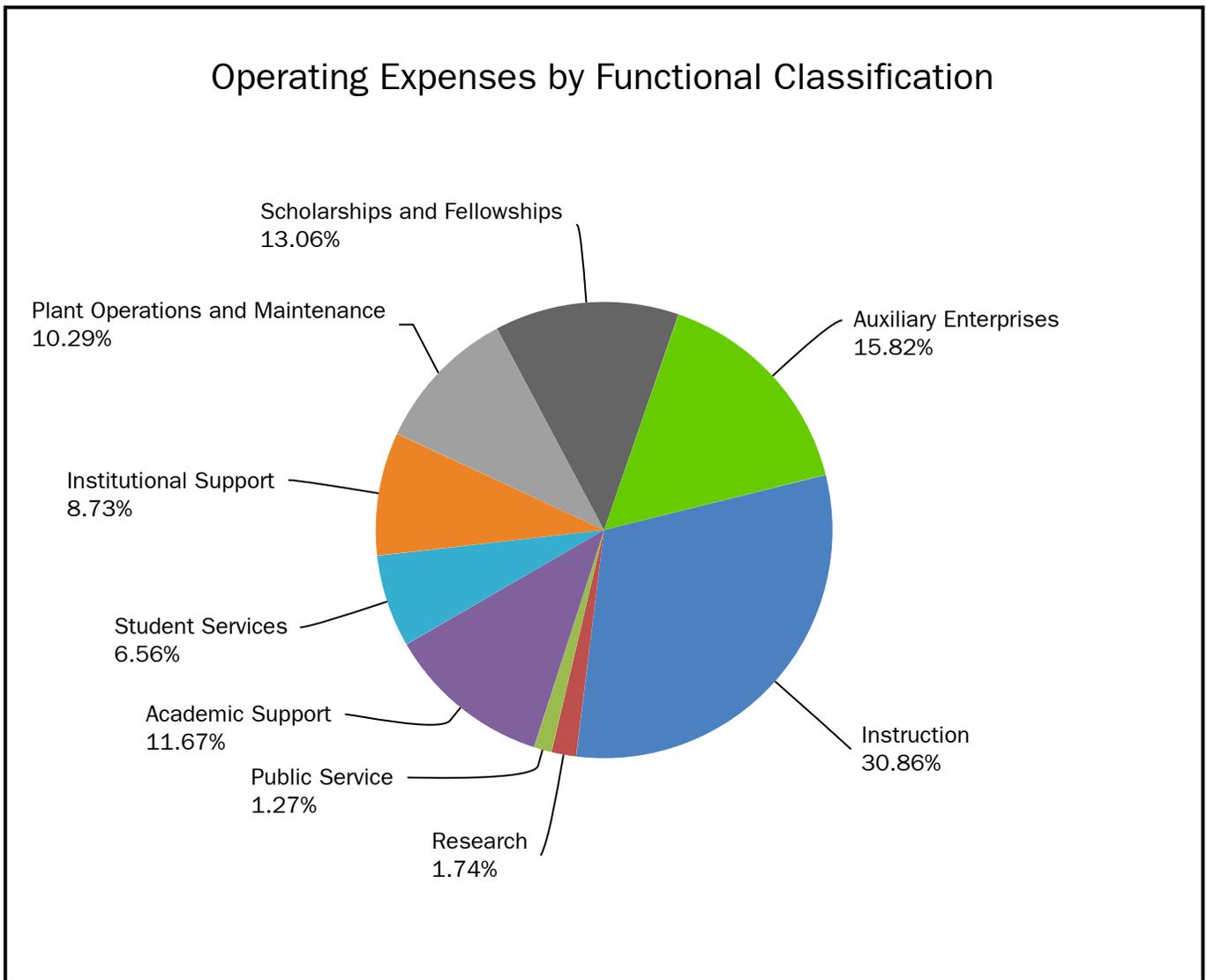
Expenses

For the years ended June 30, 2022, and June 30, 2021, expenses by functional classification were as follows:

EXPENSES BY FUNCTIONAL CLASSIFICATION	June 30, 2022	June 30, 2021	Increase/ (Decrease)	% Change
Instruction	\$ 197,935,465	\$ 225,926,616	\$ (27,991,151)	(12.39)%
Research	11,166,631	3,582,070	7,584,561	211.74 %
Public Service	8,138,646	8,387,750	(249,104)	(2.97)%
Academic Support	74,880,910	70,508,592	4,372,318	6.20 %
Student Services	42,056,482	40,166,193	1,890,289	4.71 %
Institutional Support	55,995,882	54,372,972	1,622,910	2.98 %
Plant Operations and Maintenance	66,010,073	47,336,651	18,673,422	39.45 %
Scholarships and Fellowships	83,801,171	48,753,236	35,047,935	71.89 %
Auxiliary Enterprises	101,476,988	82,784,063	18,692,925	22.58 %
Total Operating Expenses	641,462,248	581,818,143	59,644,105	10.25 %
Interest Expense	10,936,692	12,071,172	(1,134,480)	(9.40)%
Total Nonoperating Expenses	10,936,692	12,071,172	(1,134,480)	(9.40)%
Total Expenses	\$ 652,398,940	\$ 593,889,315	\$ 58,509,625	9.85 %

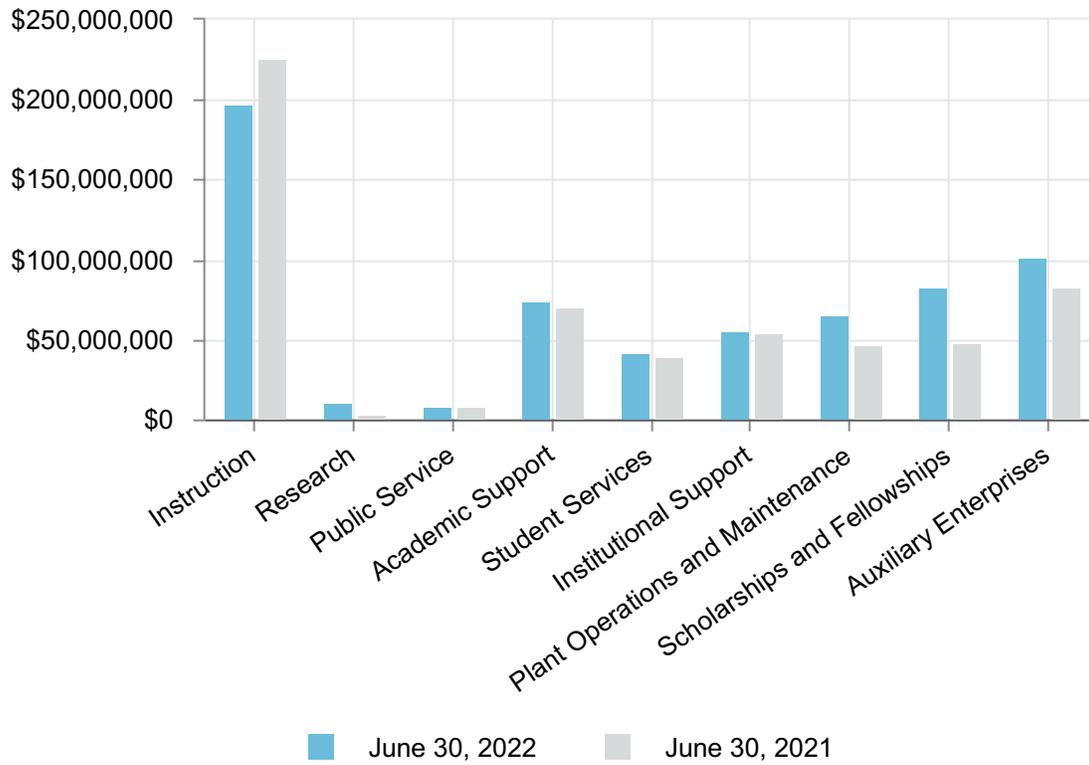
Total operating expenses were \$641,462,248 in fiscal year 2022, an increase of \$59,644,105 when compared with fiscal year 2021. This increase is attributable to an increases in scholarships and fellowships, auxiliary enterprises and plant operations and maintenance. Instruction expense decreased \$27,991,151 due to significant reductions in pension and OPEB expenses which was the result of changes to actuarial assumptions. The change in these two expenses more than offset an increase in salaries and benefits for additional faculty needed for enrollment growth. Scholarships and fellowships expense increased with the larger distributions of HEERF funds to students. Plant and operations maintenance expense increased due to additional salaries and benefits, repairs and maintenance and reimbursed GSFIC non-capital expenses for the Academic Learning Center. Auxiliary enterprises increased due to higher payroll, higher cost of goods sold in dining and bookstore operations, and repairs and maintenance for housing.

The following chart depicts the fiscal year 2022 operating expenses by functional classification.



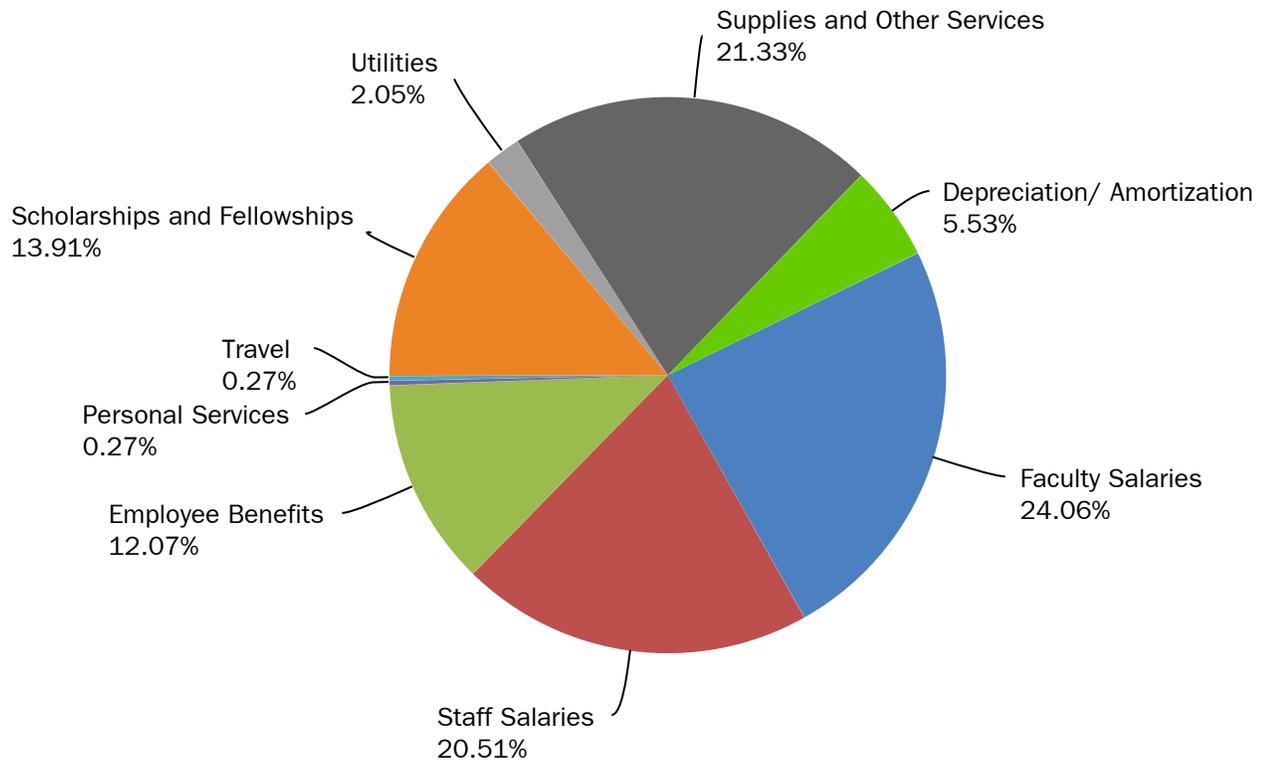
Operating expenses by functional classification for the years ended June 30, 2022, and June 30, 2021, is depicted by the following chart:

Operating Expenses by Functional Classification

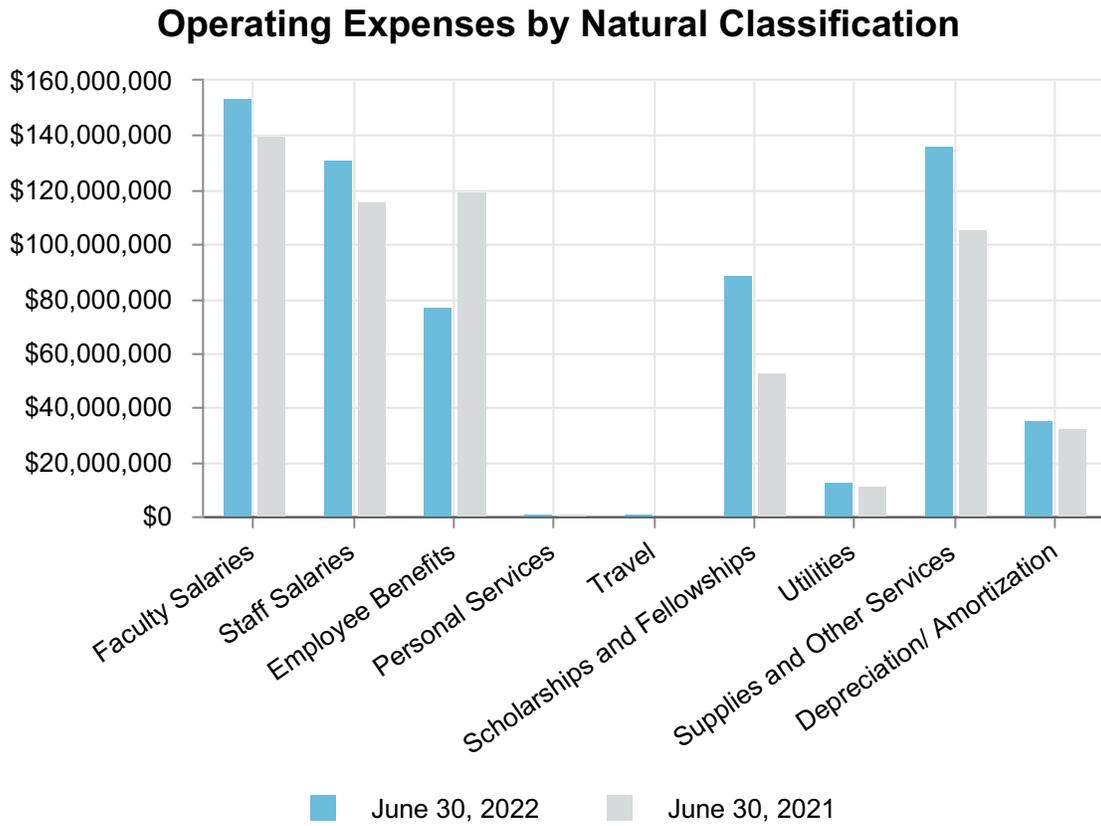


The following chart depicts the fiscal year 2022 operating expenses by natural classification:

Operating Expenses by Natural Classification



Operating expenses by natural classification for the years ended June 30, 2022, and June 30, 2021, is depicted by the following chart:



Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity of the University during the year and is divided into five sections. The first section is concerned with operating cash flows and reflects the net cash used by the various operating activities of the University. The second section is related to cash flows from non-capital financing activities, which reflects the cash received and spent for non-capital financing purposes. The third section summarizes cash flows from capital and related financing activities and contains cash used for the acquisition and construction of capital and related items. The fourth section is comprised of the cash flows from investing activities and includes the purchases, proceeds and interest received from investing activities. The fifth, and final, section reconciles the net cash used to the operating income or loss as reflected on the Statement of Revenues, Expenses and Changes in Net Position.

