

Gwinnett Tech Foundation, Inc. and
Subsidiary

Consolidated Financial Report

June 30, 2009

CONTENTS

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	1
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FINANCIAL STATEMENTS

Consolidated statement of financial position	2
Consolidated statement of activities	3
Consolidated statement of cash flows	4
Notes to consolidated financial statements	5

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Gwinnett Tech Foundation, Inc. and Subsidiary
Lawrenceville, Georgia

We have audited the accompanying consolidated statement of financial position of Gwinnett Tech Foundation, Inc. and Subsidiary ("Foundation") as of June 30, 2009, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2009, and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Duluth, Georgia
November 9, 2009

Gwinnett Tech Foundation, Inc. and Subsidiary
Consolidated Statement of Financial Position

June 30, 2009

Assets

Assets	
Cash	\$ 1,901,763
Certificates of deposits and money market accounts	1,241,593
Unconditional promises to give	1,967,633
Investments - bonds and equity mutual funds	121,896
Property and equipment, net	<u>2,301</u>
 Total Assets	 <u><u>\$ 5,235,186</u></u>

Liabilities and Net Assets

Liabilities	
Accounts payable and accrued expenses	\$ 402,654
Funds held for affiliate	1,083
Total liabilities	<u>403,737</u>
 Net Assets	
Unrestricted	767,211
Temporarily restricted	<u>4,064,238</u>
Total net assets	<u><u>4,831,449</u></u>
 Total Liabilities and Net Assets	 <u><u>\$ 5,235,186</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

Gwinnett Tech Foundation, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 128,060	\$ 1,450,092	\$ 1,578,152
Rental income	102,500	-	102,500
Rental termination income	2,700,000	-	2,700,000
Interest and dividend income	50,163	-	50,163
Net realized and unrealized losses on investments	(20,318)	-	(20,318)
Net assets released from restriction and fund transfers	652,753	(652,753)	-
Total support and revenue	<u>3,613,158</u>	<u>797,339</u>	<u>4,410,497</u>
Expenses			
Grants and allocations	697,976	-	697,976
Donation of building, equipment and land improvements	5,258,921	-	5,258,921
Depreciation and amortization	87,455	-	87,455
Interest expense	61,242	-	61,242
General and administrative	66,134	-	66,134
Write off of bond issuance costs	72,683	-	72,683
Uncollectible pledges	470	10,380	10,850
Total expenses	<u>6,244,881</u>	<u>10,380</u>	<u>6,255,261</u>
Change in Net Assets	(2,631,723)	786,959	(1,844,764)
Net Assets, June 30, 2008	<u>3,398,934</u>	<u>3,277,279</u>	<u>6,676,213</u>
Net Assets, June 30, 2009	<u>\$ 767,211</u>	<u>\$ 4,064,238</u>	<u>\$ 4,831,449</u>

The accompanying notes are an integral part of these consolidated financial statements.

Gwinnett Tech Foundation, Inc. and Subsidiary

Consolidated Statement of Cash Flows

Year Ended June 30, 2009

Cash Flows From Operating Activities	
Change in net assets	\$ (1,844,764)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	87,455
Net realized and unrealized loss on investments	20,318
Write off of bond issuance costs	72,683
Donation of building, equipment and land improvements	5,258,921
Changes in assets and liabilities:	
Unconditional promises to give	140,554
Accounts payable and accrued expenses	392,426
Funds held for affiliate	(7,696)
	<hr/>
<i>Net Cash Provided By Operating Activities</i>	<u>4,119,897</u>
Cash Flows From Investing Activities	
Net purchases of certificates of deposits	(515,876)
Net purchases of investments	(2,623)
	<hr/>
<i>Net Cash Used In Investing Activities</i>	<u>(518,499)</u>
Cash Flows From Financing Activities	
Principal payments on bonds payable	(2,547,000)
	<hr/>
<i>Net Cash Used In Financing Activities</i>	<u>(2,547,000)</u>
Net Change in Cash	1,054,398
Cash, Beginning	<u>847,365</u>
Cash, Ending	<u><u>\$ 1,901,763</u></u>
Supplemental Disclosure:	
Cash paid for interest	\$ 61,242

The accompanying notes are an integral part of these consolidated financial statements.

