
Gwinnett Tech Foundation, Inc. and Subsidiary

Consolidated Financial Report

June 30, 2011

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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 (the "Foundation") as of June 30, 2011, 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 consolidated 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, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Moore Stephens Tiller LLC
Duluth, Georgia
November 11, 2011

Gwinnett Tech Foundation, Inc. and Subsidiary

Consolidated Statement of Financial Position

June 30, 2011

Assets

Assets	
Cash	\$ 175,293
Certificates of deposits and money market accounts	3,417,356
Unconditional promises to give	1,796,283
Investments - bonds and equity mutual funds	282,013
Property and equipment, net	<u>769</u>
Total Assets	<u><u>\$ 5,671,714</u></u>

Liabilities and Net Assets

Liabilities	
Accounts payable and accrued expenses	\$ 1,677
Funds held for affiliate	<u>1,133</u>
Total liabilities	2,810
Net Assets	
Unrestricted - board designated	282,013
Unrestricted - other	650,641
Temporarily restricted	<u>4,736,250</u>
Total net assets	<u><u>5,668,904</u></u>
Total Liabilities and Net Assets	<u><u>\$ 5,671,714</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, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 1,579,801	\$ 304,169	\$ 1,883,970
Interest and dividend income	35,064	-	35,064
Net realized and unrealized gains on investments	42,702	-	42,702
Net assets released from restriction	243,018	(243,018)	-
Total support and revenue	<u>1,900,585</u>	<u>61,151</u>	<u>1,961,736</u>
Expenses			
Grants and allocations	907,447	-	907,447
Salaries and benefits	711,590	-	711,590
General and administrative	93,414	-	93,414
Depreciation and amortization	766	-	766
Uncollectible pledges	10	5,150	5,160
Total expenses	<u>1,713,227</u>	<u>5,150</u>	<u>1,718,377</u>
Change in Net Assets	187,358	56,001	243,359
Net Assets, June 30, 2010	<u>745,296</u>	<u>4,680,249</u>	<u>5,425,545</u>
Net Assets, June 30, 2011	<u>\$ 932,654</u>	<u>\$ 4,736,250</u>	<u>\$ 5,668,904</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, 2011

Cash Flows From Operating Activities	
Change in net assets	\$ 243,359
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	766
Net realized and unrealized gains on investments	(42,702)
Changes in assets and liabilities:	
Unconditional promises to give	414,047
Accounts payable and accrued expenses	(41,311)
Funds held for affiliate	30
	<hr/>
<i>Net Cash Provided By Operating Activities</i>	<i>574,189</i>
	<hr/>
Cash Flows From Investing Activities	
Net purchases of certificates of deposits	(462,076)
Purchases of investments	(12,376)
Proceeds from sales of investments	13,132
	<hr/>
<i>Net Cash Used In Investing Activities</i>	<i>(461,320)</i>
	<hr/>
Net Change in Cash	112,869
Cash, Beginning	62,424
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Cash, Ending	<u><u>\$ 175,293</u></u>

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. (the “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. For the year ended June 30, 2011, GTF II had no significant activities.

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 in the United States of America (“GAAP”) for not-for-profit organizations 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.

GAAP also requires that net assets and revenues, gains, expenses and losses 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, 2011.

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.

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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.

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, 2011 are collectible. Therefore, no allowance for unconditional promises to give has been recognized as of June 30, 2011.

Contributions that are expected to be received in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in contributions in the accompanying consolidated statement of activities. No discount on unconditional promises to give has been recognized for the year ended June 30, 2011.

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 conformity with GAAP 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

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

and the reported amounts of support, revenue, and expenses during the reporting period. Actual results could differ from those estimates.

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.

The Foundation files informational returns in the U.S. federal jurisdiction and one state jurisdiction. The Foundation is generally no longer subject to federal or state tax audits for years before 2007. Interest and penalties related to income taxes are expensed as incurred. There were no interest and penalties charged to expense for the year ended June 30, 2011.

GAAP provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the Foundation's financial statements. Management has evaluated the implications of these standards and has not identified any uncertain tax positions for the Foundation; therefore, no tax expense or accruals are included in the accompanying consolidated financial statements.