Cash Flows for the Years Ended June 30, 2022 and June 30, 2021 were as follows:

CONDENSED STATEMENT OF NET CASH FLOWS		
	June 30, 2022	June 30, 2021
Cash Provided (Used) by:		
Operating Activities	\$ (267,624,894)	\$ (205,751,464)
Non-Capital Financing Activities	355,624,153	265,713,232
Capital and Related Financing Activities	(53,944,548)	(44,697,516)
Investing Activities	(1,241,748)	1,109,602
NET CHANGE IN CASH AND CASH EQUIVALENTS	32,812,963	16,373,854
Cash and Cash Equivalents, beginning of year	160,319,194	143,945,340
Cash and Cash Equivalents, end of year	\$ 193,132,157	\$ 160,319,194

Capital Assets

Capital assets, net of accumulated depreciation, at June 30, 2022, and June 30, 2021, were as follows:

CAPITAL ASSETS, net of accumulated depreciation and amortization	June 30, 2022	June 30, 2021 ⁽¹⁾	Increase (Decrease)	% Change
Land	\$ 43,214,057	\$ 43,214,057	\$ —	0.00 %
Capitalized Collections	4,930,933	4,908,687	22,246	0.45 %
Construction Work-in-Progress	24,275,769	17,082,697	7,193,072	42.11 %
Infrastructure	10,199,183	9,784,044	415,139	4.24 %
Building and Building Improvements	549,380,038	511,224,441	38,155,597	7.46 %
Facilities and Other Improvements	7,526,111	8,213,629	(687,518)	(8.37)%
Equipment	22,630,954	23,638,697	(1,007,743)	(4.26)%
Library Collections	933,968	1,052,360	(118,392)	(11.25)%
Capitalized Collections	4,161,171	4,181,768	(20,597)	(0.49)%
Capital Assets, net of accumulated depreciation and amortization	\$ 667,252,184	\$ 623,300,380	\$ 43,951,804	7.05 %

⁽¹⁾ The amounts reported for June 30, 2021 were not adjusted for the restatement of \$760,798 for capital assets, net.

For additional information concerning capital assets, see Notes 1, 6, 8, and 13 in the Notes to the Financial Statements.

Long-Term Liabilities

Kennesaw State University had long-term liabilities of \$256,096,376 excluding pension and OPEB liability; of which \$20,909,366 was reflected as current liability at June 30, 2022.

For additional information concerning long-term liabilities, see Note 8 in the Notes to the Financial Statements.

Notes to the Financial Statements

The Notes to the Financial Statements are an integral part of the basic financial statements and communicate information essential for fair presentation. For example, the notes convey information concerning significant accounting policies used to prepare the financial statements, detailed information on cash and investments, receivables, intangible-right-to-use assets, leases, compensated absences, retirement and other post-employment benefits, capital assets and a report of operating expenses by function.

Economic Outlook

Kennesaw State University is not aware of any currently known facts, decisions or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations. The University's overall financial position is strong. The University anticipates that current fiscal year operations will remain consistent when compared to fiscal year 2022. Enrollment is projected to continue to hold steady with students returning in the fall. The University will maintain a close watch over resources to facilitate the University's ability to react to unknown internal and external issues.



FINANCIAL

STATEMENTS

**KENNESAW STATE UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2022**

	Kennesaw State University	Component Unit
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 192,710,870	\$ 25,789,088
Cash and Cash Equivalents (Externally Restricted)	421,287	—
Short-term Investments	—	17,627,060
Accounts Receivable, net		
Federal Financial Assistance	4,976,607	—
Affiliated Organizations	2,582,752	—
Component Unit	3,308,613	—
Primary Government	—	511,536
Pledges and Contributions	—	6,404,444
Other	6,703,192	165,771
Investment in Financing Lease Arrangements - Primary Government	—	9,762,235
Inventories	3,242,298	—
Prepaid Items	16,975,411	49,560
Total Current Assets	230,921,030	60,309,694
Non-Current Assets		
Accounts Receivable, net		
Component Units	4,465,799	—
Due From USO - Capital Liability Reserve Fund	2,194,882	—
Pledges and Contributions	—	9,237,980
Other	1,676,743	—
Investments	318,369	12,671,331
Notes Receivable, net	504,344	—
Investment in Financing Lease Arrangements - Primary Government	—	185,703,046
Other Assets	—	1,630,399
Non-current Cash (Externally Restricted)	—	68,796,389
Short-term Investments (Externally Restricted)	—	54,948,608
Investments (Externally Restricted)	4,784,806	21,429,610
Capital Assets, net	667,252,184	106,050,781
Intangible Right-to-Use Assets, net	1,987,755	5,884,502
Total Non-Current Assets	683,184,882	466,352,646
TOTAL ASSETS	914,105,912	526,662,340
DEFERRED OUTFLOWS OF RESOURCES	\$ 137,019,126	\$ —

The notes to the financial statements are an integral part of this statement.

KENNESAW STATE UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2022

	Kennesaw State University	Component Unit
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 12,921,325	\$ 12,835,766
Salaries Payable	1,417,403	—
Benefits Payable	826,373	—
Contracts Payable	853,881	—
Retainage Payable	505,977	—
Due to Affiliated Organizations	35,037	—
Due to Component Unit	261,710	—
Due to Primary Government	—	2,901,779
Advances (Including Tuition and Fees)	22,050,153	2,629,145
Deposits	40,377	3,525
Deposits Held for Other Organizations	298,682	85,892
Other Liabilities	205,152	—
Notes Payable - External	1,719,193	—
Notes Payable - Component Units	9,691,079	—
Lease Obligations - External	143,753	96,270
Lease Obligations - Primary Government	—	348,716
Lease Obligations - Component Unit	127,158	—
Revenue Bonds and Notes Payable	—	13,075,000
Liabilities Under Split Interest Agreements	—	550
Compensated Absences	9,228,183	—
Total Current Liabilities	60,325,436	31,976,643
Non-Current Liabilities		
Notes Payable - External	43,798,479	—
Notes Payable - Component Units	184,812,622	—
Lease Obligations - External	189,680	626,400
Lease Obligations - Primary Government	—	4,869,817
Lease Obligations - Component Unit	1,591,401	—
Revenue Bonds and Notes Payable	—	340,647,543
Liabilities Under Split Interest Agreements	—	615
Compensated Absences	4,794,828	—
Net Other Post-Employment Benefits Liability	320,357,393	—
Net Pension Liability	85,258,651	—
Total Non-Current Liabilities	640,803,054	346,144,375
TOTAL LIABILITIES	701,128,490	378,121,018
DEFERRED INFLOWS OF RESOURCES	233,676,903	—
NET POSITION		
Net Investment in Capital Assets	373,887,406	8,924,828
Restricted for:		
Nonexpendable	4,784,806	84,766,008
Expendable	3,822,543	37,981,236
Unrestricted (Deficit)	(266,175,110)	16,869,250
TOTAL NET POSITION	\$ 116,319,645	\$ 148,541,322

The notes to the financial statements are an integral part of this statement.

KENNESAW STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2022

	Kennesaw State University	Component Unit
OPERATING REVENUES		
Student Tuition and Fees (net)	\$ 218,264,783	\$ —
Grants and Contracts		
Federal	6,158,453	—
State	1,006,798	—
Other	10,504,844	—
Sales and Services	15,884,443	368,020
Rents and Royalties	579,210	46,104,543
Auxiliary Enterprises		
Residence Halls	18,199,555	—
Bookstore	13,138,460	—
Food Services	24,358,746	—
Parking	10,761,165	—
Health Services	3,556,667	—
Intercollegiate Athletics	16,649,441	—
Other Organizations	8,250,200	—
Gifts and Contributions	—	10,475,428
Endowment Income	—	1,501,015
Other Operating Revenues	(764,225)	—
Total Operating Revenues	346,548,540	58,449,006
OPERATING EXPENSES		
Faculty Salaries	154,358,611	—
Staff Salaries	131,556,772	3,753,792
Employee Benefits	77,446,421	616,692
Other Personal Services	1,739,811	31,453
Travel	1,700,191	122,553
Scholarships and Fellowships	89,246,656	3,851,744
Utilities	13,143,745	2,459,287
Supplies and Other Services	136,794,734	13,225,485
Depreciation and Amortization	35,475,307	5,772,007
Total Operating Expenses	641,462,248	29,833,013
Operating Income (Loss)	\$ (294,913,708)	\$ 28,615,993

The notes to the financial statements are an integral part of this statement.

KENNESAW STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2022

	Kennesaw State University	Component Unit
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	\$ 187,171,258	\$ —
Grants and Contracts		
Federal	157,551,989	—
State	3,668	—
Other	3,899,428	—
Gifts	11,264,270	—
Investment Loss	(1,958,093)	(10,801,530)
Interest Expense	(10,936,692)	(11,317,160)
Other Nonoperating Revenues (Expenses)	(449,064)	(3,647,650)
Net Nonoperating Revenues (Expenses)	<u>346,546,764</u>	<u>(25,766,340)</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	<u>51,633,056</u>	<u>2,849,653</u>
Capital Grants and Gifts		
State	44,388,895	—
Other	5,299,492	—
Additions to Permanent and Term Endowments	—	3,030,938
Total Other Revenues, Expenses, Gains or Losses	<u>49,688,387</u>	<u>3,030,938</u>
Change in Net Position	<u>101,321,443</u>	<u>5,880,591</u>
Net Position, Beginning of Year, As Originally Reported	10,270,978	142,660,731
Prior Year Adjustments	4,727,224	—
Net Position, Beginning of Year, Restated	<u>14,998,202</u>	<u>142,660,731</u>
Net Position, End of Year	<u>\$ 116,319,645</u>	<u>\$ 148,541,322</u>

The notes to the financial statements are an integral part of this statement.

**KENNESAW STATE UNIVERSITY
STATEMENT OF CASH FLOWS
FOR FISCAL YEAR ENDED JUNE 30, 2022**

	<u>Kennesaw State University</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from Customers	\$ 334,087,139
Grants and Contracts (Exchange)	6,971,384
Payments to Suppliers	(233,026,290)
Payments to Employees	(287,084,067)
Payments for Scholarships and Fellowships	(89,246,656)
Other Receipts	673,596
Net Cash Used by Operating Activities	<u>(267,624,894)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	187,171,258
Gifts and Grants Received for Other Than Capital Purposes	168,799,130
Other Non-Capital Financing Payments	(346,235)
Net Cash Flows Provided by Non-Capital Financing Activities	<u>355,624,153</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Gifts and Grants Received	42,424,368
Proceeds from Sale of Capital Assets	43,337
Purchases of Capital and Intangible Right-to Use Assets	(74,793,504)
Principal Paid on Capital Debt and Leases	(10,656,163)
Interest Paid on Capital Debt and Leases	(10,962,586)
Net Cash Used by Capital and Related Financing Activities	<u>(53,944,548)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Loss	(1,241,748)
Net Cash Used by Investing Activities	<u>(1,241,748)</u>
Net Increase in Cash and Cash Equivalents	32,812,963
Cash and Cash Equivalents, Beginning of Year	<u>160,319,194</u>
Cash and Cash Equivalents, End of Year	<u>\$ 193,132,157</u>

The notes to the financial statements are an integral part of this statement.

KENNESAW STATE UNIVERSITY
STATEMENT OF CASH FLOWS
FOR FISCAL YEAR ENDED JUNE 30, 2022

	<u>Kennesaw State University</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating Loss	\$ (294,913,708)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities	
Depreciation and Amortization	35,475,307
Operating Expenses Related to Noncash Gifts	4,028,609
Change in Assets and Liabilities:	
Receivables, net	(11,440,112)
Inventories	(18,554)
Prepaid Items	946,587
Notes Receivable, Net	38,942
Accounts Payable	1,620,101
Salaries Payable	223,472
Benefits Payable	43,686
Contracts Payable	(232,544)
Retainage Payable	25,108
Deposits	(17,661)
Advances (Including Tuition and Fees)	403,594
Other Liabilities	71,136
Funds Held for Others	91,048
Compensated Absences	581,168
Due to Affiliated Organizations	(24,749)
Net Pension Liability	(150,447,212)
Net Other Post-Employment Benefit Liability	(11,123,445)
Change in Deferred Inflows/Outflows of Resources:	
Deferred Inflows of Resources	153,021,628
Deferred Outflows of Resources	4,022,705
Net Cash Used by Operating Activities	<u>\$ (267,624,894)</u>
NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS	
Noncapital Financing Activities Noncash Items:	
Noncapital Gifts	<u>\$ 4,028,609</u>
Current Year Accruals Related to Non-operating Non-capital Grants and Gifts	<u>\$ 4,727,569</u>
Current Year Accruals Related to Capital Financing Activities	<u>\$ 591,865</u>
Gift of Capital Assets	<u>\$ (45,037)</u>
Gain (Loss) on Disposal of Capital Assets	<u>\$ (332,579)</u>
Accrual of Capital Asset Related Payables	<u>\$ 1,389,217</u>
Capital Assets Acquired by Incurring Financing Lease Arrangements	<u>\$ 9,854,542</u>
Intangible Right-to-Use Assets Acquired by Incurring Lease Obligations	<u>\$ 156,087</u>
Amortization of Capital Financing Activities Advances and Deferred Inflows	<u>\$ 3,488,112</u>
Amortization of Deferred Gain (Loss) of Capital Debt Refunded	<u>\$ 25,894</u>
Other Capital Financing Activities Noncash Items	<u>\$ 433,501</u>
Unrealized Gain (Loss) on Investments	<u>\$ (716,345)</u>

The notes to the financial statements are an integral part of this statement.

