

GWINNETT COUNTY PUBLIC SCHOOLS  
FOUNDATION FUND, INC.

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FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2018 AND 2017

GWINNETT COUNTY PUBLIC SCHOOLS FOUNDATION FUND, INC.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Gwinnett County Public Schools Foundation Fund, Inc.:

### Report on the Financial Statements

We have audited the accompanying financial statements of Gwinnett County Public Schools Foundation Fund, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Gwinnett County Public Schools Foundation Fund, Inc. as of June 30, 2018 and 2017, 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.

Atlanta, Georgia  
November 2, 2018

*Brooks, McGinnis & Company, LLC*

GWINNETT COUNTY PUBLIC SCHOOLS FOUNDATION FUND, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>Restated 2017</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 615,267	\$ 735,581
Certificates of deposit	500,000	500,000
Pledges receivable	99,700	65,500
Investments	224,669	188,025
Property and equipment, net	<u>9,843</u>	<u>12,469</u>
 Total assets	 <u>\$ 1,449,479</u>	 <u>\$ 1,501,575</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ <u>7,000</u>	\$ <u>102,529</u>
 Total liabilities	 <u>7,000</u>	 <u>102,529</u>
Commitments and contingencies		
Net assets:		
Without donor restrictions:		
Designated	377,772	404,923
Available for operations	<u>212,137</u>	<u>176,478</u>
Total net assets without donor restrictions	589,909	581,401
With donor restrictions:		
Purpose restricted	631,800	596,875
Perpetual in nature	<u>220,770</u>	<u>220,770</u>
Total net assets with donor restrictions	<u>852,570</u>	<u>817,645</u>
 Total net assets	 <u>1,442,479</u>	 <u>1,399,046</u>
 Total liabilities and net assets	 <u>\$ 1,449,479</u>	 <u>\$ 1,501,575</u>

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

GWINNETT COUNTY PUBLIC SCHOOLS FOUNDATION FUND, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	Restated 2017
Net assets without donor restrictions:		
Support and revenue:		
Contributions	\$ 288,594	\$ 440,635
Contributed services	306,186	286,683
Special events, net of direct expenses of \$67,695 and \$68,656, respectively	108,309	106,202
Investment return, net	9,381	14,421
Net assets released from restrictions	204,469	106,881
Total support and revenue without donor restrictions	916,939	954,822
Expenses:		
Program services	728,123	637,823
General and administrative	144,464	147,468
Fundraising	35,844	41,406
Total expenses	908,431	826,697
Increase in net assets without donor restrictions	8,508	128,125
Net assets with donor restrictions:		
Contributions	232,756	216,855
Investment return, net	6,638	8,218
Net assets released from restrictions	(204,469)	(106,881)
Increase in net assets with donor restrictions	34,925	118,192
Increase in net assets	43,433	246,317
Net assets, beginning of year	1,399,046	1,152,729
Net assets, end of year	\$ 1,442,479	\$ 1,399,046

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

GWINNETT COUNTY PUBLIC SCHOOLS FOUNDATION FUND, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Scholarships and awards	\$ 101,695	\$ -	\$ -	\$ 101,695
Contributed services	168,156	108,950	29,080	306,186
Professional fees	4,200	21,329	3,800	29,329
Bank fees	-	5,669	-	5,669
Local school support	441,005	-	-	441,005
Conferences and meetings	7,118	4,220	-	11,338
Advertising and promotion	346	-	-	346
Supplies	3,345	213	-	3,558
Insurance	-	2,196	2,860	5,056
Depreciation	2,104	417	104	2,625
Other	154	1,470	-	1,624
Total expenses	<u>\$ 728,123</u>	<u>\$ 144,464</u>	<u>\$ 35,844</u>	<u>\$ 908,431</u>

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

GWINNETT COUNTY PUBLIC SCHOOLS FOUNDATION FUND, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Scholarships and awards	\$ 113,240	\$ -	\$ -	\$ 113,240
Contributed services	134,204	115,690	36,788	286,682
Professional fees	9,521	20,803	3,025	33,349
Bank fees	-	4,137	-	4,137
Local school support	373,704	-	-	373,704
Conferences and meetings	6,322	520	-	6,842
Advertising and promotion	300	-	1,560	1,860
Supplies	26	1,108	-	1,134
Insurance	-	1,762	-	1,762
Depreciation	506	117	33	656
Other	-	3,331	-	3,331
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenses	\$ <u>637,823</u>	\$ <u>147,468</u>	\$ <u>41,406</u>	\$ <u>826,697</u>

