
Gwinnett Tech Foundation, Inc. and Subsidiary

Consolidated Financial Reports

June 30, 2014 and 2013

CONTENTS

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	1
FINANCIAL STATEMENTS	
Consolidated statements of financial position	2
Consolidated statement of activities, June 30, 2014	3
Consolidated statement of activities, June 30, 2013	4
Consolidated statements of cash flows	5
Notes to consolidated financial statements	6



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Gwinnett Tech Foundation, Inc. and Subsidiary (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Duluth, Georgia
November 4, 2014

Gwinnett Tech Foundation, Inc. and Subsidiary

Consolidated Statements of Financial Position

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Assets		
Cash	\$ 165,271	\$ 343,384
Certificates of deposits and money market accounts	1,305,920	950,609
Unconditional promises to give	1,073,876	1,049,349
Investments - bonds and equity mutual funds	<u>4,857,046</u>	<u>4,303,345</u>
Total Assets	<u><u>\$ 7,402,113</u></u>	<u><u>\$ 6,646,687</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 48,368	\$ 21,821
Funds held for affiliate	1,208	1,198
Due to College	<u>-</u>	<u>10,000</u>
Total liabilities	49,576	33,019
Net Assets		
Unrestricted - board designated	192,936	167,100
Unrestricted - other	431,684	539,607
Temporarily restricted	4,498,602	3,808,866
Permanently restricted	<u>2,229,315</u>	<u>2,098,095</u>
Total net assets	<u><u>7,352,537</u></u>	<u><u>6,613,668</u></u>
Total Liabilities and Net Assets	<u><u>\$ 7,402,113</u></u>	<u><u>\$ 6,646,687</u></u>

See accompanying notes to the consolidated financial statements.

Gwinnett Tech Foundation, Inc. and Subsidiary

Consolidated Statement of Activities

For the Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Contributions	\$ 1,113,535	\$ 947,413	\$ 129,220	\$ 2,190,168
Interest and dividend income	22,407	-	36,182	58,589
Net realized and unrealized gains on investments	28,783	-	283,201	311,984
Net assets released from restriction	<u>597,890</u>	<u>(278,507)</u>	<u>(319,383)</u>	<u>-</u>
Total support and revenue	1,762,615	668,906	129,220	2,560,741
Expenses				
Grants and allocations	1,052,388	-	-	1,052,388
Salaries and benefits	630,867	-	-	630,867
General and administrative	135,877	-	-	135,877
Uncollectible pledges	<u>2,720</u>	<u>20</u>	<u>-</u>	<u>2,740</u>
Total expenses	1,821,852	20	-	1,821,872
Change in Net Assets	(59,237)	668,886	129,220	738,869
Transfers	<u>(22,850)</u>	<u>20,850</u>	<u>2,000</u>	<u>-</u>
Change in Net Assets, After Transfers	(82,087)	689,736	131,220	738,869
Net Assets, June 30, 2013	<u>706,707</u>	<u>3,808,866</u>	<u>2,098,095</u>	<u>6,613,668</u>
Net Assets, June 30, 2014	<u>\$ 624,620</u>	<u>\$ 4,498,602</u>	<u>\$ 2,229,315</u>	<u>\$ 7,352,537</u>

See accompanying notes to the consolidated financial statements.

Gwinnett Tech Foundation, Inc. and Subsidiary

Consolidated Statement of Activities

For the Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Contributions	\$ 1,196,129	\$ 357,895	\$ -	\$ 1,554,024
Interest and dividend income	22,878	-	37,232	60,110
Net realized and unrealized gains on investments	5,083	-	116,813	121,896
Net assets released from restriction	<u>800,771</u>	<u>(646,726)</u>	<u>(154,045)</u>	<u>-</u>
Total support and revenue	2,024,861	(288,831)	-	1,736,030
Expenses				
Grants and allocations	1,061,099	-	-	1,061,099
Salaries and benefits	836,690	-	-	836,690
General and administrative	178,846	-	-	178,846
Uncollectible pledges	<u>-</u>	<u>993</u>	<u>-</u>	<u>993</u>
Total expenses	2,076,635	993	-	2,077,628
Change in Net Assets	(51,774)	(289,824)	-	(341,598)
Transfers	<u>774</u>	<u>(1,840)</u>	<u>1,066</u>	<u>-</u>
Change in Net Assets, After Transfers	(51,000)	(291,664)	1,066	(341,598)
Net Assets, June 30, 2012	<u>757,707</u>	<u>4,100,530</u>	<u>2,097,029</u>	<u>6,955,266</u>
Net Assets, June 30, 2013	<u>\$ 706,707</u>	<u>\$ 3,808,866</u>	<u>\$ 2,098,095</u>	<u>\$ 6,613,668</u>

See accompanying notes to the consolidated financial statements.