**KENNESAW STATE UNIVERSITY
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2022**

	<u>Custodial Funds</u>
ASSETS	
Receivables	
Other	\$ 9,215,578
	<u>9,215,578</u>
Total Assets	<u>9,215,578</u>
LIABILITIES	
Cash Overdraft	7,812,817
Accounts Payable	450
Due to Component Units	249,826
Advances	1,093,698
	<u>9,156,791</u>
Total Liabilities	<u>9,156,791</u>
NET POSITION	
Restricted for:	
Individuals, Organizations, and Other Governments	\$ <u>58,787</u>

**KENNESAW STATE UNIVERSITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2022**

	<u>Custodial Funds</u>
ADDITIONS	
Federal Financial Aid	\$ 139,730,103
State Financial Aid	93,018,643
Other Financial Aid	17,280,807
Clubs and Other Organizations Fund Raising	1,826,651
Public-Private Partnership Passthrough	<u>24,282,523</u>
Total Additions	<u>276,138,727</u>
DEDUCTIONS	
Scholarships and Other Student Support	250,029,553
Student Organizations Support	1,805,319
Public-Private Partnership Passthrough	<u>24,282,523</u>
Total Deductions	<u>276,117,395</u>
Net Increase in Fiduciary Net Position	<u>21,332</u>
Net Position, Beginning of Year	<u>37,455</u>
Net Position, End of Year	<u><u>\$ 58,787</u></u>

NOTES TO THE

FINANCIAL

STATEMENTS



KENNESAW STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1 Summary of Significant Accounting Policies

Nature of Operations

Kennesaw State University (University) serves the state and national communities by providing its students with academic instruction that advances fundamental knowledge and by disseminating knowledge to the people of Georgia, the nation, and throughout the world.

Reporting Entity

As defined by Official Code of Georgia Annotated (O.C.G.A) § 20-3-50, the University is part of the University System of Georgia (USG), an organizational unit of the State of Georgia (the State) under the governance of the Board of Regents (Board). The Board has constitutional authority to govern, control and manage the USG. The Board is composed of 19 members, one member from each congressional district in the State and five additional members from the state-at-large, appointed by the Governor and confirmed by the Senate. Members of the Board serve a seven-year term and members may be reappointed to subsequent terms by a sitting governor.

The University does not have the right to sue/be sued without recourse to the State. The University's property is the property of the State and subject to all the limitations and restrictions imposed upon other property of the State by the Constitution and laws of the State. In addition, the University is not legally separate from the State. Accordingly, the University is included within the State's basic financial statements as part of the primary government as defined in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

The accompanying basic financial statements are intended to supplement the State's Annual Comprehensive Financial Report (ACFR) by presenting the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the University. In addition, a discretely presented component unit of the State, as discussed below, has been included since it has been determined to be essential to the fair presentation to these departmental financial statements. These financial statements do not purport to, and do not, present fairly the financial position of the State as of June 30, 2022, the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying basic financial statements should be read in conjunction with the State's ACFR. The most recent State of Georgia ACFR can be obtained through the State Accounting Office, 200 Piedmont Avenue, Suite 1604 (West Tower), Atlanta, Georgia 30334 or online at <https://sao.georgia.gov/statewide-reporting/acfr>.

Discretely Presented Component Unit

The below organization is a legally separate, tax-exempt component unit of the State. Although the State (primary government) is not fiscally accountable for this entity, it has been determined that the nature and significance of the relationship between the primary government and the below organization is such that exclusion from these departmental financial statements would render them misleading. The below organization met the requirements for discrete presentation as defined by GASB Codification Sections 2100 and 2600. The below organization's fiscal year ends on June 30 each year. Separately issued financial statements are available from the following address.

- Kennesaw State University Foundation, Inc., 3391 Town Point Drive, Suite 4530/Mail drop 9101, Kennesaw, GA 30144.

See Component Unit Note 20 for additional information related to the discretely presented component unit.

Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the GASB and are presented as required by these standards to provide a comprehensive, entity-wide perspective of the University's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position and cash flows.

The University's business-type activities and fiduciary fund financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenues in the fiscal year in which eligibility requirements imposed by the provider have been met. All significant intra-fund transactions have been eliminated.

The University reports the following fiduciary funds:

- Custodial Funds - Accounts for activities resulting from the University acting as an agent or fiduciary for various governments, companies, clubs or individuals.

New Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. In fiscal year 2020, the University adopted GASB Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance* which postponed the effective dates of Statement No. 87 to fiscal year 2022. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. The adoption of this statement resulted in a restatement of the net position of the business-type activities.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2019. In fiscal year 2020, the University adopted GASB Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance* which postponed the effective dates of Statement No. 89 to fiscal year 2022. The objectives of this statement are to both enhance the relevance and comparability of information about capital assets and the cost of borrowing and to simplify accounting for interest costs incurred before the end of a construction period. The adoption of this statement does not have a significant impact on the financial statements and will be applied prospectively.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*, effective for fiscal years beginning after June 15, 2020. In fiscal year 2020, the University adopted GASB Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance* which postponed the effective dates of Statement No. 92 to fiscal year 2022. The objective of this statement is to enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by focusing on practice issues that have been identified during the implementation of various GASB Statements. The adoption of this statement does not have a significant impact on the financial statements.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* effective for years beginning after June 15, 2020. In fiscal year 2020, the University adopted GASB Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance* which postponed the effective dates of Statement No. 93 to fiscal year 2022. This statement establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates in hedging derivative instruments and leases. This statement also identifies appropriate benchmark interest rates for hedging derivative instruments. The adoption of this statement does not have a significant impact on the financial statements.

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report* effective for fiscal years beginning after December 15, 2021. This statement establishes a new designation of the acronym for state and local government annual financial statements, the Annual Comprehensive Financial Report (ACFR). The adoption of this statement resulted in changes to the naming convention used throughout the report, but has no impact on the financial information provided.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*, effective for certain elements of the requirement effective upon issuance. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation. The adoption of this statement does not have a significant impact on the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of petty cash, demand deposits and time deposits in authorized financial institutions, and cash management pools that have the general characteristics of demand deposit accounts. This includes the Board of Regents Short-Term Investment Pool. Cash and Cash Equivalents that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Cash and Cash Equivalents restricted as to use by a third party are reported as externally restricted.

Investments

Investments include financial instruments with terms in excess of 13 months, certain other securities for the production of revenue, land, and other real estate held as investments by endowments. The University accounts for its investments at fair value. Changes in the fair value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Position. The Board of Regents Legal Fund, the Board of Regents Balanced Income Fund and the Board of Regents Total Return Fund are included as investments.

Investments that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Assets restricted as to use by a third party are reported as externally restricted.

Accounts Receivable

Accounts receivable consists of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty and staff, the majority of whom reside in the State of Georgia. Accounts receivable also includes amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

Resale inventories are valued at cost using the average-cost basis.

Prepaid Items

Payments made to vendors and state and local government organizations for services that will benefit periods beyond June 30, 2022, are recorded as prepaid items.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that exceed \$100,000 and/or significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation, which also includes amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, and copyrights, as well as software, is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 60 years for buildings, 20 to 25 years for infrastructure and land improvements, 10 years for library books, and 3 to 20 years for equipment. Residual values will generally be 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

To fully understand plant additions in the University, it is necessary to look at the activities of the Georgia State Financing and Investment Commission (GSFIC) - an organization that is external to the USG. GSFIC issues bonds for and on behalf of the State of Georgia, pursuant to powers granted to it in the Constitution of the State of Georgia and the Act creating the GSFIC. The bonds so issued constitute direct and general obligations of the State of Georgia, to the payment of which the full faith, credit and taxing power of the State are pledged.

For projects managed by GSFIC, GSFIC retains construction in progress in its accounting records throughout the construction period and transfers the entire project to the institutional unit of the University System when complete. For projects managed by institutions of the USG, the institutions retain construction in progress on their books and are reimbursed by GSFIC.

Intangible Right-To-Use Assets

The University leases certain academic spaces, administrative offices, and equipment under lease agreements. The University has both leases under which it is obligated as a lessee and leases for which it is a lessor. Leases, as a lessee, are included in intangible right-to-use assets and lease obligations on the Statement of Net Position. Financed leases, which transfer ownership, are included in capital assets and notes payable on the Statement of Net Position.

An intangible right-to-use asset represents the University's right to use an underlying asset for the lease term. Lease obligations represent the University's liability to make lease payments arising from the lease agreement. Intangible right-to-use assets and lease obligations are recognized based on the present value of lease payments over the lease term, where the initial term exceeds 12 months. Residual value guarantees and the value of an option to extend or terminate a lease are reflected to the extent it is reasonably certain to be paid or exercised. Variable payments based on future performance or usage are not included in the measurement of the lease liability. Intangible right-to-use assets are amortized using a straight-line basis over the shorter of the lease term or useful life of the underlying asset.

Rental income arising from leases as a lessor is included as a receivable and deferred inflow of resources at the commencement of the lease and revenue is recognized on a straight line basis over the lease term.

Capital Liability Reserve Fund

The Capital Liability Reserve Fund (Fund) was established by the Board of Regents to protect the fiscal integrity of the USG to maintain the strongest possible credit ratings associated with Public Private Venture (PPV) projects and to ensure that the Board of Regents can effectively support its long-term capital lease obligations. All USG institutions participating in the PPV program finance the Fund. The Fund serves as a pooled reserve that is managed by the Board of Regents. The Fund shall only be used to address significant shortfalls and only insofar as a requesting USG institution is unable to make the required PPV capital lease payment to the designated affiliated organization. The Fund will continue as long as the Board of Regents has rental obligations under the PPV program and at the conclusion of the program, funds will be returned to each institution. The balance included on the University's Statement of Net Position as Due from USO - Capital Liability Reserve Fund of \$2,194,882 represents the University's contribution to the Fund.

Deferred Outflows of Resources

Deferred outflows of resources consist of the consumption of net position that is applicable to a future reporting period.

Advances

Advances include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Advances also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits

Deposits represent good faith deposits from students to reserve housing assignments, meal plans or other auxiliary services.

Deposits Held for Other Organizations

Deposits held for other organizations result primarily from escheated funds that are the result of unclaimed property.

Compensated Absences

Employee vacation pay is accrued at the end of the fiscal year for financial statement purposes. The liability and expense incurred are recorded at the end of the fiscal year as compensated absences in the Statement of Net Position, and as a component of compensation and benefit expense in the Statements of Revenues, Expenses and Changes in Net Position.

Non-current Liabilities

Non-current liabilities include: (1) liabilities that will not be paid within the next fiscal year and (2) lease obligations with contractual maturities greater than one year.

Deferred Inflows of Resources

Deferred inflows of resources consist of the acquisition of net position that is applicable to a future reporting period.

Other Post-Employment Benefit (OPEB) and Net OPEB Liability

The net OPEB liability represents the University's proportionate share of the difference between the total OPEB liability and the fiduciary net position or the fair value of the plan assets as of a given measurement date.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Board of Regents Retiree Health Benefit Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Pensions and Net Pension Liability

The net pension liability represents the University's proportionate share of the difference between the total pension liability as a result of the exchange for employee services for compensation and the fiduciary net position or the fair value of the plan assets as of a given measurement date.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plans' fiduciary net position, additions to/deductions from the plans fiduciary net position have been determined on the same basis as they are reported by Teachers Retirement System of Georgia and Employees' Retirement System of Georgia. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Service Concession Arrangements

Service concession arrangements are agreements between a government (transferor, the University) and a third party (operator) in which all the following criteria are met:

- a) The University conveys to the operator the right and obligation to provide public services through the use and operation of a capital asset in exchange for significant consideration. Significant consideration could be in the form of up-front payments, installment payments, a new facility or improvements to an existing facility.
- b) The operator collects and is compensated by fees from third parties.
- c) The University has the ability to modify or approve what services the operator is required to provide, to whom services are provided, and prices or rates that can be charged for those services.
- d) The University is entitled to significant residual interest in the service utility of the asset at the end of the arrangement.

Net Position

The University's net position is classified as follows:

Net investment in capital assets represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets and intangible right-to-use assets. To the extent debt has been incurred but not yet expended for capital assets or intangible right-to-use assets, such amounts are not included as a component of net investment in capital assets. The term "debt obligations" as used in this definition does not include debt of the GSFIC as discussed previously in Note 1 - Capital Assets section.

Restricted - nonexpendable net position includes endowments and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal. For institution-controlled, donor-restricted endowments, the by-laws of the Board of Regents of the University System of Georgia permits each individual institution to use prudent judgment in the

spending of current realized and unrealized endowment appreciation. Donor-restricted endowment appreciation is periodically transferred to restricted - expendable accounts for expenditure as specified by the purpose of the endowment. The University maintains pertinent information related to each endowment fund including donor; amount and date of donation; restrictions by the source of limitations; limitations on investments, etc.

Restricted - expendable net position includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions by external third parties.

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of the governing board or management to meet current expenses for those purposes, except for unexpended state appropriations (surplus). Unexpended state appropriations must be refunded to the Office of the State Treasurer. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

Income Taxes

The University, as a political subdivision of the State of Georgia, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

Classification of Revenues and Expenses

The Statement of Revenues, Expenses and Changes in Net Position classifies fiscal year activity as operating and nonoperating according to the following criteria:

- Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) certain federal, state and local grants and contracts, and (3) sales and services.
- Nonoperating revenue includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenue by GASB Statements No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, such as state appropriations and investment income.
- Operating expense includes activities that have the characteristics of exchange transactions.
- Nonoperating expense includes activities that have the characteristics of non-exchange transactions, such as capital financing costs and costs related to investment activity.

Scholarship Allowances

Scholarship allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state, or nongovernmental programs are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded contra revenue for scholarship allowances. Tuition and fees and other student charges reported on the Statement of Revenues, Expenses and Changes in Net Position are net of discounts and allowances of \$72,411,324.

Special Items

Significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence are considered special items. For FY22, the University had no special items.