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

GWINNETT COUNTY PUBLIC SCHOOLS FOUNDATION FUND, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Increase in net assets	\$ 43,433	\$ 246,317
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,625	656
Net realized/unrealized gain on investments	(13,406)	(18,557)
Contributions of stock	-	(59,453)
Proceeds from sale of contributed stock	-	59,453
Change in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	-	50,000
Pledges receivable	(34,200)	300
Prepaid expense	-	6,710
Increase (decrease) in:		
Accounts payable	(95,529)	37,529
Net cash provided by (used in) operating activities	(97,077)	322,955
Cash flows from investing activities:		
Purchase of property and equipment	-	(13,125)
Purchase of investments	(170,054)	(329,746)
Proceeds from sale of investments	146,817	340,452
Net cash used in investing activities	(23,237)	(2,419)
Increase (decrease) in cash and cash equivalents	(120,314)	320,536
Cash and cash equivalents, beginning of year	735,581	415,045
Cash and cash equivalents, end of year	\$ 615,267	\$ 735,581

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

GWINNETT COUNTY PUBLIC SCHOOLS FOUNDATION FUND, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

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1. Nature of Organization and Significant Accounting Policies

Organization

Gwinnett County Public Schools Foundation Fund, Inc. (the Foundation) is a nonprofit organization incorporated in 2006 under the laws of the state of Georgia. The Foundation commenced operations in July 2006. The Foundation's mission is to sustain the world-class standards of Gwinnett County Public Schools by strengthening internal and external community relationships and providing resources and support to improve the educational future of all students. The Foundation is supported primarily through contributions from local businesses and Gwinnett County Public Schools employees.

Method of Reporting

The Foundation's accounts are maintained, and these statements are presented, on the accrual basis of accounting and in accordance with generally accepted accounting principles (GAAP) within the United States. Under this method of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred.

The Organization reports information regarding its financial position and activities according to two classes of net assets as follows:

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions. Items that affect (i.e., increase or decrease) this net asset category include unrestricted contributions, investment income, and fundraising event income and related expenses associated with the Organization's core activities. At times, the governing board may earmark otherwise unrestricted net assets for a specified purpose. Since this is not a donor-imposed restriction, the designated asset is classified and reported as part of net assets without donor restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor, or certain grantor, imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions

In accordance with GAAP, unconditional promises to give and contributions received are recorded as support with donor restrictions or support without donor restrictions depending on the existence or nature of donor restrictions which limit the use of the donated assets.

GWINNETT COUNTY PUBLIC SCHOOLS FOUNDATION FUND, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

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1. Nature of Organization and Significant Accounting Policies – Continued

Contributions – Continued

Accordingly, the Foundation records gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. All contributions and unconditional promises to give which do not have donor restrictions as to purpose or time are classified as net assets without donor restrictions.

Investments

Investments in securities are valued at fair value (generally quoted market prices) in accordance with GAAP. The realized and unrealized depreciation or appreciation on marketable securities is included in the accompanying statements of activities.

Advertising

Advertising costs are expensed as incurred.

Property and Equipment

Property and equipment are stated at either cost, or for donated property, the fair market value at the time of donation. The Foundation capitalizes new assets with a value greater than or equal to \$1,000. Depreciation and amortization are determined using the straight-line basis over the estimated economic life of the related asset. Computer software is depreciated over a three year life. Website design and development is depreciated over a five year life.

Donated Facilities, Materials and Services

All non-cash gifts (other than personal services) are recorded as contributions at their estimated fair values at the date of donation. Contribution of services are recognized in the financial statements if the services received (a) enhance or create non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. As a matter of mutual convenience, Gwinnett County Public Schools (the Schools) provides and equips offices to the Foundation, supplies electricity, heat, air conditioning, water, telephone service, and other utilities at no cost to the Foundation, however, these are not significant to record in the financial statements as donated services. The value of certain salaries and benefits provided to the Foundation by the Schools has been recorded as contributed services in the statements of activities totaling \$306,186 and \$286,683 for the years ended June 30, 2018 and 2017, respectively.

