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Gwinnett Tech Foundation, Inc. and Subsidiary

Consolidated Financial Reports

June 30, 2017 and 2016

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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 financial statements of Gwinnett Tech Foundation, Inc. and Subsidiary (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, 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**

The Foundation's 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, 2017 and 2016, 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  
October 12, 2017

Gwinnett Tech Foundation, Inc. and Subsidiary

Consolidated Statements of Financial Position

June 30, 2017 and 2016

|   | <u>2017</u>                | <u>2016</u>                |
|---|----------------------------|----------------------------|
| <b>Assets</b>                           |                            |                            |
| Assets                                  |                            |                            |
| Cash                                    | \$ 211,857                 | \$ 278,388                 |
| Unconditional promises to give          | 1,524,264                  | 1,445,921                  |
| Investments                             | 6,522,280                  | 5,695,896                  |
| Investments - other                     | <u>749,320</u>             | <u>745,287</u>             |
| <b>Total Assets</b>                     | <b><u>\$ 9,007,721</u></b> | <b><u>\$ 8,165,492</u></b> |
| <b>Liabilities and Net Assets</b>       |                            |                            |
| Liabilities                             |                            |                            |
| Accounts payable and accrued expenses   | \$ 139,069                 | \$ 104,279                 |
| Funds held for affiliate                | <u>1,278</u>               | <u>1,278</u>               |
| Total liabilities                       | 140,347                    | 105,557                    |
| Net Assets                              |                            |                            |
| Unrestricted - board designated         | 218,635                    | 193,580                    |
| Unrestricted - other                    | 510,854                    | 348,520                    |
| Temporarily restricted                  | 4,682,887                  | 4,292,439                  |
| Permanently restricted                  | <u>3,454,998</u>           | <u>3,225,396</u>           |
| Total net assets                        | <u>8,867,374</u>           | <u>8,059,935</u>           |
| <b>Total Liabilities and Net Assets</b> | <b><u>\$ 9,007,721</u></b> | <b><u>\$ 8,165,492</u></b> |

*See accompanying notes to the consolidated financial statements.*

Gwinnett Tech Foundation, Inc. and Subsidiary

Consolidated Statement of Activities

For the Year Ended June 30, 2017

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| <b>Support and Revenue</b>                          |                     |                                   |                                   |                     |
| Contributions                                       | \$ 1,678,097        | \$ 1,593,877                      | \$ 229,602                        | \$ 3,501,576        |
| Interest and dividend income                        | 52,217              | 60,568                            | -                                 | 112,785             |
| Net realized and unrealized gains on<br>investments | 156,523             | 316,385                           | -                                 | 472,908             |
| Net assets released from restriction                | <u>1,575,456</u>    | <u>(1,575,456)</u>                | <u>-</u>                          | <u>-</u>            |
| Total support and revenue                           | 3,462,293           | 395,374                           | 229,602                           | 4,087,269           |
| <b>Expenses</b>                                     |                     |                                   |                                   |                     |
| Grants and allocations                              | 2,442,134           | -                                 | -                                 | 2,442,134           |
| Salaries and benefits                               | 706,966             | -                                 | -                                 | 706,966             |
| General and administrative                          | 127,074             | -                                 | -                                 | 127,074             |
| Uncollectible pledges                               | <u>1,776</u>        | <u>1,880</u>                      | <u>-</u>                          | <u>3,656</u>        |
| Total expenses                                      | 3,277,950           | 1,880                             | -                                 | 3,279,830           |
| Change in Net Assets                                | 184,343             | 393,494                           | 229,602                           | 807,439             |
| Transfers   | <u>3,046</u>        | <u>(3,046)</u>                    | <u>-</u>                          | <u>-</u>            |
| Change in Net Assets, After Transfers               | 187,389             | 390,448                           | 229,602                           | 807,439             |
| Net Assets, June 30, 2016                           | <u>542,100</u>      | <u>4,292,439</u>                  | <u>3,225,396</u>                  | <u>8,059,935</u>    |
| Net Assets, June 30, 2017                           | <u>\$ 729,489</u>   | <u>\$ 4,682,887</u>               | <u>\$ 3,454,998</u>               | <u>\$ 8,867,374</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, 2016

