



# The University System of Georgia Annual Financial Report FY 2012







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# INTRODUCTORY SECTION



## LETTER OF TRANSMITTAL

OFFICE OF FISCAL AFFAIRS  
270 WASHINGTON STREET, SW  
ATLANTA, GEORGIA 30334  
404-656-2232

January 17, 2013

Chancellor Henry M. "Hank" Huckaby  
Board of Regents  
University System of Georgia

Dear Chancellor Huckaby:

We are pleased to present to you the Annual Financial Report for the Board of Regents of the University System of Georgia for the year ended June 30, 2012. The report provides financial information about the University System of Georgia's operations during the year and presents its financial position at the end of the fiscal year.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls established for this purpose, the objective of which is to provide reasonable assurance that the financial statements are free of material misstatements. Further, the officers of the various institutions of the University System of Georgia and its affiliated organizations have assured us that every effort has been made to reflect accurately the information considered important to all concerned parties.

State law, federal guidelines, bond covenants and the by-laws of the Board of Regents require that the accounting and financial records of the University System of Georgia be audited each year. The Georgia Department of Audits and Accounts has performed the audit for fiscal 2012 and has issued an unqualified opinion, the most favorable outcome of the audit process. The State Auditor's report is located at the beginning of the financial section.

Management's discussion and analysis (MD&A) immediately follows the auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction therewith.

Respectfully submitted,



---

John E. Brown  
Vice Chancellor for Fiscal Affairs and Treasurer  
Board of Regents of the University System of Georgia

## Members of the Board of Regents

The Board of Regents of the University System of Georgia was created in 1931 as a part of a reorganization of Georgia's state government. With this act, public higher education in Georgia was unified for the first time under a single governing and management authority. The governor appoints members to the Board, who each serve seven years. Today the Board of Regents is composed of 18 members, five of whom are appointed from the state-at-large, and one from each of the 13 congressional districts. The Board elects a chancellor who serves as its chief executive officer and the chief administrative officer of the University System.

The Board oversees 35 colleges and universities that comprise the University System of Georgia, the Skidaway Institute of Oceanography and The Georgia Public Library System. These institutions enrolled 318,027 students in Fall 2011 and employed more than 40,000 faculty and staff to provide teaching and related services to students and the communities in which they are located.

Members of the Board in Fiscal 2012 included the following:

C. Dean Alford  
Kenneth R. Bernard, Jr.  
Larry R. Ellis  
Rutledge "Rusty" A. Griffin, Jr.  
Robert "Bob" F. Hatcher  
C. Thomas Hopkins, Jr., MD  
W. Mansfield Jennings, Jr.  
James R. Jolly  
Donald M. Leebern, Jr.  
William "Dink" H. NeSmith, Jr. (Vice Chair)  
Doreen Stiles Poitevint  
Willis J. Potts, Jr.  
Neil L. Pruitt, Jr.  
Kessel Stelling, Jr.  
Benjamin "Ben" J. Tarbutton, III (Chair)  
Richard L. Tucker  
Larry Walker  
Philip A. Wilheit, Sr.



# FINANCIAL SECTION





## DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156  
Atlanta, Georgia 30334-8400

**Greg S. Griffin**  
STATE AUDITOR  
(404) 656-2174

February 14, 2013

Honorable Nathan Deal, Governor  
Members of the General Assembly of Georgia  
Members of the Board of Regents of the  
University System of Georgia  
and  
Honorable Henry M. Huckabee, Chancellor

### INDEPENDENT AUDITOR'S COMBINED REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Ladies and Gentlemen:

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the University System of Georgia, which is an organizational unit of the State of Georgia, as of and for the year ended June 30, 2012. These financial statements are the responsibility of the University System of Georgia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of University System of Georgia's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with section 50-6-1(c) of the Official Code of Georgia Annotated, Greg S. Griffin was appointed State Auditor on July 1, 2012. During the year under review, Mr. Griffin served as the State Accounting Officer. As the State Accounting Officer, Mr. Griffin was responsible for the State's accounting and financial reporting practices.



In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate remaining fund information of the University System of Georgia as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the financial statements of the University System of Georgia are intended to present the financial position and changes in financial position and, where applicable, cash flows of only that portion of the activities of the State of Georgia that is attributable to the transactions of the University System of Georgia. They do not purport to, and do not, present fairly the financial position of the State of Georgia as of June 30, 2012, the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consists of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the University System of Georgia taken as a whole. The accompanying Introductory and Supplementary Information Sections, as listed in the accompanying table of contents, are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for the portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting or other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,



Greg S. Griffin  
State Auditor

GSG:th

# Management's Discussion and Analysis

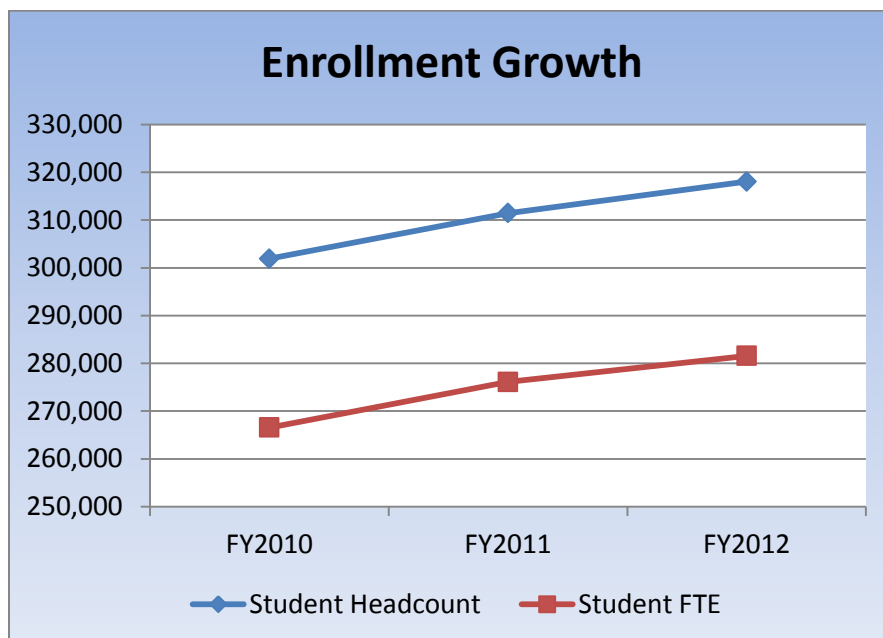
## Introduction

The mission of the University System of Georgia is to contribute to the educational, cultural, economic and social advancement of Georgia by providing excellent undergraduate general education and high quality programs leading to associate, baccalaureate, masters, professional and doctorate degrees; by pursuing leading-edge basic and applied research, scholarly inquiry and creative endeavors; and by bringing these intellectual resources, and those of the public libraries, to bear on the economic development of the State and the continuing education of its citizens.

This discussion and analysis is intended to provide a summary of the financial position of the University System of Georgia for the fiscal year ending June 30, 2012. It should allow the user to review how the University System utilized its resources in pursuit of its primary goals of instruction, research and public service.

The Board of Regents and Chancellor Henry M. "Hank" Huckaby are charged with the leadership of the thirty-five institutions of the University System of Georgia. The University System continues to prosper, as is demonstrated by the following information:

	STUDENT HEADCOUNT	STUDENT FTE
<b>FY2012</b>	<b>318,027</b>	<b>281,559</b>
<b>FY2011</b>	<b>311,442</b>	<b>276,109</b>
<b>FY2010</b>	<b>301,892</b>	<b>266,575</b>





## State Resources

The General Appropriations Act of 2012, as amended by House Bill 741, appropriated a total of \$1,704,966,581 to the University System of Georgia. This amount includes an Executive Order transfer of \$109,134 from the Secretary of State's Office.

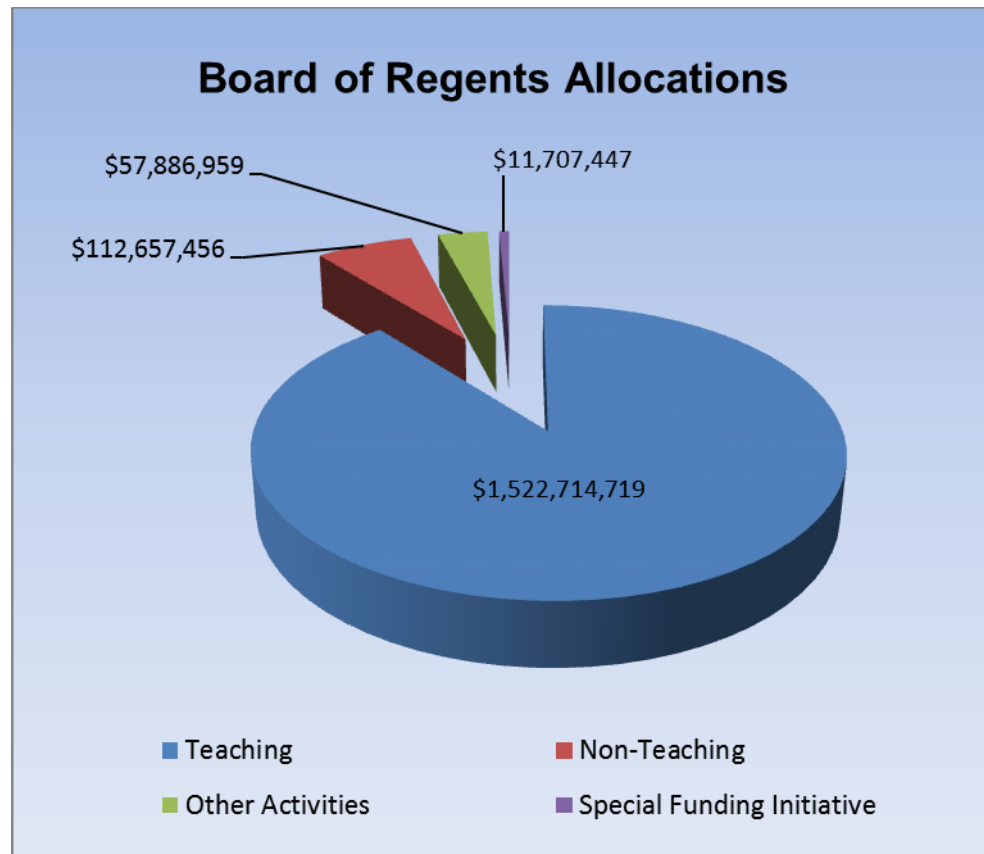
The following table presents the state appropriations available to the University System of Georgia from the General Appropriations Act of 2012, as amended:

STATE APPROPRIATIONS AVAILABLE - GENERAL APPROPRIATIONS ACT		
House Bill 78		
General State Funds	\$	1,738,805,885
Executive Order Transfer From Secretary of State		109,134
House Bill 741		
General State Funds		(33,948,438)
Total State Appropriations Per Appropriations Act - University System of Georgia	\$	1,704,966,581

The table below presents the FY 2012 allocations by the Board of Regents to the University System of Georgia institutions:

ALLOCATIONS BY THE BOARD OF REGENTS		
Education and General		
Teaching	\$	1,522,714,719
Non-Teaching		112,657,456
Other Activities		
Regents Central Office	\$	5,499,726
Rental Payments - GA Military College		2,270,765
GA Public Telecommunications Commission		12,219,944
GA Public Libraries		31,603,280
Research Consortium		6,293,244
<b>Total Other Activities</b>		57,886,959
<b>Special Initiative Funding</b>		11,707,447
Total Education and General	\$	1,704,966,581
Net State Appropriations Available to the University System of Georgia	\$	1,704,966,581

The following chart illustrates the Board of Regents allocations to Teaching, Non-Teaching, Other Activities and Special Funding Initiatives:



### ***Overview of the Financial Statements and Financial Analysis***

The University System of Georgia is pleased to present its consolidated financial statements for fiscal year 2012. These statements contain information from the thirty-five institutions of the University System of Georgia, the Skidaway Institute of Oceanography and the University System Office. Each institution has prepared a separate annual financial report that is available upon request.

The emphasis of discussions about these statements will be on current year data. There are three consolidated financial statements presented: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows.

Two fiduciary fund statements also are included with the financial statements noted above: the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets. These statements provide information regarding the Board of Regents Retiree Health Benefit Fund.



The Notes to the Financial Statements immediately follow the consolidated and fiduciary fund statements. They contain essential information that serves both to support and clarify the information presented in the financial statements preceding them.

Finally, the Supplemental Information section includes selected information by institution as well as information on affiliated organizations that have been deemed significant to their respective institutions. This section also includes consolidated financial statements presented on a statutory/budget basis.

This discussion and analysis of the University System of Georgia's consolidated financial statements provide an overview of its financial activities for the fiscal year. Further information is provided by comparative data for fiscal 2012 and 2011.

### ***Statement of Net Assets***

The Statement of Net Assets presents the assets, liabilities and net assets of the University System of Georgia as of June 30, 2012. The Statement of Net Assets is a point-of-time financial statement that presents a fiscal snapshot of the University System. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the services are provided and expenses and liabilities are recognized when others provide the service to the University System, regardless of when cash is exchanged.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the University System. They also are able to determine how much the University System owes vendors, investors and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the University System of Georgia.

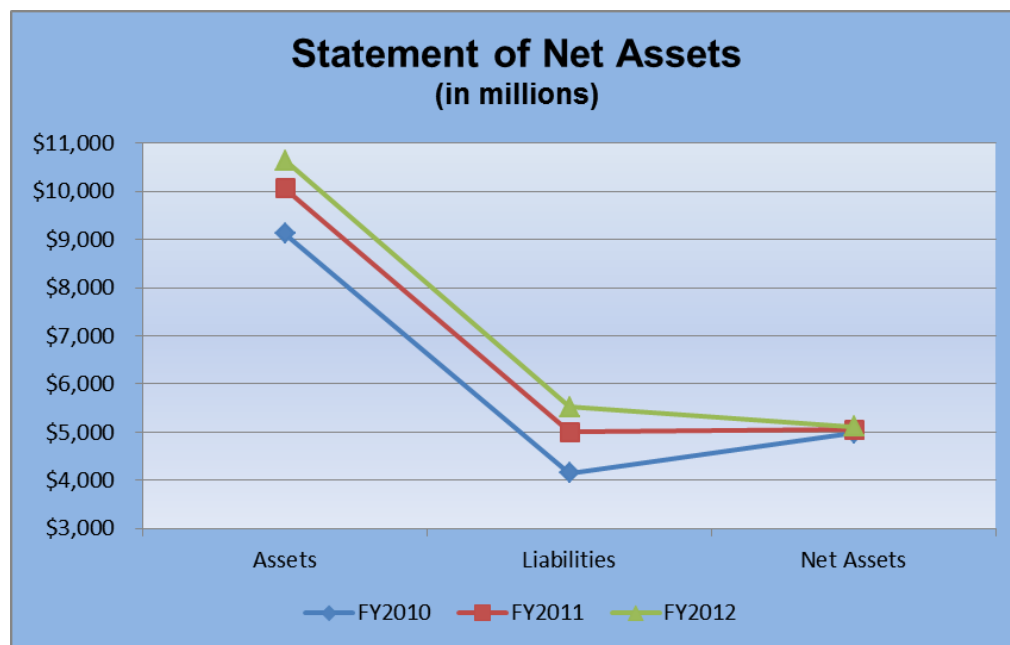
Current assets include resources that are available to support the current operations of the University System and include categories such as cash, cash equivalents, accounts receivable and inventory on hand. Non-current assets include capital and certain investments. Other assets include non-current assets such as endowment corpus, short-term investments and notes receivable. Total assets as of June 30, 2012 were \$10.638 billion, as compared to \$10.054 billion as of June 30, 2011, for an increase of \$584 million, or 5.8%. Current assets as of June 30, 2012 increased by \$84 million; non-current assets increased \$500 million.

Current liabilities include those items that are expected to become due within the following fiscal year. They include accounts payable, salaries and wages payable and the current portion of capital leases. Non-current liabilities include the non-current portion of capital leases and lease purchases for capital items as well as compensated absences. Total liabilities increased by \$519 million, from \$5.001 billion at June 30, 2011 to \$5.520 billion on June 30, 2012.

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the University System's equity in property, plant and equipment owned by the institution. The next asset category is restricted net assets, which is further

reported in two components, non-expendable and expendable. Restricted, non-expendable net assets consist solely of the University System's permanent endowment funds, which are available only for investment purposes. Restricted, expendable net assets are available for expenditure by the institution; however, they must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets, which are available to the University System for any lawful purpose.

The University System of Georgia's financial position at June 30, 2012 is very strong, with total assets of \$10.638 billion, total liabilities of \$5.52 billion, and net assets of \$5.118 billion. These amounts are illustrated below:



#### ***Assets – Increase of \$584 Million***

Total assets of the University System of Georgia in fiscal 2012 were approximately \$584 million more than those reported for fiscal 2011. A review of the Statement of Net Assets will reveal that the increase primarily was due to an increase of \$539 million in capital assets, net of accumulated depreciation and a \$111 million increase in cash and investments, which was partially offset by a \$50 million decrease in accounts receivable, net and a \$24 million decrease in prepaid items.

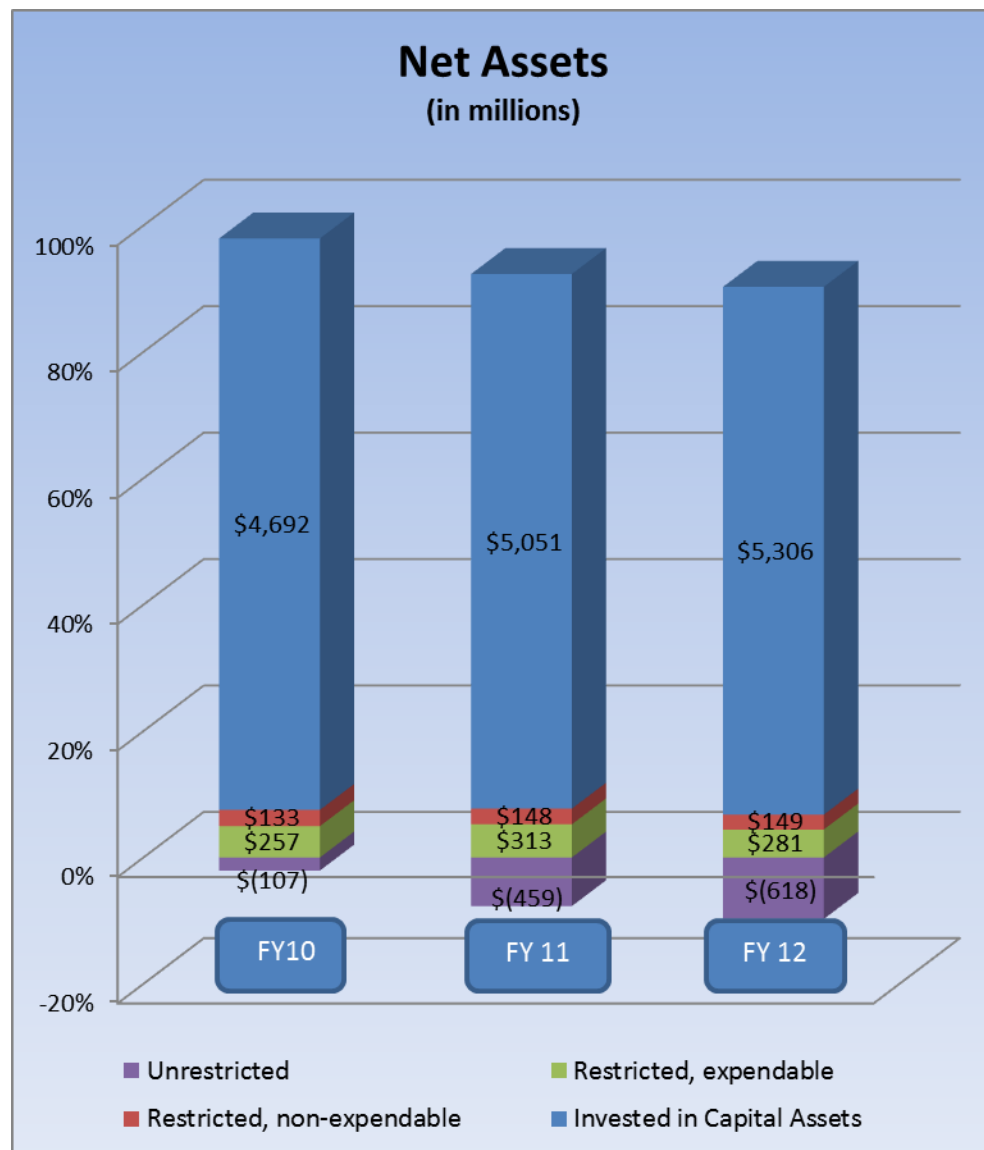
#### ***Liabilities – Increase of \$519 Million***

Total liabilities for fiscal 2012 were approximately \$519 million more than those reported for fiscal 2011. The primary components of this increase were \$266 million in lease purchase obligations and \$261 million in the net Other Post-Employment Benefit (OPEB) obligation, which was partially offset by a \$9 million decrease in salaries and benefits payable.



### Net Assets – Increase of \$65 million

The combination of the increase in total assets of \$584 million and the increase in total liabilities of \$519 million yielded a net increase in total net assets of \$65 million, or 1.3%. The increase in total net assets primarily consists of a higher amount in the Invested in Capital Assets, net of related debt category totaling \$255 million. This increase was partially offset by a net decrease of \$158 million in unrestricted net assets, which is largely due to OPEB reporting requirements; the net OPEB obligation increased from \$1,017.4 million in FY 2011 to \$1,278.1 million in FY 2012, and a decrease in restricted net assets of \$32 million. The following chart depicts the level, by category, of net assets:



The following table summarizes the University System of Georgia's assets, liabilities and net assets as of June 30, 2012 and June 30, 2011.