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Gwinnett Tech Foundation, Inc. (“Foundation”), was established in 1994 to generate and provide additional funds for the support of programs and services to achieve the goals and objectives of Gwinnett Technical College located in metropolitan Atlanta, Georgia. Support and revenue is generated primarily through individual and corporate pledges and contributions.

GTF II, LLC (“GTF II”), a wholly-owned subsidiary of the Foundation, was established in 2005 to construct facilities for use as an Early Education Center. In 2007 the facilities were completed and leased to the Technical College System of Georgia (“TCSG”). In December 2008 this property was contributed to TCSG (see note 3).

Principles of Consolidation: The accompanying financial statements include the consolidated accounts of the Foundation and its wholly owned subsidiary, GTF II. All material inter-company transactions and balances have been eliminated in consolidation.

Basis of Presentation: The financial statements are presented in accordance with generally accepted accounting principles, which require the reporting of total assets, liabilities and net assets in a statement of financial position; reporting the change in net assets in a statement of activities; and reporting the sources and uses of cash and cash equivalents in a statement of cash flows.

Net assets and revenues, gains, expenses and losses should be classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions as follows:

Permanently restricted - Net assets are resources whose use by the Foundation is subject to donor-imposed stipulations that neither expire by the passage of time nor can be removed by actions of the Foundation. The Foundation had no permanently restricted net assets for the year ended June 30, 2009.

Temporarily restricted - Net assets are resources whose use by the Foundation is subject to donor-imposed stipulations that either expire by the passage of time or can be fulfilled by actions of the Foundation.

Unrestricted - Net assets are resources that are neither permanently nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by the Foundation or may otherwise be limited by contractual agreements with outside parties.

Cash: The Foundation considers only cash in interest bearing checking accounts to be cash. Cash held in certificates of deposit and in money market accounts are considered investments.

On occasion, the Foundation maintains cash balances on deposit with financial institutions in excess of federally insured limits. Management continually monitors the soundness of these financial institutions and believes the exposure to loss to be minimal.

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Investments: Investments are carried at fair value based on quoted market prices. Investment income and gains and losses on investments carried at fair value are recorded as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulation or by law.

Investment securities are exposed to various risks, such as interest rate risk, market risk and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the accompanying financial statements.

Promises to Give: Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Foundation uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on management's analysis of specific promises made. Management believes that substantially all unconditional promises to give at June 30, 2009 are collectible. Therefore, no allowance for unconditional promises to give has been recognized as of June 30, 2009.

Contributions that are expected to be received in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a 5% interest rate. Amortization of the discounts is included in contributions in the accompanying consolidated statement of activities.

Property and Equipment: Property and equipment are recorded at cost or at fair value at the date of donation. Acquisitions in excess of \$500 are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the individual assets. The estimated useful life of equipment, furniture and fixtures is 10 years.

Funds Held for Affiliate: The Foundation collects and disburses monies for the Gwinnett Tech Alumni Association. The Foundation does not provide any financial support for the Alumni Association.

Use of Estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenue, and expenses during the reporting period. Actual results could differ from those estimates.

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Donated Services: The Foundation receives a significant amount of donated services from unpaid volunteers who assist in fund raising and special projects. Additionally, as provided for under the Memorandum of Agreement between the Foundation and the College, employees of Gwinnett Technical College administer the Foundation, and office space for the Foundation is provided by Gwinnett Technical College, both at no cost to the Foundation. No amounts have been recognized in the consolidated statement of activities for these donated services and in-kind contributions.

Income Taxes: The Foundation is a qualifying, nonprofit organization as defined in Section 501(c)(3) of the Internal Revenue Code; therefore, it is exempt from federal and state income taxes.

In June 2006, the FASB issued Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes, an interpretation of FAS Statement No. 109*. In December 2008, the Financial Accounting Standards Board (FASB) issued Staff Position No. 48-3 which defers the effective date of FIN 48 for certain non-public enterprises to the annual financial statements for fiscal years beginning after December 15, 2008, and the Foundation has elected to defer application of FIN 48 in accordance with this provision. The Foundation is currently evaluating the impacts and disclosures of this interpretation, but does not expect FIN 48 to have a material impact on its reported results of operation or financial condition.

The Foundation currently evaluates and recognizes tax positions taken or expected to be taken in a tax return based on the relevant statutory authority for the position and on the likelihood of sustaining such a position if challenged by the tax authorities.