NOTE 2 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2011 are as follows:

Receivable in less than one year	\$ 1,600,400
Receivable in one to five years	175,883
Receivable in more than five years	20,000
Total unconditional promises to give	<u>\$ 1,796,283</u>

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2011 consist of the following:

Equipment, furniture and fixtures	\$ 7,667
Less: accumulated depreciation	(6,898)
Property and equipment, net	<u>\$ 769</u>

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Net assets were temporarily restricted for the following purposes at June 30, 2011:

Life Sciences Building	\$	2,017,495
Hudgens Veterans Affairs		1,070,221
Academic Programs		774,569
Scholarships		379,217
Professional Excellence Fund		318,913
Other temporarily restricted		175,835
Total	\$	<u>4,736,250</u>

NOTE 5 - CONCENTRATIONS

For the year ended June 30, 2011, promises to give from one donor represented approximately 83% of unconditional promises to give.

NOTE 6 - DONATED SERVICES AND GOODS

Contributions of services are recognized when received if such services (a) enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. Donated services of \$753,859 were recognized for the year ended June 30, 2011 and are included in unrestricted contributions in the consolidated statement of activities. \$744,414 of donated services consisted of salaries and general operating expenses as provided for under the Memorandum of Agreement between the Foundation and Gwinnett Technical College.

The Foundation recognizes donated goods at the estimated fair value at the date of donation. Donated goods of \$568,649 were recognized for the year ending June 30, 2011 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. Additionally, office space for the Foundation is provided at no cost to the Foundation; no amount for this benefit has been recognized in the consolidated statement of activities.

NOTE 7 - 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, 2011, administrative gift allocations were \$6,969 and are included in net assets released from restriction in the consolidated statement of activities.

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

NOTE 8 - FAIR VALUE MEASUREMENTS

GAAP 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. GAAP 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 — Valuation is based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical investments.

Level 2 — Valuation is based on inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active and investments in investees which may permit redemption at the net asset value (or equivalent) within the near term of the measurement date.

Level 3 — Valuation is based on unobservable inputs and investments in investees which do not permit redemption at the net asset value (or equivalent) within the near term of the measurement date.

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

Assets as of June 30, 2011 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>
Certificates of deposits and money market accounts	\$ 3,417,356	\$ -	\$ -	\$ 3,417,356
Bonds and equity mutual funds	282,013	-	-	282,013
Total	<u>\$ 3,699,369</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,699,369</u>

NOTE 9 - RELATED PARTY TRANSACTIONS

At June 30, 2011, \$91,854 of receivables from members of the Foundation's Board of Directors is included in unconditional promises to give. Unrestricted contributions for the year ended June 30, 2011 included \$89,700 of donations from members of the Foundation's Board of Directors.

NOTE 10 - ENDOWMENTS

The Foundation's endowments include only board-designated endowment funds that are classified within unrestricted net assets.

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Endowment Spending Policy: The Foundation's spending policy for endowments is that no spending of endowment funds will occur until the fund reaches a balance of \$100,000. For funds with balances of \$100,000 to \$250,000, expenditures may be up to 50% of investment income. For funds with balances greater than \$250,000, expenditures may be up to 75% of investment income. For funds with balances less than the original principal balance, the Foundation's policy is to suspend expenditures until the principal value is restored.

Endowment Investment Policy: The Foundation's return objective for endowment assets is to preserve the principal of the endowed funds, as well as, provide funding to programs supported by the endowment. The goal is to produce an annualized total return that equals, and if possible exceeds the return of a balanced market index comprised 60% of the Russell 3000 equity index and 40% of the Barclays Capital Aggregate Bond Index over a rolling period of three to five years. To achieve its return objectives, the Foundation employs a total return strategy where investment returns are generated through capital appreciation (realized and unrealized) and current yield (interest and dividends).

The changes in the endowment net asset for the year ended June 30, 2011 were:

	Unrestricted	Temporarily Restricted	Total
Endowment net assets, beginning of year	\$ 240,067	\$ -	\$ 240,067
Unrealized gains on investments	18,730	-	18,730
Realized gains on investments	23,972	-	23,972
Interest and dividend income	5,947	-	5,947
Contributions	-	-	-
Expenditures	(6,703)	-	(6,703)
Endowment net assets, end of year	<u>\$ 282,013</u>	<u>\$ -</u>	<u>\$ 282,013</u>

NOTE 11 - SUBSEQUENT EVENTS

The Foundation has evaluated events occurring after June 30, 2011 through November 11, 2011, the date on which the consolidated financial statements were available to be issued. No significant events occurred subsequent to the statement of financial position date but prior to issuance that would have a material impact on the consolidated financial statements or disclosures.