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| <b>Support and Revenue</b>                                   |                     |                                   |                                   |                     |
| Contributions  | \$ 1,431,964        | \$ 786,521                        | \$ 86,570                         | \$ 2,305,055        |
| Interest and dividend income                                 | 39,055              | 50,698                            | -                                 | 89,753              |
| Net realized and unrealized gains (losses) on<br>investments | 28,005              | (54,400)                          | -                                 | (26,395)            |
| Net assets released from restriction                         | <u>591,367</u>      | <u>(591,367)</u>                  | <u>-</u>                          | <u>-</u>            |
| Total support and revenue                                    | 2,090,391           | 191,452                           | 86,570                            | 2,368,413           |
| <b>Expenses</b>  |                     |                                   |                                   |                     |
| Grants and allocations                                       | 1,186,638           | -                                 | -                                 | 1,186,638           |
| Salaries and benefits  | 791,524             | -                                 | -                                 | 791,524             |
| General and administrative                                   | 118,342             | -                                 | -                                 | 118,342             |
| Uncollectible pledges  | <u>140</u>          | <u>15,105</u>                     | <u>-</u>                          | <u>15,245</u>       |
| Total expenses   | 2,096,644           | 15,105                            | -                                 | 2,111,749           |
| Change in Net Assets   | (6,253)             | 176,347                           | 86,570                            | 256,664             |
| Transfers  | <u>1,474</u>        | <u>(1,474)</u>                    | <u>-</u>                          | <u>-</u>            |
| Change in Net Assets, After Transfers                        | (4,779)             | 174,873                           | 86,570                            | 256,664             |
| Net Assets, June 30, 2015                                    | <u>546,879</u>      | <u>4,117,566</u>                  | <u>3,138,826</u>                  | <u>7,803,271</u>    |
| Net Assets, June 30, 2016                                    | <u>\$ 542,100</u>   | <u>\$ 4,292,439</u>               | <u>\$ 3,225,396</u>               | <u>\$ 8,059,935</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, 2017 and 2016

|   | <u>2017</u>       | <u>2016</u>       |
|---|-------------------|-------------------|
| <b>Cash Flows From Operating Activities</b>   |                   |                   |
| Change in net assets  | \$ 807,439        | \$ 256,664        |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                   |                   |
| Restricted contributions to endowments  | (229,602)         | (86,570)          |
| Net realized and unrealized (gains) losses on investments   | (472,908)         | 26,395            |
| Changes in assets and liabilities:  |                   |                   |
| Unconditional promises to give  | (254,304)         | (37,532)          |
| Accounts payable and accrued expenses   | 34,790            | 61,576            |
| <i>Net Cash Provided By (Used In) Operating Activities</i>  | <u>(114,585)</u>  | <u>220,533</u>    |
| <b>Cash Flows From Investing Activities</b>   |                   |                   |
| Net proceeds from (purchases of) certificates of deposits   | (4,033)           | 371,354           |
| Purchases of pooled fund investments  | (521,572)         | (1,598,686)       |
| Proceeds from sales of pooled fund investments  | 168,096           | 1,049,832         |
| <i>Net Cash Required By Investing Activities</i>  | <u>(357,509)</u>  | <u>(177,500)</u>  |
| <b>Cash Flows From Financing Activities</b>   |                   |                   |
| Proceeds from contributions restricted for endowments   | 405,563           | 137,619           |
| <i>Net Cash Provided By Financing Activities</i>  | <u>405,563</u>    | <u>137,619</u>    |
| Net Change in Cash  | (66,531)          | 180,652           |
| Cash, Beginning   | <u>278,388</u>    | <u>97,736</u>     |
| Cash, Ending  | <u>\$ 211,857</u> | <u>\$ 278,388</u> |

*See accompanying notes to the consolidated financial statements.*

# Gwinnett Tech Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### **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, 2017 and 2016, 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 - other. 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

June 30, 2017 and 2016

**Investments:** Investments consist of balances that are held and managed by SunTrust Banks, Inc. (“SunTrust”) within their pool of investment funds established for technical colleges within the state of Georgia. Earnings from the pooled investments, net of investment fees, are allocated to the Foundation based on their average balance. Investment income and gains and losses on investments are recorded as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulation or by law.

Investments held in the pooled funds consist of bond and equity mutual funds and exchange-traded funds. Investments in pooled funds are valued based on the Foundation’s net asset value within each fund.

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.

The Foundation incurred investment fees of \$21,446 and \$16,768 for the years ended June 30, 2017 and 2016, respectively, that are included in general and administrative expenses on the consolidated statements of activities.

**Investments - Other:** Investments - other consists of certificates of deposit and money market accounts with various financial institutions.

**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, 2017 and 2016 are collectible. Therefore, no allowance for unconditional promises to give has been recognized for the years ended June 30, 2017 and 2016.

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, 2017 and 2016.

**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

# Gwinnett Tech Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

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, 2017 and 2016.

**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. 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, 2017 and 2016.

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.

**Reclassifications:** Certain amounts in the June 30, 2016 consolidated financial statements have been reclassified to conform to the presentation utilized in the June 30, 2017 consolidated financial statements. These reclassifications have no impact on previously reported financial position, change in net assets, or cash flows.