NOTE 2— UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2009 are as follows:

Receivable in less than one year	\$ 1,508,559
Receivable in one to five years	<u>493,989</u>
Total unconditional promises to give	2,002,548
Less discounts to net present value	<u>34,915</u>
Net unconditional promises to give	<u>\$ 1,967,633</u>

NOTE 3— EARLY EDUCATION CENTER

In June 2005, GTF II began leasing land from the Gwinnett County Board of Education in order to construct a facility for use as an Early Education Center to be leased to the Technical College System of Georgia (“TCSG”). Subsequently, the Gwinnett County Board of Education assigned the ground lease to TCSG. In July 2006, GTF II executed an operating lease with TCSG.

In December 2008, TCSG exercised an option to prepay all the rental payments associated with the operating lease. The \$2,700,000 received from TCSG is included as “Rental termination income” in the accompanying consolidated statement of activities. In connection with the lease prepayment, GTF II terminated its right in the ground lease and transferred all rights and

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

interests in and to the related building, equipment and land improvements to TCSG. The net book value of the assets transferred to TCSG totaling \$5,258,921 is included as “Donation of building, equipment, and land improvements” in the accompanying consolidated statement of activities.

NOTE 4— PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2009 consist of the following:

Equipment, furniture and fixtures	\$ 20,910
Less: accumulated depreciation	(18,609)
Property and equipment, net	<u>\$ 2,301</u>

NOTE 5— BOND PAYABLE

In June 2007, GTF II issued a \$2,600,000 20-year revenue bond to partially finance construction of the Early Education Center. Interest on the bond is paid semi-annually at a fixed rate of 4.85%. In December 2008, GTF II redeemed the bond totaling \$2,547,000. Therefore at June 30, 2009, there is no outstanding principal balance for the bond. The related unamortized bond issuance costs totaling \$72,683 is included in the “Write off of bond issuance costs” in the accompanying consolidated statement of activities.

NOTE 6— TEMPORARILY RESTRICTED NET ASSETS

Net assets were temporarily restricted for the following purposes at June 30, 2009:

Professional Excellence Fund	\$ 399,670
Scholarships	376,257
Academic Programs	526,178
Life Science Building	1,502,135
Hudgens Veterans Affairs	1,158,695
Others	<u>101,303</u>
Total temporarily restricted net assets	<u>\$ 4,064,238</u>

NOTE 7— CONCENTRATIONS

For the year ended June 30, 2009, contributions from one donor represented approximately 79% of total contributions and 98% of unconditional promises to give.

NOTE 8— DONATED GOODS

The Foundation recognizes donated goods at the estimated fair value at the date of donation. Donated goods of approximately \$79,673 were recognized for the year ending June 30, 2009 and are included in unrestricted contributions in the consolidated statement of activities. These goods were donated by the Foundation to Gwinnett Technical College and are included in grants and allocations in the consolidated statement of activities.

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

NOTE 9— ADMINISTRATIVE GIFT ALLOCATIONS

The Foundation may charge a one-time fee of up to 10% upon receipt of certain restricted cash donations. The fee is considered an administrative gift allocation which is allocated to the unrestricted operating fund to help offset the cost of operating the Foundation. For the year ended June 30, 2009, the administrative gift allocations were \$109,045 and are included in net assets released from restriction in the consolidated statement of activities.

NOTE 10— FAIR VALUE MEASUREMENTS

Effective July 1, 2008, the Foundation adopted Statement of Financial Accounting Standards No. 157 (“FAS 157”), *Fair Value Measurements*, which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. FAS No. 157 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Investments are required to be recorded at fair value on a recurring basis. The Foundation uses quoted market prices to determine the fair value of investment securities which are included in Level 1.

Assets as of June 30, 2009 measured at fair value on a recurring basis are summarized below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Certificates of deposits and money market accounts	\$ 1,241,593	\$ -	\$ -	\$ 1,241,593
Bonds and equity mutual funds	<u>121,896</u>	<u>-</u>	<u>-</u>	<u>121,896</u>
	<u>\$ 1,363,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,363,489</u>

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

NOTE 11— SUBSEQUENT EVENTS

The date to which events occurring after the date of the consolidated statement of financial position, June 30, 2009, have been evaluated for possible adjustment to the consolidated financial statements or disclosure is November 9, 2009, which is the date on which the consolidated financial statements were available to be issued.