CONDENSED STATEMENT OF NET ASSETS (in millions)			
	June 30, 2012	June 30, 2011	% Change
<b>ASSETS</b>			
Current Assets	\$ 1,684	\$ 1,600	5.3%
Capital Assets, Net	8,746	8,208	6.6%
Other Assets	208	246	-15.4%
<b>TOTAL ASSETS</b>	<b>10,638</b>	<b>10,054</b>	<b>5.8%</b>
<b>LIABILITIES</b>			
Current Liabilities	785	789	-0.5%
Non-current Liabilities	4,735	4,212	12.4%
<b>TOTAL LIABILITIES</b>	<b>5,520</b>	<b>5,001</b>	<b>10.4%</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of debt	5,306	5,051	5.0%
Restricted, Non-Expendable	149	148	0.7%
Restricted, Expendable	269	283	-4.9%
Capital Projects	12	30	-60.0%
Unrestricted	(618)	(459)	34.6%
<b>TOTAL NET ASSETS</b>	<b>\$ 5,118</b>	<b>\$ 5,053</b>	<b>1.3%</b>

### ***Statement of Revenues, Expenses and Changes in Net Assets***

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. All things being equal, a public university's dependency on state appropriations and gifts will result in operating deficits. The Governmental Accounting Standards Board (GASB) requires state appropriations and gifts to be classified as non-operating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

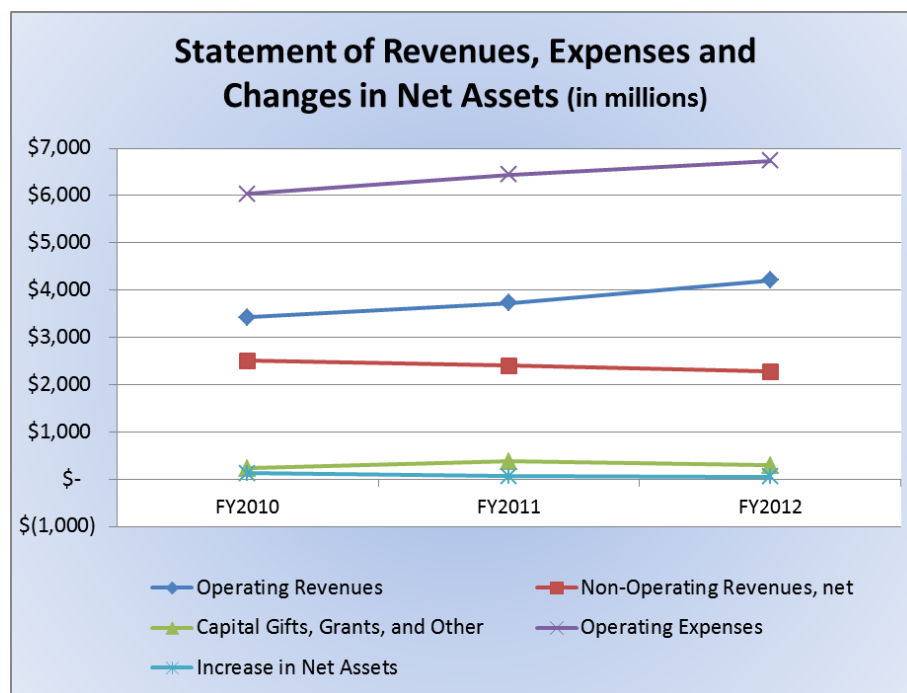
Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of the statement is to present the revenues received by the University System institutions, both operating and non-operating, and the expenses paid by the institutions, operating and non-operating, and any other revenues, expenses, gains or losses received or spent by the University System institutions.

Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the institutions. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institutions. Non-operating revenues are revenues received for which goods and services are not provided. For example, state

appropriations are non-operating because they are provided by the legislature to the University System without the legislature directly receiving commensurate goods or services for those revenues. State capital grants and gifts and other capital grants and gifts are considered neither operating nor non-operating revenues and are reported after “Income before other revenues, expenses, gains or losses.”

The Statement of Revenues, Expenses and Changes in Net Assets indicates a positive year, which is represented by an increase in net assets at the end of the year. Some highlights of the information presented on this statement are as follows:

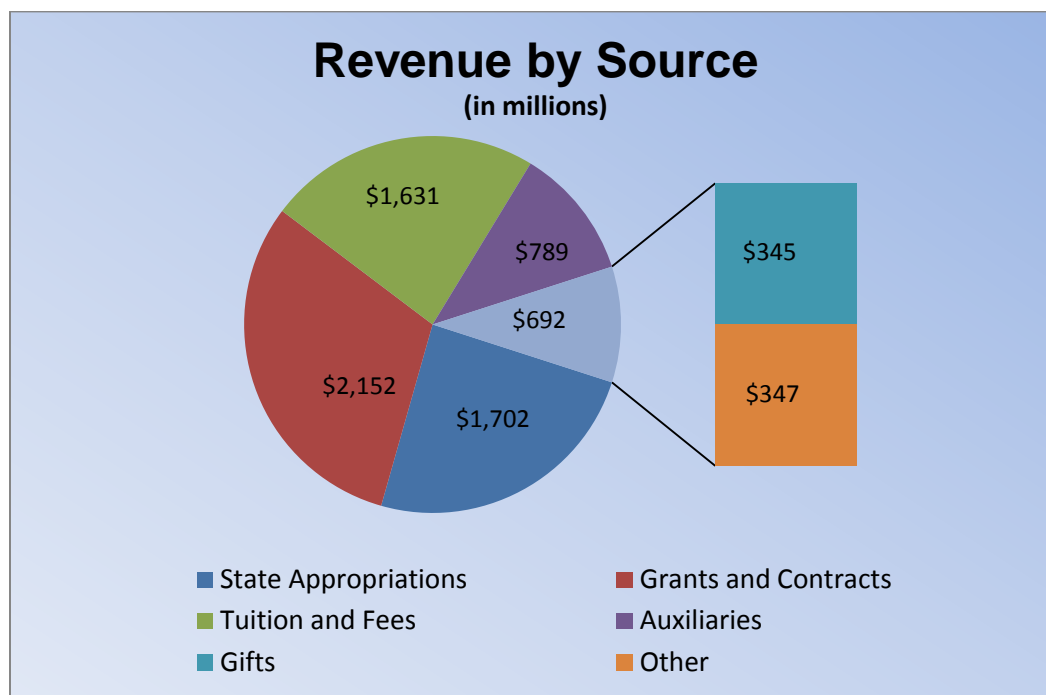
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (in millions)			
	June 30, 2012	June 30, 2011	% Change
Operating Revenue	\$ 4,214	\$ 3,731	12.9%
Operating Expense	6,738	6,439	4.6%
<b>Operating Loss</b>	<b>(2,524)</b>	<b>(2,708)</b>	<b>-6.8%</b>
Non-Operating Revenue and Expense	2,280	2,399	-5%
<b>Income (Loss) before other revenue, expense, gains, losses or other items</b>	<b>(244)</b>	<b>(309)</b>	<b>-21.0%</b>
Other revenue, expense, gains, losses and special items	295	378	-22.0%
<b>Increase in Net Assets</b>	<b>51</b>	<b>69</b>	<b>-26.1%</b>
Net Assets at beginning of year, as originally reported	5,053	4,975	1.6%
Prior Year Adjustments	14	9	55.6%
Net Assets at beginning of year, restated	5,067	4,984	1.7%
<b>Net Assets at end of year</b>	<b>\$ 5,118</b>	<b>\$ 5,053</b>	<b>1.3%</b>





## Revenues

Revenue by source (state appropriations, grants and contracts, tuition and fees, auxiliaries, gifts and other sources) is depicted by the following chart:



State appropriations decreased \$105 million (5.8%) in fiscal 2012. Grants and contracts revenue increased \$145 million (7.2%) in fiscal 2012. This increase is largely attributable to increased Pell grant revenues and increased grant awards.

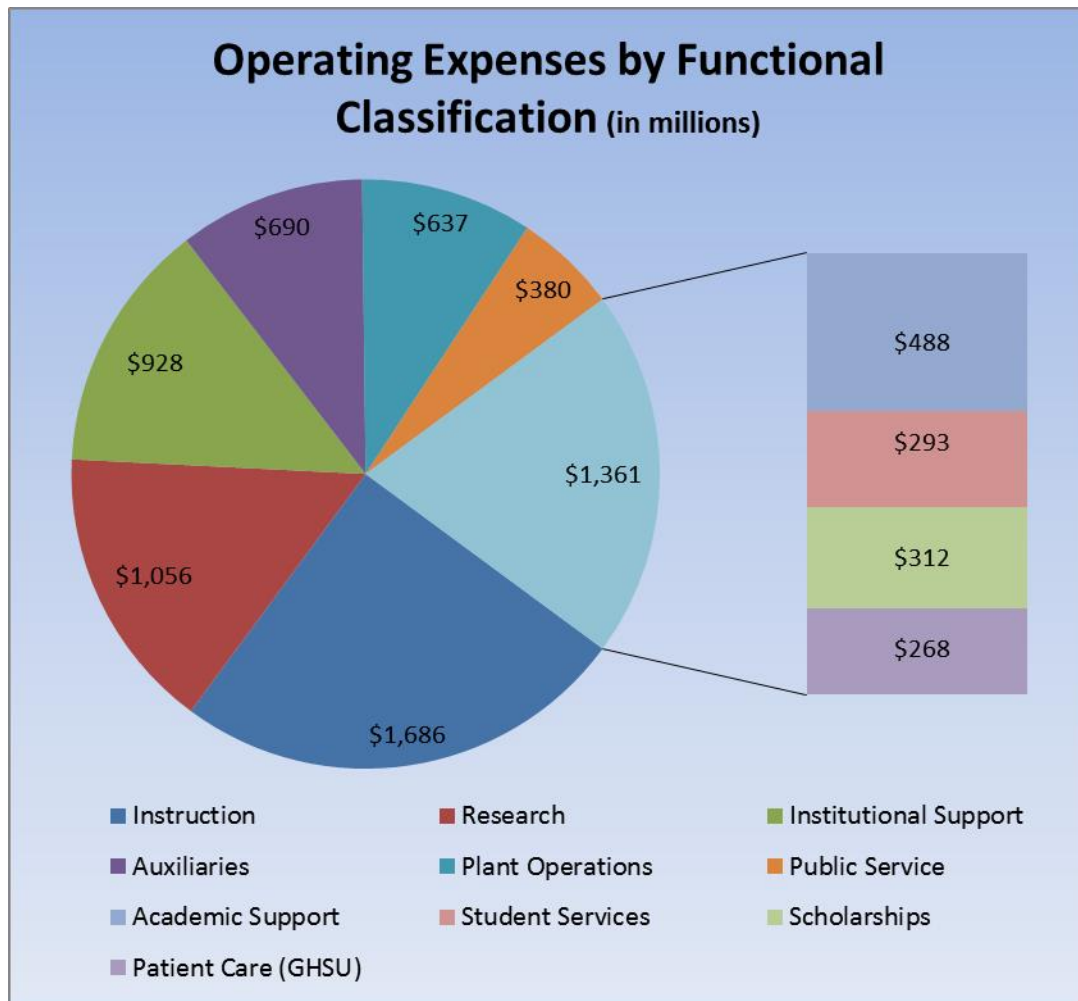
Tuition and fee revenues, net increased \$223 million (15.8%) in fiscal 2012 when compared with fiscal 2011. The tuition and fee increase is attributable to increased enrollment and annual tuition and fee increases, including a mandatory "institutional fee" that was established to partially meet the funding gap created by decreased State appropriations.

Auxiliary operations increased by \$54 million (7.3%) fiscal 2012 as compared to fiscal 2011. Primary components of this increase included residence halls (\$25 million), food services (\$19 million), and intercollegiate athletics (\$10 million).

The gifts revenue category includes both capital and non-capital gifts. The largest element of gift revenue relates to amounts received from the Georgia State Financing and Investment Commission (GSFIC). Institutions with the University System of Georgia receive gift revenue either through reimbursement or capital asset transfer for approved construction, capital additions or maintenance projects.

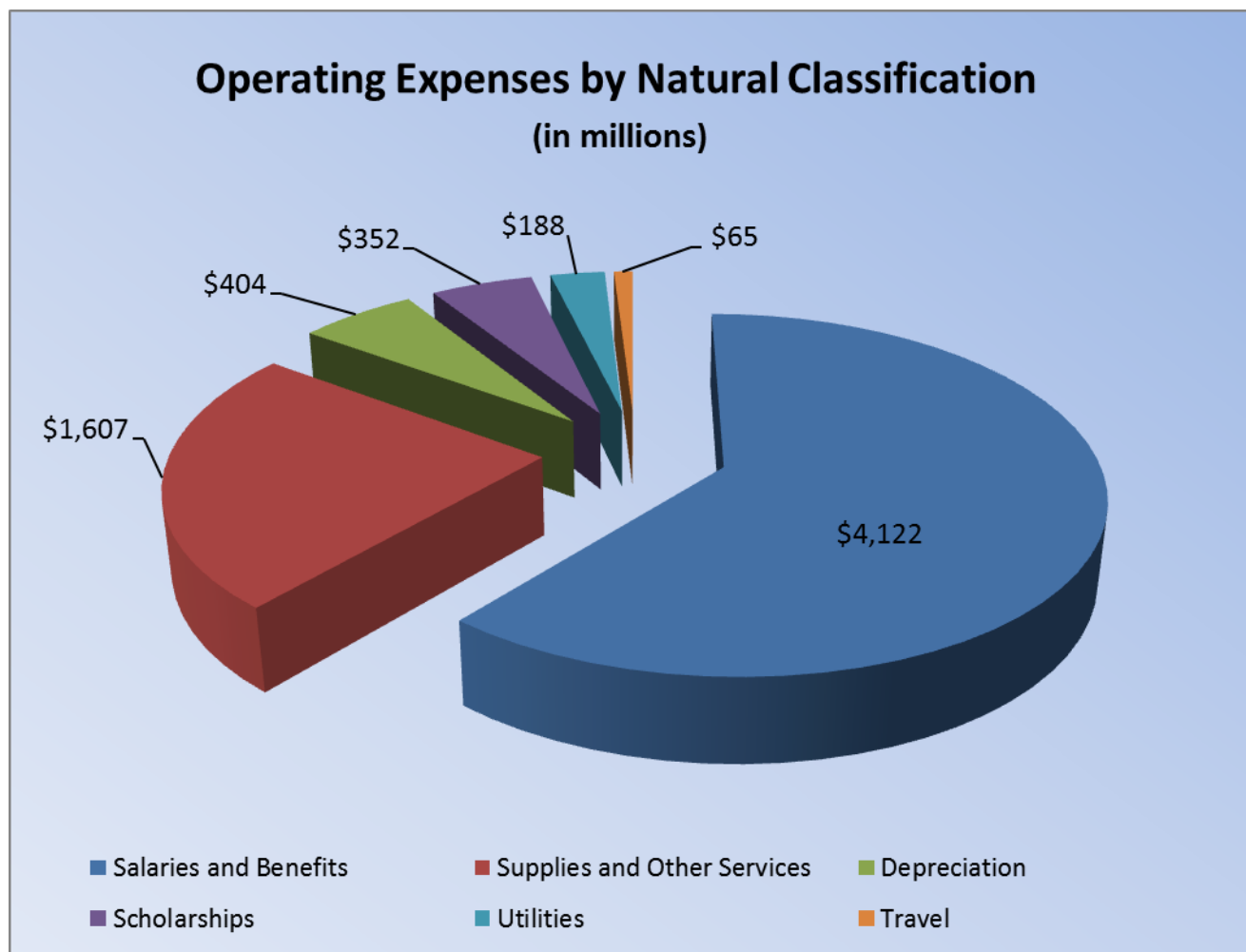
## Expenses

An illustration of total operating expenses by functional classification is provided as follows:



Total operating expenses were \$6,738 million in fiscal 2012, an increase of \$299 million (4.6%) when compared with fiscal 2011. These increases are primarily attributable to the following functional classifications: Institutional Support (\$132 million); Patient Care (Georgia Health Sciences University) (\$73 million); Research (\$54 million); Auxiliaries (\$54 million); Plant Operations and Maintenance (\$48 million); Academic Support (\$29 million); and Student Services (\$12 million). These amounts were partially offset by a decrease in Public Service (\$69 million); Scholarships and Fellowships (\$31 million); and Instruction (\$3 million).

The following depicts the fiscal 2012 operating expenses by natural classification:



As noted above, expenses increased \$299 million (4.6%) in fiscal 2012 when compared with fiscal 2011. The increases were substantially attributable to supplies and services (\$194 million) as well as salaries and benefits, including other personal services (\$106 million) associated with increased enrollment in the University System of Georgia institutions.

### ***Statement of Cash Flows***

The final statement presented by the University System of Georgia is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the University System during the year and is divided into five parts. The first part is concerned with operating cash flows and reflects the net cash used by the various operating activities of the University System. The second section is related to cash flows from non-capital financing activities, which reflects the cash received and spent for non-capital financing purposes. The third section summarizes cash flows from capital and related financing activities and contains cash used for the acquisition and construction of capital



and related items. The fourth section is comprised of the cash flows from investing activities and includes the purchases, proceeds and interest received from investing activities. The fifth, and final, section reconciles the net cash used to the operating income or loss as reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

A summary of the Statement of Cash Flows is provided below:

CONDENSED STATEMENT OF NET CASH FLOWS (in millions)				June 30, 2012	June 30, 2011
<b>Cash Provided (Used) by:</b>					
Operating Activities	\$	(1,853)	\$	(1,989)	
Non-Capital Financing Activities		2,488		2,515	
Capital and Related Financing Activities		(549)		(559)	
Investing Activities		11		(2)	
<b>NET CHANGE IN CASH</b>		<b>97</b>		<b>(35)</b>	
Cash, beginning of year		953		988	
<b>CASH, end of year</b>	<b>\$</b>	<b>1,050</b>	<b>\$</b>	<b>953</b>	

### **Capital Assets**

Capital assets, net of accumulated depreciation, at June 30, 2012 and June 30, 2011 were as follows:

CAPITAL ASSETS, net of accumulated depreciation (in millions)	June 30, 2012	June 30, 2011	Increase (Decrease)	% Change
Land	\$ 322	\$ 311	\$ 11	3.5%
Construction in Progress	202	218	(16)	-7.3%
Infrastructure, Facilities, and Improvements	414	382	32	8.4%
Building and Improvements	5,175	4,822	353	7.3%
Equipment	395	383	12	3.1%
Capital Leases	2,017	1,867	150	8.0%
Library and other collections	215	218	(3)	-1.4%
Software	6	7	(1)	-14.3%
<b>Capital Assets, net of accumulated depreciation</b>	<b>\$ 8,746</b>	<b>\$ 8,208</b>	<b>\$ 538</b>	<b>6.6%</b>

The University System of Georgia increased \$538 million in capital assets, net during fiscal 2012, primarily in the Buildings and Improvements (\$353 million), Capital Lease (\$150 million) and Infrastructure, Facilities and Improvements categories. The amounts include academic buildings, laboratories and related equipment, libraries, student centers, residence halls, sports and recreation centers, building improvements and other facilities necessary to support the mission of the University System of Georgia.

### **Long-Term Debt and Liabilities**

The University System of Georgia had long-term debt and liabilities in fiscal 2012 of \$4.9 billion, excluding related party liabilities and deferred revenue. Non-current liabilities

included lease purchase obligations of \$3.44 billion, compensated absences of \$186.5 million, net OPEB obligation of \$1,278.2 million, and other non-current liabilities of \$1 million. Of these amounts, \$174.8 million was reflected as current liabilities at June 30, 2012.

For additional information concerning long-term debt of the University System of Georgia, please refer to notes 1, 8 and 10 in the Notes to the Financial Statements.

### ***Retiree Health Benefit Fund***

The University System Office is the custodian of the Board of Regents Retiree Health Benefit Fund. This fund was authorized pursuant to the Official Code of Georgia Annotated Section 47-21-21 for the purpose of accumulating funds necessary to meet employer costs of retiree post-employee health insurance benefits.

As noted in the Long-Term Debt and Liabilities section above, the University System of Georgia carries a net OPEB Obligation liability of \$1,278.2 million as of June 30, 2012. The Board of Regents continues to evaluate options to reduce this growing liability.

For additional information concerning the Retiree Health Benefit Fund, please refer to note 14 in the Notes to Financial Statements.

### ***Affiliated Organizations***

System-wide, there were twenty affiliated organizations that met one or more criteria for component units of the State of Georgia in compliance with GASB Statement No. 39. These organizations are reported in the supplementary information section and also are reported in the State Comprehensive Annual Financial Report (CAFR) as discretely presented component units for fiscal 2012.

### ***Economic Outlook***

As Fiscal Year 2012 concluded, the State of Georgia and the nation continued to recover slowly from its greatest recession in 50 years. Recent economic data indicate that the U.S. is on a cycle of slightly stronger gross domestic product (GDP), and employment is growing slowly. State employment is growing at a moderate pace and the housing sector in Georgia appears to be in recovery; however, in fiscal 2013, revenue for the State of Georgia in fiscal 2013 is less than the rate required to meet the existing budget; therefore, the amended FY 2013 budget planning targets for revenue performance have been reduced below growth targets in the original FY 2013 budget. Changes in Georgia's tax code during the 2012 session include key portions of the Governor's initiative to improve Georgia's competitive position in creating and retaining jobs. Current planning estimates for FY 2014 General Fund revenue growth are 3.1% over the amended FY 2013 budget planning estimate; budget recommendations are expected to reflect modest growth in education spending. The University System of Georgia has managed funding reductions carefully in order to minimize the effects of budgetary constraints on students by creating operating efficiencies and controlling costs.