Gwinnett Tech Foundation, Inc. and Subsidiary

Consolidated Statements of Cash Flows

For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 738,869	\$ (341,598)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Restricted contributions to endowments	(129,220)	-
Net realized and unrealized gains on investments	(311,748)	(121,896)
Changes in assets and liabilities:		
Unconditional promises to give	(68,037)	864,993
Accounts payable and accrued expenses	26,547	1,906
Funds held for affiliate	10	25
Due to College	(10,000)	10,000
<i>Net Cash Provided By Operating Activities</i>	<u>246,421</u>	<u>413,430</u>
Cash Flows From Investing Activities		
Net proceeds from (purchases of) certificates of deposits	(355,311)	295,410
Purchases of investments	(282,540)	(894,177)
Proceeds from sales of investments	40,587	35,910
<i>Net Cash Required By Investing Activities</i>	<u>(597,264)</u>	<u>(562,857)</u>
Cash Flows From Financing Activities		
Proceeds from contributions restricted for endowments	172,730	100,000
<i>Net Cash Provided By Financing Activities</i>	<u>172,730</u>	<u>100,000</u>
Net Change in Cash	(178,113)	(49,427)
Cash, Beginning	<u>343,384</u>	<u>392,811</u>
Cash, Ending	<u>\$ 165,271</u>	<u>\$ 343,384</u>
Supplemental Disclosure:		
Non-cash financing activities:		
Endowments included in unconditional promises to give	\$ 256,490	\$ 300,000

See accompanying notes to the consolidated financial statements.

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

NOTE 1 – ORGANIZATION AND 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 (the “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 years ended June 30, 2014 and 2013, 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 intercompany 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.

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

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

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 held and managed by a financial institution within a pool of investment funds established for technical colleges within the state of Georgia.

Investments held in the pooled funds consist of bond and equity mutual funds. 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. Conditional promises to give are recognized when the conditions on which they depend are substantially met. 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, 2014 and 2013 are collectible. Therefore, no allowance for unconditional promises to give has been recognized for the years ended June 30, 2014 and 2013.

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 years ended June 30, 2014 and 2013.

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. All property and equipment of the Foundation was fully depreciated as of June 30, 2014 and 2013.

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

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 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 2010. Interest and penalties related to income taxes are expensed as incurred. There were no interest and penalties charged to expense for the years ended June 30, 2014 and 2013.

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 – INVESTMENTS

At June 30, 2014 and 2013, the Foundation had investments of \$4,857,046 and \$4,303,345, respectively, which consist of bond and equity mutual funds. At June 30, 2014 and 2013, investments were held by a financial institution within a pool of investment funds established for technical colleges within the state of Georgia. The Foundation incurred investment fees of \$14,292 and \$11,774 for the years ended June 30, 2014 and 2013, respectively, that are included in general and administrative expenses on the consolidated statements of activities.

NOTE 3 – PROMISES TO GIVE

Unconditional Promises to Give: Unconditional promises to give at June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Receivable in less than one year	\$ 500,740	\$ 361,279
Receivable in one to five years	562,136	670,070
Receivable in more than five years	<u>11,000</u>	<u>18,000</u>
Total unconditional promises to give	<u>\$ 1,073,876</u>	<u>\$ 1,049,349</u>

