

Gwinnett Tech Foundation, Inc. and Subsidiary

Consolidated Financial Reports

June 30, 2021 and 2020



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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2021 and 2020, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

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

In preparing the consolidated financial statements, the Foundation's management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

A handwritten signature in black ink that reads "MS Jiller LLC". The signature is written in a cursive, flowing style.

Duluth, Georgia
November 18, 2021

Gwinnett Tech Foundation, Inc. and Subsidiary

Consolidated Statements of Financial Position

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Assets		
Cash	\$ 123,455	\$ 85,704
Unconditional promises to give, net	52,250	412,295
Investments	9,379,324	7,853,838
Investments - other	<u>350,072</u>	<u>426,182</u>
Total Assets	<u>\$ 9,905,101</u>	<u>\$ 8,778,019</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 76,190	\$ 125,568
Funds held for affiliate	<u>1,278</u>	<u>1,278</u>
Total liabilities	77,468	126,846
Net Assets		
Without donor restrictions - undesignated	872,616	649,879
Without donor restrictions - board designated	375,154	255,383
With donor restrictions	<u>8,579,863</u>	<u>7,745,911</u>
Total net assets	<u>9,827,633</u>	<u>8,651,173</u>
Total Liabilities and Net Assets	<u>\$ 9,905,101</u>	<u>\$ 8,778,019</u>

See accompanying notes to the consolidated financial statements.

Gwinnett Tech Foundation, Inc. and Subsidiary
Consolidated Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Contributions and Net Investment Return			
Contributions	\$ 767,029	\$ 633,170	\$ 1,400,199
Uncollectible promises to give	11,989	(47,031)	(35,042)
Interest and dividend income	30,587	60,664	91,251
Net realized and unrealized gains on investments	383,823	1,184,064	1,567,887
Net assets released from restriction	951,628	(951,628)	-
Less investment management fees	(24,919)	-	(24,919)
Total contributions and net investment return	2,120,137	879,239	2,999,376
Expenses			
Grants and allocations	1,456,086	-	1,456,086
Salaries and benefits	244,278	-	244,278
General and administrative	122,552	-	122,552
Total expenses	1,822,916	-	1,822,916
Change in Net Assets	297,221	879,239	1,176,460
Transfers	45,287	(45,287)	-
Change in Net Assets, After Transfers	342,508	833,952	1,176,460
Net Assets, June 30, 2020	905,262	7,745,911	8,651,173
Net Assets, June 30, 2021	\$ 1,247,770	\$ 8,579,863	\$ 9,827,633

See accompanying notes to the consolidated financial statements.

Gwinnett Tech Foundation, Inc. and Subsidiary
Consolidated Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Contributions and Net Investment Return			
Contributions	\$ 635,896	\$ 900,008	\$ 1,535,904
Uncollectible promises to give	(21,702)	-	(21,702)
Interest and dividend income	68,674	94,351	163,025
Net realized and unrealized gains (losses) on investments	1,656	(26,229)	(24,573)
Net assets released from restriction	958,536	(958,536)	-
Less investment management fees	(25,313)	-	(25,313)
Total contributions and net investment return	1,617,747	9,594	1,627,341
Expenses			
Grants and allocations	1,124,258	-	1,124,258
Salaries and benefits	388,328	-	388,328
General and administrative	86,041	-	86,041
Total expenses	1,598,627	-	1,598,627
Change in Net Assets	19,120	9,594	28,714
Net Assets, June 30, 2019	886,142	7,736,317	8,622,459
Net Assets, June 30, 2020	\$ 905,262	\$ 7,745,911	\$ 8,651,173

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 1,176,460	\$ 28,714
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Changes in endowments with restrictions	(165,442)	(307,527)
Net realized and unrealized (gains) losses on investments	(1,567,887)	24,573
Changes in assets and liabilities:		
Unconditional promises to give	(49,726)	122,030
Accounts payable and accrued expenses	(49,378)	(61,470)
<i>Net Cash Required By Operating Activities</i>	<u>(655,973)</u>	<u>(193,680)</u>
Cash Flows From Investing Activities		
Net proceeds from (purchases of) certificates of deposits	76,110	(5,198)
Purchases of pooled fund investments	(666,344)	(677,779)
Proceeds from sales of pooled fund investments	708,745	384,136
<i>Net Cash Provided By (Required By) Investing Activities</i>	<u>118,511</u>	<u>(298,841)</u>
Cash Flows From Financing Activities		
Proceeds from contributions restricted for endowments	575,213	407,165
<i>Net Cash Provided By Financing Activities</i>	<u>575,213</u>	<u>407,165</u>
Net Change in Cash	37,751	(85,356)
Cash, Beginning	<u>85,704</u>	<u>171,060</u>
Cash, Ending	<u>\$ 123,455</u>	<u>\$ 85,704</u>

See accompanying notes to the consolidated financial statements.