Restatement of Prior Year Net Position

The University made the following restatements:

	<u>Business-type Activities</u>
Net position, beginning of year, as originally reported	\$ 10,270,978
Changes in accounting principles	227,224
Correction of prior year errors	<u>4,500,000</u>
Net position, beginning of year, restated	<u><u>\$ 14,998,202</u></u>

The University made prior period adjustments due to the adoption of GASB Statement No. 87, which required the restatement of the June 30, 2021 business type activities net position. Under this statement, a lessee is required to recognize a lease obligation and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. As a lessee, the result is an increase to the liability (lease obligation) of \$2,192,746 and an increase in the intangible right-to-use assets of \$2,192,746 for business-type activities. As a lessor, the result is an increase in accounts receivable of \$7,230,875 and an increase in deferred inflows of resources of \$7,230,875 for business-type activities. Other adjustments were due to the adoption of GASB 87, which included reclassifying \$240,526,153 in lease purchase obligations to notes payable and \$760,798 in capital assets to intangible right-to-use assets. Existing capital assets were reclassified as intangible right-to-use assets and restated to equal the beginning lease obligation. This change in accounting principle led to a restatement of \$227,224. These changes are in accordance with generally accepted accounting principles.

For fiscal year 2022, the University increased beginning net position by \$4,500,000 to correct for the recognition of prefunded capital assets, which were recorded as lease expense in the prior year.

Note 2 Deposits and Investments

Cash and cash equivalents and investments as of June 30, 2022, are classified in the accompanying statement of net position and statement of fiduciary net position as follows:

Statement of Net Position

Current

Cash and Cash Equivalents	\$	192,710,870
Cash and Cash Equivalents (Externally Restricted)		421,287

Noncurrent

Investments		318,369
Investments (Externally Restricted)		4,784,806

Statement of Fiduciary Net Position

Cash and Cash Equivalents		(7,812,817)
	\$	<u>190,422,515</u>

Cash on hand, deposits and investments as of June 30, 2022, consist of the following:

Cash on Hand	\$	63,601
Deposits with Financial Institutions		103,876,928
Investments		86,481,986
	\$	<u>190,422,515</u>

A. Deposits with Financial Institutions

Deposits include certificates of deposits and demand deposit accounts, including certain interest-bearing demand deposit accounts. The custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be recovered. Funds belonging to the State of Georgia (and thus the University) cannot be placed in a depository paying interest longer than ten days without the depository providing a surety bond to the State. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the Official Code of Georgia Annotated (O.C.G.A.) § 50-17-59:

1. Bonds, bills, notes, certificates of indebtedness, or other direct obligations of the United States or of the State of Georgia.
2. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.
3. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.
4. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.
5. Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association and the Federal National Mortgage Association.
6. Letters of credit issued by a Federal Home Loan Bank.
7. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

The University participates in the State's Secure Deposit Program (SDP), a multi-bank pledging pool. The SDP requires participating banks that accept public deposits in Georgia to operate under the policy and procedures of the program. The Georgia Office of State Treasurer (OST) sets the collateral requirements and pledging level for each

covered depository. There are four tiers of collateralization levels specifying percentages of eligible securities to secure covered Deposits: 25%, 50%, 75%, and 110%. The SDP also provides for collateral levels to be increased to up to 125% if economic or financial conditions warrants. The program lists the type of eligible collateral. The OST approves authorized custodians.

In accordance with the SDP, if a covered depository defaults, losses to public depositors are first satisfied with any applicable insurance, followed by demands of payment under any letters of credit or sale of the covered depository's collateral. If necessary, any remaining losses are to be satisfied by assessments made against the other participating covered depositories. Therefore, for disclosure purposes, all deposits of the SDP are considered to be fully collateralized.

At June 30, 2022, the bank balances of the University's deposits totaled \$106,099,658. Of these deposits, \$0 were exposed to custodial credit risk. This balance includes deposits in Fiduciary funds as these balances are not separable from the holdings of the University.

B. Investments

The University maintains an investment policy which fosters sound and prudent judgment in the management of assets to ensure safety of capital consistent with the fiduciary responsibility it has to the citizens of Georgia. All investments conform to and are consistent with donor intent, Board of Regents policy and applicable federal and state laws.

GASB Statement No. 72, *Fair Value Measurements and Application* requires fair value measurement be classified and disclosed in one of the following three categories ("Fair Value Hierarchy"):

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 - Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1; inputs include comparable market transactions, pricing of similar instruments, values reported by the administrator, and pricing expectations based on internal modeling. Fair value is determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investments.

The following table summarizes the valuation of the University's investments measured at fair value as of June 30, 2022.

	Fair Value	Fair Value Hierarchy Level 1
Investment type:		
Equity Securities - Domestic	\$ 259,527	\$ 259,527
Other	58,842	58,842
	<u>318,369</u>	<u>\$ 318,369</u>
Investment Pools		
Board of Regents		
Short-Term Fund	81,378,811	
Legal Fund	202,484	
Balanced Income Fund	1,052,366	
Total Return Fund	<u>3,529,956</u>	
Total Investments	<u>\$ 86,481,986</u>	

Investments classified in Level 1 are valued using prices quoted in active markets for those securities.

Board of Regents Pooled Investment Program

The USG serves as fiscal agent for various units of the University System of Georgia and affiliated organizations. The USG pools the monies of these organizations with the USG's monies for investment purposes. The investment pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The fair value of the investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each pooled investment fund balance at fair value along with a pro rata share of the pooled fund's investment returns.

The USG maintains investment policy guidelines for each pooled investment fund that is offered to qualified University System participants. These policies are intended to foster sound and prudent responsibility each institution has to the citizens of Georgia, and which conforms to the Board of Regents investment policy. All investments must be consistent with donor intent, Board of Regents policy, and applicable Federal and state laws. Units of the University System of Georgia and their affiliated organizations may participate in the pooled investment fund program. The overall character of the pooled fund portfolio should be one of above average quality, possessing at most an average degree of investment risk.

The University's position in the pooled investment fund options are described below.

1. **Short-Term Fund**

The Fund provides a current return and stability of principal while affording a means of overnight liquidity for projected cash needs. Investments are in securities allowed under O.C.G.A. § 50-17-59 and § 50-17-63. The average maturities of investments in this fund will typically range between daily and four years, and the fund will typically have an overall average duration of $\frac{3}{4}$ - 1 year. The overall character of the portfolio is of Agency quality, possessing a minimal degree of financial risk. The market value of the University's position in the Short-Term Fund at June 30, 2022 was \$81,378,811, of which 100% is invested in debt securities. The Effective Duration of the Fund is 0.96 years.

2. **Legal Fund**

The Fund provides an opportunity for greater return and modest principal growth to the extent possible with the securities allowed under O.C.G.A. § 50-17-59 and § 50-17-63. The average maturities of investments in this fund will typically range between three and five years, with a maximum of thirty years for any individual investment. The overall character of the portfolio is Agency quality, possessing a minimal degree of financial risk. The market value of the University's position in the Legal Fund at June 30, 2022, was \$202,484, of which 100% is invested in debt securities. The Effective Duration of the Fund is 3.32 years.

3. **Balanced Income Fund**

The Fund is designed to be a vehicle to invest funds that are not subject to the state regulations concerning investing in equities. This pool is appropriate for investing longer term funds that require a more conservative investment strategy. Permitted investments in the fund are domestic US equities, domestic investment grade fixed income, and cash equivalents.

The equity allocation shall range between 20% and 40%, with a target of 30% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 60% and 80%, with a target of 70% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high-quality short-term instruments. The market value of the University's position in the Balanced Income Fund at June 30, 2022, was \$1,052,366, of which 68% is invested in debt securities. The Effective Duration of the Fund is 5.76 years.

4. **Total Return Fund**

The Fund is another pool designed to be a vehicle to invest funds that are not subject to state regulations concerning investing in equities. This pool offers greater overall equity exposure and is appropriate for investing longer term funds such as endowments. Permitted investments in the fund are domestic US equities, domestic investment grade fixed income, and cash equivalents.

The equity allocation shall range between 60% and 80%, with a target of 70% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 20% and 40%, with a target of 30% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high-quality short-term instruments. The market value

of the University's position in the Total Return Fund at June 30, 2022, was \$3,529,956, of which 37% is invested in debt securities. The Effective Duration of the Fund is 6.03 years.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The University does not have a formal policy for managing interest rate risk for investments.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the University will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The University does not have a formal policy for managing custodial credit risk for investments.

At June 30, 2022, \$0 was uninsured and held by the investment's counterparty's trust department or agent, but not in the University's name.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University does not have a formal policy for managing credit quality risk for investments.

1. In the Short-Term Fund and Legal Fund, all debt issues must be eligible investments under O.C.G.A § 50-17-59 and 50-17-63. Other investment portfolios of debt securities funds also must meet the eligible investment criteria under the same code section.
2. In the Balanced Income Fund and Total Return Fund, total fixed income portfolios should have an average credit quality rating of at least A. Overnight investments shall be limited to high quality institutional money market mutual funds rated A1, P1 or other high quality short-term debt instruments rated at least AA+.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University does not have a formal policy for managing concentration of credit for investments and has no exposure to concentration of credit risk at June 30, 2022.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Exposure to foreign currency credit risk is limited to funds maintained in foreign accounts for the Study Abroad Program. The University does not have a formal policy for managing foreign currency risk and does not have any exposure to foreign currency risk at June 30, 2022.

Note 3 Accounts Receivable

Accounts receivable consisted of the following at June 30, 2022:

	Business Type Activities	Fiduciary Fund
Student Tuition and Fees	\$ 7,599,674	
Auxiliary Enterprises and Other Operating Activities	4,714,306	
Federal Financial Assistance	4,976,607	964,613
Georgia Student Finance Commission		8,250,965
Georgia State Financing and Investment Commission	744,304	
Due from Affiliated Organizations	2,582,752	
Due from Component Unit	7,774,412	
Due From Other USG Institutions	2,210,402	
Leases & Other	1,899,389	
	<u>32,501,846</u>	<u>9,215,578</u>
Less: Allowance for Doubtful Accounts	<u>6,593,258</u>	
Net Accounts Receivable	<u>\$ 25,908,588</u>	<u>\$ 9,215,578</u>

Note 4 Inventories

Inventories consisted of merchandise for resale of \$3,242,298 at June 30,2022.

Note 5 Notes and Loans Receivable

Notes receivable consists of resources made available for financial loans to students of the University. The Federal Perkins Loan Program (Perkins) and the Nurse Faculty Loan Program (NFLP) comprise the majority of the loans receivable at June 30, 2022. Perkins provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The Federal government reimburses the University for amounts canceled under these provisions. As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. NFLP offer loans to students enrolled in advanced education nursing degree programs who are committed to become nurse faculty. In exchange for full-time post-graduation employment as nurse faculty, the program authorizes cancellation of up to 85% of any such loan (plus interest thereon). Allowances for uncollectible loans are reported based on management's best estimate considering type, age, collection history, and other factors considered appropriate. At June 30, 2022, the allowance for uncollectible loans was \$0.

Note 6 Capital and Intangible Right-to-Use Assets

Changes in capital assets for the year ended June 30, 2022, are shown below:

	Restated ⁽¹⁾			Balance June 30, 2022
	Balance July 1, 2021	Additions	Reductions	
Capital Assets, Not Being Depreciated:				
Land	\$ 43,214,057	\$ —	\$ —	\$ 43,214,057
Capitalized Collections	4,908,687	22,246	—	4,930,933
Construction Work-in-Progress	17,082,697	20,087,961	12,894,889	24,275,769
Total Capital Assets Not Being Depreciated	65,205,441	20,110,207	12,894,889	72,420,759
Capital Assets, Being Depreciated				
Infrastructure	17,341,734	1,065,469	—	18,407,203
Building and Building Improvements	864,994,085	65,453,561	—	930,447,646
Facilities and Other Improvements	14,144,875	—	—	14,144,875
Equipment	72,258,420	6,159,888	3,136,868	75,281,440
Library Collections	26,874,073	133,765	366,741	26,641,097
Capitalized Collections	6,182,965	131,410	—	6,314,375
Total Capital Assets Being Depreciated	1,001,796,152	72,944,093	3,503,609	1,071,236,636
Less: Accumulated Depreciation				
Infrastructure	7,557,690	650,330	—	8,208,020
Building and Building Improvements	354,530,442	26,537,166	—	381,067,608
Facilities and Other Improvements	5,931,246	687,518	—	6,618,764
Equipment	48,619,723	6,835,052	2,804,289	52,650,486
Library Collections	25,821,713	252,157	366,741	25,707,129
Capitalized Collections	2,001,197	152,007	—	2,153,204
Total Accumulated Depreciation	444,462,011	35,114,230	3,171,030	476,405,211
Total Capital Assets, Being Depreciate Net	557,334,141	37,829,863	332,579	594,831,425
Capital Assets, net	\$ 622,539,582	\$ 57,940,070	\$ 13,227,468	\$ 667,252,184

⁽¹⁾ The July 1, 2021 balance related to capital assets and intangible right-to-use asset was restated as a result of the implementation of GASB Statement No. 87.

For projects managed by GSFIC, GSFIC retains construction-in-progress on its books throughout the construction period and transfers the entire project to the University when complete. For projects managed by the University, the University retains construction-in-progress on its books and is reimbursed by GSFIC. For the year ended June 30, 2022, capital additions for the Academic Learning Center of \$44,388,894 were transferred to the University. At June 30, 2022, GSFIC had \$0 construction in progress for incomplete GSFIC managed projects for the University.

Changes in intangible right-to-use assets for the year ended June 30, 2022 are shown below:

	(Restated) Beginning Balances July 1, 2021	Additions	Reductions	Ending Balance June 30, 2022
Intangible Right-to-use Assets				
Land and Land Improvements	\$ 875,512	\$ 98,054	\$ —	\$ 973,566
Building and Building Improvements	1,028,758	—	—	1,028,758
Equipment	288,476	58,032	—	346,508
Total Leased Assets Being Amortized	2,192,746	156,086	—	2,348,832
Less: Accumulated amortization				
Land and Land Improvements	—	148,053	—	148,053
Building and Building Improvements	—	91,205	—	91,205
Equipment	—	121,819	—	121,819
Total Accumulated Amortization	—	361,077	—	361,077
Intangible Right-to-use Assets, net	\$ 2,192,746	\$ (204,991)	\$ —	\$ 1,987,755

A comparison of depreciation & amortization expense for the last three fiscal years is as follows:

Fiscal Year	Depreciation & Amortization
2022	\$ 35,475,307
2021	\$ 32,938,061
2020	\$ 31,690,345

Note 7 Advances (Including Tuition and Fees)

Business-type activities advances, including tuition and fees, consisted of the following at June 30, 2022:

	Current Liabilities
Prepaid Tuition and Fees	\$ 19,186,527
Grants and Contracts	584,181
Other - Advances	2,279,445
Totals	\$ 22,050,153

Fiduciary fund advances in the amount of \$1,093,698 consists of student support received prior to eligibility requirements being met.