In January 2012, based on the Chancellor's recommendation, the Board of Regents voted to consolidate certain institutions of the University System to enhance and improve educational offerings and student success. All final determinations regarding consolidations will be made by the Board, in consultation with the Chancellor. The following mergers became effective on January 8, 2013: Georgia Health Sciences University consolidated with Augusta State University to form Georgia Regents University; North Georgia College & State University consolidated with Gainesville State College to form University of North Georgia; Macon State College and Middle Georgia College consolidated to form Middle Georgia State College; and South Georgia College and Waycross College consolidated to form South Georgia State College.

Due to strong support from Governor Deal and the Georgia General Assembly, coupled with the leadership of the Board of Regents and Chancellor Huckaby and prudent financial management and planning, the University System of Georgia will continue to improve its academic standing, maintain access for qualified students, and remain affordable to Georgia residents.



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John E. Brown  
Vice Chancellor for Fiscal Affairs and Treasurer  
University System of Georgia



# FINANCIAL STATEMENTS



**UNIVERSITY SYSTEM OF GEORGIA**  
**STATEMENT OF NET ASSETS**  
**June 30, 2012**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 1,044,433,603
Short-term Investments	161,504,573
Accounts Receivable, net (note 3)	
Receivables - Federal Financial Assistance	106,498,017
Receivables - Other	303,074,836
Inventories (note 4)	23,896,334
Prepaid Items	43,183,483
Other Assets	1,065,792
Total Current Assets	<u>\$ 1,683,656,638</u>

**Non-current Assets**

Non-current Cash	5,839,373
Short-term Investments	400,056
Investments (Externally Restricted)	69,881,118
Other Non-current Assets	4,909,400
Investments	80,820,583
Notes Receivable, net	45,780,738
Capital Assets, net (note 6)	8,746,279,608
Total Non-current Assets	<u>\$ 8,953,910,876</u>

**TOTAL ASSETS**

\$ 10,637,567,514

**LIABILITIES**

**Current Liabilities**

Accounts Payable	\$ 155,705,354
Salaries Payable	17,403,386
Benefits Payable	26,750,059
Contracts Payable	25,152,765
Deposits	44,165,102
Deferred Revenue (note 7)	224,983,887
Other Liabilities	18,207,595
Deposits Held for Other Organizations	98,173,534
Lease Purchase Obligations (current portion)	62,736,549
Compensated Absences (current portion)	112,045,522
Total Current Liabilities	<u>\$ 785,323,753</u>

**Non-current Liabilities (note 8)**

Lease Purchase Obligations (noncurrent)	3,372,267,333
Deferred Revenue (noncurrent) and Other Noncurrent Liabilities	8,748,718
Compensated Absences (noncurrent)	74,520,660
Other Liabilities	798,601
Net OPEB Obligation	1,278,146,146
Total Noncurrent Liabilities	<u>\$ 4,734,481,458</u>

**TOTAL LIABILITIES**

\$ 5,519,805,211

**NET ASSETS**

Invested in Capital Assets, net of related debt	\$ 5,305,566,846
Restricted for	
Nonexpendable	148,853,206
Expendable	269,092,856
Capital Projects	12,231,652
Unrestricted	(617,982,257)
TOTAL NET ASSETS	<u>\$ 5,117,762,303</u>

**UNIVERSITY SYSTEM OF GEORGIA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2012**

**OPERATING REVENUES**

Student Tuition and Fees (net of allowance for doubtful accounts)	\$ 2,136,476,757
Less: Scholarship Allowances	(505,388,673)
Federal Appropriations	16,730,378
Grants and Contracts	
Federal	704,949,477
Federal Stimulus	49,948,424
State	241,098,666
Other	478,126,109
Sales and Services	151,719,023
Rents and Royalties	3,844,553
Auxiliary Enterprises	
Residence Halls	300,678,604
Bookstore	76,703,612
Food Services	153,107,074
Parking/Transportation	74,982,885
Health Services	52,706,460
Intercollegiate Athletics	104,998,268
Other Organizations	25,389,737
Other Operating Revenues	148,168,074
Total Operating Revenues	<u>\$ 4,214,239,428</u>

**OPERATING EXPENSES**

Faculty Salaries	\$ 1,306,552,098
Staff Salaries	1,731,923,574
Employee Benefits	1,073,723,930
Other Personal Services	9,914,190
Travel	65,042,721
Scholarships and Fellowships	351,584,751
Utilities	188,136,504
Supplies and Other Services	1,607,206,813
Depreciation	403,989,068
Total Operating Expenses	<u>\$ 6,738,073,649</u>
Operating Income (loss)	<u>\$ (2,523,834,221)</u>



**UNIVERSITY SYSTEM OF GEORGIA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2012**

**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	1,701,823,654
Grants and Contracts	
Federal	589,433,890
Federal Stimulus	27,574,113
State	1,498,747
Other	59,275,597
Gifts	50,156,579
Investment Income (endowments, auxiliary and other)	22,475,807
Interest Expense (capital assets)	(177,980,454)
Other Nonoperating Revenues/Expenses	5,464,066
Net Nonoperating Revenues	<u>\$ 2,279,721,999</u>
Income before other revenues, expenses, gains, or loss	<u>\$ (244,112,222)</u>
Capital Grants and Gifts	
Federal	390,604
State	293,972,391
Other	15,157,080
Special Item - Capital Asset Transfer	(14,970,477)
Total Other Revenues and Special Items	<u>\$ 294,549,598</u>
Increase in Net Assets	<u>\$ 50,437,376</u>

**NET ASSETS**

Net Assets-beginning of year, restated (note 1)	5,067,324,927
Net Assets-End of Year	<u><u>\$ 5,117,762,303</u></u>

**UNIVERSITY SYSTEM OF GEORGIA  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2012**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$ 1,605,261,033
Federal Appropriations	16,861,706
Grants and Contracts (Exchange)	1,481,243,888
Sales and Services of Educational Departments	117,532,158
Payments to Suppliers	(2,652,365,984)
Payments to Employees	(3,021,694,812)
Payments for Scholarships and Fellowships	(345,652,334)
Loans Issued to Students and Employees	(19,142,467)
Collection of Loans to Students and Employees	18,071,790
Auxiliary Enterprise Charges:	784,705,859
Other Receipts (payments)	162,073,756
Net Cash Provided (used) by Operating Activities	<u>\$ (1,853,105,407)</u>

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

State Appropriations	\$ 1,701,823,654
Federal Stimulus - Stabilization Funds	(10,871)
Agency Funds Transactions	88,525,733
Gifts and Grants Received for Other Than Capital Purposes	686,056,140
Principal Paid on Installment Debt	(61,787)
Other Nonoperating Receipts	12,047,884
Net Cash Flows Provided by Non-capital Financing Activities	<u>\$ 2,488,380,753</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital Grants and Gifts Received	\$ 175,245,088
Proceeds from sale of Capital Assets	1,834,599
Purchases of Capital Assets	(495,677,343)
Principal Paid on Capital Debt and Leases	(56,574,587)
Interest Paid on Capital Debt and Leases	(174,057,716)
Net Cash used by Capital and Related Financing Activities	<u>\$ (549,229,959)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales and Maturities of Investments	\$ 8,304,440
Interest on Investments	20,787,546
Purchase of Investments	(17,995,686)
Net Cash Provided (used) by Investing Activities	<u>\$ 11,096,300</u>
Net Increase/Decrease in Cash	<u>\$ 97,141,687</u>
Cash and Cash Equivalents - Beginning of year	<u>953,131,289</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,050,272,976</u>

**UNIVERSITY SYSTEM OF GEORGIA  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2012**

**RECONCILIATION OF OPERATING LOSS TO  
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating Income (loss)	\$ (2,523,834,221)
Provided (used) by Operating Activities	
Depreciation	403,989,068
Change in Assets and Liabilities:	
Receivables, net	15,334,466
Inventories	(1,044,790)
Other Assets	(726,993)
Prepaid items	8,528,550
Notes Receivable, net	(208,618)
Accounts Payable	(3,216,293)
Deferred Revenue	(20,668,284)
Other Liabilities	6,013,176
Compensated Absences	1,981,386
OPEB Obligation, net	260,747,146
	<hr/>
Net Cash Provided (used) by Operating Activities	<u><u>\$ (1,853,105,407)</u></u>

**\*\* NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND  
RELATED FINANCING TRANSACTIONS**

Fixed assets acquired by incurring capital lease obligations	<u><u>\$ 318,665,641</u></u>
Non-capital items acquired by incurring capital lease obligations	<u><u>\$ 930,158</u></u>
Change in fair value of investments recognized as a component of interest income	<u><u>\$ 3,957,391</u></u>
Special Item - Capital Asset Transfer	<u><u>\$ 14,970,477</u></u>
Amortization of bond issuance costs reducing interest paid	<u><u>\$ 839,956</u></u>
Change in accrued interest payable affecting interest paid	<u><u>\$ 3,152,238</u></u>
Gifts other than capital assets reducing proceeds of grants & gifts for other than capital assets	<u><u>\$ 1,756,777</u></u>
Gift of capital assets reducing proceeds of capital grants and gifts	<u><u>\$ 140,102,371</u></u>

**UNIVERSITY SYSTEM OF GEORGIA  
STATEMENT OF FIDUCIARY NET ASSETS  
BOARD OF REGENTS RETIREE HEALTH BENEFIT FUND  
June 30, 2012**

**ASSETS**

Cash and Cash Equivalents	\$ 2,462,742
Receivables	
Employer	<u>7,417,249</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>9,879,991</u></b>

**LIABILITIES**

Benefits payable	<u>9,714,307</u>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>9,714,307</u></b>

**NET ASSETS**

Net assets held in trust for other postemployment benefits	<u>165,684</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u><u>165,684</u></u></b>



**UNIVERSITY SYSTEM OF GEORGIA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**BOARD OF REGENTS RETIREE HEALTH BENEFIT FUND**  
**Year Ended June 30, 2012**

**ADDITIONS**

Contributions	
Employer	\$ 88,836,172
Plan member	28,648,097
Other	12,940,079
Total Contributions	<u>\$ 130,424,348</u>
Investment Income	
Interest/dividends	<u>\$ 159,141</u>
<b>TOTAL ADDITIONS</b>	<u><b>\$ 130,583,489</b></u>

**DEDUCTIONS**

Benefits	\$ 116,642,662
Life Insurance Premium Expense	9,009,169
Administrative expense	4,889,204
Total Deductions	<u>\$ 130,541,035</u>

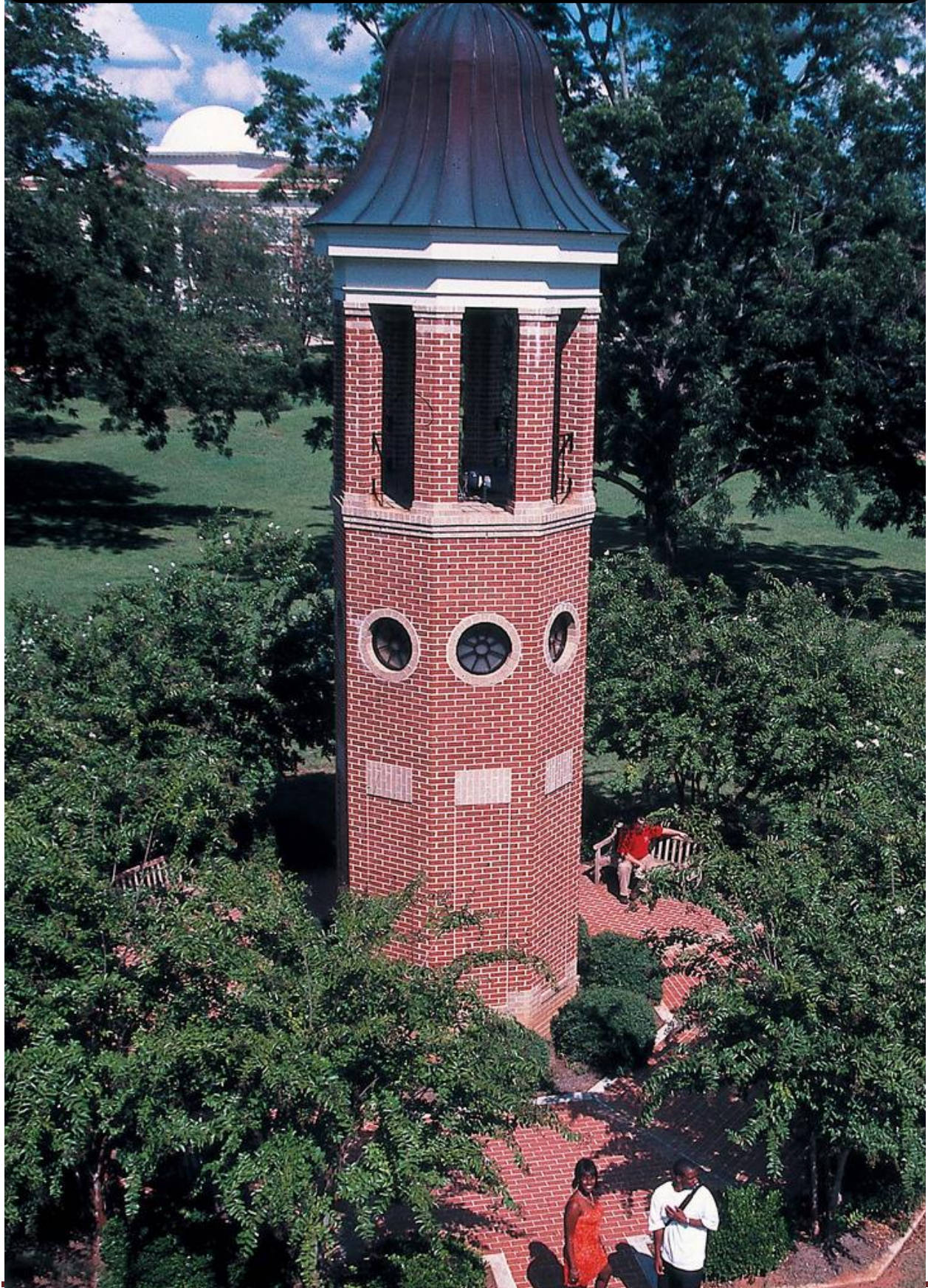
**NET INCREASE/(DECREASE)** **\$ 42,454**

**NET ASSETS HELD IN TRUST FOR OTHER  
POSTEMPLOYMENT BENEFITS**

Beginning of year	<u>123,230</u>
End of year	<u><u>\$ 165,684</u></u>



# NOTES TO THE FINANCIAL STATEMENTS





**UNIVERSITY SYSTEM OF GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**Note 1 Summary of Significant Accounting Policies**

**Nature of Operations**

The University System of Georgia serves the state and national communities by providing its students with academic instruction that advances fundamental knowledge, and by disseminating knowledge to the people of Georgia and throughout the country.

**Reporting Entity**

The University System of Georgia, an organizational unit of the State of Georgia, is comprised of thirty-five (35) State-supported member institutions of higher education in Georgia, the Skidaway Institute of Oceanography and the University System Office. The University System Office also is the custodian of the Board of Regents Retiree Health Benefit Fund.

The Board of Regents has constitutional authority to govern, control and manage the University System of Georgia. This authority includes, but is not limited to, the power to designate management, the ability to significantly influence operations, the authority to control institutions' budgets, the power to determine allotments of State funds to member institutions and the authority to prescribe accounting systems and administrative policies for member institutions. The University System of Georgia does not have authority to retain unexpended State appropriations (surplus) for any given fiscal year. Accordingly, all 35 institutions, the Skidaway Institute of Oceanography and the University System Office are considered organizational units of the Board of Regents of the University System of Georgia reporting entity for financial reporting purposes because of the significance of its legal, operational, and financial relationships with the Board of Regents as defined in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

Legally separate, tax-exempt organizations whose activities primarily support the University System of Georgia, which are organizational units of the State of Georgia, are considered potential component units of the State. See Note 16, Affiliated Organizations, for additional information.

On January 10, 2012, based on the Chancellor's recommendation, the Board of Regents voted to consolidate certain institutions of the University System to enhance and improve educational offerings and student success. All final determinations regarding consolidations will be made by the Board, in consultation with the Chancellor. The following mergers became effective on January 8, 2013: Georgia Health Sciences University consolidated with Augusta State University to form Georgia Regents University; North Georgia College & State University consolidated with Gainesville State College to form University of North Georgia; Macon State College and Middle Georgia College consolidated to form Middle Georgia State

College; and South Georgia College and Waycross College consolidated to form South Georgia State College.

### **Financial Statement Presentation**

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the GASB and are presented as required by these standards to provide a comprehensive, entity-wide perspective of the University System's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

### **Change in Application of Accounting Principle**

During fiscal 2012, institutions of the University System of Georgia changed their method of accounting for summer school expenses to reflect more accurately periodic results of operations between fiscal years. Please refer to the "Restatement of Prior Year Net Assets" of this Note for details by institution of this accounting change.

### **Basis of Accounting**

For financial reporting purposes, the University System of Georgia is considered a special-purpose government engaged only in business-type activities. Accordingly, the University System's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting, except. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-University System transactions have been eliminated.

The University System has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University System of Georgia has elected to not apply FASB pronouncements issued after the applicable date.

### **Cash and Cash Equivalents**

Cash and Cash Equivalents consist of petty cash, demand deposits and time deposits in authorized financial institutions, and cash management pools that have the general characteristics of demand deposit accounts. This includes the State Investment Pool and the Board of Regents Short-Term Investment Pool.

### **Short-Term Investments**

Short-Term Investments consist of investments of 90 days – 13 months. These include certificates of deposits or other time-restricted investments with original maturities of six months or more when purchased. Funds are not readily available and there is a penalty for early withdrawal.

### **Investments**

Investments include financial instruments with terms in excess of 13 months, certain other securities for the production of revenue, land, and other real estate held as investments by endowments. The University System of Georgia accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in



Net Assets. The Board of Regents Legal Fund, the Board of Regents Balanced Income Fund, the Board of Regents Total Return Fund, the Board of Regents Diversified Fund, and the Georgia Extended Asset Pool are included under Investments.

### **Accounts Receivable**

Accounts receivable consists of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty and staff, the majority of whom reside in the State of Georgia. Accounts receivable also includes amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University System's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

### **Inventories**

Consumable supplies are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis. Resale inventories are valued at cost using the average-cost basis.

### **Noncurrent Cash and Investments**

Cash and investments that are externally restricted and cannot be used to pay current liabilities are classified as noncurrent assets in the Statement of Net Assets.

### **Capital Assets**

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University System's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that exceed \$100,000 and/or significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation, which also includes amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, and copyrights, as well as software, is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 60 years for buildings, 20 to 25 years for infrastructure and land improvements, 10 years for library books, and 3 to 20 years for equipment. Residual values will generally be 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

To fully understand plant additions in the University System, it is necessary to look at the activities of the Georgia State Financing and Investment Commission (GSFIC) – an organization that is external to the System. GSFIC issues bonds for and on behalf of the State of Georgia, pursuant to powers granted to it in the Constitution of the State of Georgia and the Act creating the GSFIC. The bonds so issued constitute direct and general obligations of the State of Georgia, to the payment of which the full faith, credit and taxing power of the State are pledged.

For projects managed by GSFIC, the GSFIC retains construction in progress on its books throughout the construction period and transfers the entire project to the institutional unit of the University System when complete. For projects managed by institutions of the University

System, the institutions retain construction in progress on their books and are reimbursed by GSFIC. For the year ended June 30, 2012, GSFIC transferred capital additions valued at approximately \$138,885,549 to institutions of the University System of Georgia.

### **Deposits**

Deposits represent good faith deposits from students to reserve housing assignments in institutional residence halls.

### **Deferred Revenues**

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

### **Compensated Absences**

Employee vacation pay is accrued at the end of the fiscal year for financial statement purposes. The liability and expense incurred are recorded at the end of the fiscal year as compensated absences in the Statement of Net Assets, and as a component of compensation and benefit expense in the Statements of Revenues, Expenses, and Changes in Net Assets. The University System of Georgia had accrued liability for compensated absences in the amount of \$184,609,077 as of July 1, 2011, as restated. The ending balance as of June 30, 2012 in accrued liability for compensated absences was \$186,566,182, which represents an increase of \$1,957,105.

### **Noncurrent Liabilities**

Noncurrent liabilities include (1) liabilities that will not be paid within the next fiscal year; (2) capital lease obligations with contractual maturities greater than one year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as non-current assets.

### **Net Assets**

The University System's net assets are classified as follows:

*Invested in capital assets, net* represents the University System's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt. The term "debt obligations" as used in this definition does not include debt of the GSFIC as discussed previously in Note 1 – Capital Assets section.

*Nonexpendable, restricted net assets* consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The University System may accumulate as much of the annual net income of an institutional fund as is prudent under the standard established by Code Section 44-15-7 of Annotated Code of Georgia.

**Expendable, restricted net assets** include resources in which the University System is legally or contractually obligated to spend resources in accordance with restrictions by external third parties. Expendable, restricted net assets at June 30, 2012 included the following:

Restricted - E&G and Other Organized Activities	\$ 131,665,256
Federal Loans	41,744,843
Institutional Loans	25,736,679
Term Endowments	2,581,613
Quasi-Endowments	10,479,460
Health Insurance Reserve	56,885,005
Total Restricted Expendable	<u>\$ 269,092,856</u>

**Expendable, restricted net assets – capital projects** represents resources for which the University System is legally or contractually obligated to spend resources for capital projects in accordance with restrictions imposed by external third parties.