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

Conditional Promises to Give: On October 3, 2012, the Foundation entered into an agreement with a donor to establish an endowment fund to promote Life and Health Sciences programs for the College. The endowment was funded using a prior donation from the donor of \$1,000,000. The agreement also converted an unconditional promise to give from the donor of \$1,000,000 into a conditional promise to give in the form of a challenge grant to encourage other private donors to give to the endowment. The donor agreed to match on a dollar for dollar basis amounts raised for the endowment prior to December 1, 2013 and to fund matching amounts on or before December 31, 2013. Any unmatched portion of the conditional promise to give as of December 1, 2013 will be withheld by the donor, but is available to match future contributions to the endowment on an annual basis as of December 1 each succeeding year through December 1, 2015. During the year ended June 30, 2014, \$10,000 of matching contributions were recognized in the accompanying consolidated statement of activities and are included in unconditional promises to give in the accompanying consolidated statement of financial position at June 30, 2014. No matching amounts were funded by the donor during the year ended June 30, 2014.

NOTE 4 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Net assets are temporarily and permanently restricted for the following purposes at June 30, 2014:

Temporarily restricted:

Hudgens Veterans	\$	1,519,263
Academic Programs		1,490,173
Scholarships		520,434
Life and Health Sciences Endowment		261,541
Professional Excellence Fund		193,525
Life Sciences		112,127
Clarke Family Nursing Endowment		105,290
Senior Leadership Gwinnett		58,971
Other temporarily restricted		<u>237,278</u>
Total	\$	<u>4,498,602</u>

Permanently restricted:

Life and Health Sciences Endowment	\$	1,010,000
Delta Nursing Endowment		500,000
Clarke Family Nursing Endowment		450,444
Sharon J. Bartels Endowment		108,170
Hudgens EEC Endowment		94,370
Other permanently restricted		<u>66,331</u>
Total	\$	<u>2,229,315</u>

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

Net assets are temporarily and permanently restricted for the following purposes at June 30, 2013:

Temporarily restricted:	
Academic Programs	\$ 1,634,475
Hudgens Veterans	974,943
Scholarships	505,654
Professional Excellence Fund	231,416
Life Sciences	142,673
Life and Health Sciences Endowment	92,602
Senior Leadership Gwinnett	54,727
Other temporarily restricted	172,376
Total	<u>\$ 3,808,866</u>
Permanently restricted:	
Life and Health Sciences Endowment	\$ 1,000,000
Delta Nursing Endowment	500,000
Clarke Family Nursing Endowment	450,444
Hudgens EEC Endowment	94,370
Other permanently restricted	53,281
Total	<u>\$ 2,098,095</u>

NOTE 5 – CONCENTRATIONS

For the year ended June 30, 2014, promises to give from two donors represented approximately 52% of unconditional promises to give. For the year ended June 30, 2013, promises to give from two donors represented approximately 80% 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 \$669,361 and \$905,035 were recognized for the years ended June 30, 2014 and 2013, respectively, and are included in unrestricted contributions in the consolidated statements of activities. \$658,686 and \$877,440 of donated services consisted of salaries and general operating expenses as provided for under the Memorandum of Agreement between the Foundation and the College for the years ended June 30, 2014 and 2013, respectively.

The Foundation recognizes donated goods at the estimated fair value at the date of donation. Donated goods of \$398,413 and \$236,035 were recognized for the years ended June 30, 2014 and 2013, respectively, and are included in unrestricted contributions in the consolidated

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

statements of activities. These goods were donated by the Foundation to Gwinnett Technical College and are included in grants and allocations in the consolidated statements 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 statements 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. Additionally, the Foundation charges an annual fee of 1.5% on all endowment income. The annual fee for endowment income does not impact the corpus of the endowment. For the years ended June 30, 2014 and 2013, administrative gift allocations were \$24,146 and \$54,538, respectively, and are included in net assets released from restriction in the consolidated statements of activities.

NOTE 8 – FAIR VALUE MEASUREMENTS

In accordance with the authoritative guidance on fair value measurements and disclosures under GAAP, the Foundation discloses and recognizes the fair value of its assets and liabilities using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The guidance establishes three levels of fair value 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.

The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments.

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.

