

GWINNETT COUNTY PUBLIC SCHOOLS
FOUNDATION FUND, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2010 AND 2009

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.:

We have audited the accompanying statements of financial position of Gwinnett County Public Schools Foundation Fund, Inc. (a nonprofit organization) as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Brooks, McGinnis & Company, LLC

Atlanta, Georgia
December 7, 2010

GWINNETT COUNTY PUBLIC SCHOOLS FOUNDATION FUND, INC.
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2010 AND 2009

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 453,759	\$ 324,329
Investments	90,444	80,457
 Total assets	 \$ 544,203	 \$ 404,786
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 2,345	\$ -
 Total liabilities	 2,345	 -
 Commitments and contingencies		
Net assets:		
Unrestricted:		
Designated	4,582	-
Available for operations	117,356	64,619
Total unrestricted	121,938	64,619
Temporarily restricted	319,920	240,167
Permanently restricted	100,000	100,000
 Total net assets	 541,858	 404,786
 Total liabilities and net assets	 \$ 544,203	 \$ 404,786

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, 2010 AND 2009

	2010	2009
Unrestricted net assets:		
Support and revenue:		
Contributions	\$ 55,437	\$ 73,676
Fundraising event revenue, net of direct expenses of \$13,264	22,621	-
Investment return, net	10,839	(20,086)
Net assets released from restrictions	67,630	43,580
Total unrestricted support and revenue	156,527	97,170
Expenses:		
Program services	87,203	44,134
General and administrative	12,004	8,689
Total expenses	99,207	52,823
Increase in unrestricted net assets	57,320	44,347
Temporarily restricted net assets:		
Contributions	147,343	145,580
Investment return, net	39	(7,911)
Net assets released from restrictions	(67,630)	(43,580)
Increase in temporarily restricted net assets	79,752	94,089
Increase in net assets	137,072	138,436
Net assets, beginning of year	404,786	266,350
Net assets, end of year	\$ 541,858	\$ 404,786

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, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Increase in net assets	\$ 137,072	\$ 138,436
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net unrealized loss (gain) on investments	(12,276)	26,033
(Increase) decrease in current assets:		
Accounts receivable	-	2,734
Increase (decrease) in current liabilities:		
Accounts payable	2,345	(3,464)
Net cash provided by operating activities	<u>127,141</u>	<u>163,739</u>
Cash flows from investing activities:		
Proceeds from liquidation of investments	5,463	14,260
Purchase of investments	(3,174)	(1,808)
Net cash provided by investing activities	<u>2,289</u>	<u>12,452</u>
Increase in cash and cash equivalents	129,430	176,191
Cash and cash equivalents at beginning of year	<u>324,329</u>	<u>148,138</u>
Cash and cash equivalents at end of year	<u>\$ 453,759</u>	<u>\$ 324,329</u>

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

GWINNETT COUNTY PUBLIC SCHOOLS FOUNDATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

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 United States generally accepted accounting principles (GAAP). 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.

In accordance with GAAP, unconditional promises to give and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of donor restrictions which limit the use of the donated assets.

Under GAAP, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

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, temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted contributions and pledges receivable.

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.

GWINNETT COUNTY PUBLIC SCHOOLS FOUNDATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

1. Nature of Organization and Significant Accounting Policies - Continued

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. Donated printing services valued at \$1,200 were received in the year ended June 30, 2010. Donated facilities valued at \$3,000 were received in the year ended June 30, 2010. There were no donated facilities, materials or services for the year ended June 30, 2009. Both types of donations have been recognized as fundraising event revenues, net of direct expenses in these financial statements.

Resources Provided by Gwinnett County Public Schools

As a matter of mutual convenience, Gwinnett County Public Schools provides and equips offices to the Foundation, supplies electricity, heat, air conditioning, water, telephone service, and other utilities to such offices and provides certain salaries and benefits at no cost to the Foundation. The value of this non-monetary reciprocal transfer of resources has not been determined, and therefore, is not reflected in these 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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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.

GWINNETT COUNTY PUBLIC SCHOOLS FOUNDATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

1. Nature of Organization and Significant Accounting Policies - Continued

Income Taxes - Continued

The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

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.