**Unrestricted net assets** represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University System, and may be used at the discretion of the governing board to meet current expenses for those purposes, except for unexpended state appropriations (surplus). Unexpended state appropriations must be refunded to the Board of Regents of the University System of Georgia, University System Office for remittance to the Office of the State Treasurer. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff. Unrestricted net assets included the following items at June 30, 2012, which are quasi-restricted by management:

R & R Reserve	\$ 167,182,007
Reserve for Encumbrances	289,581,048
Reserve for Inventory	2,845,929
Other Unrestricted	<u>(1,077,591,241)</u>
Total Unrestricted Net Assets	<u>\$ (617,982,257)</u>

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University System's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

### Income Taxes

The University System of Georgia, as a political subdivision of the State of Georgia, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

## **Classification of Revenues and Expenses**

The Statement of Revenues, Expenses and Changes in Net Assets classify fiscal year activity as operating and non-operating according to the following criteria:

*Operating revenue* includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) certain federal, state and local grants and contracts, and (3) sales and services.

*Non-operating revenue* includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenue by GASB No. 9, Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB No. 34, such as state appropriations and investment income.

*Operating expense* includes activities that have the characteristics of exchange transactions.

*Non-operating expense* includes activities that have the characteristics of non-exchange transactions, such as capital financing costs and costs related to investment activity.

## **Scholarship Allowances**

Student tuition and fee revenues, and certain other revenues from students, are reported at gross with a contra revenue account of scholarship allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the University System, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs are recorded as either operating or non-operating revenues in the University System's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University System has recorded contra revenue for scholarship allowances.

## **Special Items**

In fiscal year 2006, the Georgia Public Telecommunications Commission ("the Commission") transferred other property and equipment located at the tower sites through an intergovernmental agreement to the University System Office. This agreement expired in FY 2012 and all equipment was transferred back to the ownership of the Commission. The value of the capital assets transferred to the Commission was \$44,490,058 and the accumulated depreciation was \$29,519,581, for a net value of \$14,970,477. This transfer of assets is noted as a Special Item Transfer on the Statement of Revenues, Expenses and Changes in Net Assets.



## Restatement of Prior Year Net Assets

The following institutions had restatements of prior year balances in FY2012:

Institution	Effect on Beginning Net Assets
Georgia Institute of Technology	\$ (7,712,159)
Georgia State University	11,430,344
Augusta State University	1,324,102
Columbus State University	1,810,030
Fort Valley State University	(1,604,236)
Kennesaw State University	8,275,725
North Georgia College & State University	1,930,451
Dalton State College	(20,564)
Gordon College	41,340
Atlanta Metropolitan College	(613,531)
Bainbridge College	1,138,699
East Georgia College	154,012
Georgia Highlands College	578,457
Georgia Perimeter College	(2,503,710)
South Georgia College	(445,041)
Waycross College	107,536
Total	<u>\$ 13,891,455</u>

Georgia Institute of Technology has a restatement of Prior Year Net Assets for fiscal year 2012 related to Capital Assets and Compensated Absences. In fiscal year 2012, the beginning balance for Capital Assets was restated, reducing Capital Assets, Net by \$7,979,026. The restatement is due to a write-off of Prior Year Construction Work-in-Progress (WIP), an Accounting Correction for Leasehold Improvements and a Correction of Building Cost. In fiscal year 2011, the Institute included \$2,338,396 of construction projects in WIP anticipating that these amounts would be capitalized. It was determined in fiscal year 2012 that these projects were not eligible for capitalization and thus, they were written-off the Institute's accounting records. In fiscal year 2012, the Institute reviewed accounting practices for Leasehold Improvements on real property. During this review, it was determined that \$6,061,948 of leasehold improvements had been incorrectly capitalized on the Institute's books. In fiscal year 2012, Georgia Tech reviewed building costs and determined that the building cost for the G. Wayne Clough Undergraduate Learning Commons was incorrect and needed to be adjusted by \$710,642. These transactions along with accumulated depreciation of \$1,131,961 have been restated on the Institute's accounting records in fiscal year 2012. In fiscal year 2011, the beginning balance for Compensated Absences was restated due to errors with the compensated absences report. The report was thoroughly reviewed and modified in fiscal year 2012, however Georgia Tech recently discovered that a several employees had been inadvertently omitted from the report and several employees had been incorrectly included in the prior year report. The report has been corrected and the beginning balance for Compensated Absences has been restated in fiscal year 2012. Prior Year Net Assets have been increased by \$266,867 due

to this restatement. The net effect of the Capital Assets restatement and the Compensated Absences restatement is a decrease in Prior Year Net Assets of \$7,712,159.

Georgia State University has a restatement of prior year net assets, increasing net assets by \$11,430,344. This is due to a correction of four separate, prior year misstatements. An adjustment to include a portion of prior year summer semester tuition and fees as recognized in the prior year resulted in an increase in prior year net assets of \$23,012,299. An adjustment to a prior year lease amortization schedule resulted in a decrease in prior year net assets and an increase in the lease liability of \$10,749,412. An adjustment to recognize prepaid salary and benefit expenses as expenditures of the prior year resulted in a decrease in prior year net assets of \$3,551,627. An adjustment to increase the University's accounts receivable from the Georgia State Financing and Investment Commission (GSFIC) resulted in an increase in prior year net assets of \$2,719,084. The adjustment to the prior year lease amortization was due to an error in the University's Commons residential housing complex's original amortization schedule. The correction of the schedule resulted in the restatement of prior year net assets. The correction to the GSFIC accounts receivable was due to errors in the prior year encumbrance adjustments. After posting the prior year restatement, the remaining balance in the GSFIC accounts receivable equals the amount necessary to reimburse the University for money expended but not reimbursed. The other two restatements were the result of a change in accounting principle. The University will no longer defer all of summer semester tuition and fees or record summer semester salary and benefit expenditures as prepaid. The University will now recognize all of the May semester and prorate the summer semester tuition and fees based on an allocation of 60% in the current year and 40% in the following year. The allocation was determined based on the number of summer semester days in each fiscal year.

During fiscal year 2012, Augusta State University changed its method of accounting for summer school revenues and expenses to more accurately reflect periodic results of operations between fiscal years. The effects of the change resulted in a net decrease of revenues over expenses of \$ 1,324,102 for current year activity. Prior period net assets have also been restated by \$1,324,102 to properly reflect the effect of this change on beginning balances.

During fiscal year 2012, Columbus State University changed its method of accounting for summer school revenues and expenses to more accurately reflect periodic results of operations between fiscal years. The effects of the change resulted in a net increase of revenues over expenses of \$2,670,782 for current year activity. Prior period net assets have also been restated by \$1,810,030 to properly reflect the effect of this change on beginning balances.

For fiscal year 2012, Fort Valley State University made a variety of prior period adjustments due to various errors or omissions, which required restatement of net assets. This was partially attributable to unrecorded accounts payable of \$759,147. Also, during fiscal year 2012, Fort Valley State University changed its method of accounting for summer school revenues and expenses to more accurately reflect periodic results of operations between fiscal years. The effect of the accounting method change resulted in a decrease in prior period net assets of \$845,089. The net result of these changes is an overall decrease in

net assets of \$1,604,236 at July 1, 2011. These changes are in accordance with generally accepted accounting principles.

During fiscal year 2012, Kennesaw State University changed its method of accounting for summer school revenues and expenses to more accurately reflect periodic results of operations between fiscal years. The effects of the change resulted in a net decrease of revenues over expenses of \$1.4 million for current year activity. Prior period net assets have been restated by \$8,275,725 to properly reflect the effect of this change on beginning balances.

During fiscal year 2012, North Georgia College & State University changed its method of accounting for summer school revenues and expenses to more accurately reflect periodic results of operations between fiscal years. The effects of the change resulted in a net increase of revenues over expenses of \$1,930,451 for prior year activity. Prior period net assets have been restated to properly reflect the effect of this change on beginning balances.

During fiscal year 2012, Dalton State College changed its method of accounting for summer school revenues and expenses to more accurately reflect periodic results of operations between fiscal years. The effects of the change resulted in a net decrease of revenues over expenses of \$20,564 for prior year activity. Prior period net assets have been restated to properly reflect the effect of this change on beginning balances.

Gordon College had a restatement of prior year net assets increasing beginning net assets by \$41,340. This is due equipment that was inaccurately recorded in the prior year.

During fiscal year 2012, Atlanta Metropolitan State College changed its method of accounting for summer school revenues and expenses to more accurately reflect periodic results of operations between fiscal years. The effects of the change resulted in a net decrease of revenues over expenses of \$499,424 for current year activity. Prior period net assets have also been restated by \$613,531 to properly reflect the effect of this change on beginning balances.

During fiscal year 2012, Bainbridge College changed its method of accounting for summer school revenues and expenses to more accurately reflect periodic results of operations between fiscal years. The effects of the change resulted in a net decrease of \$1,138,699 for current year activity. Prior period net assets have been restated to properly reflect the effect of this change on beginning balances.

During fiscal year 2012, East Georgia State College changed its method of accounting for summer school revenues and expenses to more accurately reflect periodic results of operations between fiscal years. The effects of the change resulted in a net decrease of revenues over expenses of \$154,012. Prior period net assets have been restated to properly reflect the effect of this change on beginning balances.

During fiscal year 2012, Georgia Highlands College changed its method of accounting for summer school revenues and expenses to more accurately reflect periodic results of

operations between fiscal years. The effects of the change resulted in a net decrease of revenues under expenses of \$578,457 for prior year activity. Prior period net assets have been restated to properly reflect the effect of this change on beginning balances.

Georgia Perimeter College had a restatement of prior year net assets, decreasing beginning net assets by \$2,503,710 based on an analysis of capital assets completed during fiscal 2012. The adjustment was comprised of:

Prior Year Depreciation Expense understated	(\$2,671,867)
Prior Year Library Collections understated	<u>168,157</u>
Total Prior Year Adjustment	<u>(\$2,503,710)</u>

During fiscal year 2012, South Georgia College changed its method of accounting for summer school revenues and expenses to more accurately reflect periodic results of operations between fiscal years. The effects of the change resulted in a net increase of revenues under expenses of \$445,041 for prior year activity. Prior period net assets have been restated to properly reflect the effect of this change on beginning balances.

During fiscal year 2012, Waycross College changed its method of accounting for summer school revenues and expenses to more accurately reflect periodic results of operations between fiscal years. The effects of the change resulted in a net increase of revenues over expenses of \$107,536 for prior year activity. Prior period net assets have been restated to properly reflect the effect of this change on beginning balances.

The College of Coastal Georgia had a statement of prior year capital assets and long-term liabilities, decreasing each by \$741,980, which was due to a recalculation of the asset cost and related lease liability in fiscal year 2012 for the residential housing building added in the prior year. The University of Georgia Real Estate LLC Foundation recalculated their receivables for the public/private venture projects from the GHEFA III bond issue and subsequently restated the values of the asset and the long-term liability. This restatement does not affect prior year net assets.

## **Note 2 Deposits and Investments**

### **A. Deposits**

The custodial credit risk for deposits is the risk that in the event of a bank failure, the University System's deposits may not be recovered. Funds belonging to the State of Georgia (and thus the University System of Georgia) cannot be placed in a depository paying interest longer than ten days without the depository providing a surety bond to the State. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the Official Code of Georgia Annotated Section 50-17-59:

1. Bonds, bills, notes, certificates of indebtedness, or other direct obligations of the United States or of the State of Georgia.



2. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.
3. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.
4. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.
5. Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association and the Federal National Mortgage Association.
6. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

The Treasurer of the Board of Regents is responsible for all details relative to furnishing the required depository protection for all units of the University System of Georgia.

At June 30, 2012, the carrying value of deposits was \$446,898,393 and the bank balance was \$528,226,890. Of the University System's deposits, \$431,333,925 was uninsured; however, these uninsured deposits were collateralized with securities held by the financial institution's trust department or agent in the University System's name.

## **B. Investments**

The University System of Georgia maintains an investment policy which fosters sound and prudent judgment in the management of assets to ensure safety of capital consistent with the fiduciary responsibility each institution has to the citizens of Georgia and which conforms to Board of Regents investment policy. All investments are consistent with donor intent, Board of Regents policy, and applicable federal and state laws.

The University System's investments as of June 30, 2012 are presented below. All investments are presented by investment type and debt securities are presented by maturity.

Investment type	Fair Value	Investment Maturity			
		Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Debt Securities					
U.S. Treasuries	\$ 6,695,521	\$ 909,796	\$ 1,247,205	\$ 4,400,386	\$ 138,134
U.S. Agencies - Explicitly Guaranteed	41,739,564	387	650,462	30,064,688	11,024,027
U.S. Agencies - Implicitly Guaranteed	390,012,453	7,537,400	42,724,581	53,905,213	285,845,259
Bond Securities	28,817,950		15,741,098	8,149,831	4,927,021
Corporate Bonds - Domestic	136,391		6,557	66,188	63,646
Corporate Debt	2,799,086	277,583	1,467,806	1,051,909	1,788
General Obligation Bonds	1,112,581	30,150	212,632	492,252	377,547
Municipal Obligation	5,000	5,000			
Mutual Funds - Bonds	17,734,457	961,056	4,243,045	12,507,116	23,240
Repurchase Agreements	27,274,989	27,274,989			
	<u>\$ 516,327,992</u>	<u>\$ 36,996,361</u>	<u>\$ 66,293,386</u>	<u>\$ 110,637,583</u>	<u>\$ 302,400,662</u>
Other Investments					
Bond/Equity Mutual Funds	14,616,447				
Bond/Equity Mutual Funds - International	222,520				
Corporate Debt - International	282,760				
Mutual Funds - Equity	17,782,544				
Mutual Funds - Equity - Domestic	268,309				
Mutual Funds - Equity - International	430,628				
Equity Securities - Domestic	86,311,257				
Equity Securities - International	3,057,431				
Real Estate Held for Investments	5,708,942				
Real Estate Investment Fund	7,287,276				
Cash Surrender Value	10,330				
Money Market	4,977,484				
Investment Pools					
Office of the State Treasurer					
Georgia Fund 1	246,957,734				
Georgia Extended Asset Pool	<u>6,789,376</u>				
	<u>\$ 911,031,030</u>				

The Georgia Fund 1 Investment Pool, managed by the Office of the State Treasurer, is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This investment is valued at the pool's share price, \$1.00 per share. The Georgia Fund 1 Investment Pool is an AAAM rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is 48 days at June 30, 2012.

The Georgia Extended Asset Pool, managed by the Office of the State Treasurer, is not registered with the Securities and Exchange Commission as an investment company. Net Asset Value (NAV) is calculated daily to determine current share price, which was \$2.00 at June 30, 2012. The Georgia Extended Asset Pool is an AA+f rated investment pool by Standard and Poor's. The Effective Duration of the Fund for the month of June, 2012 is 0.33 years.

The University System Office serves as fiscal agent for various units of the University System of Georgia and cooperative organizations. The University System Office pools the monies of these organizations with the University System Office's monies for investment purposes. The University System Office cannot allocate pool investments between the internal (University System) and external (cooperative organizations) investment pool portions. The investment pool is not registered with the SEC as an investment company. The fair value of the investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns.

The University System Office maintains investment policy guidelines for each pooled investment fund that is offered to qualified University System participants. These policies are intended to foster sound and prudent responsibility each institution has to the citizens of Georgia and which conforms to the Board of Regents investment policy. All investments must be consistent with donor intent, Board of Regents policy, and applicable Federal and state laws.

Units of the University System of Georgia and their affiliated organizations may participate in the Pooled Investment Fund program. The overall character of the pooled fund portfolio should be one of above average quality, possessing at most an average degree of investment risk.

The Regents' Investment Pool funds are described below. Investment fund balances within the University System have been eliminated in this report, with the underlying investment instruments of the pools reported instead.

### **Short Term Fund**

The Short Term fund provides a current return and stability of principal while affording a means of overnight liquidity for projected cash needs. The investment maturities of the fund will range between daily and two years.

### **Legal Fund**

The Legal fund provides an opportunity for greater income and modest principal growth to the extent possible with the securities allowed under Georgia Code 50-17-59 and 50-17-63. The average maturity of this fund will typically range between five and ten years, with a maximum of thirty years for any individual investment. The overall character of the portfolio should be one of treasury and agency quality, possessing virtually no degree of financial risk.

### **Balanced Income Fund**

The Balanced Income fund is designed to be a vehicle to invest funds that are not subject to the state regulations concerning investing in equities. This fund is comprised of fixed income, equity and cash equivalent instruments.

The equity allocation range shall be between 30% and 40%, with a target of 35% of the total portfolio. The fixed income (bond) portion of the portfolio shall be between 60% and 70%, with a target of 65% of the total portfolio. Reserves for contingencies and stock and bond purchases are expected to comprise the balance of the fund. Reserves and excess income

should be invested at all times in practical amounts. Reserves can be invested in high quality institutional money market mutual funds or other high quality, short term instruments.

### **Total Return Fund**

The Total Return fund is another pool designed to be a vehicle to invest funds that are not subject to state regulations concerning investing in equities. This pool offers the greatest percentage of overall equity exposure, with well over half of the funds typically invested in equities.

The equity allocation range shall be between 60% and 70%, with a target of 65% of the total portfolio. The fixed income (bond) portion of the portfolio shall be between 30% and 40%, with a target of 35% of the total portfolio. Reserves for contingencies and stock and bond purchases are expected to comprise the balance of the fund. Reserves and excess income should be invested at all times in practical amounts. Reserves can be invested in high quality institutional money market mutual funds or other high quality, short term instruments.

### **Diversified Fund**

The Diversified fund is designed to gain further diversification and increase exposures to assets that have lower correlation to equity and bond markets by utilizing alternative asset classes. In addition, this fund is constructed to build an optimal portfolio where return is increased and risk is reduced.

The equity allocation range shall be between 50% and 75% of the portfolio. The fixed income (bond) portion of the portfolio shall be between 20% and 40%. The portfolio may also consist of Hedge Funds, Real Estate and Venture Capital/Private Equity/Post Venture Capital.

Hedge Funds – The investment approach to this asset class is to use a multi-strategy, multi-manager fund of hedge funds. The Board of Regents believes that a fund of fund strategy will provide the best access to a highly diversified pool of hedge fund strategies and managers.

Real Estate – The Board of Regents' approach to investing in this asset class is to use real estate investment trusts (REITs). REITs are more liquid than owning commercial real estate and diversification can be achieved by purchasing a mutual fund.

Venture Capital/Private Equity/Post Venture Capital – This asset class is the riskiest and most volatile permitted investment opportunity. This asset should be considered as an additional diversification investment strategy due to the low correlation with stock and bonds.

Reserves for contingencies and stock and bond purchases are expected to comprise the balance of the fund. Reserves and excess income should be invested at all times in practical amounts. Reserves can be invested in high quality, institutional money market mutual funds or other high quality, short term instruments.

Condensed financial information for the investment pool is as follows:

Assets		Additions	
Investments	\$ 456,112,030	Pool Participant Deposits	\$ 155,023,509
Accrued Interest	904,512	Investment Income	8,585,264
		Fair Value Decreases	(269,901)
Net Assets	<u>\$ 457,016,542</u>	Less: Investment Expense	<u>(747,867)</u>
Distribution of Net Assets		Total Additions	\$ 162,591,005
External Participant Account Balance	\$ 40,565,927		
Internal Participant Account Balance	<u>416,450,615</u>	Deductions	
		Pool Participant Withdrawals	<u>(37,547,383)</u>
Total Distribution	<u>\$ 457,016,542</u>	Net Increase (Decrease)	\$ 125,043,622
		Net Assets	
		July 1, 2011	<u>331,972,920</u>
		June 30, 2012	<u>\$ 457,016,542</u>

### ***Investment Risks:***

#### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Board of Regents policy for managing interest rate risk is contained in the investment policy guidelines for the various pooled funds:

1. In the Short Term fund, the average maturity of the fixed income portfolio shall not exceed three years.
2. In all the other pooled funds, the average maturity of the fixed income portfolio shall not exceed ten years.
3. Fixed income investments, except in the Diversified Fund, shall be limited to US government agency and corporate debt instruments that meet investment eligibility under Georgia Code 50-17-63.
4. The fixed income target allocation is defined in the investment policy guidelines for each pooled investment fund. These targets may be modified upon recommendation of the fund's investment manager and approval by the Board of Regents.

#### **Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the University System of Georgia will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The University System of Georgia's policy for managing custodial credit risk for investments is:



1. The University System has appointed a federally regulated banking institution as custodian. The custodian performs its duties to the standards of a professional custodian and is liable to the University System of Georgia for claims, losses, liabilities and expenses arising from its failure to exercise ordinary care, its willful misconduct, or its failure to otherwise act in accordance with the contract.
2. All securities transactions are to be settled on a delivery vs. payment basis through an approved depository institution such as the Depository Trust Company or the Federal Reserve.
3. Repurchase agreements are to be collateralized by United States Treasury securities at 102% of the market value of the investment at all times.

At June 30, 2012, \$534,619,184 of the University System of Georgia's applicable investments was uninsured and held by the investment's counterparty in the University System's name.

#### **Credit Quality Risk**

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University System of Georgia's policy for managing credit quality risk is contained in the investment policy guidelines for the various pooled investment funds:

1. In all pooled funds except the Diversified Fund, all debt issues must be eligible investments under Georgia Code 50-17-63. Portfolios of debt security funds also must meet the eligible investment criteria under the same code section.
2. The Diversified Fund is permitted to invest in non-investment grade debt issues up to a limit of 15% of the entire portfolio.
3. The portfolio shall be well diversified as to issuer and maturity.