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020, 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 consolidated 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. Net assets and revenues, gains, expenses and losses are classified as “net assets without donor restrictions” or “net assets with donor restrictions” as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time; or are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Recent Accounting Pronouncements: On July 1, 2019, the Foundation adopted the provisions of ASC Topic 606, *Revenue from Contracts with Customers (Topic 606)* (“ASC 606”). The Foundation’s income is comprised of contributions and investment income. The Foundation recognizes contribution revenue when cash or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Investment income falls outside of the scope of ASC 606. The adoption of ASC 606 had no impact on the consolidated statements of financial position or the consolidated statements of activities and changes in net assets.

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

On July 1, 2019, the Foundation adopted the provisions of Accounting Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (“ASU 2018-08”). ASU 2018-08 states that a grant is conditional if the terms and conditions of the agreement require that the recipient overcome a barrier to be entitled to the resources, and if the grantor is released from its obligation to transfer resources (or if resources were advanced, has the right to demand their return) if the recipient fails to overcome the barrier. Both conditions must be present in order for an agreement to be conditional. The adoption of ASU 2018-08 had no impact on the consolidated statements of financial position or the consolidated statements of activities and changes in net assets.

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 is 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.

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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Promises to give are reviewed for collectability, and reserves for uncollected amounts are established when needed.

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 statements of activities. No discount on unconditional promises to give has been recognized for the years ended June 30, 2021 and 2020.

Investments: Investments consist of balances that are held and managed by Truist Financial Corporation (“Truist”) 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 or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Investments held in the pooled funds consist of a diversified portfolio of equities, mutual funds, exchange-traded funds, government bonds, money market and fixed income funds. Investments in pooled funds are valued based on the Foundation’s net asset value (“NAV”) within each fund as a practical expedient to determine their values.

Investment securities are exposed to various risks, such as interest rate risk, market risk and credit risk.

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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 consolidated financial statements. Truist is a major custodian bank. Although the Foundation monitors and believes that it is an appropriate custodian, there is no guarantee that the custodian, or any other custodian that the Foundation may use from time to time, will not become insolvent.

The Foundation incurred investment fees of \$24,919 and \$25,313 for the years ended June 30, 2021 and 2020, respectively, as reflected on the consolidated statements of activities and changes in net assets.

Investments - Other: The Foundation has other investments which consists of a certificate of deposit account with a financial institution for the year ended June 30, 2021 and consisted of certificates of deposit and money market accounts for the year ended June 30, 2020.

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, 2021 and 2020.

Funds Held for Affiliate: The Foundation collects and disburses monies for the Gwinnett Tech Alumni Association (“Association”). The Foundation does not provide any financial support for the 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, 2021 and 2020.

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, 2020 consolidated financial statements have been reclassified to conform to the presentation utilized at June 30, 2021. These reclassifications have no impact on previously reported financial position, change in net assets, or cash flows.

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

NOTE 2 – PROMISES TO GIVE

Unconditional Promises to Give: Unconditional promises to give at June 30, 2021 and 2020 are as follows:

	2021	2020
Receivable in less than one year	\$ 35,000	\$ 391,495
Receivable in one to five years	20,000	42,500
Total unconditional promises to give	55,000	433,995
Less: Allowance for uncollectible pledges	(2,750)	(21,700)
Unconditional promises to give, net	<u>\$ 52,250</u>	<u>\$ 412,295</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 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, would 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, 2021 and 2020, \$183,002 and \$190,000 of matching contributions were recognized in the accompanying consolidated statements of activities, respectively. During the years ended June 30, 2021 and 2020, \$183,002 and \$195,000 was funded by the donor, respectively. At June 30, 2021 and 2020, there were no matching contributions included in unconditional promises to give in the accompanying consolidated statements of financial position.