Note 8 Long-Term Liabilities

Changes in long-term liability for the year ended June 30, 2022, was as follows:

	(Restated)			Balance June 30, 2022	Current Portion
	Balance July 1, 2021	Additions	Reductions		
Leases					
Lease Obligations	\$ 2,192,746	\$ 156,087	\$ 296,841	\$ 2,051,992	\$ 270,911
Other Liabilities					
Compensated Absences	13,441,843	10,120,560	9,539,392	14,023,011	9,228,183
Notes Payable	240,526,153	9,854,542	10,359,322	240,021,373	11,410,272
Total	<u>253,967,996</u>	<u>19,975,102</u>	<u>19,898,714</u>	<u>254,044,384</u>	<u>20,638,455</u>
Total Long-Term Obligations	<u>\$ 256,160,742</u>	<u>\$ 20,131,189</u>	<u>\$ 20,195,555</u>	<u>\$ 256,096,376</u>	<u>\$ 20,909,366</u>

The July 1, 2021 balance related to lease obligations and notes payable was restated as a result of the implementation of GASB Statement No. 87. See Note 1 - Restatement of Prior Year Net Position for additional information related to these transactions.

See Note 14, Retirement Plans for information related to net pension liability. See Note 17, Post-Employment Benefits Other Than Pension Benefits, for information related to net other post-employment benefits liability.

Notes Payable

Financing Lease Agreements

The University is obligated under various multi-year financing lease agreements for the acquisition or use of real property and equipment, whereby the asset(s) transfers ownership at the end of the agreement.

In accordance with O.C.G.A. § 50-5-64, these agreements shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed. These agreements may be renewed only by a positive action taken by the University. In addition, these agreements shall terminate if the State does not provide adequate funding, but that is considered a remote possibility. The University's principal and interest payments related to financing lease agreements for fiscal year 2022 were \$10,359,321 and \$10,906,404, respectively.

The University has \$194,503,701 in outstanding notes payable due to component units for financing lease agreements. Notes Payable included the addition of a financing lease agreement, the Howell Hall (residence) renovation. This increase was offset by annual payments.

In October 2021, Kennesaw State University Foundation, Inc. (KSUF) refinanced the bonds associated with the Austin Residence Phase II and the lease was amended. The lease term ends June 2041 and the underlying interest rate changed from 6.499% to 3.801%.

In April 2022, Kennesaw State University Foundation, Inc. (KSUF) refinanced the bonds associated with the Student Recreation and Activities Center and the lease was amended. The lease term ends June 2042 and the underlying interest rate changed from 4.120% to 3.588%.

The following is a summary of the carrying values of assets held under financing lease agreements at June 30, 2022:

Description	Gross Amount	Less: Accumulated Amortization	Net Assets Held Under Financing Lease Arrangements at June 30, 2022	Outstanding Balances per Lease Schedules at June 30, 2022
	(+)	(-)	(=)	
Financed Land and Land Improvements	\$ 21,745,895	\$ —	\$ 21,745,895	\$ —
Finance Buildings and Building Improvements	307,710,960	137,295,848	170,415,112	240,021,373
Total Assets Held Under Finance Lease Arrangement	\$ 329,456,855	\$ 137,295,848	\$ 192,161,007	\$ 240,021,373

The following schedule lists the pertinent information for each of the University 's financing lease agreements:

Description	Lessor	Original Principal	Lease Term	Begin Month/ Year	End Month/ Year	Outstanding Principal
Frey Lake Road Houses	KSU Foundation	2,907,645	12 years	October 2015	June 2027	1,359,157
East & West Parking Decks	KSU Foundation	12,658,233	11 years	October 2015	June 2026	5,156,965
Building Complex	KSU Foundation	1,747,658	19 years	June 2017	June 2036	1,091,835
Building Complex	KSU Foundation	4,054,414	19 years	June 2017	June 2036	3,627,916
North Parking Deck	KSU Foundation	10,435,200	14 years	October 2015	June 2029	5,556,650
Central Parking Deck	KSU Foundation	28,528,584	21 years	February 2017	June 2038	23,659,825
Dining Hall Facility	KSU Foundation	17,012,109	22 years	February 2017	June 2039	14,771,434
Sports Complex	KSU Foundation	61,884,585	24 years	September 2020	June 2044	55,592,478
Student Housing	KSU Foundation	26,768,863	29 years	August 2012	June 2041	24,126,134
Student Recreation Center	KSU Foundation	43,053,851	28 years	July 2014	June 2042	36,497,418
Marietta Student Housing	KSU Foundation	9,854,543	31 years	July 2021	June 2052	10,027,050
Commons Housing	KSU Foundation	8,742,600	14 years	June 2013	June 2027	3,784,206
Courtyard Housing	KSU Foundation	18,387,400	16 years	June 2013	June 2029	9,252,633
Parking Deck	USG Real Estate Foundation	17,323,738	25 years	June 2015	June 2040	14,917,264
Housing / Dining	USG Real Estate Foundation	34,019,686	20 years	March 2019	June 2039	30,600,408
Total Financed Leases		\$ 297,379,109				\$ 240,021,373

All of the financing lease agreements above are related-party transactions.

Below is the annual debt service related to the outstanding notes payable at June 30,2022.

Year Ending June 30:	Principal	Interest
2023	\$ 11,410,271	\$ 10,940,107
2024	11,917,554	10,425,759
2025	12,476,047	9,874,307
2026	13,054,113	9,301,249
2027	11,878,082	8,721,273
2028 through 2032	54,414,537	35,871,644
2033 through 2037	62,960,926	22,212,347
2038 through 2042	49,559,564	7,691,814
2043 through 2047	9,936,668	1,038,134
2048 through 2052	2,413,611	211,477
Total Minimum Lease Payments	\$ 240,021,373	\$ 116,288,111

Note 9 Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources reported on the Statement of Net Position as of June 30, 2022, consisted of the following:

Deferred Outflows of Resources

Deferred Loss on Debt Refunding	\$ 589,450
Deferred Defined Benefit Pension Plans (See Note 14)	67,331,735
Deferred OPEB Plan (See Note 17)	69,097,941
Total Deferred Outflows of Resources	\$ 137,019,126

Deferred Inflows of Resources

Deferred Gain on Debt Refunding	\$ 2,004,805
Deferred Service Concession Arrangements	50,474,596
Deferred Defined Benefit Pension Plans (See Note 14)	128,433,802
Deferred OPEB Plan (See Note 17)	46,074,318
Deferred Resources - Leases	6,689,382
Total Deferred Inflows of Resources	\$ 233,676,903

Deferred Outflow/Inflow on Debt Refunding

The unamortized deferred loss on debt refunding at year end, related to refunding debt on two residence halls and a parking deck, is \$589,450. The unamortized deferred gain on debt refunding of \$2,004,805 relates to refunding debt on housing and dining facilities.

Leases

At June 30, 2022, Kennesaw State University (KSU) was a participant in four lease agreements as the lessor.

In June 2004, Kennesaw State University entered into an agreement with Kennesaw State University Foundation, Inc. (KSUF) for the North Parking Deck on the KSU campus. The agreement for the parking deck is renewable for 25 years. As of June 30, 2022, the total remaining receivables are \$1,383,200. The amortized revenue recorded in fiscal year 2022 was \$197,600 and the remaining deferred inflow of resources was \$1,344,193.

In June 2011, Kennesaw State University entered into an agreement with Kennesaw State University Foundation, Inc. (KSUF) for the KSU Sports and Recreation Park on the KSU campus. The agreement for the sports and

recreation park is renewable for 29 years. As of June 30, 2022, the total remaining receivables are \$4,184,256. The amortized revenue recorded in fiscal year 2022 was \$208,298 and the remaining deferred inflow of resources was \$3,528,440.

In September 2008, Kennesaw State University (KSU) entered into an agreement with Verizon Wireless for cell tower space. The agreement is renewable for 25 years. As of June 30, 2022, the total remaining receivables are \$764,334. The amortized revenue recorded in fiscal year 2022 was \$54,315 and the remaining deferred inflow of resources was \$727,740.

In August 2010, Kennesaw State University (KSU) entered into an agreement with AT&T for cell tower space. The agreement is renewable for 25 years. As of June 30, 2022, the total remaining receivables are \$1,143,770. The amortized revenue recorded in fiscal year 2022 was \$81,279 and the remaining deferred inflow of resources was \$1,089,009.

Service Concessions Arrangements

At June 30, 2022, Kennesaw State University (KSU) was a participant in four Service Concession Arrangements.

In August 2001, KSU entered into an agreement with Kennesaw State University Foundation, Inc. (KSUF) whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the residence hall ("University Place") in accordance with a contractual agreement between the two parties. Under the terms of the agreement, University received no funds upfront from KSUF, but will take full ownership of the residence hall at the end of the operating agreement in August 2037.

In August 2003, KSU entered into an agreement with KSUF whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the housing ("University Village") in accordance with a contractual agreement between the parties. Under the terms of the agreement, University received no funds upfront from KSUF, but will take full ownership of the housing at the end of the operating agreement in July 2036.

In August 2007, KSU entered into an agreement with KSUF whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the housing ("University Suites") in accordance with a contractual agreement between the parties. Under the terms of the agreement, University received no funds upfront from KSUF, but will take full ownership of the housing at the end of the operating agreement in September 2038.

In August 2020, the University entered into an agreement with KSUF to simplify the student experience for KSUF-owned housing (University Place, University Village, and University Suites). Under this agreement, KSU is responsible for providing property management services on behalf of KSUF in a fiduciary capacity for billing and the collection of housing charges.

In July 2017, KSU entered into a lease agreement with a food service provider whereby the vendor will operate a restaurant in accordance with a contractual agreement between the two parties. Under the terms of the agreement, University received no funds upfront, but will take full ownership of the equipment and lease improvements at the end of the operating agreement in June 2027.

At June 30, 2022, the University reports the three housing residences and one retail space as capital assets with a net carrying value of \$50,474,596. For fiscal year 2022, the University reported a remaining deferred inflows of resources of \$50,474,596 and amortized revenue of \$3,488,112.

Note 10 Net Position

The breakdown of business-type activity net position for the University fund at June 30, 2022, is as follows:

Net Investment in Capital Assets	\$ 373,887,406
Restricted for	
Nonexpendable	
Permanent Endowment	4,784,806
Expendable	
Sponsored and Other Organized Activities	2,895,634
Federal Loans	818,539
Institutional Loans	108,370
Sub-Total	3,822,543
Unrestricted	
Auxiliary Enterprises Operations	65,667,680
Reserve for Encumbrances	58,426,965
Capital Liability Reserve Fund	2,194,882
Other Unrestricted (Deficit)	(392,464,637)
Sub-Total	(266,175,110)
Total Net Position	\$ 116,319,645

Other unrestricted net position is reduced by \$297,333,770 related to the recording of net OPEB liability, deferred inflows of resources, and deferred outflows of resources related to the OPEB plan. Other unrestricted net position is also reduced by \$146,360,718 related to the recording of net pension liability, deferred inflows of resources, and deferred outflows of resources on defined benefit pension plans. These OPEB and pension balances are mostly funded through state appropriation and student tuition and fees and are subject to State surplus rules which prevents the accumulation of budgetary fund balance. Therefore, the University is statutorily unable to maintain accumulated net position to offset these OPEB and pension balances.

Changes in Net Position for the year ended June 30, 2022 are as follows:

	(Restated)			Balance June 30, 2022
	Balance July 1, 2021	Additions	Reductions	
Net Investments in Capital Assets	\$ 324,675,859	\$ 90,971,660	\$ 41,760,113	\$ 373,887,406
Restricted Net Position	7,279,329	228,813,567	227,485,547	8,607,349
Unrestricted Net Position	(316,956,986)	525,355,880	474,574,004	(266,175,110)
Total Net Position	\$ 14,998,202	\$ 845,141,107	\$ 743,819,664	\$ 116,319,645

Note 11 Endowments

Donor Restricted Endowments

Investments of the University's endowment funds are pooled, unless required to be separately invested by the donor. For University controlled, donor-restricted endowments, where the donor has not provided specific instructions, the Board of Regents permits Institutions to develop policies for authorizing and spending realized and unrealized endowment income and appreciation as they determined to be prudent. Realized and unrealized appreciation in excess of the amount budgeted for current spending is retained by the endowments.

For endowment funds where the donor has not provided specific instructions, investment return of the University's endowment funds is predicated under classical trust doctrines. Unless the donor has stipulated otherwise, capital gains and losses are accounted for as part of the endowment principal and are not available for expenditure.

Note 12 Significant Commitments

See the Net Position note for amounts reserved for outstanding encumbrances at June 30, 2022. The University did not have any other significant unearned outstanding construction or renovation contracts in excess of these encumbrances at June 30, 2022.

Note 13 Leases

Lease Obligations

In accordance with O.C.G.A. § 50-5-64, these agreements shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed. These agreements may be renewed only by a positive action taken by the University. In addition, these agreements shall terminate if the State does not provide adequate funding, but that is considered a remote possibility. The University's principal and interest payments related to leases for fiscal year 2022 were \$296,842 and \$56,182, respectively. Interest rates range from 0.3449 % to 5.983%.

The University has \$1,718,558 in outstanding lease obligations due to component units. The Institution has \$0 in outstanding lease obligations due to affiliated organizations and other related party organizations.

There were no residual guaranteed payment, variable payments based on performance, nor termination penalties expensed for fiscal year ended June 30, 2022.