GWINNETT COUNTY PUBLIC SCHOOLS FOUNDATION FUND, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

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1. Nature of Organization and Significant Accounting Policies – Continued

Donated Facilities, Materials and Services – Continued

During the years ended June 30, 2018 and 2017, the Foundation received donated materials and reception services valued at approximately \$2,020 and \$5,360, respectively in connection with one of the Foundation's special events. In addition, during the year ended June 30, 2018, the Foundation received donated school supplies valued at approximately \$23,000. These amounts have been recognized as support and related expense in the accompanying financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include contributed services which are allocated on the basis of time and effort as well as insurance, certain professional services and depreciation which are allocated on the basis of usage and direct expenses.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. Accordingly, no provision for income taxes is recorded in the accompanying financial statements. The Foundation's income tax returns are subjected to examination by the appropriate regulatory authorities for all open years, which include the last three years filed.

Concentration of Credit Risk

The Foundation considers all demand deposits and highly liquid investments with maturities of three months or less to be cash equivalents.

GWINNETT COUNTY PUBLIC SCHOOLS FOUNDATION FUND, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

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1. Nature of Organization and Significant Accounting Policies – Continued

Concentration of Credit Risk – Continued

Cash consists principally of demand deposits at several financial institutions. The balance in the Foundation's accounts, as reflected in the financial institutions' records, is insured by the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) up to \$250,000 at June 30, 2018 and 2017. The Foundation's cash balances as of June 30, 2018 and 2017 exceeded the FDIC insurance coverage by \$217,423 and \$301,233, respectively. Based on the strength of the financial institutions, management believes the credit risk related to these balances is not significant.

New Accounting Policies

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements for Not-For-Profit Entities*, which improves the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's (NFP's) liquidity, financial performance, and cash flows. The guidance requires retrospective application. The Organization early adopted this guidance for the year ended June 30, 2018. Accordingly, the financial statements as of and for the year ended June 30, 2017 have been modified to conform to this new presentation. This new accounting policy did not affect net assets for the either fiscal 2018 or 2017.

Reclassification of Amounts

Certain amounts previously reported have been reclassified to conform to the current year's financial statement presentation.

GWINNETT COUNTY PUBLIC SCHOOLS FOUNDATION FUND, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

Classification Corrections

Net assets have been restated to reflect a change in classification between net assets without donor restrictions and net assets with donor restrictions as of June 30, 2016.

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions for Purpose</u>	<u>With Donor Restrictions in Perpetuity</u>	<u>Total</u>
Net assets, beginning of the year, as previously reported	\$ 432,467	\$ 534,492	\$ 185,770	\$ 1,152,729
Adjustments:				
Correction to classification of deficit balance for an endowment fund	25,159	(25,159)	-	-
Correction to classification of a of a contribution received in a prior year	<u>(4,350)</u>	<u>(30,650)</u>	<u>35,000</u>	<u>-</u>
Increase (decrease) in net assets	<u>20,809</u>	<u>(55,809)</u>	<u>35,000</u>	<u>-</u>
Net assets, beginning of the year, restated	<u>\$ 453,276</u>	<u>\$ 478,683</u>	<u>\$ 220,770</u>	<u>\$ 1,152,729</u>

As a result of this classification correction, the statement of financial position and statement of activities as of and for the year ended June 30, 2017 have been restated.

Subsequent Events

Subsequent events have been evaluated through November 2, 2018, which is the date the financial statements were available to be issued. No subsequent events were noted as of this date.

2. Liquidity and Availability of Financial Assets

The Foundation is substantially supported by contributions without donor restrictions. However, the Foundation sometimes receives contributions with donor restrictions for various programs. Because a donor's restrictions require funds to be used in a particular manner or in a future period, the Foundation maintains those funds with donor restrictions so that they are available to meet those responsibilities as they are required to be met. Accordingly, these financial assets are not available to the Foundation for its general expenditures. The Foundation considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures may be incurred for program or administrative purposes.