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

NOTE 3 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are designated for the following purposes at June 30, 2021:

Life and Health Sciences Endowment	\$ 2,933,289
Gwinnett Health System Endowment	1,187,300
Delta Nursing Endowment	903,722
Clarke Family Nursing Endowment	701,715
Hudgens Veterans	565,751
Academic Programs	565,036
Scholarships	535,601
Hudgens EEC Endowment	158,248
Child Development	157,719
Sharon J. Bartels Endowment	155,504
Boutwell Endowment	131,903
Launch Pointe	88,614
Professional Excellence Fund	66,394
Mingledorff's Endowment	64,715
Other net assets with donor restrictions	<u>364,352</u>
Total	<u>\$ 8,579,863</u>

Net assets with donor restrictions are designated for the following purposes at June 30, 2020:

Life and Health Sciences Endowment	\$ 2,230,734
Gwinnett Health System Endowment	985,544
Academic Programs	810,560
Delta Nursing Endowment	724,213
Hudgens Veterans	688,235
Clarke Family Nursing Endowment	579,367
Scholarships	563,101
Child Development	160,747
Hudgens EEC Endowment	127,024
Launch Pointe	126,363
Sharon J. Bartels Endowment	123,627
Boutwell Endowment	118,000
Professional Excellence Fund	70,597
Mingledorff's Endowment	57,977
Other net assets with donor restrictions	<u>379,822</u>
Total	<u>\$ 7,745,911</u>

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

NOTE 4 – CONCENTRATIONS

For the years ended June 30, 2021 and 2020, there were no concentrations of donor contributions.

For the year ended June 30, 2021, promises to give from one donor represented approximately 94% of unconditional promises to give. For the year ended June 30, 2020, promises to give from two donors represented approximately 66% 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 \$296,293 and \$437,753 were recognized for the years ended June 30, 2021 and 2020, respectively, and are included in contributions without donor restrictions in the consolidated statements of activities. Of the donated services, \$274,623 and \$417,737 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, 2021 and 2020, respectively.

The Foundation recognizes donated goods at the estimated fair value at the date of donation. Donated goods of \$459,847 and \$167,296 were recognized for the years ended June 30, 2021 and 2020, respectively, and are included in contributions without donor restrictions 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 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, 2021 and 2020, administrative gift allocations were \$2,160 and \$21,579, 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).

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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.

Level 3 — Valuation is based on unobservable inputs as they trade infrequently or not at all.

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. When quoted market prices are unobservable, the Foundation uses other observable inputs including quoted market prices from either markets that are not active or similar assets of active markets, market interest rate curves, and credit spreads, where applicable. These investments are included in Level 2.

Valuation of pooled investments are based on the Foundation's NAV within each fund as a practical expedient. These investments are not classified in the fair value hierarchy, but the amounts are included in this table to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

Assets as of June 30, 2021 measured at fair value on a recurring basis are summarized below:

	Level 1	Level 2	Level 3	NAV	Total
Truist pooled funds	\$ -	\$ -	\$ -	\$ 9,379,324	\$ 9,379,324
Total	\$ -	\$ -	\$ -	\$ 9,379,324	\$ 9,379,324

Assets as of June 30, 2020 measured at fair value on a recurring basis are summarized below:

	Level 1	Level 2	Level 3	NAV	Total
Truist pooled funds	\$ -	\$ -	\$ -	\$ 7,853,838	\$ 7,853,838
Total	\$ -	\$ -	\$ -	\$ 7,853,838	\$ 7,853,838

NOTE 8 – RELATED PARTY TRANSACTIONS

Unconditional promises to give of \$1,000 and \$134,018 from the employees of the Foundation and members of the Board of Directors are included in receivables at June 30, 2021 and 2020, respectively.

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Contributions from the employees of the Foundation and members of the Board of Directors included \$15,889 and \$133,262 of donations with donor restrictions and \$5,076 and \$6,529 of donations without donor restrictions for the years ended June 30, 2021 and 2020, 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 net assets without donor restrictions. 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 net assets with donor restrictions (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.

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.

The Foundation's spending policy for restricted endowments is that the endowment will be awarded utilizing the moving average market value of the assets over a five-year period as of December 31, calculated on a trailing twenty-quarter basis. Awards will be influenced by both recent period portfolio returns as well as expected future portfolio returns based on long term capital markets and are subject to Board approval. For funds with balances less than the original principal balance, the Foundation's policy is to suspend expenditures until the current market value has reached at least 108% of its original principal balance. The Foundation may elect to establish a separate reserve fund ("Spending Reserve Fund") that can be used to sustain endowment spending levels during extended market downturns. Recommendations for initiating or adding funding to a Spending Reserve Fund are subject to Board approval.