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

Assets as of June 30, 2014 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	\$ 1,305,920	\$ -	\$ -	\$ 1,305,920
Bonds and equity mutual funds	<u>4,857,046</u>	<u>-</u>	<u>-</u>	<u>4,857,046</u>
Total	<u>\$ 6,162,966</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,162,966</u>

Assets as of June 30, 2013 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	\$ 950,609	\$ -	\$ -	\$ 950,609
Bonds and equity mutual funds	<u>4,303,345</u>	<u>-</u>	<u>-</u>	<u>4,303,345</u>
Total	<u>\$ 5,253,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,253,954</u>

NOTE 9 – RELATED PARTY TRANSACTIONS

At June 30, 2014 and 2013, \$77,600 and \$106,105 of receivables from the members of the Foundation's Board of Directors are included in unconditional promises to give. Unrestricted contributions for the years ended June 30, 2014 and 2013 included \$0 and \$2,500, respectively, of donations from members of the Foundation's Board of Directors. Temporarily restricted contributions for the years ended June 30, 2014 and 2013 included \$360 and \$0, respectively, of donations from members of the Foundation's Board of Directors.

NOTE 10 – ENDOWMENTS

The Foundation's endowments include board-designated and individual donor restricted endowment funds. The net assets associated with board-designated funds are classified and reported as unrestricted net assets. The net assets associated with donor-restricted funds are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of Relevant Law: The Board of Directors of the Foundation has interpreted the Georgia Uniform Prudent Management of Institutional Funds Act of 2008 ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

Endowment Spending Policy: The Foundation's spending policy for unrestricted 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.

The Foundation's spending policy for restricted endowments is that the endowment will be awarded utilizing the average of the previous three years' total return on December 31 of the year following the establishment of the fund. A maximum of 5% of the fund balance can be awarded. If the total return is less than 5%, the Board will determine the award up to 3.5%. The original principal (corpus) of the fund shall not be subject to distribution at any time.

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).

Administrative Fee: The Foundation charges an annual fee of 1.5% on all endowment income. The annual fee for endowment income does not impact the corpus of the endowment.

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

The endowment composition, changes, and net asset classifications for the year ended June 30, 2014 are:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 452,077	\$ 2,229,315	\$ 2,681,392
Board-designated endowment funds	<u>192,936</u>	<u>-</u>	<u>-</u>	<u>192,936</u>
Total funds	<u>\$ 192,936</u>	<u>\$ 452,077</u>	<u>\$ 2,229,315</u>	<u>\$ 2,874,328</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 167,100	\$ 171,281	\$ 2,098,095	\$ 2,436,476
Unrealized gains on investments	13,138	-	154,979	168,117
Realized gains on investments	10,612	-	128,222	138,834
Interest and dividend income	3,035	-	36,184	39,219
Contributions	-	-	129,220	129,220
Amounts appropriated for expenditure	(949)	(26,281)	(11,166)	(38,396)
Reclassifications	<u>-</u>	<u>307,077</u>	<u>(306,219)</u>	<u>858</u>
Endowment net assets, end of year	<u>\$ 192,936</u>	<u>\$ 452,077</u>	<u>\$ 2,229,315</u>	<u>\$ 2,874,328</u>

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

The endowment composition, changes, and net asset classifications for the year ended June 30, 2013 are:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 171,281	\$ 2,098,095	\$ 2,269,376
Board-designated endowment funds	<u>167,100</u>	<u>-</u>	<u>-</u>	<u>167,100</u>
Total funds	<u>\$ 167,100</u>	<u>\$ 171,281</u>	<u>\$ 2,098,095</u>	<u>\$ 2,436,476</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 154,415	\$ 50,048	\$ 2,097,029	\$ 2,301,492
Unrealized gains on investments	5,654	-	63,500	69,154
Realized gains on investments	4,596	-	53,292	57,888
Interest and dividend income	3,244	-	37,252	40,496
Contributions	-	-	-	-
Amounts appropriated for expenditure	(809)	(23,436)	(154,044)	(178,289)
Reclassifications	<u>-</u>	<u>144,669</u>	<u>1,066</u>	<u>145,735</u>
Endowment net assets, end of year	<u>\$ 167,100</u>	<u>\$ 171,281</u>	<u>\$ 2,098,095</u>	<u>\$ 2,436,476</u>

Funds with Deficiencies: Occasionally, the fair value of assets associated with individual endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$0 as of June 30, 2014 and 2013, respectively.

NOTE 11 – SUBSEQUENT EVENTS

The Foundation has evaluated events occurring after June 30, 2014 through November 4, 2014, 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.