The University System investments subject to credit quality risk follow:

	Fair Value	AAA	AA	AA+	AA-	A+	A-	A
Related Debt Investments								
U.S.Treasuries	\$ 6,695,521	\$ 366,286		\$ 6,329,235				
U. S. Agencies	390,012,453	11,857,407						
Bond Securities	28,817,950							
Corporate Bonds - Domestic	136,391	5,226	14,624	8,143	6,810	18,381	40,915	10,423
Corporate Debt	2,799,086	10,452	225,188	191,420	149,357	255,625	494,542	1,090,830
General Obligation Bonds	1,112,581	1,112,581						
Municipal Obligation	5,000	5,000						
Mutual Funds - Bonds	17,734,457	548,044	3,901					7,411,625
Repurchase Agreements	27,274,989	27,274,989						
	<u>\$ 474,588,428</u>	<u>\$ 41,179,985</u>	<u>\$ 243,713</u>	<u>\$ 6,528,798</u>	<u>\$ 156,167</u>	<u>\$ 274,006</u>	<u>\$ 535,457</u>	<u>\$ 8,512,878</u>

	Aaf	Af	A-f	B	BBB++	BBB-	BBB+	BBB	Unrated
Related Debt Investments									
U.S.Treasuries									
U. S. Agencies									378,155,046
Bond Securities	3,681,538	8,149,831	9,891,744		7,094,837				
Corporate Bonds - Domestic						4,393	13,006	14,470	
Corporate Debt						56,964	182,247	129,290	13,171
General Obligation Bonds									
Municipal Obligation									
Mutual Funds - Bonds		880,383	911,082	3,702,381				264,229	4,012,812
Repurchase Agreements									
	<u>\$ 3,681,538</u>	<u>\$ 9,030,214</u>	<u>\$ 10,802,826</u>	<u>\$ 3,702,381</u>	<u>\$ 7,094,837</u>	<u>\$ 61,357</u>	<u>\$ 195,253</u>	<u>\$ 407,989</u>	<u>\$ 382,181,029</u>

### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Investment	Amount	% of Total
Federal National Mortgage Association	\$ 272,894,369	30.0%
Federal Home Loan Mortgage Corporation	\$ 107,521,998	11.8%

### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University System's policy for managing exposure to foreign currency credit risk is:

1. The Diversified Fund is the only pooled investment fund authorized to hold foreign investments. The current approved asset allocation target for international equity is 0 – 10% and for global fixed income is 0 – 10%.
2. The Diversified Fund is subject to exchange rate risk on these investments, which does ultimately impact performance.
3. The market value of all international investments is reported in United States Dollars.
4. Direct currency hedging is not permissible under the current investment policy guidelines.

At June 30, 2012, \$11,739,961, or 1.285% of total investments, was invested in international equity mutual funds.

### **Note 3 Accounts Receivable**

Accounts receivable consisted of the following at June 30, 2012:

Student Tuition and Fees	\$ 58,528,620
Auxiliary Enterprises and Other Operating Activities	20,040,174
Federal Financial Assistance	106,498,017
Georgia State Financing and Investment Commission	15,057,960
Due from Component Units	140,451,204
Other	89,015,117
	<u>429,591,092</u>
Less: Allowance for Doubtful Accounts	20,018,239
Net Accounts Receivable	<u><u>\$ 409,572,853</u></u>

### **Note 4 Inventories**

Inventories consisted of the following at June 30, 2012:

Bookstore	\$ 17,729,105
Food Services	500,756
Physical Plant	1,780,324
Other	3,886,149
	<u>23,896,334</u>
Total	<u><u>\$ 23,896,334</u></u>

### **Note 5 Notes/Loans Receivable**

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2012. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The Federal government reimburses the University System for amounts cancelled under these provisions. As the University System determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The University System has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2012, the allowance for uncollectible loans was \$8,557,834.

## Note 6 Capital Assets

Changes in capital assets for the year ended June 30, 2012 are shown below:

	Restated Beginning Balance June 30, 2011	Special Item Transfer	Additions	Reductions	Ending Balance June 30, 2012
Capital Assets, Not Being Depreciated:					
Land	\$ 311,419,416	\$ (200,000)	\$ 10,832,689		\$ 322,052,105
Capitalized Collections	40,548,614		596,781	25,000	41,120,395
Construction Work-in-Progress	216,022,078		188,892,795	202,675,953	202,238,920
Total Capital Assets Not Being Depreciated	567,990,108	(200,000)	200,322,265	202,700,953	565,411,420
Capital Assets, Being Depreciated:					
Infrastructure	258,282,430		29,687,029		287,969,459
Building and Building Improvements	6,762,885,740	(217,978)	541,532,523	10,173,999	7,294,026,286
Facilities and Other Improvements	314,832,656		24,915,219	3,342,456	336,405,419
Equipment	1,258,645,862	(16,540,308)	122,665,624	53,727,152	1,311,044,026
Capital Leases	2,129,987,879	(32,366,773)	232,067,933	3,895,831	2,325,793,208
Library Collections	747,794,628		28,978,404	2,988,813	773,784,219
Capitalized Collections	7,283,630		35,484	7,500	7,311,614
Software	15,526,211	4,835,001			20,361,212
Total Assets Being Depreciated	11,495,239,036	(44,290,058)	979,882,216	74,135,751	12,356,695,443
Less: Accumulated Depreciation					
Infrastructure	82,311,865		8,523,018	14,796	90,820,087
Buildings	1,948,429,571	(9,810)	177,702,551	7,262,700	2,118,859,612
Facilities and Other improvements	109,827,554		9,781,147	78,589	119,530,112
Equipment	876,561,067	(3,275,626)	94,097,075	51,556,784	915,825,732
Capital Leases	263,480,124	(31,069,146)	79,766,080	3,098,299	309,078,759
Library Collections	577,010,542		32,852,630	3,275,755	606,587,417
Capitalized Collections	728,176		139,398	6,648	860,926
Software	8,302,440	4,835,001	1,127,169		14,264,610
Total Accumulated Depreciation	3,866,651,339	(29,519,581)	403,989,068	65,293,571	4,175,827,255
Total Capital Assets, Being Depreciated, Net	7,628,587,697	(14,770,477)	575,893,148	8,842,180	8,180,868,188
Capital Assets, net	\$ 8,196,577,805	\$ (14,970,477)	\$ 776,215,413	\$ 211,543,133	\$ 8,746,279,608

## Note 7 Deferred Revenue

Deferred revenue (current portion) consisted of the following at June 30, 2012:

Prepaid Tuition and Fees	\$ 125,512,212
Research	44,600,204
Other Deferred Revenue	54,871,471
Total	<u>\$ 224,983,887</u>

## Note 8 Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Restated Beginning Balance June 30, 2011	Additions	Reductions	Ending Balance June 30, 2012	Current Portion
Leases					
Lease Obligations	\$ 3,179,437,398	\$ 313,046,529	\$ 57,480,045	\$ 3,435,003,882	\$ 62,736,549
Other Liabilities					
Compensated Absences	184,609,077	129,582,727	127,625,622	186,566,182	112,045,522
Net OPEB Obligation	1,017,399,000	260,747,146		1,278,146,146	
US DOE Settlement (Ft Valley)	61,787		61,787		
Notes & Loans					
Other Liabilities	925,631	111,759	119,154	918,236	119,635
Total	1,202,995,495	390,441,632	127,806,563	1,465,630,564	112,165,157
Total Long-Term Obligations	\$ 4,382,432,893	\$ 703,488,161	\$ 185,286,608	\$ 4,900,634,446	\$ 174,901,706

## Note 9 Significant Commitments

The University System of Georgia had significant unearned, outstanding construction or renovation contracts executed in the amount of \$139,330,434 as of June 30, 2012, which are not reflected in the accompanying basic financial statements.

Institution	Commitment Amount	Project
Abraham Baldwin Agricultural College	\$ 5,955,742	Construction and renovation contracts
Augusta State University	1,734,866	Construction and renovation contracts
Clayton State University	1,214,947	Construction and renovation contracts
College of Coastal Georgia	801,556	Construction and renovation contracts
East Georgia College	373,885	Construction and renovation contracts
Fort Valley State University	712,283	Construction and renovation contracts
Georgia College & State University	4,052,572	Construction and renovation contracts
Georgia Gwinnett College	33,796,853	Construction and renovation contracts/Athletic Complex PPV lease
Georgia Health Sciences University	1,257,008	Construction and renovation contracts
Georgia Institute of Technology	16,871,703	Construction and renovation contracts
Georgia Southern University	9,187,596	Construction and renovation contracts
Georgia State University	22,214,598	Construction and renovation contracts
Kennesaw State University	7,653,491	Construction and renovation contracts
North Georgia College & State University	23,017,441	Construction and renovation contracts
University of Georgia	188,016	Construction and renovation contracts
University of West Georgia	6,687,371	Construction and renovation contracts
Valdosta State University	3,610,506	Construction and renovation contracts
	<u>\$139,330,434</u>	



## Note 10 Lease Obligations

The University System of Georgia is obligated under various operating leases for the use of real property (land, buildings, and office facilities) and equipment, and also is obligated under capital leases and installment purchase agreements for the acquisition of real property.

### Capital Leases

The University System of Georgia is obligated under approximately \$3.44 billion in capital lease liability as of June 30, 2012. Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between fiscal 2013 and 2047. Expenditures for fiscal year 2012 were \$237,562,595, of which \$177,980,454 represented interest. Total principal reductions on capital leases were \$57,480,045 for the fiscal year ended June 30, 2012. Interest rates range from 2.62 percent to 29.88 percent.

The following is a summary of the carrying values of assets held under capital lease at June 30, 2012:

Description	Gross Amount	Accumulated Depreciation	Assets Held Under Capital Lease, Net at June 30, 2012
Land	\$ 50,979,290	-	\$ 50,979,290
Infrastructure	56,562,798	(11,173,644)	45,389,154
Equipment	67,951,629	(50,767,885)	17,183,744
Buildings	3,529,948,536	(425,371,424)	3,104,577,112
Facilities and Improvements	7,688,963	(1,667,622)	6,021,341
Total Assets Held Under Capital Lease at June 30, 2012	<u>\$3,713,131,216</u>	<u>\$ (488,980,575)</u>	<u>\$ 3,224,150,641</u>

Certain capital leases provide for renewal and/or purchase options. Generally purchase options at bargain prices of one dollar are exercisable at the expiration of the lease terms.

### Operating Leases

The University System of Georgia's non-cancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2013 through 2047. Certain operating leases provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. All agreements are cancellable if the State of Georgia does not provide adequate funding, but that is considered a remote possibility. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis; examples of property under operating leases are real property, copiers and other small business equipment. System-wide real property and equipment operating lease expense for fiscal 2012 was \$35,187,458.

Future commitments for capital leases, which here and on the Statement of Net Assets include other installment purchase agreements, and for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2012, are as follows:

Year Ending June 30:	Year	Capital Leases	Operating Leases
2013	1	\$ 248,843,456	\$ 33,122,602
2014	2	253,215,772	7,070,368
2015	3	253,612,233	6,526,565
2016	4	254,974,723	6,196,711
2017	5	293,597,193	4,098,384
2018 through 2022	6-10	1,319,614,852	12,994,802
2023 through 2027	11-15	1,336,537,461	9,599,435
2028 through 2032	16-20	1,253,697,715	5,742,406
2033 through 2037	21-25	894,873,870	258,609
2038 through 2042	26-30	306,984,648	107,100
2043 through 2047	31-35	926,651	
Total minimum lease payments		6,416,878,574	<u>\$ 85,716,982</u>
Less: Interest		2,802,769,193	
Less: Executory costs (if paid)		179,105,499	
Principal Outstanding		<u>\$ 3,435,003,882</u>	

## Note 11 Retirement Plans

The University System of Georgia participates in various retirement plans administered by the State of Georgia under two major retirement systems: Employees' Retirement System of Georgia (ERS System) and Teachers Retirement System of Georgia. These two systems issue separate, publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained from the respective system offices. The significant retirement plans that the University System of Georgia participates in are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

### Employees' Retirement System of Georgia

The ERS System is comprised of individual retirement systems and plans covering substantially all employees of the State of Georgia except for teachers and other employees covered by the Teachers Retirement System of Georgia. One of the ERS System plans, the Employees' Retirement System of Georgia (ERS), is a cost-sharing, multiple-employer, defined-benefit pension plan that was established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees and has the powers and privileges of a corporation. ERS acts pursuant to statutory direction and guidelines, which may be amended prospectively for new hires, but

for existing members and beneficiaries may be amended in some aspects only subject to potential application of certain constitutional restraints against impairment of contract.

On November 20, 1997, the Board created the Supplemental Retirement Benefit Plan (SRBP-ERS) of ERS. SRBP-ERS was established as a qualified, governmental-excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of ERS. The purpose of the SRBP-ERS is to provide retirement benefits to employees covered by ERS whose benefits are otherwise limited by IRC Section 415. Beginning January 1, 1998, all members and retired former members in ERS are eligible to participate in the SRBP-ERS whenever their benefits under ERS exceed the limitation on benefits imposed by IRC Section 415.

The benefit structure of ERS is established by the Board of Trustees under statutory guidelines. Unless the employee elects otherwise, an employee who currently maintains membership with ERS based upon State employment that started prior to July 1, 1982, is an “old plan” member subject to the plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are “new plan” members subject to the modified plan provisions. Effective January 1, 2009, newly hired State employees, as well as rehired State employees who did not maintain eligibility for the “old” or “new” plan, are members of the Georgia State Employees’ Pension and Savings Plan (GSEPS). ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to the GSEPS plan.

Under the old plan, new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. There also are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon a formula adopted by the Board of Trustees for such purpose. The formula considers the monthly average of the member’s highest 24 consecutive calendar months of salary, the number of years of creditable service, and the member’s age at retirement. Post-retirement cost-of-living adjustments may be made to members’ benefits provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member’s monthly pension, at reduced rates, to a designated beneficiary upon the member’s death. Death and disability benefits are also available through ERS.

Member contribution rates are set by law. Member contributions under the old plan are 4% of annual compensation up to \$4,200 plus 6% of annual compensation in excess of \$4,200. Under the old plan, the University System of Georgia pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these University System of Georgia contributions are included in the members’ accounts for refund purposes and are used in the computation of the members’ earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The University System of Georgia is required to contribute at a specified percentage of active member payroll established by the Board of Trustees determined annually in accordance with actuarial valuation and minimum funding standards

as provided by law. These University System of Georgia contributions are not at any time refundable to the member or the member's beneficiary.

Employer contributions required for fiscal year 2012 were based on the June 30, 2009 actuarial valuation as follows:

Old Plan*	11.63%
New Plan	11.63%
GSEPS	7.42%

\*6.88% exclusive of contributions paid by the employer on behalf of old plan members

Members become vested after ten years of service. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contributions, the member forfeits all rights to retirement benefits.

### **Teachers Retirement System of Georgia**

The Teachers Retirement System of Georgia (TRS) is a cost-sharing, multiple-employer, defined-benefit plan created in 1943 by an act of the Georgia General Assembly to provide retirement benefits for qualifying employees in educational service. A Board of Trustees comprised of active and retired members and ex-officio State employees is ultimately responsible for the administration of TRS.

On October 25, 1996, the Board created the Supplemental Retirement Benefit Plan of the Georgia Teachers Retirement System (SRBP-TRS). SRBP-TRS was established as a qualified, governmental-excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of TRS. The purpose of SRBP-TRS is to provide retirement benefits to employees covered by TRS whose benefits are otherwise limited by IRC Section 415. Beginning July 1, 1997, all members and retired former members in TRS are eligible to participate in the SRBP-TRS whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

TRS provides service retirement, disability retirement, and survivor's benefits. The benefit structure of TRS is defined and may be amended by State statute. A member is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. A member is eligible for early retirement after 25 years of creditable service.

Normal retirement (pension) benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60 or by 7% for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed that certain cost-of-living adjustments, based on the Consumer Price Index, will be made in future years. Retirement benefits are payable monthly for life. A member may elect to

receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Death, disability and spousal benefits also are available.

TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2012 were 5.53% of annual salary. Employer contributions required for fiscal year 2012 were 10.28% of annual salary as required by the June 30, 2009 actuarial valuation.

The following table summarizes the University System of Georgia contributions by defined benefit plan for the years ending June 30, 2012, June 30, 2011, and June 30, 2010:

Fiscal Year	ERS		TRS	
	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
2012	\$ 896,604	100%	\$ 148,193,749	100%
2011	\$ 709,947	100%	\$ 143,479,581	100%
2010	\$ 654,124	100%	\$ 135,512,616	100%

## Regents Retirement Plan

### Plan Description

The Regents Retirement Plan (Plan) is a single-employer, defined-contribution plan. This optional retirement Plan was authorized pursuant to OCGA Section 47-21-1 and administered by the Board of Regents of the University System of Georgia. O.C.G.A. 47-3-68(a) defines who may participate in the Plan. An "eligible university system employee" is a faculty member or a principal administrator as designated by the regulations of the Board of Regents. Under the Plan, a Plan participant may purchase annuity contracts from four approved vendors (AIG-VALIC, American Century, Fidelity, and TIAA-CREF) for the purpose of receiving retirement and death benefits. Benefits depend solely on amounts contributed to the plan plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the annuity contracts.

### Funding Policy

The University System of Georgia makes monthly employer contributions for the Plan at rates adopted by the Teachers Retirement System of Georgia Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2012, the employer contribution was 9.24% for the participating employee's earned compensation. Employees contribute 5% of their earned compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

The University System of Georgia and the covered employees made the required contributions of \$101,304,998 (9.24%) and \$55,487,095 (5%), respectively.



AIG-VALIC, American Century, Fidelity, and TIAA-CREF have separately issued financial reports that may be obtained through their respective corporate offices.

## **Georgia Defined Contribution Plan**

### **Plan Description**

The University System of Georgia participates in the Georgia Defined Contribution Plan (GDCP), which is a single-employer, defined-contribution plan established by the General Assembly of Georgia for the purpose of providing retirement coverage for State employees who are temporary, seasonal, or part-time and are not members of a public retirement or pension system. GDCP is administered by the Board of Trustees of the Employees' Retirement System of Georgia.

### **Benefits**

A member may retire and elect to receive periodic payments after attainment of age 65. The payments will be based upon mortality tables and interest assumptions adopted by the Board of Trustees. If a member has less than \$3,500 credited to his/her account, the Board of Trustees has the option of requiring a lump sum distribution to the member in lieu of making periodic payments. Upon death of a member, a lump sum distribution equaling the amount credited to the member's account will be paid to the member's designated beneficiary(ies). Benefit provisions are established by State statute.

### **Contributions**

Member contributions are 7.5% of gross salary. There are no employer contributions. Contribution rates are established by State statute. Earnings are credited to each member's account in a manner established by the Board of Trustees. Upon termination of employment, the amount of the member's account is refundable upon request by the member.

Total contributions made by employees during fiscal year 2012 were \$9,324,377, which represents 7.5% of covered payroll. These contributions met the requirements of the plan.

The Georgia Defined Contribution Plan issues a financial report each fiscal year, which may be obtained from the ERS offices.

## **Note 12 Risk Management**

The University System of Georgia offers its employees and retirees access to three different self-insured healthcare plan options. Effective January 1, 2012, The Blue Cross Blue Shield of Georgia PPO and HDHP plan names were changed to BCBS Open Access PPO and HAS/HDHP Open Access POS, respectively; both plans will use the Blue Cross Blue Shield Open Access POS network. Also effective January 1, 2012, the Consumer Choice Option was eliminated and the Blue Cross Blue Shield of Georgia HMO and the Kaiser Permanente HMO were frozen for new enrollment for active employees only; the Senior Advantage Plan 65+ remained open for new enrollment.

The University System of Georgia and participating employees and retirees pay premiums to either of the self-insured healthcare plan options to access benefits coverage. The respective self-insured healthcare plan options are included in the financial statements of the Board of Regents of the University System of Georgia – University System Office. All units of the University System of Georgia share the risk of loss for claims associated with these plans. The reserves for these plans are considered to be a self-sustaining risk fund. The Board of Regents has contracted with Blue Cross Blue Shield of Georgia, a wholly owned subsidiary of WellPoint, to serve as the claims administrator for the self-insured healthcare plan products. In addition to the self-insured healthcare plan options offered to the employees of the University System of Georgia, a fully insured HMO healthcare plan option is also offered to System employees through Kaiser.

A reconciliation of total estimated claim liabilities for employees and retirees for the fiscal years ended June 30, 2012 and June 30, 2011 is provided below:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>Employees:</b>		
Unpaid Claims and Claim Adjustments (Prior Year IBNR)	\$ 23,289,175	\$ 15,654,000
Incurring Claims and Claim Adjustments Expenses - Provisions for Insured Events of the Current Year	318,490,596	239,141,227
Payments - Claims and Claim Adjustments Attributable To Insured Events of the Current Year and Prior Years	<u>315,510,469</u>	<u>231,506,052</u>
Unpaid Claims and Claim Adjustments (Current Year IBNR)	<u>\$ 26,269,302</u>	<u>\$ 23,289,175</u>
<b>Retirees:</b>		
Unpaid Claims and Claim Adjustments (Prior Year IBNR)	\$ 7,539,783	\$ 6,756,000
Incurring Claims and Claim Adjustments Expenses - Provisions for Insured Events of the Current Year	117,510,071	103,337,394
Payments - Claims and Claim Adjustments Attributable To Insured Events of the Current Year and Prior Years	<u>115,335,547</u>	<u>102,553,611</u>
Unpaid Claims and Claim Adjustments (Current Year IBNR)	<u>\$ 9,714,307</u>	<u>\$ 7,539,783</u>

The Department of Administrative Services (DOAS) has the responsibility for the State of Georgia of making and carrying out decisions that will minimize the adverse effects of accidental losses that involve State government assets. The State believes it is more economical to manage its risks internally and set aside assets for claim settlement. Accordingly, DOAS processes claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, unemployment compensation, and law enforcement officers' indemnification. Limited amounts of commercial insurance are purchased applicable to property, employee and automobile liability, fidelity and certain other risks. The University System of Georgia is part of the State of Georgia reporting entity and, as such, is covered by the State of Georgia risk management program administered by DOAS. Premiums for the risk management program are charged to the various state organizations by DOAS to provide claims servicing and claims payment.