Cash consists principally of demand deposits at one commercial bank. The balance in the Foundation's bank account, as reflected in the bank's records, is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at June 30, 2010 and 2009. The Foundation's bank balance as of June 30, 2010 and 2009 exceeded FDIC insurance coverage by \$202,479 and \$63,275, respectively.

Fair Value of Financial Instruments

Cash and cash equivalents and accounts payable are carried at amounts which approximate their fair value due to the short-term nature of these instruments. Investment assets are classified in accordance with GAAP, as further described in Note 2.

New Accounting Pronouncement

In June 2009, the Financial Accounting Standards Board (FASB) established *FASB Accounting Standards Codification* (ASC) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP). The ASC does not change GAAP, except as limited circumstances, and the content of the ASC carries the same level of GAAP authority. Other than the manner in which the new accounting guidance is referenced, the adoption of this change did not have a material effect on the Foundation's financial statements.

In June 2009, the FASB issued ASC 855, *Subsequent Events* (SFAS No. 165, *Subsequent Events*). ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Foundation adopted the provisions of ASC 855 for the year ended June 30, 2010. There was no impact on the Foundation's statement of financial position or statement of activities as a result on this adoption.

GWINNETT COUNTY PUBLIC SCHOOLS FOUNDATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

1. Nature of Organization and Significant Accounting Policies - Continued

Subsequent Events

Subsequent events have been evaluated through December 7, 2010, which is the date the financial statements were available to be issued. No subsequent events were noted as of this date.

2. Investments

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

Level 1 Inputs are quoted prices (unadjusted) in active markets for identical investments that the Organization has the ability to access at the measurement date.

Level 2 Inputs are inputs other than quoted prices included within Level 1 that are observable for the investments, either directly or indirectly.

Level 3 Inputs are unobservable inputs for the investments.

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

	<u>Level</u>	<u>2010</u>	<u>2009</u>
Equity mutual funds	1	\$ 57,171	\$ 43,447
Fixed income mutual funds	1	5,008	4,827
Various hedge funds	3	23,427	19,310
Short term investment funds	1	4,838	12,873
		<u>\$ 90,444</u>	<u>\$ 80,457</u>

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 under GAAP for the years ended June 30:

	<u>2010</u>	<u>2009</u>
Beginning balance	\$ 19,310	\$ 30,925
Unrealized gain (loss)	4,117	(11,615)
Ending balance	<u>\$ 23,427</u>	<u>\$ 19,310</u>

GWINNETT COUNTY PUBLIC SCHOOLS FOUNDATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

2. Investments - Continued

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

	2010	2009
Interest and dividends	\$ 327	\$ 472
Unrealized gain (loss)	12,276	(26,033)
Investment and admin fees	(1,725)	(2,436)
Investment return	\$ 10,878	\$ (27,997)

3. Unrestricted - Designated Net Assets

At June 30, 2010 net assets designated by the Board of Trustees of the Foundation totaled \$4,582 for programs related to various schools of the Gwinnett County Public Schools System.

4. Temporarily Restricted Net Assets

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

	2010	2009
Scholarship Funds:		
Quality-Plus Leader	\$ 11,431	\$ 11,384
J. Alvin Wilbanks	3,747	3,743
Clarke Memorial	10,173	10,163
Dr. Crews	10,094	11,583
Campbell Memorial	9,088	9,080
Steve Spellman	-	7,852
King Memorial	1,954	1,952
Robbie Susan Moore	6,407	5,102
Total Scholarship Funds	52,894	60,859
Gwinnett School of Math, Science and		
Technology	111,211	41,070
Advanced placement program	17,150	15,650
DECA student support	2,900	2,500
Local school support	31,977	19,800
Education enrichment and enhancements	99,800	100,000
Education excellence and rewards	3,700	-
Employee recognition	288	288
	\$ 319,920	\$ 240,167

GWINNETT COUNTY PUBLIC SCHOOLS FOUNDATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

4. Temporarily Restricted Net Assets - Continued

During the years ended June 30, 2010 and 2009, net assets totaling \$67,630 and \$43,580, respectively, were released from donor restrictions by incurring expenses satisfying the purpose specified by the donors.