The following is a summary of the carrying values of intangible right-to-use assets held under lease at June 30, 2022:

Description	Gross Amount	Less: Accumulated Depreciation	Net Assets Held Under Lease Obligations at June 30, 2022	Outstanding Balance per Lease Schedules at June 30, 2022
	(+)	(-)	(=)	
Leased Land and Land Improvements	\$ 973,566	\$ 148,053	\$ 825,513	\$ 836,349
Leased Equipment	346,508	121,819	224,689	254,080
Leased Buildings and Building Improvements	1,028,758	91,205	937,553	961,563
Total Assets Held Under Lease	<u>\$ 2,348,832</u>	<u>\$ 361,077</u>	<u>\$ 1,987,755</u>	<u>\$ 2,051,992</u>

The following schedule lists the pertinent information for each of the University's leases:

Description	Lessor	Original Principal	Lease Term	Begin Month/Year	End Month/Year	Outstanding Principal
Classroom Building ⁽¹⁾	KSU Foundation	\$ 953,858	9 years	July 2021	August 2030	\$ 484,890
Clinic ⁽¹⁾	KSU Foundation	685,000	15 years	July 2021	June 2036	476,672
1st United Lutheran Church	1st United Lutheran Church	98,054	5 years	July 2021	June 2026	79,353
Canon Print Shop	Canon	156,248	2 years	July 2021	July 2023	89,584
Machinist Union ⁽¹⁾	KSU Foundation	875,512	13 years	July 2021	October 2034	756,996
N17082035 Fold/Stuff Machine	Quadient	3,506	1 year	July 2021	August 2022	571
N18101170 Talon Express Mail	Quadient	16,106	2 years	July 2021	September 2023	10,768
N19111200 WTS Tracking	Quadient	16,275	3 years	July 2021	September 2024	14,374
N20021899 WTS Tracking	Quadient	50,117	4 years	July 2021	June 2025	45,478
N21041215 DS85i Feeder	Quadient	46,225	5 years	July 2021	March 2026	43,956
N21073098 WTS & Scanner	Quadient	25,183	5 years	July 2021	June 2026	20,405
N21082092 iX7 Mail Machine	Quadient	20,206	5 years	August 2021	July 2026	17,473
Ricoh IMC2500 Copier	Ricoh	4,894	4 years	February 2022	January 2026	4,490
Ricoh IMC3000 Copier	Ricoh	7,750	5 years	December 2021	November 2026	6,982
		\$ 2,958,934				\$ 2,051,992

(1) These leases are related-party transactions.

Below is the annual future commitments related to the outstanding lease obligations at June 30, 2022:

Year Ending June 30:	Principal	Interest
2023	\$ 270,912	\$ 76,418
2024	200,710	54,155
2025	192,159	44,756
2026	197,848	39,325
2027	159,731	34,095
2028 through 2032	699,574	70,523
2033 through 2037	326,559	19,712
2038 through 2042	4,499	—
2043 through 2047	—	—
Total Minimum Lease Payments	\$ 2,051,992	\$ 338,984

Note 14 Retirement Plans

The University participates in various retirement plans administered by the State of Georgia under two major retirement systems: Teachers Retirement System of Georgia (TRS) and Employees' Retirement System of Georgia (ERS). These two systems issue separate publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained from the respective administrative offices.

The University also provides the Regents Retirement Plan.

The significant retirement plans that the University participates in are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

A. Teachers Retirement System of Georgia and Employees' Retirement System of Georgia

General Information about the Teachers Retirement System

Plan description

All teachers of the University as defined in O.C.G.A. § 47-3-60 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at trsga.com/publications.

Benefits Provided

TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2022. The University's contractually required contribution rate for the year ended June 30, 2022, was 19.81% of the annual University payroll. The University's contributions to TRS totaled \$26,466,513, for the year ended June 30, 2022.

General Information about the Employees' Retirement System

Plan description

ERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at ers.ga.gov/financials.

Benefits provided

The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are new plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS.

ERS members hired prior to January 1, 2009, also have the option to irrevocably change their membership to GSEPS.

Under the old plan, the new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Contributions

Member contributions under the old plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the old plan, the State pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these State contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The required contribution rate for the year ended June 30, 2022 was 24.63% of annual covered payroll for old and new plan members and 21.57% for GSEPS members. The University's contributions to ERS totaled \$79,453 for the year ended June 30, 2022. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the University reported a liability for its proportionate share of the net pension liability for TRS and ERS. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2020. An expected total pension liability as of June 30, 2021, was determined using standard roll-forward techniques. The University's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2021. At June 30, 2021, the University's TRS proportion was 0.959470%, which was a decrease of (0.010535)% from its proportion measured as of June 30, 2020. At June 30, 2021, the University's ERS proportion was 0.017099%, which was a decrease of (0.000284)% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the University recognized pension expense of \$6,434,480 for TRS and \$174,518 for ERS. At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,249,989	\$ —	\$ 9,464	\$ —
Changes of assumptions	16,424,131	—	115,168	—
Net difference between projected and actual earnings on pension plan investments	—	124,124,341	—	369,630
Changes in proportion and differences between contributions and proportionate share of contributions	3,960,289	3,933,032	26,729	6,799
Contributions subsequent to the measurement date	26,466,513	—	79,453	—
Total	\$ 67,100,922	\$128,057,373	\$ 230,814	\$ 376,429

The University's contributions subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	TRS	ERS
2023	\$ (14,486,012)	\$ 16,992
2024	\$ (16,903,181)	\$ (53,500)
2025	\$ (25,114,666)	\$ (89,828)
2026	\$ (30,919,105)	\$ (98,732)
2027	\$ —	\$ —

Actuarial assumptions

The total pension liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System

Inflation	2.50%
Salary increases	3.00% - 8.75%, average, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Post-retirement benefit increases	1.50% semi-annually

Post-retirement mortality rates for service retirements and beneficiaries were based on the Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree mortality table (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. Post-retirement mortality rates for disability retirements were based on the Pub-2010 Teachers Mortality Table for Disabled Retirees (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. The Pub-2010 Teachers Headcount Weighted Below Median Employee mortality table with ages set forward one year and adjusted 106% as used for death prior to retirement. Future improved in mortality rates was assumed using the MP-2019 projection scale generationally. These rates of improvement were reduced by 20% for all years prior to the ultimate rate.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018, with the exception of the long-term assumed rate of return and the assumed annual rate of inflation.

Employees' Retirement System

Inflation	2.50%
Salary increases	3.00 – 6.75%, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the Pub-2010 General Employee Table, with no adjustments, projected generationally with the MP-2019 scale used for both males and females while in active service. Post-retirement mortality rates were based on the Pub-2010 Family of Tables, with the MP-2019 projection scale applied generationally, as follows: service retirees – General Healthy Annuitant mortality table with further adjustments (set forward one year and adjusted 105% and 108% respectively for males and females); disability retirees – General Disabled Table (set back three years for males, and adjusted 103% and 106% for males and females, respectively); beneficiaries – General Contingent Survivors Table (set forward to two years for both males and females and adjusted 106% and 105% respectively).

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2019.

The long-term expected rate of return on TRS and ERS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	TRS target allocation	TRS Long-term expected real rate of return*	ERS target allocation	ERS Long-term expected real rate of return*
Fixed income	30.00 %	(0.80)%	30.00 %	(1.50)%
Domestic large equities	46.30 %	9.30 %	46.40 %	9.20 %
Domestic small equities	1.20 %	13.30 %	1.10 %	13.40 %
International developed market equities	11.50 %	9.30 %	11.70 %	9.20 %
International emerging market equities	6.00 %	11.30 %	5.80 %	10.40 %
Alternatives	5.00 %	10.60 %	5.00 %	10.60 %
Total	<u>100.00 %</u>		<u>100.00 %</u>	

* Rates shown are net of inflation

Discount rate

The discount rate used to measure the total TRS and ERS pension liability was 7.25% and 7.00%, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and ERS pension plans fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Institute's proportionate share of the net pension liability to changes in the discount rate:

The following presents the University's proportionate share of the net pension liability calculated using the discount rate, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Teachers Retirement System:

	1% Decrease 6.25%	Current discount rate 7.25%	1% Increase 8.25%
Proportionate share of the net pension liability	\$ 228,586,915	\$ 84,858,722	\$ (32,916,614)

Employees' Retirement System:

	1% Decrease 6.00%	Current discount rate 7.00%	1% Increase 8.00%
Proportionate share of the net pension liability	\$ 732,861	\$ 399,929	\$ 118,361

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS and ERS financial reports which are publicly available at trsga.com/publications and ers.ga.gov/financials, respectively.

B. Defined Contribution Plan:

Regents Retirement Plan

Plan Description

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan that was created/established by the Georgia General Assembly in O.C.G.A. § 47-21-1 et.seq. and administered by the Board of Regents of the University System of Georgia (Board). O.C.G.A. § 47-3-68(a) defines who may participate in the Regents Retirement Plan. An "eligible university system employee" is a faculty member or all exempt full and partial benefit eligible employees, as designated by the regulations of the Board. Under the Regents Retirement Plan, a plan participant may purchase annuity contracts from three approved vendors (VALIC, Fidelity, and TIAA-CREF) for the purpose of receiving retirement and death benefits. Benefits depend solely on amounts contributed to the plan plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the annuity contracts.

Funding Policy

The institutions of the USG make monthly employer contributions to the Regents Retirement Plan on behalf of participants at rates determined by the Board. The Board reviews the contribution amount every three (3) years. For fiscal year 2022, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 6.00% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

The University and the covered employees made the required contributions of \$10,136,798 (9.24%) and \$6,582,337 (6.00%), respectively.

VALIC, Fidelity, and TIAA-CREF have separately issued financial reports which may be obtained through their respective corporate offices.

Note 15 Risk Management

The USG offers its employees and retirees under the age of 65 access to three self-insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2022, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan.

The University's participating employees and eligible retirees pay premiums into the plan fund to access benefits coverage. All units of the USG share the risk of loss for claims associated with these plans. The plan fund is considered to be a self-sustaining risk fund. The USG has contracted with Blue Cross and Blue Shield of Georgia, a wholly owned subsidiary of Anthem, Inc., to serve as the claims administrator for the self-insured healthcare plan options. In addition to the self-insured healthcare plan options offered to the employees and eligible retirees of the USG, a fully insured HMO healthcare plan option also is offered through Kaiser Permanente. The Comprehensive Care plan has a carved-out prescription drug plan administered through CVS Caremark. Pharmacy drug claims are processed in accordance with guidelines established for the Board of Regents' Prescription Drug Benefit Program. Generally, claims are submitted by participating pharmacies directly to CVS Caremark for verification, processing and payment. CVS Caremark maintains an eligibility file based on information furnished by Blue Cross and Blue Shield of Georgia on behalf of the various organizational units of the University System of Georgia. The self-insured dental plan is administered through Delta Dental.

Retirees aged 65 and older participate in a secondary healthcare coverage for Medicare-eligible retirees and dependents provided through a retiree health care exchange option. The USG makes contributions to a health reimbursement account, which can be used by the retiree to pay premiums and out-of-pocket healthcare-related expenses.

The Department of Administrative Services (DOAS) has the responsibility for the State of Georgia of making and carrying out decisions that will minimize the adverse effects of accidental losses that involve State government assets. The State believes it is more economical to manage its risks internally and set aside assets for claim settlement. Accordingly, DOAS processes claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, unemployment compensation, and law enforcement officers' indemnification. Limited amounts of commercial insurance are purchased applicable to property, employee and automobile liability, fidelity and certain other risks.

The University is part of the State of Georgia reporting entity, and as such, is covered by the State of Georgia risk management program administered by DOAS. Premiums for the risk management program are charged to the various state organizations by DOAS to provide claims servicing and claims payment.

A self-insured program of professional liability for its employees was established by the Board of Regents of the University System of Georgia under powers authorized by the O.C.G.A § 45-9-1.

The program insures the employees to the extent that they are not immune from liability against personal liability for damages arising out of the performance of their duties or in any way connected therewith. The program is administered by DOAS as a Self-Insurance Fund.

Note 16 Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. This could result in refunds to the grantor agency for any expenditure disallowed under grant terms. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the Institution expects such amounts, if any, to be immaterial to its overall financial position.

Litigation, claims and assessments filed against the University, if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the State of Georgia Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022.

Note 17 Post-Employment Benefits Other Than Pension Benefits

Board of Regents Retiree Health Benefit Plan

Plan Description and Funding Policy

The Board of Regents Retiree Health Benefit Plan (Plan) is a single-employer, defined-benefit, healthcare plan administered by the University System Office, an organizational unit of the USG. The Plan was authorized pursuant to OCGA § 47-21-21 for the purpose of accumulating funds necessary to meet employer costs of retiree post-employment health insurance benefits.

Pursuant to the general powers conferred by the OCGA § 20-3-31, the USG has established group health and life insurance programs for regular employees of the USG. It is the policy of the USG to permit employees of the USG eligible for retirement or who become permanently and totally disabled to continue as members of the group health and life insurance programs. The USG offers its employees and retirees under the age of 65 access to three self-insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2022, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan. The USG offers a self-insured dental plan administered by Delta Dental.

Retirees age 65 and older participate in a secondary healthcare coverage for Medicare-eligible retirees and dependents provided through a retiree health care exchange option. The USG makes contributions to the retirees' health reimbursement account, which can be used by the retiree to pay premiums and out-of-pocket healthcare related expenses.

The University's membership in the Plan consisted of the following at June 30, 2022:

Active Employees	3,366
Retirees or Beneficiaries Receiving Benefits	839
Retirees Receiving Life Insurance Only	151
Total	<u><u>4,356</u></u>

The contribution requirements of plan members and the employer are established and may be amended by the Board. The Plan is substantially funded on a "pay-as-you-go" basis; however, amounts above the pay-as-you-go basis may be contributed annually, either by specific appropriation or by Board designation.

The University pays the employer portion for group insurance for eligible retirees. The employer portion of health insurance for its eligible retirees is based on rates that are established annually by the Board for the upcoming plan year. For the 2022 plan year, the employer rate was approximately 88% of the total health insurance cost for eligible retirees and the retiree rate was approximately 12%. For employees hired on or after January 1, 2013, and retirees after January 1, 2018, the amount the USG contributes is tied to years of service, which ranges from 0% to 100%. With regard to life insurance, the employer covers the total premium cost for \$25,000 of basic life insurance. If an individual elects to have supplemental, and/or, dependent life insurance coverage, such costs are borne entirely by the retiree.