GWINNETT COUNTY PUBLIC SCHOOLS FOUNDATION FUND, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

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2. Liquidity and Availability of Financial Assets – Continued

The Foundation’s financial assets at June 30, 2018 (reduced by amounts that are not available for general use because of contractual, donor-imposed, or internal restrictions) available within one year after this date to satisfy liabilities at this date and for future general expenditure are as follows:

Cash and cash equivalents	\$	615,267
Certificates of deposit		500,000
Pledges receivable		99,700
Investments		224,669
Total financial assets available		1,439,636
Less:		
Assets restricted by donors for time:		
Pledges receivable		(22,500)
Perpetual restriction on investments		(220,770)
Financial assets available to meet cash needs for general expenditures within one year	\$	1,196,366

The Foundation structures its financial assets to be available as its general expenditure, liabilities, and other obligations come due. Restricted assets of \$631,800 and board designated assets of \$377,772 were included in the financial assets available to meet cash needs for general expenditures within one year. In addition to financial assets available to meet general expenditures over the next twelve months, the Foundation utilizes an operating budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources.

3. Pledges Receivable

At June 30, 2018 and 2017, pledges receivable totaled \$99,700 and \$65,500, respectively. Management considers these receivables collectible. Consequently, no allowance for uncollectible pledges was deemed necessary at June 30, 2018 and 2017.

Pledges receivable expected to be received in :		
Less than one year	\$	77,200
Two to six years		22,500
Total pledges receivable	\$	99,700

GWINNETT COUNTY PUBLIC SCHOOLS FOUNDATION FUND, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018 AND 2017

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4. Investments

The Foundation classifies its investment assets using a hierarchy of inputs to fair value measurements in accordance with GAAP, as follows:

*Level 1* – Quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

*Level 2* – Inputs to the valuation methodology that are derived principally from or corroborated by observable market data:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the assets or liabilities;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

*Level 3* – Inputs that are unobservable and significant to the overall fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Foundation has its investment assets held in a pooled fund with the Community Foundation of Northeast Georgia. The Foundation categorizes its investments as a pro-rata share of the pooled fund as provided by the Community Foundation.

Investments, stated at fair value, include the following at June 30:

	Level	2018	2017
Equity stocks and mutual funds	1	\$ 146,016	\$ 121,235
Fixed income mutual funds	1	78,653	66,151
Money markets and other cash	1	-	639
Total investments		\$ 224,669	\$ 188,025

GWINNETT COUNTY PUBLIC SCHOOLS FOUNDATION FUND, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

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4. Investments – Continued

The following table presents the Foundation’s activity for the various hedge funds measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined by standards for the year ended June 30, 2017. There were no Level 3 investments for the year ended June 30, 2018.

		2017	
Beginning balance	\$	16,828	
Sales		(16,828)	
Ending balance	\$	-	

Investment return consists of the following for the years ended June 30:

		2018		2017
Interest and dividends	\$	2,613	\$	4,082
Realized/unrealized gain		13,406		18,557
Investment return	\$	16,019	\$	22,639

5. Property and Equipment, Net

Property and equipment consist of the following at June 30:

		2018		2017
Computer software	\$	24,429	\$	24,429
Website design and development		13,125		13,125
		37,554		37,554
Less accumulated depreciation		(27,711)		(25,085)
Total property and equipment, net	\$	9,843	\$	12,469

Depreciation expense for the years ended June 30, 2018 and 2017 was \$2,625 and \$656.

6. Net Assets Without Donor Restrictions

At June 30, 2018 and 2017, net assets designated by the Board of Trustees of the Foundation totaled \$377,772 and \$404,923, respectively, for programs related to various schools of the Gwinnett County Public Schools System and initiatives established by the Foundation.