5. Permanently Restricted Net Assets and Endowment Fund

Permanently restricted net assets consist of a donor-restricted endowment fund to remain in perpetuity. The Foundation does not have the right to use the original principal. The permanently restricted net assets totaled \$100,000 at June 30, 2010 and 2009. The donors' intent is for the income from the investments to be used to fund scholarships in future years.

The endowment fund includes 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 Management of Institutional Funds Act (the "Act") which became law July 1, 2008. 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 either temporarily restricted or permanently restricted, depending on the restrictions that the donor has imposed. Consistent with the Act, in absence of directions by the donor, the Foundation classifies the initial recorded value of gifts as permanently restricted. The Foundation's endowment consists of one fund established to provide academic scholarships for students.

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 unrestricted net assets were approximately \$15,121 and \$20,006 at June 30, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market conditions in late 2008 and early 2009. In 2010, the market results improved and the endowed funds were partially restored at June 30, 2010.

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

GWINNETT COUNTY PUBLIC SCHOOLS FOUNDATION FUND, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010 AND 2009

5. Permanently Restricted Net Assets and Endowment Fund - Continued

Investment Policy - Continued

actual securities used in the portfolio are at the discretion of the third party investment manager. The pooled funds asset mix is as follows for the years ended June 30, 2010 and 2009:

Equities	50%-70%
Fixed income	0-10%
Fund of hedge funds	20%-30%
Cash and equivalents	0-20%

Spending Policy

Withdrawals from the endowment fund investments are at the discretion of the Board, unless restricted by the donor for a certain time or purpose. The donor designated the investment earnings on the Foundation's permanently restricted endowment be used to provide scholarships for students.

Changes in endowment net assets for the fiscal year ended June 30, 2010 are as follows:

<u>June 30, 2010</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (20,006)	\$ -	\$ 100,000	\$ 79,994
Investment return:				
Investment income (loss)	(6,979)	-	-	(6,979)
Net unrealized gain	16,864	-	-	16,864
Total investment return	<u>9,885</u>	<u>-</u>	<u>-</u>	<u>9,885</u>
Appropriation of endowment assets for expenditure	(5,000)	-	-	(5,000)
Endowment net assets, end of year	<u>\$ (15,121)</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 84,879</u>

GWINNETT COUNTY PUBLIC SCHOOLS FOUNDATION FUND, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010 AND 2009

5. Permanently Restricted Net Assets and Endowment Fund - Continued

Spending Policy - Continued

Changes in endowment net assets for the fiscal year ended June 30, 2009 are as follows:

<u>June 30, 2009</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 9,837	\$ 100,000	\$ 109,837
Contributions	425	-	-	425
Investment return:				
Investment income (loss)	-	(2,955)	-	(2,955)
Net unrealized loss	(20,431)	(2,882)	-	(23,313)
Total investment return	(20,431)	(5,837)	-	(26,268)
Appropriation of endowment assets for expenditure	-	(4,000)	-	(4,000)
Endowment net assets, end of year	<u>\$ (20,006)</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 79,994</u>

GWINNETT COUNTY PUBLIC SCHOOLS FOUNDATION FUND, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010 AND 2009

6. Program, General and Administrative Expenses

Program, general and administrative expenses are as follows:

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
June 30, 2010:			
Scholarships	\$ 19,800	\$	\$ 19,800
Professional fees	10,325	9,480	19,805
Bank fees		1,025	1,025
Advanced placement program	13,500		13,500
Excellence in education science lab program	20,000		20,000
Local school support	7,050		7,050
Advertising and promotion	1,585		1,585
Contribution expense	1,250		1,250
Travel, seminars and meetings	10,812	70	10,882
Supplies	2,881		2,881
Other		1,429	1,429
Total expenses	\$ 87,203	\$ 12,004	\$ 99,207
June 30, 2009:			
Scholarships	\$ 8,600	\$	\$ 8,600
Professional fees	5,699	6,530	12,229
Bank fees		971	971
Gwinnett School of Math, Science and Technology	20,855		20,855
Local school support	8,000		8,000
Advertising and promotion	980		980
Other		1,188	1,188
Total expenses	\$ 44,134	\$ 8,689	\$ 52,823