### NOTE 2 – PROMISES TO GIVE

**Unconditional Promises to Give:** Unconditional promises to give at June 30, 2017 and 2016 are as follows:

|                                      | <u>2017</u>         | <u>2016</u>         |
|--------------------------------------|---------------------|---------------------|
| Receivable in less than one year     | \$ 905,015          | \$ 480,030          |
| Receivable in one to five years      | 617,249             | 961,891             |
| Receivable in more than five years   | <u>2,000</u>        | <u>4,000</u>        |
| Total unconditional promises to give | <u>\$ 1,524,264</u> | <u>\$ 1,445,921</u> |

**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

# Gwinnett Tech Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

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, 2020. During the years ended June 30, 2017 and 2016, \$192,532 and \$11,250 of matching contributions were recognized in the accompanying consolidated statement of activities, respectively. During the years ended June 30, 2017 and 2016 \$191,532 and \$17,250 was funded by the donor, respectively. At June 30, 2017 and 2016, \$5,000 and \$4,500 of matching contributions are included in unconditional promises to give in the accompanying consolidated statement of financial position, respectively.

### ***NOTE 3 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS***

Net assets are temporarily and permanently restricted for the following purposes at June 30, 2017:

#### Temporarily restricted:

|                                    |                     |
|------------------------------------|---------------------|
| Academic Programs                  | \$ 1,289,353        |
| Hudgens Veterans                   | 1,129,715           |
| Child Development                  | 783,102             |
| Scholarships                       | 458,579             |
| Life and Health Sciences Endowment | 319,657             |
| Intern and Entrepreneurship        | 209,999             |
| Delta Nursing Endowment            | 119,834             |
| Clarke Family Nursing Endowment    | 104,467             |
| Professional Excellence Fund       | 53,408              |
| Other temporarily restricted       | 214,773             |
| Total                              | <u>\$ 4,682,887</u> |

#### Permanently restricted:

|                                    |                     |
|------------------------------------|---------------------|
| Life and Health Sciences Endowment | \$ 1,309,432        |
| Gwinnett Health System Endowment   | 900,000             |
| Delta Nursing Endowment            | 500,000             |
| Clarke Family Nursing Endowment    | 450,444             |
| Sharon J. Bartels Endowment        | 106,091             |
| Hudgens EEC Endowment              | 94,370              |
| Other permanently restricted       | 94,661              |
| Total                              | <u>\$ 3,454,998</u> |

# Gwinnett Tech Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

Net assets are temporarily and permanently restricted for the following purposes at June 30, 2016:

### Temporarily restricted:

|                                    |                     |
|------------------------------------|---------------------|
| Hudgens Veterans                   | \$ 1,361,354        |
| Academic Programs                  | 1,291,917           |
| Child Development                  | 446,111             |
| Scholarships                       | 444,163             |
| Life and Health Sciences Endowment | 266,677             |
| Life Sciences                      | 112,627             |
| Professional Excellence Fund       | 104,643             |
| Clarke Family Nursing Endowment    | 52,437              |
| Other temporarily restricted       | 212,510             |
| Total                              | <u>\$ 4,292,439</u> |

### Permanently restricted:

|                                    |                     |
|------------------------------------|---------------------|
| Life and Health Sciences Endowment | \$ 1,100,200        |
| Gwinnett Health System Endowment   | 900,000             |
| Delta Nursing Endowment            | 500,000             |
| Clarke Family Nursing Endowment    | 450,444             |
| Sharon J. Bartels Endowment        | 105,721             |
| Hudgens EEC Endowment              | 94,370              |
| Other permanently restricted       | 74,661              |
| Total                              | <u>\$ 3,225,396</u> |

### **NOTE 4 – CONCENTRATIONS**

For the year ended June 30, 2017, contributions from one donor represented approximately 26% of total contributions. For the year ended June 30, 2016, contributions from one donor represented approximately 20% of total contributions.

For the year ended June 30, 2017, promises to give from two donors represented approximately 77% of unconditional promises to give. For the year ended June 30, 2016, promises to give from two donors represented approximately 84% of unconditional promises to give.

### **NOTE 5 – 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 \$758,086 and \$846,944 were recognized for the years ended June 30, 2017 and 2016, respectively, and are included in unrestricted contributions in the consolidated statements of activities. Of the donated services, \$748,875 and \$832,554 consisted of salaries and general operating expenses as provided for under

# Gwinnett Tech Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

the Memorandum of Agreement between the Foundation and the College for the years ended June 30, 2017 and 2016, respectively.

The Foundation recognizes donated goods at the estimated fair value at the date of donation. Donated goods of \$870,300 and \$521,162 were recognized for the years ended June 30, 2017 and 2016, respectively, and are included in unrestricted contributions in the consolidated 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 6 – ADMINISTRATIVE GIFT ALLOCATIONS***

The Foundation may charge a one-time fee of up to 10% upon receipt of certain 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, 2017 and 2016, administrative gift allocations were \$43,971 and \$24,421, respectively, and are included in net assets released from restriction in the consolidated statements of activities.