For fiscal year 2022, the University contributed \$9,565,891 to the plan for current premiums or claims.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2022, the University reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of May 1, 2021. An expected total OPEB liability as of June 30, 2021 was determined using standard roll-forward techniques. The University's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2021. At June 30, 2021, the University's proportion was 6.365036%, which was an increase of 0.150220% from its proportion measured

as of June 30, 2020. For the year ended June 30, 2022, the University recognized OPEB expense of \$18,287,152. At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 17,247,617	\$ 1,096,025
Changes of assumptions	26,422,758	44,183,863
Net difference between projected and actual earnings on OPEB plan investments	—	794,430
Changes in proportion and differences between contributions and proportionate share of contributions	15,861,675	—
Contributions subsequent to the measurement date	<u>9,565,891</u>	<u>—</u>
Total	<u>\$ 69,097,941</u>	<u>\$ 46,074,318</u>

The University's contributions subsequent to the measurement date of \$9,565,891 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:		
2023	\$	543,602
2024	\$	1,915,236
2025	\$	1,826,105
2026	\$	1,330,403
2027	\$	4,623,841
Thereafter	\$	3,218,545

Actuarial assumptions

The total OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of May 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Cost Method	Entry Age Normal
Amortization Method	Closed amortization period for initial unfunded and subsequent actuarial gains/losses.
Asset Method	Fair Value
Interest Discounting and Salary Growth	Discount Rate as of 6/30/2021 2.18% GO 20-Municipal Bond Index Rate Discount Rate as of 6/30/2020 2.21% from Bond Buyers GO 20-Municipal Bond Index
	Long-term Rate of Return 4.37% General Inflation 2.10% Salary Increase 3.75%
Mortality Rates	Pub - 2010 for Teachers (headcount weighted) projected with a scale MP-2020
Initial Healthcare Cost Trend	
Pre-Medicare Eligible	6.4%
Medicare Eligible	4%
Ultimate Trend Rate	
Pre-Medicare Eligible	4.5%
Medicare Eligible	4%
Year Ultimate Trend is Reached	Fiscal Year 2031 for Pre-Medicare Eligible, Fiscal Year 2021 for Medicare Eligible
Experience Study	Economic and demographic assumptions are based on the results of the most recent actuarial experience study over the Plan, which covered a three-year period ending June 30, 2019 with the exception of the disability and salary increase assumptions. These assumptions are based on the results of the most recent actuarial experience study of the Teachers Retirement System of Georgia, which covered the five year period ending June 30, 2018.

Changes in Assumptions Since Prior Valuation

The financial accounting valuation reflects the following assumption changes:

- Expected claims costs were updated to reflect actual experience.
- Mortality improvement scale was updated from MP-2019 to MP-2020.
- The discount rate was updated from 2.21% as of June 30, 2020 to 2.18% as of June 30, 2021.
- The disability rates were changed to be consistent with the Teacher’s Retirement System of Georgia Pension June 30, 2019 valuation report.
- The salary scale was changed from 4.00% to 3.75% to be consistent with the Teacher’s Retirement System of Georgia Pension June 30, 2019 valuation report.
- The HRA annual increase assumption was updated from 4.50% to 4.00% to reflect general long term HRA employer marketplace trends that show HRA amounts increasing slightly lower than long term medical trends but higher than inflation.
- The Expected Return on Assets was changed from 3.75% to 4.37%.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return, Net of Inflation	Target Allocation
Fixed Income	0.69 %	70 %
Equity Allocation	4.21 %	30 %

Discount rate

The Plan's projected fiduciary net position at the end of 2025 is \$0, based on the valuation completed for the fiscal year ending June 30, 2021. As such, the Plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current Plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2025. Therefore, the long-term expected rate of return on Plan investments of 4.37% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2021. Instead, a yield or index rate for a 20 year, tax-exempt general obligation municipal bond with an average rating of AA or higher was used. This rate was determined to be 2.18% from the Bond Buyer GO 20-Bond Municipal Bond Index. This rate is comprised primarily of the yield or index rate for a 20 year, tax exempt general obligation bond with an average rating of AA or higher (2.16% from the Bond Buyers GO 20-Bond Municipal Bond Index).

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the University's proportionate share of the net OPEB liability, as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (1.18%) or 1 percentage-point higher (3.18%) than the current discount rate (2.18%):

	1% Decrease 1.18%	Current Rate 2.18%	1% Increase 3.18%
Proportionate Share of the Net OPEB Liability	\$ 387,768,846	\$ 320,357,393	\$ 268,373,219

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the University's proportionate share of the net OPEB liability, as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
Proportionate Share of the Net OPEB Liability	\$ 270,315,688	\$ 320,357,393	\$ 386,229,889
Pre-Medicare Eligible	5.4% decreasing to 3.5%	6.4% decreasing to 4.5%	7.4% decreasing to 5.5%
Medicare Eligible	3%	4%	5%

OPEB plan fiduciary net position:

Detailed information about the Plan's fiduciary net position is available in the USG Annual Consolidated Financial Report which is publicly available at usg.edu/fiscal_affairs/financial_reporting/.

Note 18 Operating Expenses with Functional Classifications

Business-type activity operating expenses by functional classification for fiscal year 2022 are shown below:

Functional Classification	Natural Classification				
	Faculty Salaries	Staff Salaries	Employee Benefits	Personal Services	Travel
Instruction	\$ 138,646,110	\$ 15,402,499	\$ 30,548,707	\$ 202,447	\$ 861,070
Research	2,306,805	4,230,080	711,660	2,914	159,802
Public Service	384,784	3,808,422	1,283,770	—	28,476
Academic Support	11,523,595	26,585,062	11,510,315	156,286	135,073
Student Services	307,446	23,215,813	7,528,758	2,691	128,697
Institutional Support	1,189,871	21,971,009	13,867,537	866,037	53,210
Plant Operations and Maintenance	—	15,130,894	5,426,780	—	9,781
Scholarships and Fellowships	—	—	—	—	—
Auxiliary Enterprises	—	21,212,993	6,568,894	509,436	324,082
Total Operating Expenses	\$ 154,358,611	\$ 131,556,772	\$ 77,446,421	\$ 1,739,811	\$ 1,700,191

Functional Classification	Natural Classification				
	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation/Amortization	Total Operating Expenses
Instruction	\$ 49,561	\$ 423,897	\$ 8,874,737	\$ 2,926,437	\$ 197,935,465
Research	440,832	29,800	3,101,986	182,752	11,166,631
Public Service	73,996	24,983	2,495,222	38,993	8,138,646
Academic Support	—	185,130	21,248,007	3,537,442	74,880,910
Student Services	360,976	739,679	6,158,264	3,614,158	42,056,482
Institutional Support	7,700	446,084	15,625,208	1,969,226	55,995,882
Plant Operations and Maintenance	—	6,374,238	28,580,039	10,488,341	66,010,073
Scholarships and Fellowships	83,801,171	—	—	—	83,801,171
Auxiliary Enterprises	4,512,420	4,919,934	50,711,271	12,717,958	101,476,988
Total Operating Expenses	\$ 89,246,656	\$ 13,143,745	\$ 136,794,734	\$ 35,475,307	\$ 641,462,248

Note 19 Subsequent Event

Kennesaw State University (KSU) entered into an agreement with Kennesaw State University Foundation, Inc. (KSUF) where KSUF would construct and equip a student housing facility. This new facility will be leased to KSU for a 30-year period through June 30, 2052, with lease payments totaling \$65,324,543. At the end of the lease, the ownership of the student housing facility will transfer to KSU. The commencement of the lease occurred in August 2022, after the substantial completion of the improvements were finalized. On December 17, 2020, Kennesaw State University Foundation, Inc. entered into a promissory note agreement to repay \$35,360,000 Series 2020 bonds issued by the Development Authority of Cobb County. The proceeds of the bonds will be used for the purpose of (i) financing the cost of acquiring, constructing and equipping a student housing facility consisting of 508 beds to be located on the Kennesaw campus of Kennesaw State University, (ii) fund capitalized interest for the Series 2020 Bonds and (iii) paying all or a portion of the costs of issuing the Series 2020 Bonds.

Note 20 Component Unit

Kennesaw State University Foundation, Inc.

The Kennesaw State University Foundation (KSUF) is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements.

The relationship between Kennesaw State University and the Kennesaw State University Foundation, Inc. is such that exclusion of KSUF financial statements from these departmental financial statements would render them misleading. KSUF met the requirements for discrete presentation as defined by GASB Codification Sections 2100 and 2600.

The KSUF acts primarily as a fund-raising and financing organization to supplement the resources that are available to the Kennesaw State University in support of its programs. During the year ended June 30, 2022, the KSUF distributed approximately \$7,082,397 to Kennesaw State University in support of capital outlay projects, scholarships and other supporting activities.

The University manages the operations of the Foundation owned housing for a management fee. The budgeted dollar amount as well as the management fee received from Foundation was accounted as Other Grants and Contract revenues by the University offset by the expenses incurred by University to manage the housing.

Component unit's investments are comprised of the following amounts at June 30, 2022:

Investment type	Fair Value
Debt Securities	
U.S. Agencies	
Explicitly Guaranteed	7,938,880
Corporate Debt	15,093,793
Money Market Mutual Funds	—
Mutual Bond Funds	9,172,279
Other Investments	
Equity Mutual Funds - Domestic	5,603,408
Equity Mutual Funds - International	42,657,956
Real Estate Investment Trusts	2,344,021
Other	
Diversifying	9,570,383
Fixed Income, Credit	5,325,608
Fixed Income, Private credit	755,902
Equity, Private capital	2,378,085
Real Assets, Private Real Estate	5,511,615
Real Assets, Private Natural Resources	324,679
Total Investments	\$ 106,676,609

Component unit's endowments are comprised of the following amounts at June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning Balance	\$ 458,145	\$ 96,037,780	\$ 96,495,925
Contributions	—	3,030,938	3,030,938
Net realized and unrealized gains	(8,345)	(10,033,696)	(10,042,041)
Appropriation of endowment assets for expenditure	—	(1,501,015)	(1,501,015)
Transfers to comply with donor intent	—	1,185,138	1,185,138
Other	(49,964)	126,914	76,950
Ending	\$ 399,836	\$ 88,846,059	\$ 89,245,895

Amounts due to component unit related to investments in financing lease arrangements as of June 30, 2022, is as follows:

	Principal	Interest	Total
Year Ending June 30:			
2023	9,762,251	8,715,048 \$	18,477,299
2024	10,194,419	8,277,631	18,472,050
2025	10,656,399	7,819,015	18,475,414
2026	11,143,571	7,337,651	18,481,222
2027	9,867,323	6,854,074	16,721,397
2028 through 2032	42,596,566	28,163,492	70,760,058
2033 through 2037	47,445,588	17,890,112	65,335,700
2038 through 2042	41,448,884	7,108,973	48,557,857
2043 through 2047	9,936,668	1,038,134	10,974,802
2048 through 2052	2,413,612	211,476	2,625,088
Total Minimum Lease Payments to be Received	<u>195,465,281</u>	<u>93,415,606</u>	288,880,887
Less: Unearned Income			<u>(93,415,606)</u>
Net Investment in Financing Lease Arrangements Receivable			<u>\$ 195,465,281</u>

Component unit's capital assets are comprised of the following amounts at June 30, 2022:

Capital Assets not being Depreciated:	
Land	\$ 3,519,916
Capitalized Collections	804,883
Construction Work-in-Progress	<u>35,336,621</u>
Total Capital Assets not being Depreciated	<u>39,661,420</u>
Capital Assets being Depreciated:	
Building and Building Improvements	135,597,830
Equipment	11,927,052
Software	<u>82,581</u>
Total Capital Assets being Depreciated	<u>147,607,463</u>
Less Total Accumulated Depreciation	<u>81,218,102</u>
Total Capital Assets being Depreciated, Net	<u>66,389,361</u>
Capital Assets, Net	<u>\$ 106,050,781</u>

Combined component unit's intangible right-to-use assets are comprised of the following amounts at June 30, 2022:

Intangible Right-to-use Assets	
Facilities and Other Improvements	<u>6,589,311</u>
Total Leased Assets Being Amortized	6,589,311
Less Accumulated Amortization	<u>704,809</u>
Intangible Right-to-use Assets, Net	<u>5,884,502</u>

Component unit's long-term liabilities are comprised of the following amounts at June 30, 2022:

	(Restated) Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within One Year
Lease Obligation	\$ 6,589,311	\$ —	\$ 648,108	\$ 5,941,203	\$ 444,986
Liabilities under Split Interest Agreement	1,715	—	550	1,165	550
Revenue/Mortgage Bonds Payable	363,149,996	54,920,003	75,520,000	342,549,999	13,075,000
Bond - Premium	13,127,128	6,092,712	3,524,590	15,695,250	—
Bond - (Discount and Issuance Cost)	(4,879,060)	(1,021,833)	(1,378,187)	(4,522,706)	—
Total Long Term Liabilities	\$ 377,989,090	\$ 59,990,882	\$ 78,315,061	\$ 359,664,911	\$ 13,520,536

Component unit's lease obligations are comprised of the following amounts at June 30, 2022:

	Principal	Interest	Total
Year ending June 30:			
2023	444,986	86,866	531,852
2024	447,239	81,388	528,627
2025	428,784	75,846	504,630
2026	440,687	70,152	510,839
2027	447,406	64,314	511,720
2028 through 2032	1,758,534	237,413	1,995,947
2033 through 2037	1,289,454	116,514	1,405,968
2038 through 2042	684,113	18,690	702,803
Total minimum lease payments	5,941,203	751,183	6,692,386

Component unit's bonds payable are comprised of the following amounts at June 30, 2022:

	Principal	Interest	Total
Year ending June 30:			
2023	\$ 13,075,000	\$ 13,937,358	\$ 27,012,358
2024	14,674,999	13,708,348	\$ 28,383,347
2025	16,035,000	12,978,724	\$ 29,013,724
2026	16,775,000	12,214,279	\$ 28,989,279
2027	18,015,000	11,430,014	\$ 29,445,014
2028 through 2032	80,820,000	45,651,207	\$ 126,471,207
2033 through 2037	91,820,000	26,708,453	\$ 118,528,453
2038 through 2042	56,195,000	10,398,331	\$ 66,593,331
2043 through 2047	22,555,000	3,484,275	\$ 26,039,275
2238 through 2052	10,300,000	1,402,825	\$ 11,702,825
2053 through 2057	2,285,000	—	\$ 2,285,000
	\$ 342,549,999	\$ 151,913,814	\$ 494,463,813
Bond Premium	15,695,250		15,695,250
Bond (Discount)	(4,522,706)		(4,522,706)
	\$ 353,722,543	\$ 151,913,814	\$ 505,636,357