A self-insured program of professional liability for its employees was established by the Board of Regents of the University System of Georgia under powers authorized by the Official Code of Georgia Annotated Section 45-9-1. The program insures the employees to the extent that they are not immune from liability against personal liability for damages arising out of the performance of their duties or in any way connected therewith. The program is administered by DOAS as a Self-Insurance Fund.

As of June 30, 2012, three University System of Georgia institutions had projects or events that met one of the five obligating events related to recognition of pollution remediation.

**Georgia Institute of Technology** (the Institute) is responsible for pollution remediation, including asbestos abatement, for all Institute facilities. Asbestos abatement is performed during renovation/construction projects when deemed necessary by Institute management. As of June 30, 2012, the Institute recorded a liability and expense in the amount of \$145,486 for asbestos abatement projects in various Institute structures. The liability was determined using the Expected Cash Flow Measurement Technique, which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. The Institute does not anticipate significant changes to the expected remediation outlay. There are not expected recoveries that have reduced the liability. Pollution remediation liability activity in fiscal 2012 was as follows:

<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>	<u>Current Portion</u>
\$ 195,387	\$ 145,486	\$ 195,387	\$ 145,486	\$ 145,486

**The University of Georgia** is responsible for pollution remediation at the Milledge Avenue landfill site and has recorded a liability and expense related to this pollution remediation in the amount of \$918,236. The liability was determined using a 5-year budget estimate provided by environmental engineers and consultants. The University does not anticipate significant changes to the expected remediation outlay. There are not expected recoveries that have reduced the liability. Pollution remediation liability activity in fiscal 2012 was as follows:

<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>	<u>Current Portion</u>
\$ 925,631	\$ 111,759	\$ 119,154	\$ 918,236	\$ 119,635

**Georgia Health Sciences University** is responsible for asbestos abatement as a small part of the costs for various projects. The University has recorded a liability and expense related to this pollution remediation of \$2,992. The liability is the remaining amount of project abatement costs at June 30, 2012. The University does not anticipate significant changes to the expected remediation outlay. There are not expected recoveries that have reduced the liability. Pollution remediation liability activity in fiscal 2012 was as follows:

<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Current</u> <u>Portion</u>
\$ -	\$ 11,527	\$ 8,535	\$ 2,992	\$ 2,992

### **Note 13 Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. This could result in refunds to the grantor agency for any expenditures that are disallowed under grant terms. The amount of expenditures that may be disallowed by the grantor cannot be determined at this time, although the University System of Georgia expects such amounts, if any, to be immaterial to its overall financial position.

Litigation, claims and assessments filed against the University System of Georgia, if any, generally are considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the State of Georgia Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012.

### **Note 14 Post-Employment Benefits Other Than Pension Benefits**

#### **Plan Description**

The Board of Regents Retiree Health Benefit Fund (the "Plan") is a single-employer, defined-benefit, healthcare plan administered by the Board of Regents (BOR). The plan was authorized pursuant to Official Code of Georgia Annotated (OCGA) Section 47-21-21 for the purpose of accumulating funds necessary to meet employer costs of retiree post-employment health insurance benefits.

Pursuant to the general powers conferred by the OCGA Section 20-3-31, the BOR has established group health and life insurance programs for regular employees of the University System of Georgia (USG). It is the policy of the BOR to permit employees of the USG eligible for retirement or who become permanently and totally disabled to continue as members of the group health and life insurance programs. The policies of the BOR define and delineate who is eligible for these post-employment health and life insurance benefits.

Membership of the Plan consisted of the following at June 30, 2012:

	Fiscal Year Ended 6/30/2012
Retirees and beneficiaries receiving benefits	20,870
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	39,449
Total	60,319

### Summary of Significant Accounting Policies

The financial statements of the Plan are prepared using the accrual basis of accounting. Employer contributions are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

### Funding Policy

The contribution requirements of Plan members and the USG are established and may be amended by the BOR. The Plan is substantially funded on a “pay-as-you-go” basis; however, amounts above this basis may be contributed annually, either by specific appropriation or by BOR designation.

Organizational units of the BOR pay the employer portion for group insurance for eligible retirees. The employer portion of health insurance for its eligible retirees is based on rates that are established annually by the BOR for the upcoming plan year. For the 2012 plan year, the employer rate was between 70-75% of the total health insurance cost for eligible retirees and the retiree rate was between 25-30%. The employer covers the total cost for \$25,000 of basic life insurance. If an individual elects to have supplemental and/or dependent life insurance coverage, such costs are borne entirely by the retiree.

In fiscal year 2012, the USG contributed \$88,836,172 to the Plan for current premiums or claims; Plan members receiving benefits contributed \$28,648,097.

As of June 30, 2012, there were 88 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2012, the USG recognized as incurred \$430,807 of expenditures, which was net of \$200,516 in participant contributions.

### Annual OPEB Cost and Net OPEB Obligation

The USG’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.



The following table presents the components of the annual OPEB cost, the amount contributed, changes in the net OPEB obligation, and the percentage of annual OPEB cost contributed for the Plan in FY 2012, 2011, and 2010 (dollars in millions):

	Fiscal Year Ended 6/30/2012	Fiscal Year Ended 6/30/2011	Fiscal Year Ended 6/30/2010
Annual required contribution	\$ 345.3	\$ 411.5	\$ 381.7
Interest on net OPEB obligation	45.80	31.50	17.80
Adjustment to annual required contribution	(41.50)	(45.30)	(25.20)
Annual OPEB cost (expense)	349.60	397.70	374.30
Less: Contributions made	(88.80)	(80.20)	(69.90)
Increase in net OPEB obligation	260.80	317.50	304.40
Net OPEB obligation - beginning of year	1,017.40	699.90	395.50
Net OPEB obligation - end of year	\$ 1,278.2	\$ 1,017.4	\$ 699.9
Percentage of annual OPEB cost contributed	25.4%	20.2%	18.7%

### Funded Status, Funding Progress, and Actuarial Methods and Assumptions

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2009	\$10,566,000	\$3,129,508,000	\$3,118,942,000	0.3%	\$2,399,532,000	130.0%
7/1/2010	\$122,538	\$3,384,099,942	\$3,383,977,404	0.0%	\$2,432,366,796	139.1%
7/1/2011	\$123,230	\$3,494,501,238	\$3,494,378,008	0.0%	\$2,526,211,986	138.3%

Actuarial valuations of the ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress with multi-year trend information is presented as required supplementary information. The multi-year trend schedules indicate whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation is as follows:

Valuation date	7/1/2011
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of payroll, closed
Remaining amortization period	30 years
Asset Valuation Method	Market Value
<b>Actuarial assumptions:</b>	
Investment rate of return	4.50%
Salary growth	3.00%
Salary scale	4.00%
Inflation rate	2.50%
Healthcare cost trend rate - initial	
Pre-Medicare eligible	8.00%
Medicare eligible	7.50%
Ultimate trend rate	
Pre-Medicare eligible	4.50%
Medicare eligible	4.50%
Year of ultimate trend rate	2027

Please note that the investment rate of return percentage can change.

## Note 15 Natural Classifications with Functional Classifications

The University's operating expenses by functional classification for FY2012 are shown below:

Natural Classification	Functional Classification					
	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support
Faculty	\$ 844,598,777	\$ 307,579,927	\$ 32,975,254	\$ 44,012,009	\$ 1,847,743	\$ 11,977,921
Staff	288,285,355	278,978,162	153,058,663	208,979,708	148,842,668	255,276,011
Benefits	383,122,184	169,689,376	69,059,379	91,213,670	52,547,301	140,669,167
Personal Services	447,948	64,587	625,459	700,311	203,736	7,184,331
Travel	17,166,708	25,385,725	6,222,465	5,485,435	3,465,630	4,291,017
Scholarships and Fellowships	6,340,870	3,574,336	2,184,398	317,612	4,149,113	2,051,889
Utilities	5,600,589	3,630,821	3,155,476	3,218,556	2,315,205	6,413,732
Supplies and Others Services	73,502,781	199,864,094	106,970,024	85,666,125	62,950,951	469,918,544
Depreciation	66,699,517	66,844,548	6,053,238	48,516,524	16,302,715	30,515,837
Total Expenses	<u>\$ 1,685,764,729</u>	<u>\$ 1,055,611,576</u>	<u>\$ 380,304,356</u>	<u>\$ 488,109,950</u>	<u>\$ 292,625,062</u>	<u>\$ 928,298,449</u>

Natural Classification	Functional Classification				
	Plant Operations & Maintenance	Scholarships & Fellowships	Auxiliary Enterprises	Patient Care (GHSU Only)	Total Expenses
Faculty	\$ (745,184)	\$ -	\$ 3,054,476	\$ 61,251,175	\$ 1,306,552,098
Staff	172,521,445	95,340	154,088,374	71,797,848	1,731,923,574
Benefits	71,929,680	67,968	53,118,257	42,306,948	1,073,723,930
Personal Services	(8,783,482)	578,675	8,892,577	48	9,914,190
Travel	450,825	1,007	2,274,410	299,499	65,042,721
Scholarships and Fellowships	-	311,377,679	21,588,854	-	351,584,751
Utilities	127,018,601	210	36,424,876	358,438	188,136,504
Supplies and Others Services	206,230,268	158,870	310,256,847	91,688,309	1,607,206,813
Depreciation	68,494,553	1,286	100,560,850	-	403,989,068
Total Expenses	<u>\$ 637,116,706</u>	<u>\$ 312,281,035</u>	<u>\$ 690,259,521</u>	<u>\$ 267,702,265</u>	<u>\$ 6,738,073,649</u>

## Note 16 Affiliated Organizations

Under Board of Regents policy, each individual institution may establish a separate foundation, or affiliated organization, to provide valuable assistance in fundraising, public outreach and other support for the missions of the respective campus and the University System. Although independent boards govern these foundations, their assets are dedicated for the benefit of the related institution and the University System of Georgia.

These affiliated organizations are private, non-profit organizations that report under either Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*, or Governmental Accounting Standards Board (GASB) standards, including Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38. For the organizations reporting under the FASB basis, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

Summarized financial statements for these affiliated organizations are included in the Supplementary Information.

Information for obtaining complete financial statements for these organizations can be found within the respective institution's annual financial reports.

The following affiliated organizations were considered significant for reporting purposes to the State of Georgia and were considered component units of the State of Georgia.

Component Units of the State of Georgia	Fiscal Year Ending	Reporting Basis
Georgia Tech Foundation, Inc.	June 30, 2012	FASB
Georgia Tech Athletic Association	June 30, 2012	GASB
Georgia Tech Research Corporation	June 30, 2012	GASB
Georgia Tech Facilities, Inc.	June 30, 2012	FASB
Georgia State University Foundation, Inc.	June 30, 2012	FASB
Georgia State University Research Foundation, Inc.	June 30, 2012	GASB
MCG Health, Inc./MCG Health Systems, Inc. (blended)	June 30, 2012	GASB
Medical College of Georgia Foundation, Inc.	June 30, 2012	FASB
Medical College of Georgia Physicians Practice Group Foundation	June 30, 2012	FASB
University of Georgia Foundation	June 30, 2012	FASB
University of Georgia Athletic Association, Inc.	June 30, 2012	GASB
University of Georgia Research Foundation, Inc.	June 30, 2012	GASB
Georgia Southern University Housing Foundation, Inc.	June 30, 2012	FASB
VSU Auxiliary Services Real Estate Foundation, Inc.	December 31, 2011	FASB
Armstrong Atlantic State University Educational Properties, Inc.	December 31, 2011	FASB
Kennesaw State University Foundation, Inc.	June 30, 2012	FASB
Georgia College and State University Foundation, Inc.	June 30, 2012	FASB
University System of Georgia Foundation, Inc.	June 30, 2012	FASB
North Georgia College & State University Real Estate Foundation, Inc.	June 30, 2012	FASB



# SUPPLEMENTARY INFORMATION





**UNIVERSITY SYSTEM OF GEORGIA**  
**CONDENSED STATEMENT OF NET ASSETS BY INSTITUTION**  
**June 30, 2012**

Institution	Assets				
	Current Assets	Noncurrent Cash/ Investments	Capital Assets	Other Assets	Total Assets
Georgia Institute of Technology	\$233,264,543	\$60,627,620	\$1,704,209,166	\$11,712,050	\$2,009,813,379
Georgia State University	193,743,348	337,992	814,108,726	6,381,757	1,014,571,823
Georgia Health Sciences University	74,624,343	113,523,543	390,079,684	3,336,520	581,564,090
University of Georgia	355,517,464	74,978,328	1,548,954,168	9,246,179	1,988,696,139
Georgia Southern University	59,500,468	2,521,159	435,291,595	7,563,678	504,876,900
Valdosta State University	34,244,410	12,672,040	327,718,574	74,033	374,709,057
Albany State University	17,267,839		160,770,279	379,208	178,417,326
Armstrong Atlantic State University	22,610,538	2,676,717	159,644,954	11,354	184,943,563
Augusta State University	13,635,508	463,751	101,515,758	610,641	116,225,658
Clayton State University	13,905,316	1,290,529	129,342,032	62,590	144,600,467
Columbus State University	25,078,634	2,664,632	150,892,734	1,175,234	179,811,234
Fort Valley State University	6,479,351	49,552	153,334,122	1,467,115	161,330,140
Georgia College & State University	26,249,302	6,011,578	180,255,409	2,472,800	214,989,089
Georgia Southwestern State University	12,177,765	521,870	86,550,908	833,809	100,084,352
Kennesaw State University	70,779,760	918,345	351,497,804	476,863	423,672,772
North Georgia College & State University	20,820,575	2,611,618	207,741,575	1,317,189	232,490,957
Savannah State University	16,356,278	4,845,944	150,266,978	923,306	172,392,506
Southern Polytechnic State University	16,362,869	3,204,133	177,383,781	165,232	197,116,015
University of West Georgia	51,102,796	401,704	218,741,747	2,124,093	272,370,340
Abraham Baldwin Agricultural College	10,453,719		82,363,853	303,740	93,121,312
College of Coastal Georgia	4,100,065	102,253	81,929,133	3,474	86,134,925
Dalton State College	6,472,435		34,107,703		40,580,138
Gainesville State College	15,196,827		74,340,271		89,537,098
Georgia Gwinnett College	13,288,664		214,873,524		228,162,188
Gordon State College	14,087,426		75,721,371		89,808,797
Macon State College	10,517,888	1,301,969	107,652,243		119,472,100
Middle Georgia College	14,026,696	1,162,083	122,704,303		137,893,082
Atlanta Metropolitan State College	5,297,981		24,280,933		29,578,914
Bainbridge College	7,430,959	682,769	53,341,825		61,455,553
Darton State College	8,517,638		79,769,319		88,286,957
East Georgia State College	4,994,128		32,233,486		37,227,614
Georgia Highlands College	7,171,973	31,769	55,371,972		62,575,714
Georgia Perimeter College	11,840,842	44,705	163,963,710		175,849,257
South Georgia College	2,170,382	150,000	50,413,232	49,273	52,782,887
Waycross College	1,920,629	281,742	9,214,316		11,416,687
Skidaway Institute of Oceanography	929,503		10,168,764		11,098,267
University System Office	549,094,066	8,394,960	25,529,656	1,838,469	584,857,151
Elimination/Consolidation Entries	(267,576,290)	(145,532,175)		(1,838,469)	(414,946,934)
<b>Total</b>	<b>\$1,683,656,638</b>	<b>\$156,941,130</b>	<b>\$8,746,279,608</b>	<b>\$50,690,138</b>	<b>\$10,637,567,514</b>

**UNIVERSITY SYSTEM OF GEORGIA**  
**CONDENSED STATEMENT OF NET ASSETS BY INSTITUTION**  
**June 30, 2012**

Institution	Liabilities		
	Current Liabilities	Noncurrent Liabilities	Total Liabilities
Georgia Institute of Technology	\$160,082,916	\$514,917,349	\$675,000,265
Georgia State University	67,770,158	385,194,231	452,964,389
Georgia Health Sciences University	127,024,485	40,706,927	167,731,412
University of Georgia	137,046,591	292,121,777	429,168,368
Georgia Southern University	26,927,862	167,271,743	194,199,605
Valdosta State University	17,633,027	212,794,134	230,427,161
Albany State University	4,647,730	79,401,474	84,049,204
Armstrong Atlantic State University	7,510,969	101,212,138	108,723,107
Augusta State University	5,570,006	30,676,692	36,246,698
Clayton State University	7,060,591	77,902,488	84,963,079
Columbus State University	11,902,949	86,433,759	98,336,708
Fort Valley State University	6,077,952	83,211,913	89,289,865
Georgia College & State University	10,001,706	139,043,248	149,044,954
Georgia Southwestern State University	4,541,743	38,926,175	43,467,918
Kennesaw State University	30,756,568	174,597,531	205,354,099
North Georgia College & State University	8,998,904	145,804,175	154,803,079
Savannah State University	5,409,273	97,075,650	102,484,923
Southern Polytechnic State University	9,272,484	87,734,060	97,006,544
University of West Georgia	14,753,025	113,412,911	128,165,936
Abraham Baldwin Agricultural College	5,369,644	46,042,694	51,412,338
College of Coastal Georgia	3,067,781	27,571,915	30,639,696
Dalton State College	2,362,219	7,342,119	9,704,338
Gainesville State College	2,570,916	12,348,129	14,919,045
Georgia Gwinnett College	5,999,103	169,802,028	175,801,131
Gordon State College	3,368,601	32,622,380	35,990,981
Macon State College	4,786,681	13,524,488	18,311,169
Middle Georgia College	3,789,156	62,507,871	66,297,027
Atlanta Metropolitan State College	1,903,434	535,444	2,438,878
Bainbridge College	2,527,421	20,631,258	23,158,679
Darton State College	4,629,597	46,002,475	50,632,072
East Georgia State College	1,562,570	8,584,161	10,146,731
Georgia Highlands College	2,295,744	16,529,140	18,824,884
Georgia Perimeter College	17,722,299	79,434,517	97,156,816
South Georgia College	1,324,960	37,347,292	38,672,252
Waycross College	429,422	80,134	509,556
Skidaway Institute of Oceanography	502,839	363,153	865,992
University System Office	464,595,465	15,067,157	479,662,622
Elimination/Consolidation Entries	(406,473,038)	1,269,706,728	863,233,690
<b>Total</b>	<b>\$785,323,753</b>	<b>\$4,734,481,458</b>	<b>\$5,519,805,211</b>

**UNIVERSITY SYSTEM OF GEORGIA**  
**CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BY INSTITUTION**  
**For the Year Ended June 30, 2012**

Institution	Net Assets				
	Increase/ (Decrease) in Net Assets	Net Assets -Beginning of Year	Prior Year Adjustments	Net Assets - Beginning of Year Restated	Net Assets - End of Year
Georgia Institute of Technology	\$63,995,531	\$1,278,529,742	(\$7,712,159)	\$1,270,817,583	\$1,334,813,114
Georgia State University	19,023,883	531,153,207	11,430,344	542,583,551	561,607,434
Georgia Health Sciences University	74,291,599	339,541,079		339,541,079	413,832,678
University of Georgia	72,020,639	1,487,507,132		1,487,507,132	1,559,527,771
Georgia Southern University	925,377	309,751,918		309,751,918	310,677,295
Valdosta State University	3,572,622	140,709,274		140,709,274	144,281,896
Albany State University	(3,600,086)	97,968,208		97,968,208	94,368,122
Armstrong Atlantic State University	7,798,964	68,421,492		68,421,492	76,220,456
Augusta State University	(583,619)	79,238,477	1,324,102	80,562,579	79,978,960
Clayton State University	(8,680,445)	68,317,833		68,317,833	59,637,388
Columbus State University	(1,771,105)	81,435,601	1,810,030	83,245,631	81,474,526
Fort Valley State University	9,399,877	64,244,634	(1,604,236)	62,640,398	72,040,275
Georgia College & State University	(1,882,362)	67,826,497		67,826,497	65,944,135
Georgia Southwestern State University	8,747,568	47,868,866		47,868,866	56,616,434
Kennesaw State University	(2,715,786)	212,758,734	8,275,725	221,034,459	218,318,673
North Georgia College & State University	(7,059,229)	82,816,656	1,930,451	84,747,107	77,687,878
Savannah State University	(6,575,538)	76,483,121		76,483,121	69,907,583
Southern Polytechnic State University	2,160,148	97,949,323		97,949,323	100,109,471
University of West Georgia	4,427,416	139,776,988		139,776,988	144,204,404
Abraham Baldwin Agricultural College	3,508,463	38,200,511		38,200,511	41,708,974
College of Coastal Georgia	4,153,629	51,341,600		51,341,600	55,495,229
Dalton State College	964,140	29,932,224	(20,564)	29,911,660	30,875,800
Gainesville State College	34,853,854	39,764,199		39,764,199	74,618,053
Georgia Gwinnett College	(2,170,326)	54,531,383		54,531,383	52,361,057
Gordon State College	1,693,868	52,082,608	41,340	52,123,948	53,817,816
Macon State College	19,427,602	81,733,329		81,733,329	101,160,931
Middle Georgia College	(3,979,297)	75,575,352		75,575,352	71,596,055
Atlanta Metropolitan State College	12,105,455	15,648,112	(613,531)	15,034,581	27,140,036
Bainbridge College	(1,050,059)	38,208,234	1,138,699	39,346,933	38,296,874
Darton State College	(1,298,724)	38,953,609		38,953,609	37,654,885
East Georgia State College	1,414,817	25,512,054	154,012	25,666,066	27,080,883
Georgia Highlands College	1,589,899	41,582,474	578,457	42,160,931	43,750,830
Georgia Perimeter College	(5,501,067)	86,697,218	(2,503,710)	84,193,508	78,692,441
South Georgia College	3,368,744	11,186,932	(445,041)	10,741,891	14,110,635
Waycross College	79,594	10,720,001	107,536	10,827,537	10,907,131
Skidaway Institute of Oceanography	(557,841)	10,790,116		10,790,116	10,232,275
University System Office	10,358,377	94,836,152		94,836,152	105,194,529
Elimination/Consolidation Entries	(262,019,206)	(1,016,161,418)		(1,016,161,418)	(1,278,180,624)
Total	\$50,437,376	\$5,053,433,472	\$13,891,455	\$5,067,324,927	\$5,117,762,303