### ***NOTE 7 – 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.

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

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. Investments in pooled funds are considered Level 2 within the fair value hierarchy based on the Foundation's ability to redeem the investments in the near term.

Assets as of June 30, 2017 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>        |
|-----------------------|----------------|---------------------|----------------|---------------------|
| SunTrust pooled funds | \$ -           | \$ 6,522,280        | \$ -           | \$ 6,522,280        |
| Total                 | <u>\$ -</u>    | <u>\$ 6,522,280</u> | <u>\$ -</u>    | <u>\$ 6,522,280</u> |

Assets as of June 30, 2016 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>        |
|-----------------------|----------------|---------------------|----------------|---------------------|
| SunTrust pooled funds | \$ -           | \$ 5,695,896        | \$ -           | \$ 5,695,896        |
| Total                 | <u>\$ -</u>    | <u>\$ 5,695,896</u> | <u>\$ -</u>    | <u>\$ 5,695,896</u> |

**NOTE 8 – RELATED PARTY TRANSACTIONS**

Unconditional promises to give of \$41,053 and \$90,460 from the members of the Foundation's Board of Directors are included in receivables at June 30, 2017 and 2016, respectively. Unrestricted contributions included \$1,200 and \$8,825 of donations from members of the Foundation's Board of Directors for the years ended June 30, 2017 and 2016, respectively. Temporarily restricted contributions included \$9,534 and \$51,360 of donations from members of the Foundation's Board of Directors for the years ended June 30, 2017 and 2016, respectively.

**NOTE 9 – 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, 2017 and 2016

**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, 2017 and 2016

The endowment composition, changes, and net asset classifications for the year ended June 30, 2017 are:

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Donor restricted endowment funds           | \$ -                | \$ 608,399                        | \$ 2,643,580                      | \$ 3,251,979        |
| Board-designated endowment funds           | <u>218,635</u>      | <u>-</u>                          | <u>-</u>                          | <u>218,635</u>      |
| Total funds                                | <u>\$ 218,635</u>   | <u>\$ 608,399</u>                 | <u>\$ 2,643,580</u>               | <u>\$ 3,470,614</u> |
|  |                     |                                   |                                   |                     |
|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
| Endowment net assets,<br>beginning of year | \$ 193,580          | \$ 391,627                        | \$ 2,238,017                      | \$ 2,823,224        |
| Unrealized gains on investments            | 18,265              | 263,881                           | -                                 | 282,146             |
| Realized gains on investments              | 3,575               | 52,504                            | -                                 | 56,079              |
| Interest and dividend income               | 4,168               | 60,568                            | -                                 | 64,736              |
| Contributions                              | -                   | -                                 | 405,563                           | 405,563             |
| Amounts appropriated for<br>expenditure    | <u>(953)</u>        | <u>(160,181)</u>                  | <u>-</u>                          | <u>(161,134)</u>    |
| Endowment net assets,<br>end of year       | <u>\$ 218,635</u>   | <u>\$ 608,399</u>                 | <u>\$ 2,643,580</u>               | <u>\$ 3,470,614</u> |

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

The endowment composition, changes, and net asset classifications for the year ended June 30, 2016 are:

|                                  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Donor restricted endowment funds | \$ -                | \$ 391,627                        | \$ 2,238,017                      | \$ 2,629,644        |
| Board-designated endowment funds | 193,580             | -                                 | -                                 | 193,580             |
| Total funds                      | <u>\$ 193,580</u>   | <u>\$ 391,627</u>                 | <u>\$ 2,238,017</u>               | <u>\$ 2,823,224</u> |

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Endowment net assets,<br>beginning of year | \$ 195,006          | \$ 440,270                        | \$ 2,100,398                      | \$ 2,735,674        |
| Unrealized loss on investments             | (7,148)             | (91,296)                          | -                                 | (98,444)            |
| Realized gains on investments              | 2,821               | 36,896                            | -                                 | 39,717              |
| Interest and dividend income               | 3,825               | 50,698                            | -                                 | 54,523              |
| Contributions                              | -                   | -                                 | 137,619                           | 137,619             |
| Amounts appropriated for<br>expenditure    | (924)               | (44,941)                          | -                                 | (45,865)            |
| Endowment net assets,<br>end of year       | <u>\$ 193,580</u>   | <u>\$ 391,627</u>                 | <u>\$ 2,238,017</u>               | <u>\$ 2,823,224</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 are reported in unrestricted net assets. There were no deficiencies as of June 30, 2017 and 2016, respectively.

**NOTE 10 – SUBSEQUENT EVENTS**

The Foundation has evaluated events occurring after June 30, 2017 through October 12, 2017, 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.