REQUIRED

SUPPLEMENTARY

INFORMATION

**KENNESAW STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
DEFINED BENEFIT PENSION PLAN
FOR THE LAST TEN YEARS**

	Year Ended	Actuarially Determined Contribution (a)	Contributions in Relation to the Actuarially Determined Contribution (b)	Contribution Deficiency (Excess) (b-a)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
Employees' Retirement System	June 30, 2022	\$ 79,453	\$ 79,453	\$ —	\$ 322,586	24.63%
	June 30, 2021	\$ 104,701	\$ 104,701	\$ —	\$ 424,578	24.66%
	June 30, 2020	\$ 102,597	\$ 102,597	\$ —	\$ 457,657	22.42%
	June 30, 2019	\$ 96,890	\$ 96,890	\$ —	\$ 329,046	29.45%
	June 30, 2018	\$ 33,651	\$ 33,651	\$ —	\$ 137,017	24.56%
	June 30, 2017	\$ 49,098	\$ 49,098	\$ —	\$ 198,195	24.77%
	June 30, 2016	\$ 39,126	\$ 39,126	\$ —	\$ 158,275	24.72%
	June 30, 2015	\$ 23,268	\$ 23,268	\$ —	\$ 105,956	21.96%
	June 30, 2014	\$ 31,308	\$ 31,308	\$ —	\$ 169,321	18.49%
	June 30, 2013	\$ 19,697	\$ 19,697	\$ —	\$ 132,193	14.90%
Teachers' Retirement System	June 30, 2022	\$ 26,466,513	\$ 26,466,513	\$ —	\$ 133,593,648	19.81%
	June 30, 2021	\$ 23,680,274	\$ 23,680,274	\$ —	\$ 124,240,682	19.06%
	June 30, 2020	\$ 26,588,070	\$ 26,588,070	\$ —	\$ 125,771,381	21.14%
	June 30, 2019	\$ 25,259,080	\$ 25,259,080	\$ —	\$ 121,159,582	20.85%
	June 30, 2018	\$ 19,646,648	\$ 19,646,648	\$ —	\$ 116,891,631	16.81%
	June 30, 2017	\$ 14,757,957	\$ 14,757,957	\$ —	\$ 103,247,814	14.29%
	June 30, 2016	\$ 13,576,004	\$ 13,576,004	\$ —	\$ 95,179,702	14.26%
	June 30, 2015	\$ 11,607,133	\$ 11,607,133	\$ —	\$ 88,267,171	13.15%
	June 30, 2014	\$ 8,326,658	\$ 8,326,658	\$ —	\$ 66,613,266	12.50%
	June 30, 2013	\$ 7,777,316	\$ 7,777,316	\$ —	\$ 68,172,439	11.41%

**KENNESAW STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS
FOR THE LAST EIGHT FISCAL YEARS***

	Year Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Employees' Retirement System	June 30, 2022	0.017099%	\$ 399,929	\$ 424,578	94.19%	87.62%
	June 30, 2021	0.017383%	\$ 732,686	\$ 457,657	160.10%	76.21%
	June 30, 2020	0.014079%	\$ 580,974	\$ 329,046	176.56%	76.74%
	June 30, 2019	0.005372%	\$ 220,845	\$ 137,017	161.18%	76.68%
	June 30, 2018	0.008080%	\$ 328,156	\$ 198,195	165.57%	76.33%
	June 30, 2017	0.006807%	\$ 322,000	\$ 158,275	203.44%	72.34%
	June 30, 2016	0.004634%	\$ 187,742	\$ 105,956	177.19%	76.20%
	June 30, 2015	0.735200%	\$ 282,497	\$ 169,321	166.84%	77.99%
Teachers Retirement System	June 30, 2022	0.959470%	\$ 84,858,722	\$ 124,240,682	68.30%	92.03%
	June 30, 2021	0.970005%	\$ 234,973,177	\$ 125,771,381	186.83%	77.01%
	June 30, 2020	0.991055%	\$ 213,103,623	\$ 121,159,582	175.89%	78.56%
	June 30, 2019	0.980684%	\$ 182,035,957	\$ 116,891,631	155.73%	80.27%
	June 30, 2018	0.898854%	\$ 167,054,784	\$ 103,247,814	161.80%	79.33%
	June 30, 2017	0.866499%	\$ 178,768,405	\$ 95,179,702	187.82%	76.06%
	June 30, 2016	0.835486%	\$ 127,194,447	\$ 88,267,171	144.10%	81.44%
	June 30, 2015	0.823564%	\$ 104,046,449	\$ 66,613,266	156.19%	81.03%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**KENNESAW STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
DEFINED BENEFIT PENSION PLAN
METHODS AND ASSUMPTIONS
FOR FISCAL YEAR ENDED JUNE 30, 2022**

Changes of assumptions

Employees' Retirement System:

On December 17, 2020, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System based on the experience study prepared for the five-year period ending June 30, 2019. Primary among the changes were the updates to the rates of mortality, retirement, withdrawal, and salary increases. This also included a change in the long-term assumed investment rate of return to 7.00%.

Teachers Retirement System:

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

On May 15, 2019, the Board adopted and recommended changes from the smoothed valuation interest rate methodology that has been in effect since June 30, 2009, to a constant interest rate method. In conjunction with the methodology, the long-term assumed rate of return in assets (discount rate) has been changed from 7.50% to 7.25%, and the assumed annual rate of inflation has been reduced from 2.75% to 2.50%.

In 2019 and later, the expectation of retired life mortality was changed to the Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree mortality table from the RP-2000 Mortality Tables. In 2019, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience.

**KENNESAW STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS FOR OPEB PLAN
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
FOR THE LAST SIX YEARS***

Year Ended	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contribution (b)	Contribution Deficiency (Excess) (b-a)	Covered Employee Payroll (c)	Contributions as a Percentage of Covered Employee Payroll (b/c)
June 30, 2022	\$ 9,565,891	\$ 9,565,891	\$ —	\$ 260,415,130	3.67%
June 30, 2021	\$ 7,471,326	\$ 7,471,326	\$ —	\$ 234,273,937	3.19%
June 30, 2020	\$ 6,388,334	\$ 6,388,334	\$ —	\$ 228,397,295	2.80%
June 30, 2019	\$ 9,940,821	\$ 9,940,821	\$ —	\$ 219,848,409	4.52%
June 30, 2018	\$ 9,499,540	\$ 9,499,540	\$ —	\$ 211,487,878	4.49%
June 30, 2017	\$ 5,809,862	\$ 5,809,862	\$ —	\$ 192,024,215	3.03%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**KENNESAW STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
FOR THE LAST FIVE YEARS***

Year Ended	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Employee Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
June 30, 2022	6.365036%	\$ 320,357,393	\$ 234,273,937	136.74%	3.74%
June 30, 2021	6.214816%	\$ 331,480,838	\$ 228,397,295	145.13%	2.91%
June 30, 2020	6.198176%	\$ 277,155,654	\$ 219,848,409	126.07%	3.13%
June 30, 2019	5.996430%	\$ 264,487,602	\$ 211,487,878	125.06%	1.69%
June 30, 2018	5.834138%	\$ 246,184,631	\$ 192,024,215	128.20%	0.19%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**KENNESAW STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION FOR OPEB PLAN
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
METHODS AND ASSUMPTIONS
FOR FISCAL YEAR ENDED JUNE 30, 2022**

Changes in Assumptions Since Prior Valuation

The financial accounting valuation reflects the following assumption changes:

- Expected claims costs were updated to reflect actual experience.
- Mortality improvement scale was updated from MP-2019 to MP-2020.
- The discount rate was updated from 2.21% as of June 30, 2020 to 2.18% as of June 30, 2021.
- The disability rates were changed to be consistent with the Teacher's Retirement System of Georgia Pension June 30, 2019 valuation report.
- The salary scale was changed from 4.00% to 3.75% to be consistent with the Teacher's Retirement System of Georgia Pension June 30, 2019 valuation report.
- The HRA annual increase assumption was updated from 4.50% to 4.00% to reflect general long term HRA employer marketplace trends that show HRA amounts increasing slightly lower than long term medical trends but higher than inflation.
- The Expected Return on Assets was changed from 3.75% to 4.37%.



SUPPLEMENTARY

INFORMATION

**KENNESAW STATE UNIVERSITY
 BALANCE SHEET (NON-GAAP BASIS)
 BUDGET FUNDS
 JUNE 30, 2022
 (UNAUDITED)**

ASSETS

Cash and Cash Equivalents	\$ 85,835,283.73
Investments	101,030.34
Accounts Receivable	
Federal Financial Assistance	7,097,048.98
Other	14,687,857.23
Prepaid Expenditures	542,939.87
Other Assets	859,347.00
	<hr/>
Total Assets	<u>\$ 109,123,507.15</u>

LIABILITIES AND FUND EQUITY

Liabilities

Accrued Payroll	\$ 1,138,463.21
Encumbrance Payable	52,969,479.87
Accounts Payable	2,051,122.17
Unearned Revenue	18,613,700.22
Funds Held for Others	278,377.84
Other Liabilities	33,889.28
	<hr/>
Total Liabilities	<u>75,085,032.59</u>

Fund Balances

Reserved	
Department Sales and Services	14,585,005.51
Indirect Cost Recoveries	4,791,081.84
Technology Fees	1,922,410.99
Restricted/Sponsored Funds	2,584,448.24
Uncollectible Accounts Receivable	4,070,951.22
Tuition Carry - Forward	5,975,679.18
Unreserved	
Surplus	108,897.58
	<hr/>
Total Fund Balances	<u>34,038,474.56</u>

Total Liabilities and Fund Balances	<u>\$ 109,123,507.15</u>
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Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

**KENNESAW STATE UNIVERSITY
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Original Appropriation	Final Budget	Funds Available Compared to Budget	
			Current Year Revenues	Prior Year Reserve Carry-Over
Public Service / Special Funding Initiatives				
State Appropriation				
State General Funds	<u>\$ 856,321.00</u>	<u>\$ 878,842.00</u>	<u>\$ 878,842.00</u>	<u>\$ —</u>
Teaching				
State Appropriation				
State General Funds	162,920,882.00	186,314,317.00	186,314,317.00	—
Federal Funds				
Federal Funds Not Specifically Identified	—	85,024,396.00	80,917,233.73	—
Federal Funds - COVID19				
Federal Funds Not Specifically Identified - COVID		83,337,407.62	79,784,445.07	14,053.64
Other Funds	<u>331,509,512.00</u>	<u>307,377,944.00</u>	<u>286,106,022.79</u>	<u>27,175,457.41</u>
Total Teaching	<u>494,430,394.00</u>	<u>662,054,064.62</u>	<u>633,122,018.59</u>	<u>27,189,511.05</u>
Total Operating Activity	<u>\$ 495,286,715.00</u>	<u>\$ 662,932,906.62</u>	<u>\$ 634,000,860.59</u>	<u>\$ 27,189,511.05</u>

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

**KENNESAW STATE UNIVERSITY
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Funds Available Compared to Budget			Expenditures Compared to Budget		Excess (Deficiency) of Funds Available Over/(Under) Expenditures
	Program Transfers or Adjustments	Total Funds Available	Variance Positive (Negative)	Actual	Variance Positive (Negative)	
Public Service / Special Funding Initiatives						
State Appropriation						
State General Funds	\$ —	\$ 878,842.00	\$ —	\$ 878,842.00	\$ —	\$ —
Teaching						
State Appropriation						
State General Funds	—	186,314,317.00	—	186,314,317.00	—	—
Federal Funds						
Federal Funds Not Specifically Identified	—	80,917,233.73	(4,107,162.27)	80,917,233.73	4,107,162.27	—
Federal Funds - COVID19						
Federal Funds Not Specifically Identified - COVID	—	79,798,498.71	(3,538,908.91)	79,784,445.07	3,552,962.55	14,053.64
Other Funds	—	313,281,480.2	5,903,536.20	284,195,743.92	23,182,200.08	29,085,736.28
Total Teaching	—	660,311,529.64	(1,742,534.98)	631,211,739.72	30,842,324.90	29,099,789.92
Total Operating Activity	\$ —	\$ 661,190,371.64	\$ (1,742,534.98)	\$ 632,090,581.72	\$ 30,842,324.90	\$ 29,099,789.92

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

**KENNESAW STATE UNIVERSITY
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Beginning Fund Balance/(Deficit)	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2021 Surplus	Prior Year Adjustments	Other Adjustments
Public Service / Special Funding Initiatives					
State Appropriation					
State General Funds	\$ —	\$ —	\$ —	\$ —	\$ —
Teaching					
State Appropriation					
State General Funds	12,993.62	—	(12,993.62)	16,886.74	—
Federal Funds					
Federal Funds Not Specifically Identified	—	—	—	—	—
Federal Funds - COVID19					
Federal Funds Not Specifically Identified- COVID	14,053.64	(14,053.64)	—	—	—
Other Funds	27,184,364.40	(27,175,457.41)	(8,906.99)	915,009.55	(64,162.87)
Total Teaching	27,211,411.66	(27,189,511.05)	(21,900.61)	931,896.29	(64,162.87)
Total Operating Activity	27,211,411.66	(27,189,511.05)	(21,900.61)	931,896.29	(64,162.87)
Prior Year Reserves					
Not Available for Expenditure					
Uncollectible Accounts Receivable	4,006,788.35	—	—	—	64,162.87
Budget Unit Totals	<u>\$ 31,218,200.01</u>	<u>\$ (27,189,511.05)</u>	<u>\$ (21,900.61)</u>	<u>\$ 931,896.29</u>	<u>\$ —</u>

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

**KENNESAW STATE UNIVERSITY
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Early Return of Fiscal Year 2022 Surplus	Excess of Funds Available Over Expenditures	Ending Fund Balance June 30	Analysis of Ending Fund Balance		
				Reserved	Surplus	Total
Public Service / Special Funding Initiatives						
State Appropriation						
State General Funds	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Teaching						
State Appropriation						
State General Funds	—	—	16,886.74	—	16,886.74	16,886.74
Federal Funds						
Federal Funds Not Specifically Identified	—	—	—	—	—	—
Federal Funds - COVID19						
Federal Funds Not Specifically Identified- COVID	—	14,053.64	14,053.64	14,053.64	—	14,053.64
Other Funds	—	29,085,736.28	29,936,582.96	29,844,572.12	92,010.84	29,936,582.96
Total Teaching	—	29,099,789.92	29,967,523.34	29,858,625.76	108,897.58	29,967,523.34
Total Operating Activity	—	29,099,789.92	29,967,523.34	29,858,625.76	108,897.58	29,967,523.34
Prior Year Reserves						
Not Available for Expenditure						
Uncollectible Accounts Receivable			4,070,951.22	4,070,951.22	—	4,070,951.22
Budget Unit Totals	\$ —	\$ 29,099,789.92	\$ 34,038,474.56	\$ 33,929,576.98	\$ 108,897.58	\$ 34,038,474.56
				Departmental Sales and Services	\$ 14,585,005.51	\$ 14,585,005.51
				Indirect Cost Recovery	4,791,081.84	4,791,081.84
				Technology Fees	1,922,410.99	1,922,410.99
				Restricted/Sponsored Funds	2,584,448.24	2,584,448.24
				Tuition Carry-Forward	5,975,679.18	5,975,679.18
				Uncollectible Accounts Receivable	4,070,951.22	4,070,951.22
				Surplus	—	108,897.58
					<u>\$ 33,929,576.98</u>	<u>\$ 108,897.58</u>
						<u>\$ 34,038,474.56</u>

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

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Southern Technical

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