**UNIVERSITY SYSTEM OF GEORGIA**  
**CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BY INSTITUTION**  
**For the Year Ended June 30, 2012**

Institution	Operating					
	Revenues				Expenses	Operating Loss
	Tuition & Fees, Net	Federal Approp, Grants & Contracts	Auxiliaries	Other		
Georgia Institute of Technology	\$235,003,328	\$712,223,470	\$90,194,401	\$45,767,732	(\$1,248,020,723)	(\$164,831,792)
Georgia State University	214,959,743	70,906,414	63,601,079	22,858,739	(570,268,001)	(197,942,026)
Georgia Health Sciences University	46,509,651	412,610,387	7,062,853	9,010,338	(638,929,671)	(163,736,442)
University of Georgia	336,782,523	222,490,361	161,574,733	55,707,859	(1,197,134,379)	(420,578,903)
Georgia Southern University	102,164,506	6,913,433	71,188,917	5,369,301	(283,298,124)	(97,661,967)
Valdosta State University	58,328,153	3,051,098	42,977,061	2,083,776	(164,183,751)	(57,743,663)
Albany State University	14,968,380	11,350,445	16,264,255	775,858	(78,915,387)	(35,556,449)
Armstrong Atlantic State University	32,306,335	7,229,063	19,519,577	584,162	(89,527,648)	(29,888,511)
Augusta State University	27,345,320	862,904	9,139,605	1,511,006	(75,459,014)	(36,600,179)
Clayton State University	25,539,502	1,942,555	12,816,058	2,251,092	(88,077,878)	(45,528,671)
Columbus State University	40,471,977	3,386,949	10,124,569	3,521,590	(106,507,417)	(49,002,332)
Fort Valley State University	11,445,798	16,548,514	18,443,591	1,280,856	(81,712,833)	(33,994,074)
Georgia College & State University	45,911,971	429,302	25,846,924	2,527,708	(110,688,931)	(35,973,026)
Georgia Southwestern State University	13,001,981	2,956,552	9,739,802	299,857	(44,300,555)	(18,302,363)
Kennesaw State University	118,237,054	6,432,216	42,310,924	9,724,678	(290,817,683)	(114,112,811)
North Georgia College & State University	29,269,459	99,489	24,888,503	1,472,194	(90,375,641)	(34,645,996)
Savannah State University	10,414,260	10,795,149	25,416,034	973,294	(84,726,660)	(37,127,923)
Southern Polytechnic State University	32,027,623	1,414,455	15,113,384	1,042,844	(75,554,924)	(25,956,618)
University of West Georgia	51,731,775	3,607,637	35,069,090	4,552,173	(148,496,694)	(53,536,019)
Abraham Baldwin Agricultural College	5,662,821	124,066	12,433,733	1,152,815	(40,144,380)	(20,770,945)
College of Coastal Georgia	6,273,803	25,222	4,994,217	52,061	(34,761,582)	(23,416,279)
Dalton State College	8,647,775	2,077,073	2,928,410	92,841	(39,583,085)	(25,836,986)
Gainesville State College	21,419,709		3,734,282	1,082,220	(60,889,238)	(34,653,027)
Georgia Gwinnett College	22,750,154	474,661	10,355,217	299,430	(85,313,571)	(51,434,109)
Gordon State College	7,302,266	10,292	10,793,828	220,855	(39,435,339)	(21,108,098)
Macon State College	14,340,944	241,455	5,159,619	699,507	(55,466,438)	(35,024,913)
Middle Georgia College	5,330,339	574,332	10,594,669	308,374	(42,469,153)	(25,661,439)
Atlanta Metropolitan State College	4,499,348	2,346,650	2,501,268	183,554	(28,963,457)	(19,432,637)
Bainbridge College	8,758,145	1,386,642	462,351	188,583	(35,015,427)	(24,219,706)
Darton State College	11,742,072	2,298,011	5,458,294	371,791	(48,097,823)	(28,227,655)
East Georgia State College	4,416,608	21,220	1,939,998	35,229	(24,060,136)	(17,647,081)
Georgia Highlands College	10,102,415	415,077	1,363,582	246,763	(36,279,314)	(24,151,477)
Georgia Perimeter College	50,644,209	3,158,887	8,775,339	884,088	(184,948,597)	(121,486,074)
South Georgia College	1,427,756	44,128	5,151,453	178,541	(21,407,671)	(14,605,793)
Waycross College	1,350,381	3,190	620,234	15,716	(7,759,650)	(5,770,129)
Skidaway Institute of Oceanography		3,495,317	59,953	596,433	(7,386,061)	(3,234,358)
University System Office		9,562,793		389,926,389	(513,175,786)	(113,686,604)
Elimination/Consolidation Entries		(30,656,355)	(51,167)	(264,118,597)	34,078,973	(260,747,146)
Total	\$1,631,088,084	\$1,490,853,054	\$788,566,640	\$303,731,650	(\$6,738,073,649)	(\$2,523,834,221)

**UNIVERSITY SYSTEM OF GEORGIA**  
**CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BY INSTITUTION**  
**For the Year Ended June 30, 2012**

Institution	Non-Operating		
	State Appropriations	Other Revenues/ (Expenses)	Interest Expense
Georgia Institute of Technology	\$206,511,431	\$48,511,136	(\$26,195,244)
Georgia State University	164,945,293	73,882,774	(21,862,158)
Georgia Health Sciences University	129,352,050	110,526,535	(1,850,544)
University of Georgia	362,412,399	148,241,957	(18,054,814)
Georgia Southern University	72,809,060	34,502,905	(8,724,621)
Valdosta State University	43,356,576	27,284,060	(9,324,351)
Albany State University	17,390,429	18,046,248	(3,480,314)
Armstrong Atlantic State University	26,051,486	16,378,387	(4,742,398)
Augusta State University	23,247,566	14,327,975	(1,558,981)
Clayton State University	21,503,584	19,045,956	(3,701,314)
Columbus State University	30,023,957	19,362,102	(2,154,832)
Fort Valley State University	19,832,028	27,845,165	(4,283,242)
Georgia College & State University	27,160,310	13,592,085	(6,661,731)
Georgia Southwestern State University	10,879,300	18,085,184	(1,914,553)
Kennesaw State University	73,079,254	48,804,868	(10,487,097)
North Georgia College & State University	20,634,869	14,187,677	(7,235,779)
Savannah State University	16,655,138	18,197,295	(4,300,048)
Southern Polytechnic State University	19,023,434	14,049,199	(4,955,867)
University of West Georgia	38,030,957	25,958,617	(6,026,139)
Abraham Baldwin Agricultural College	12,636,495	13,803,527	(2,160,614)
College of Coastal Georgia	12,153,995	16,839,844	(1,423,931)
Dalton State College	12,873,141	14,367,584	(439,599)
Gainesville State College	18,719,950	51,391,359	(604,428)
Georgia Gwinnett College	32,912,397	26,051,099	(9,699,713)
Gordon State College	10,130,649	14,254,250	(1,582,933)
Macon State College	17,316,994	37,975,550	(840,029)
Middle Georgia College	14,460,351	10,340,255	(3,118,464)
Atlanta Metropolitan State College	7,169,681	24,368,411	
Bainbridge College	7,964,956	16,350,543	(1,145,852)
Darton State College	13,259,325	16,365,783	(2,696,177)
East Georgia State College	5,861,677	13,654,742	(454,521)
Georgia Highlands College	12,877,490	12,863,886	
Georgia Perimeter College	59,707,745	60,160,316	(3,883,054)
South Georgia College	6,294,979	13,495,139	(1,815,581)
Waycross College	3,350,101	2,499,622	
Skidaway Institute of Oceanography	2,058,862	617,655	
University System Office	129,175,740	(4,423,966)	(706,793)
Elimination/Consolidation Entries	5	(1,377,327)	105,262
Total	\$1,701,823,654	\$1,050,428,397	(\$177,980,454)



**UNIVERSITY SYSTEM OF GEORGIA**  
**CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BY INSTITUTION**  
**For the Year Ended June 30, 2012**

Institution	Net Assets				
	Increase/ (Decrease) in Net Assets	Net Assets -Beginning of Year	Prior Year Adjustments	Net Assets - Beginning of Year Restated	Net Assets - End of Year
Georgia Institute of Technology	\$63,995,531	\$1,278,529,742	(\$7,712,159)	\$1,270,817,583	\$1,334,813,114
Georgia State University	19,023,883	531,153,207	11,430,344	542,583,551	561,607,434
Georgia Health Sciences University	74,291,599	339,541,079		339,541,079	413,832,678
University of Georgia	72,020,639	1,487,507,132		1,487,507,132	1,559,527,771
Georgia Southern University	925,377	309,751,918		309,751,918	310,677,295
Valdosta State University	3,572,622	140,709,274		140,709,274	144,281,896
Albany State University	(3,600,086)	97,968,208		97,968,208	94,368,122
Armstrong Atlantic State University	7,798,964	68,421,492		68,421,492	76,220,456
Augusta State University	(583,619)	79,238,477	1,324,102	80,562,579	79,978,960
Clayton State University	(8,680,445)	68,317,833		68,317,833	59,637,388
Columbus State University	(1,771,105)	81,435,601	1,810,030	83,245,631	81,474,526
Fort Valley State University	9,399,877	64,244,634	(1,604,236)	62,640,398	72,040,275
Georgia College & State University	(1,882,362)	67,826,497		67,826,497	65,944,135
Georgia Southwestern State University	8,747,568	47,868,866		47,868,866	56,616,434
Kennesaw State University	(2,715,786)	212,758,734	8,275,725	221,034,459	218,318,673
North Georgia College & State University	(7,059,229)	82,816,656	1,930,451	84,747,107	77,687,878
Savannah State University	(6,575,538)	76,483,121		76,483,121	69,907,583
Southern Polytechnic State University	2,160,148	97,949,323		97,949,323	100,109,471
University of West Georgia	4,427,416	139,776,988		139,776,988	144,204,404
Abraham Baldwin Agricultural College	3,508,463	38,200,511		38,200,511	41,708,974
College of Coastal Georgia	4,153,629	51,341,600		51,341,600	55,495,229
Dalton State College	964,140	29,932,224	(20,564)	29,911,660	30,875,800
Gainesville State College	34,853,854	39,764,199		39,764,199	74,618,053
Georgia Gwinnett College	(2,170,326)	54,531,383		54,531,383	52,361,057
Gordon State College	1,693,868	52,082,608	41,340	52,123,948	53,817,816
Macon State College	19,427,602	81,733,329		81,733,329	101,160,931
Middle Georgia College	(3,979,297)	75,575,352		75,575,352	71,596,055
Atlanta Metropolitan State College	12,105,455	15,648,112	(613,531)	15,034,581	27,140,036
Bainbridge College	(1,050,059)	38,208,234	1,138,699	39,346,933	38,296,874
Darton State College	(1,298,724)	38,953,609		38,953,609	37,654,885
East Georgia State College	1,414,817	25,512,054	154,012	25,666,066	27,080,883
Georgia Highlands College	1,589,899	41,582,474	578,457	42,160,931	43,750,830
Georgia Perimeter College	(5,501,067)	86,697,218	(2,503,710)	84,193,508	78,692,441
South Georgia College	3,368,744	11,186,932	(445,041)	10,741,891	14,110,635
Waycross College	79,594	10,720,001	107,536	10,827,537	10,907,131
Skidaway Institute of Oceanography	(557,841)	10,790,116		10,790,116	10,232,275
University System Office	10,358,377	94,836,152		94,836,152	105,194,529
Elimination/Consolidation Entries	(262,019,206)	(1,016,161,418)		(1,016,161,418)	(1,278,180,624)
Total	\$50,437,376	\$5,053,433,472	\$13,891,455	\$5,067,324,927	\$5,117,762,303

UNIVERSITY SYSTEM OF GEORGIA  
CONDENSED STATEMENT OF NET ASSETS BY AFFILIATED ORGANIZATION (UNAUDITED)  
For the Year Ended June 30, 2012

Affiliated Organizations	Assets				
	Current Assets	Noncurrent Cash/ Investments	Capital Assets	Other Assets	Total Assets
Abraham Baldwin Agricultural College Foundation, Inc. and Subsidiaries	\$ 7,058,464	\$ 20,669,283	\$ 3,136,544	\$ 69,108,174	\$ 99,972,465
Albany State University Foundation, Inc.	12,639,207	2,163,267	98,666	70,974,490	85,875,630
Armstrong Atlantic State Educational Properties Foundation, Inc. and Subsidiaries	3,399,811	110,811,115	2,658,478	2,473,215	119,342,619
Armstrong Atlantic State University Foundation, Inc.	1,428,400	6,930,097		297,737	8,656,234
Atlanta Metropolitan College Foundation, Inc.	119,901				119,901
Augusta State University Foundation, Inc.	3,728,432	25,674,033	170,812	50,354,949	79,928,226
Bainbridge College Foundation	802,809				802,809
Clayton State University Foundation, Inc.	1,317,500	11,321,969		64,511,211	77,150,680
College of Coastal Georgia Foundation, Inc.	2,103,973	10,319,390		832,431	13,255,794
Columbus State University Alumni Association, Inc.	168,700	195,174			363,874
Columbus State University Athletic Fund, Inc.	77,112	1,691,446	13,002	142,000	1,923,560
Columbus State University Foundation, Inc.	2,130,541	46,155,206		8,515,959	56,801,706
Dalton State College Foundation, Inc.	4,005,822	21,905,637	6,176,145	388,656	32,476,260
Darton Boosters, Inc.	1,586,688	1,021,399		21,166,743	23,774,830
Darton College Foundation, Inc.	3,179,437	1,101,576	411,675		4,692,688
East Georgia College Foundation, Inc.	122,953	772,296	41,773	50,591	987,613
Fort Valley State University Foundation, Inc.	5,199,391	10,083,182	1,655,696	53,544,176	70,482,445
Foundation Properties, Inc. (Columbus State University)	3,482,807	975,127	94,483,295	3,516,339	102,457,568
Gainesville State College Foundation, Inc.	1,361,728	13,730,745	5,411	8,394,851	23,492,735
Georgia Advanced Technology Ventures, Inc.	2,211,743	1,036,689	116,287,123	5,862,881	125,398,436
Georgia College & State University Alumni Association, Inc.	303,141	5,798,732	24,874	4,500	6,131,247
Georgia College & State University Foundation, Inc. and Subsidiaries	9,815,196	119,358,482	3,578,328	2,371,414	135,123,420
Georgia Gwinnett College Foundation Inc. and Subsidiaries	3,498,709	32,440,433	16,508,631	338,715,549	391,163,322
Georgia Health Sciences University Research Institute, Inc.	12,494,917	94,766			12,589,683
Georgia Health Sciences University, College of Dental Medicine Faculty Practice Group d/b/a GHSU Dental Faculty Practice Group	3,257,222	8,154,080			11,411,302
Georgia Highlands College Foundation, Inc.	7,573,428		14,072	17,395,006	24,982,506
Georgia Perimeter College Foundation, Inc.	424,095	4,415,366	73,887,944	1,343,827	80,071,232
Georgia Southern University Athletic Foundation, Inc.	2,460,812		1,833,196	2,298,971	6,592,979
Georgia Southern University Foundation, Inc.	44,767,650	145,500	411,416	1,017,994	46,342,560
Georgia Southern University Housing Foundation, Inc. and Subsidiaries	20,976,652	295,354,302	36,105,027	48,847,295	401,283,276
Georgia Southern University Research and Service Foundation, Inc.	3,661,217	-	1,137		3,662,354
Georgia Southwestern Foundation, Inc.	2,322,919	27,337,011	228,482	39,695,404	69,583,816
Georgia State University Foundation, Inc.	28,149,837	408,986,534	6,475,765	12,914,374	456,526,510
Georgia State University Research Foundation, Inc. and Affiliate	39,566,248	86,025,292	4,182,168	1,035,617	130,809,325
Georgia Tech Alumni Association	317,826		186,087		503,913
Georgia Tech Athletic Association	17,646,629		148,967,031	152,884,394	319,498,054
Georgia Tech Facilities, Inc.	38,134,598	228,752,978	4,078,006	11,249,453	282,215,035
Georgia Tech Foundation, Inc.	55,543,980	1,467,613,619	36,677,000	71,815,401	1,631,650,000
Georgia Tech Research Corporation	170,866,862	4,511	1,054,361	200,000	172,125,734
Gordon College Foundation, Inc. and Subsidiaries	2,158,881	9,156,983		30,942,325	42,258,189
Kennesaw State University Foundation, Inc.	16,142,835	241,743,608	139,208,998	11,318,968	408,414,409
Macon State College Foundation, Inc. and Subsidiaries	1,493,063	8,067,429		12,439,448	21,999,940
MCG Health, Inc./MCG Health System, Inc. (blended)	182,135,656	169,541,395	198,057,215	1,765,370	551,499,636
Medical College of Georgia Foundation, Inc.	7,080,619	125,576,293	2,273,856	498,474	135,429,242
The Medical College of Georgia Physicians Practice Group Foundation (d/b/a Physicians Practice Group and Subsidiaries)	64,405,017	50,743,812	7,482,647	1,140,011	123,771,487
Middle Georgia College Foundation, Inc. and Subsidiaries	716,317	10,706,374	424,669	63,743,323	75,590,683
North Georgia College & State University Foundation, Inc.	1,939,328	34,824,743	1,615,909	38,215,213	76,595,193
North Georgia College & State University Real Estate Foundation, Inc. and Subsidiaries	1,183,095	103,571,353	11,958,890	2,661,125	119,374,463
Savannah State University Foundation, Inc. and Subsidiaries	8,474,523	5,772,894	11,533,374	74,178,638	99,959,429
South Georgia College Foundation, Inc. and Subsidiaries	1,084,778	5,189,172	330,395	32,911,664	39,516,009
Southern Polytechnic Applied Research Corporation	601,388				601,388
Southern Polytechnic State University Foundation, Inc.	3,229,221	10,832,071	479,508	40,387,720	54,928,520
University of Georgia Athletic Assoc., Inc.	105,479,423		227,968,953	13,893,702	347,342,078
University of Georgia Foundation	109,826,265	604,269,511	12,461,681	27,851,697	754,409,154
University of Georgia Research Foundation, Inc.	72,992,628	346,006,060	22,368,591	5,156,015	446,523,294
University of West Georgia Foundation, Inc.	4,755,554	28,114,723	73,578	57,576,266	90,520,121
University of West Georgia Real Estate Foundation, Inc.	18,860,493	1,290,564	14,881,159	57,736,957	92,769,173
University System of Georgia Foundation, Inc. and Affiliates	2,045,240	291,068,653		4,584,691	297,698,584
Valdosta State University Foundation, Inc.	1,747,410	21,554,581	10,625,006	902,830	34,829,827
VSU Auxiliary Services Real Estate Foundation, Inc.	3,825,454	222,168,139	227,338	4,202,294	230,423,225
Walter & Emilie Spivey Foundation (Clayton State University)	15,402	5,645,494	277,400		5,938,296
Waycross College Foundation, Inc.	135,067	1,698,250			1,833,317
<b>Total</b>	<b>\$1,128,235,014</b>	<b>\$ 5,268,581,339</b>	<b>\$1,221,601,312</b>	<b>\$1,544,030,333</b>	<b>\$9,162,447,998</b>

UNIVERSITY SYSTEM OF GEORGIA  
CONDENSED STATEMENT OF NET ASSETS BY AFFILIATED ORGANIZATION (UNAUDITED)  
For the Year Ended June 30, 2012