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 43% of the Russell 3000 Index, 15% MSCI ACWI index, 7% MSCI Emerging Markets Index, and 35% of the Bloomberg Barclays Aggregate Bond Index over a rolling period of three to five years.

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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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.

The endowment net asset composition by type of fund for the year ended June 30, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 6,418,939	\$ 6,418,939
Board-designated endowment funds	375,154	-	375,154
Total funds	<u>\$ 375,154</u>	<u>\$ 6,418,939</u>	<u>\$ 6,794,093</u>

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 255,383	\$ 4,832,109	\$ 5,087,492
Unrealized gains on investments	44,589	851,462	896,051
Realized gains on investments	17,639	332,601	350,240
Interest and dividend income	3,224	60,663	63,887
Contributions	55,289	519,924	575,213
Amounts appropriated for expenditure	<u>(970)</u>	<u>(177,820)</u>	<u>(178,790)</u>
Endowment net assets, end of year	<u>\$ 375,154</u>	<u>\$ 6,418,939</u>	<u>\$ 6,794,093</u>

The endowment net asset composition by type of fund for the year ended June 30, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 4,832,109	\$ 4,832,109
Board-designated endowment funds	255,383	-	255,383
Total funds	<u>\$ 255,383</u>	<u>\$ 4,832,109</u>	<u>\$ 5,087,492</u>

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 252,117	\$ 4,483,332	\$ 4,735,449
Unrealized loss on investments	(10,548)	(203,112)	(213,660)
Realized gains on investments	9,719	176,883	186,602
Interest and dividend income	5,070	94,349	99,419
Contributions	-	407,165	407,165
Amounts appropriated for expenditure	<u>(975)</u>	<u>(126,508)</u>	<u>(127,483)</u>
Endowment net assets, end of year	<u>\$ 255,383</u>	<u>\$ 4,832,109</u>	<u>\$ 5,087,492</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 net assets with donor restrictions. There were no deficiencies as of June 30, 2021 and 2020, respectively.

NOTE 10 – SCHEDULE OF FUNCTIONAL EXPENSES

Certain categories of operating expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs are directly applied to the related program or supporting service category when identifiable and possible. General operating costs across all natural categories are allocated on the basis of estimates of time and effort.

Expenses are summarized on a functional basis below for the year ended June 30, 2021:

	Program	Support	Total
Grants and allocations	\$ 1,456,086	\$ -	\$ 1,456,086
Salaries and benefits	117,253	127,025	244,278
General and administrative	-	122,552	122,552
Total grants and expenses	<u>\$ 1,573,339</u>	<u>\$ 249,577</u>	<u>\$ 1,822,916</u>

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Expenses are summarized on a functional basis below for the year ended June 30, 2020:

	<u>Program</u>	<u>Support</u>	<u>Total</u>
Grants and allocations	\$ 1,124,258	\$ -	\$ 1,124,258
Salaries and benefits	135,915	252,413	388,328
General and administrative	-	86,041	86,041
Total grants and expenses	<u>\$ 1,260,173</u>	<u>\$ 338,454</u>	<u>\$ 1,598,627</u>

NOTE 11 – AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS

The Foundation is substantially supported by contributions with and without donor restrictions. The Foundation’s financial assets as of June 30 which are available within the next twelve months to satisfy general expenditures and liabilities are as follows:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash	\$ 123,455	\$ 85,704
Unconditional promises to give, net	52,250	412,295
Investments	9,379,324	7,853,838
Investments - other	<u>350,072</u>	<u>426,182</u>
Total financial assets	9,905,101	8,778,019
Less amounts not available to be used within one year:		
Net assets with donor restrictions	8,579,863	7,745,911
Net assets without donor restrictions - board designated	375,154	255,383
Funds held for affiliate	<u>1,278</u>	<u>1,278</u>
Total amounts not available to be used within one year	<u>8,956,295</u>	<u>8,002,572</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 948,806</u>	<u>\$ 775,447</u>

NOTE 12 – RISKS AND UNCERTAINTIES

The coronavirus outbreak has disrupted a number of economies, production operations, and supply chains throughout the globe. The length and severity of the coronavirus outbreak and its impact on global economies is unknown. The extent to which this event will affect the Foundation’s results of operations and financial position remains uncertain. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Gwinnett Tech Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

NOTE 13 – SUBSEQUENT EVENTS

The Foundation has evaluated events occurring after June 30, 2021 through November 18, 2021, 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.