GWINNETT COUNTY PUBLIC SCHOOLS FOUNDATION FUND, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are comprised of funds the Foundation has received subject to donor-imposed restrictions consisting of the following at June 30:

	2018	2017
Purpose/time restrictions:		
Gwinnett School of Math, Science and Technology	\$ 34,696	\$ 91,480
Local school support	272,330	241,908
Education enrichment and enhancements	6,759	3,196
Scholarships	74,056	50,712
Entrepreneurship program	100,000	100,000
Community based mentoring program	30,126	17,420
Self-sufficiency program	25,000	25,000
Sponsorships for future fundraising events	20,000	20,000
Teacher of the year award	60,703	42,330
Other programs and awards	8,130	4,829
Total purpose/time restrictions	631,800	596,875
Perpetual restrictions - endowment fund assets Note 8	220,770	220,770
Total net assets with donor restrictions	\$ 852,570	\$ 817,645

Net assets with donor restrictions were released from donor restrictions as follows for the years ended June 30:

	2018	2017
Community based mentoring program	\$ 17,025	\$ 27,161
Education enrichment and enhancements	29,625	1,018
Scholarships	44,340	30,143
Gwinnett School of Math, Science and Technology	58,784	-
Local school support	28,568	39,237
Teacher of the year award	26,127	7,145
Other programs and awards	-	2,177
	\$ 204,469	\$ 106,881

GWINNETT COUNTY PUBLIC SCHOOLS FOUNDATION FUND, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018 AND 2017

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8. Endowment Funds

The endowment funds include donor-restricted funds with no funds designated by the Board of Trustees. As required by GAAP, net assets associated with endowment funds, including any funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation follows the requirements of Georgia’s Uniform Prudent Management of Institutional Funds Act (the “Act”). The Foundation is required to evaluate the gift instrument and related information to determine the directions and intentions of the donor. The Foundation classifies gifts that are not immediately expendable as net assets with donor restrictions. The Foundation’s endowments consist of three funds. Two of the funds were established to provide academic scholarships for students of which the earnings are purpose restricted. The other fund was established to provide educational support to the Lanier Cluster Education Foundation of which the earnings are board designated.

From time to time, the fair value of invested assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in net assets with donor restrictions involve one fund at June 30, 2018 and 2017:

	2018	2017
Original gift amount	\$ 100,000	\$ 100,000
Fair market value	89,115	83,059
Deficient amount	\$ 10,885	\$ 16,941

Investment Policy

The primary objectives are to provide a combination of capital appreciation and principal protection over the long-term while meeting liquidity needs of the Foundation. The portfolio invests in pooled funds. The investment manager was appointed by the Foundation. The actual securities used in the portfolio are at the discretion of the third party investment manager. This policy governs asset allocations between cash, fixed income, equity investments, and other permissible investments relevant to the prudent investment of endowment assets.

Spending Policy

Withdrawals from the endowment fund investments are at the discretion of the Board of Trustees, unless restricted by the donor for a certain time or purpose. The donors designated the investment earnings on the Foundation’s permanently restricted endowments be used to provide scholarships for students and educational support to the Lanier Cluster Education Foundation.

GWINNETT COUNTY PUBLIC SCHOOLS FOUNDATION FUND, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

8. Endowment Funds – Continued

Changes in endowment net assets consist of the following for the years ended June 30:

<u>June 30, 2018</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Purpose Restrictions</u>	<u>Perpetual in Nature</u>	
Endowment net assets, beginning of year	\$ 19,196	\$ (16,941)	\$ 220,770	\$ 223,025
Investment return:				
Investment income	49	189	-	238
Net unrealized gain	6,957	6,449	-	13,406
Total investment return	7,006	6,638	-	13,644
Appropriation of endowment assets for expenditure	(12,000)	-	-	(12,000)
Endowment net assets, end of year	<u>\$ 14,202</u>	<u>\$ (10,303)</u>	<u>\$ 220,770</u>	<u>\$ 224,669</u>
		<u>Restated</u>		
<u>June 30, 2017</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Purpose Restrictions</u>	<u>Perpetual in Nature</u>	
Endowment net assets, beginning of year	\$ 8,764	\$ (25,159)	\$ 220,770	\$ 204,375
Investment return:				
Investment income	745	571	-	1,316
Net unrealized gain	9,687	7,647	-	17,334
Total investment return	10,432	8,218	-	18,650
Endowment net assets, end of year	<u>\$ 19,196</u>	<u>\$ (16,941)</u>	<u>\$ 220,770</u>	<u>\$ 223,025</u>