Affiliated Organizations	Liabilities		
	Current Liabilities	Noncurrent Liabilities	Total Liabilities
Abraham Baldwin Agricultural College Foundation, Inc. and Subsidiaries	\$ 4,687,208	\$ 69,537,943	\$ 74,225,151
Albany State University Foundation, Inc.	3,195,035	78,593,016	81,788,051
Armstrong Atlantic State Educational Properties Foundation, Inc. and Subsidiaries	2,808,606	92,840,179	95,648,785
Armstrong Atlantic State University Foundation, Inc.	96,819		96,819
Atlanta Metropolitan College Foundation, Inc.	40		40
Augusta State University Foundation, Inc.	2,874,662	48,571,722	51,446,384
Bainbridge College Foundation			
Clayton State University Foundation, Inc.	2,206,519	70,145,182	72,351,701
College of Coastal Georgia Foundation, Inc.	492,767		492,767
Columbus State University Alumni Association, Inc.	16,486		16,486
Columbus State University Athletic Fund, Inc.	487,368	168,773	656,141
Columbus State University Foundation, Inc.	345,359	3,603,548	3,948,907
Dalton State College Foundation, Inc.	132,710	2,219,790	2,352,500
Darton Boosters, Inc.	300,000	22,920,455	23,220,455
Darton College Foundation, Inc.			
East Georgia College Foundation, Inc.	3,119		3,119
Fort Valley State University Foundation, Inc.	3,385,695	61,715,798	65,101,493
Foundation Properties, Inc. (Columbus State University)	22,010,586	68,390,000	90,400,586
Gainesville State College Foundation, Inc.	541,593	7,825,358	8,366,951
Georgia Advanced Technology Ventures, Inc.	10,615,624	108,145,036	118,760,660
Georgia College & State University Alumni Association, Inc.	9,394		9,394
Georgia College & State University Foundation, Inc. and Subsidiaries	24,686,645	105,368,767	130,055,412
Georgia Gwinnett College Foundation Inc. and Subsidiaries	215,947,029	179,764,235	395,711,264
Georgia Health Sciences University Research Institute, Inc.	5,701,255		5,701,255
Georgia Health Sciences University, College of Dental Medicine Faculty Practice Group d/b/a GHSU Dental Faculty Practice Group	10,687,976	246,186	10,934,162
Georgia Highlands College Foundation, Inc.	3,496,139	18,905,000	22,401,139
Georgia Perimeter College Foundation, Inc.	1,609,587	74,110,000	75,719,587
Georgia Southern University Athletic Foundation, Inc.	435,972	290,670	726,642
Georgia Southern University Foundation, Inc.	654,588		654,588
Georgia Southern University Housing Foundation, Inc. and Subsidiaries	21,102,318	371,282,488	392,384,806
Georgia Southern University Research and Service Foundation,	2,564,047		2,564,047
Georgia Southwestern Foundation, Inc.	467,818	42,693,906	43,161,724
Georgia State University Foundation, Inc.	11,798,873	271,368,849	283,167,722
Georgia State University Research Foundation, Inc. and Affiliate	19,052,805	87,975,980	107,028,785
Georgia Tech Alumni Association	455,306		455,306
Georgia Tech Athletic Association	16,400,812	230,048,716	246,449,528
Georgia Tech Facilities, Inc.	14,822,257	289,848,750	304,671,007
Georgia Tech Foundation, Inc.	88,015,222	414,161,778	502,177,000
Georgia Tech Research Corporation	127,106,819		127,106,819
Gordon College Foundation, Inc. and Subsidiaries	896,673	31,986,583	32,883,256
Kennesaw State University Foundation, Inc.	21,195,272	359,402,114	380,597,386
Macon State College Foundation, Inc. and Subsidiaries	1,027,099	12,065,552	13,092,651
MCG Health, Inc./MCG Health System, Inc. (blended)	79,955,026	216,749,211	296,704,237
Medical College of Georgia Foundation, Inc.		1,123,155	1,123,155
The Medical College of Georgia Physicians Practice Group Foundation (d/b/a Physicians Practice Group and Subsidiaries)	6,142,084	28,722,226	34,864,310
Middle Georgia College Foundation, Inc. and Subsidiaries	1,858,027	62,620,000	64,478,027
North Georgia College & State University Foundation, Inc.	2,241,564	43,549,394	45,790,958
North Georgia College & State University Real Estate Foundation, Inc. and Subsidiaries	7,409,192	111,527,703	118,936,895
Savannah State University Foundation, Inc. and Subsidiaries	16,927,219	82,937,207	99,864,426
South Georgia College Foundation, Inc. and Subsidiaries	436,693	35,156,454	35,593,147
Southern Polytechnic Applied Research Corporation	340,048		340,048
Southern Polytechnic State University Foundation, Inc.	7,396,966	40,508,104	47,905,070
University of Georgia Athletic Assoc., Inc.	34,746,427	125,804,924	160,551,351
University of Georgia Foundation	13,319,307	15,882,544	29,201,851
University of Georgia Research Foundation, Inc.	56,150,516	311,977,178	368,127,694
University of West Georgia Foundation, Inc.	2,326,292	53,194,218	55,520,510
University of West Georgia Real Estate Foundation, Inc.	1,890,320	84,149,663	86,039,983
University System of Georgia Foundation, Inc. and Affiliates	5,604,918	283,205,729	288,810,647
Valdosta State University Foundation, Inc.	1,529,493	6,776,558	8,306,051
VSU Auxiliary Services Real Estate Foundation, Inc.	5,782,458	185,547,894	191,330,352
Walter & Emilie Spivey Foundation (Clayton State University)			
Waycross College Foundation, Inc.	4,277		4,277
<b>Total</b>	<b>\$886,394,929</b>	<b>\$4,813,628,536</b>	<b>\$5,700,023,465</b>

UNIVERSITY SYSTEM OF GEORGIA  
CONDENSED STATEMENT OF NET ASSETS BY AFFILIATED ORGANIZATION (UNAUDITED)  
For the Year Ended June 30, 2012

Affiliated Organizations	Net Assets				
	Invested in Capital Assets	Restricted Nonexpendable	Restricted Expendable	Unrestricted	Total Net Assets
Abraham Baldwin Agricultural College Foundation, Inc. and Subsidiaries	\$ 8,602,778	\$ 7,149,666	\$ 3,268,850	\$ 6,726,020	\$ 25,747,314
Albany State University Foundation, Inc.	98,666	3,958,024		30,889	4,087,579
Armstrong Atlantic State Educational Properties Foundation, Inc. and Subsidiaries	23,199,280			494,554	23,693,834
Armstrong Atlantic State University Foundation, Inc.		4,721,957	3,470,418	367,040	8,559,415
Atlanta Metropolitan College Foundation, Inc.			109,209	10,652	119,861
Augusta State University Foundation, Inc.	7,103,865	16,646,133	3,871,698	860,146	28,481,842
Bainbridge College Foundation		802,809			802,809
Clayton State University Foundation, Inc.	(7,955,229)	2,608,474	3,120,942	7,024,792	4,798,979
College of Coastal Georgia Foundation, Inc.		5,969,185	5,420,740	1,373,102	12,763,027
Columbus State University Alumni Association, Inc.		70,556		276,832	347,388
Columbus State University Athletic Fund, Inc.	13,002	1,347,683	174,328	(267,594)	1,267,419
Columbus State University Foundation, Inc.		31,396,054	17,552,052	3,904,693	52,852,799
Dalton State College Foundation, Inc.	4,020,182	9,760,225	4,235,510	12,107,843	30,123,760
Darton Boosters, Inc.	548,199			6,176	554,375
Darton College Foundation, Inc.	411,675	1,101,576	3,161,752	17,685	4,692,688
East Georgia College Foundation, Inc.	41,773		957,929	(15,208)	984,494
Fort Valley State University Foundation, Inc.	2,120,393	3,561,399	3,175,469	(3,476,309)	5,380,952
Foundation Properties, Inc. (Columbus State University)	27,814,540			(15,757,558)	12,056,982
Gainesville State College Foundation, Inc.	5,411	3,503,600	3,783,725	7,833,048	15,125,784
Georgia Advanced Technology Ventures, Inc.	5,537,718		10,660,497	(9,560,439)	6,637,776
Georgia College & State University Alumni Association, Inc.	24,874	4,651,382	1,112,618	332,979	6,121,853
Georgia College & State University Foundation, Inc. and Subsidiaries	1,406,894	14,392,067	5,184,023	(15,914,976)	5,068,008
Georgia Gwinnett College Foundation Inc. and Subsidiaries	3,128,538	54,200	1,093,229	(8,823,909)	(4,547,942)
Georgia Health Sciences University Research Institute, Inc.			69,973	6,818,455	6,888,428
Georgia Health Sciences University, College of Dental Medicine Faculty Practice Group d/b/a GHSU Dental Faculty Practice Group				477,140	477,140
Georgia Highlands College Foundation, Inc.		731,665	1,776,432	73,270	2,581,367
Georgia Perimeter College Foundation, Inc.	73,012	3,884,365	318,906	75,362	4,351,645
Georgia Southern University Athletic Foundation, Inc.	1,564,944		4,315,836	(14,443)	5,866,337
Georgia Southern University Foundation, Inc.	411,416	31,511,077	10,516,575	3,248,904	45,687,972
Georgia Southern University Housing Foundation, Inc. and Subsidiaries	(87,450,720)		13,973,037	82,376,153	8,898,470
Georgia Southern University Research and Service Foundation,	1,137			1,097,170	1,098,307
Georgia Southwestern Foundation, Inc.	795,323	11,537,900	6,292,206	7,796,663	26,422,092
Georgia State University Foundation, Inc.	12,798,385	86,892,562	59,920,059	13,747,782	173,358,788
Georgia State University Research Foundation, Inc. and Affiliate	4,177,613	2,000,000	7,252,909	10,350,018	23,780,540
Georgia Tech Alumni Association	186,087		(137,480)	-	48,607
Georgia Tech Athletic Association	(27,499,969)	27,730,206	63,020,591	9,797,698	73,048,526
Georgia Tech Facilities, Inc.	(47,683,913)		10,578,765	14,649,176	(22,455,972)
Georgia Tech Foundation, Inc.	(32,475,000)	498,635,174	568,318,254	94,994,572	1,129,473,000
Georgia Tech Research Corporation	1,054,361			43,964,554	45,018,915
Gordon College Foundation, Inc. and Subsidiaries	(1,104,518)	2,253,970	6,111,359	2,114,122	9,374,933
Kennesaw State University Foundation, Inc.	(2,542,385)	24,489,208	8,257,534	(2,387,334)	27,817,023
Macon State College Foundation, Inc. and Subsidiaries	15,693,010	6,825,511	488,015	(14,099,247)	8,907,289
MCG Health, Inc./MCG Health System, Inc. (blended)	61,562,917			193,232,482	254,795,399
Medical College of Georgia Foundation, Inc.	2,273,856	109,352,495	11,485,282	11,194,454	134,306,087
The Medical College of Georgia Physicians Practice Group Foundation (d/b/a Physicians Practice Group and Subsidiaries)	4,930,741			83,976,436	88,907,177
Middle Georgia College Foundation, Inc. and Subsidiaries	1,540,975	947,249	557,882	8,066,550	11,112,656
North Georgia College & State University Foundation, Inc.	836,998	19,873,090	11,521,538	(1,427,391)	30,804,235
North Georgia College & State University Real Estate Foundation, Inc. and Subsidiaries	6,575,094			(6,137,526)	437,568
Savannah State University Foundation, Inc. and Subsidiaries	8,121,164			(8,026,161)	95,003
South Georgia College Foundation, Inc. and Subsidiaries	(35,593,147)	2,678,309	169,306	36,668,394	3,922,862
Southern Polytechnic Applied Research Corporation				261,340	261,340
Southern Polytechnic State University Foundation, Inc.	(2,172,570)	2,516,233	1,364,940	5,314,847	7,023,450
University of Georgia Athletic Assoc., Inc.	109,872,383			76,918,344	186,790,727
University of Georgia Foundation	6,662,762	375,114,679	302,355,153	41,074,709	725,207,303
University of Georgia Research Foundation, Inc.	10,507,712		1,683,559	66,204,329	78,395,600
University of West Georgia Foundation, Inc.	12,997,347	14,519,869	7,430,951	51,444	34,999,611
University of West Georgia Real Estate Foundation, Inc.	(12,423,487)			19,152,677	6,729,190
University System of Georgia Foundation, Inc. and Affiliates	(9,436,865)		494,210	17,830,592	8,887,937
Valdosta State University Foundation, Inc.	3,854,004	20,322,073	2,721,175	(373,476)	26,523,776
VSU Auxiliary Services Real Estate Foundation, Inc.	41,642,452			(2,549,579)	39,092,873
Walter & Emilie Spivey Foundation (Clayton State University)	277,400			5,660,896	5,938,296
Waycross College Foundation, Inc.		1,564,035	139,823	125,182	1,829,040
<b>Total</b>	<b>\$126,151,078</b>	<b>\$1,355,074,660</b>	<b>\$1,171,349,779</b>	<b>\$809,849,016</b>	<b>\$3,462,424,533</b>

UNIVERSITY SYSTEM OF GEORGIA  
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BY AFFILIATED ORGANIZATION (UNAUDITED)  
For the Year Ended June 30, 2012

Affiliated Organization	Operating					
	Revenues				Expenses	Operating Profit/ (Loss)
	Grants and Contracts	Rents and Royalties	Net Patient Revenue	Other		
Abraham Baldwin Agricultural College Foundation, Inc. and Subsidiaries	\$ 519,985	\$ 3,066,225		\$ 1,629,710	\$ (1,395,725)	\$ 3,820,195
Albany State University Foundation, Inc.	856,570				(1,229,114)	(372,544)
Armstrong Atlantic State Educational Properties Foundation, Inc. and Subsidiaries		1,544,567			(1,969,774)	(425,207)
Armstrong Atlantic State University Foundation, Inc.	3,166,718				(2,038,991)	1,127,727
Atlanta Metropolitan College Foundation		133,670			(111,851)	21,819
Augusta State University Foundation, Inc.	1,840,504	1,949,166			(2,163,863)	1,625,807
Bainbridge College Foundation	92,652				(48,382)	44,270
Clayton State University Foundation, Inc.	646,313	732,548			(1,121,785)	257,076
College of Coastal Georgia Foundation, Inc.	2,688,991				(936,788)	1,752,203
Columbus State University Alumni Association, Inc.	49,810	32,509		8,509	(60,865)	29,963
Columbus State University Athletic Fund, Inc.	231,975	348,512		7,490	(681,369)	(93,392)
Columbus State University Foundation, Inc.	8,529,667	529,170		43,992	(6,132,126)	2,970,703
Dalton State College Foundation, Inc.	141,709	321,096			(1,296,733)	(833,928)
Darton Boosters, Inc.		1,423,681			(2,158,286)	(734,605)
Darton College Foundation, Inc.	493,504	24,000			(834,694)	(317,190)
East Georgia College Foundation, Inc.	233,908	9,360			(350,379)	(107,111)
Fort Valley State University Foundation, Inc.	977,941	3,205,161			(1,514,147)	2,668,955
Foundation Properties, Inc. (Columbus State University)	151,526	6,758,661		481,462	(4,398,550)	2,993,099
Gainesville State College Foundation, Inc.	1,087,250	358,437			(1,141,511)	304,176
Georgia Advanced Technology Ventures, Inc.	455,000	14,612,842		48,882	(15,651,788)	(535,064)
Georgia College & State University Alumni Association, Inc.	55,254			62,915	(336,422)	(218,253)
Georgia College & State University Foundation, Inc. and	2,674,254	7,162,310			(3,955,017)	5,881,547
Georgia Gwinnett College Foundation, Inc. and Subsidiaries	1,229,232	10,073,085		100,000	(2,139,864)	9,262,453
Georgia Health Sciences University Research Institute, Inc.	62,913,225	135,326			(62,806,628)	241,923
Georgia Health Sciences University, College of Dental Medicine						
Faculty Practice Group d/b/a GHSU Dental Faculty Practice Group	166,980		9,088,223		(9,246,397)	8,806
Georgia Highlands College Foundation, Inc.	1,063,170	235,381			(680,443)	618,108
Georgia Perimeter College Foundation, Inc.	783,866	5,026,867		123,972	(3,239,355)	2,695,350
Georgia Southern University Athletic Foundation, Inc.		156,405	3,833,664	495,857	(2,517,422)	1,968,504
Georgia Southern University Foundation, Inc.		215,694	2,832,912	375,341	(3,363,712)	60,235
Georgia Southern University Housing Foundation, Inc. and	506,978	14,821,142			(4,644,110)	10,684,010
Georgia Southern University Research and Service Foundation,	5,462,732				(5,339,353)	123,379
Georgia Southwestern Foundation, Inc.	1,237,310	1,855,390		95,109	(2,448,166)	739,643
Georgia State University Foundation, Inc.	19,700,048	19,534,746			(19,215,599)	20,019,195
Georgia State University Research Foundation, Inc. and Affiliate	56,008,401			4,797,848	(56,135,692)	4,670,557
Georgia Tech Alumni Association	4,270,960	1,435,934		104,301	(6,167,262)	(356,067)
Georgia Tech Athletic Association	6,418,480	51,381,601			(56,007,070)	1,793,011
Georgia Tech Facilities, Inc.		11,686,958			(1,309,079)	10,377,879
Georgia Tech Foundation, Inc.	55,937,000	14,157,000			(101,068,930)	(30,974,930)
Georgia Tech Research Corporation	579,787,884	10,024,720			(587,623,838)	2,188,766
Gordon College Foundation, Inc. and Subsidiaries	143,209	1,860,314			(475,886)	1,527,637
Kennesaw State University Foundation, Inc.	5,817,216	36,702,434			(24,490,809)	18,028,841
Macon State College Foundation, Inc. and Subsidiaries	648,245	35,491			(1,522,277)	(838,541)
MCG Health, Inc./MCG Health Systems, Inc. (blended)		5,261,830	468,373,955		(497,709,869)	(24,074,084)
Medical College of Georgia Foundation, Inc.	1,626,164	596,048		25,233	(4,850,432)	(2,602,987)
The Medical College of Georgia Physicians Practice Group						
Foundation (d/b/a Physicians Practice Group and Subsidiaries)		1,834,329	111,007,358	735,000	(111,242,519)	2,334,168
Middle Georgia College Foundation, Inc. and Subsidiaries	217,166	3,394,953			(383,536)	3,228,583
North Georgia College & State University Foundation, Inc.	10,212,701	2,963,750			(5,390,844)	7,785,607
North Georgia College & State University Real Estate Foundation, Inc. and Subsidiaries	5,222,551	526,013			(513,678)	5,234,886
Savannah State University Foundation, Inc. and Subsidiaries	23,199	3,755,456			(718,118)	3,060,537
South Georgia College Foundation, Inc. and Subsidiaries	378,190	1,932,765			(601,264)	1,709,691
Southern Polytechnic Applied Research Corporation	655,016	142,309		16,913	(552,898)	261,340
Southern Polytechnic State University Foundation, Inc.	1,595,142	2,022,265			(3,806,373)	(188,966)
University of Georgia Athletic Assoc., Inc.		91,598,760			(82,486,295)	9,112,465
University of Georgia Foundation	16,351,351	10,569,134			(44,394,899)	(17,474,414)
University of Georgia Research Foundation, Inc.	150,752,047	29,801,934		902,070	(165,195,635)	16,260,416
University of West Georgia Foundation, Inc.	4,119,965	3,815,280			(3,903,010)	4,032,235
University System of Georgia Foundation, Inc. and Affiliates	977,638	16,459,119			(1,528,129)	15,908,628
University of West Georgia Real Estate Foundation, Inc.	550,000	3,190,740			(168,775)	3,571,965
Valdosta State University Foundation, Inc.	3,810,898	1,410,493		50,235	(5,386,413)	(114,787)
VSU Auxiliary Services Real Estate Foundation, Inc.	205,270	9,579,395			(2,326,740)	7,457,925
Walter & Emilie Spivey Foundation (Clayton State University)					(260,605)	(260,605)
Waycross College Foundation, Inc.	84,339			18,500	(75,454)	27,385
Total	\$ 1,023,770,104	\$ 410,404,976	\$ 595,136,112	\$ 10,123,339	\$ (1,931,465,538)	\$ 107,968,993



UNIVERSITY SYSTEM OF GEORGIA  
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BY AFFILIATED ORGANIZATION (UNAUDITED)  
For the Year Ended June 30, 2012

Affiliated Organization	Non-Operating		Net Assets				
	Revenues	Expenses	Increase/ (Decrease) in Net Assets	Net Assets - Beginning of Year	Prior Year Adjustments	Net Assets - Beginning of Year Restated	Net Assets - End of Year
Abraham Baldwin Agricultural College Foundation, Inc. and Subsidiaries	\$ 347,247	\$ (1,876,745)	\$ 2,290,697	\$ 23,456,617		\$ 23,456,617	\$ 25,747,314
Albany State University Foundation, Inc.	3,150,518	(2,519,812)	258,162	1,844,091	1,985,326	3,829,417	4,087,579
Armstrong Atlantic State Educational Properties Foundation, Inc. and Subsidiaries	5,057,916	(4,584,079)	48,630	23,645,204		23,645,204	23,693,834
Armstrong Atlantic State University Foundation, Inc.	109,907		1,237,634	7,321,781		7,321,781	8,559,415
Atlanta Metropolitan College Foundation			21,819	98,042		98,042	119,861
Augusta State University Foundation, Inc.	(668,835)	(1,498,470)	(541,498)	29,023,340		29,023,340	28,481,842
Bainbridge College Foundation	3,169		47,439	755,370		755,370	802,809
Clayton State University Foundation, Inc.	1,716,493	(3,281,577)	(1,308,008)	6,106,987		6,106,987	4,798,979
College of Coastal Georgia Foundation, Inc.	485,107		2,237,310	10,525,717		10,525,717	12,763,027
Columbus State University Alumni Association, Inc.	8,398		38,361	309,027		309,027	347,388
Columbus State University Athletic Fund, Inc.	198,322		104,930	1,162,489		1,162,489	1,267,419
Columbus State University Foundation, Inc.	1,602,575		4,573,278	48,279,521		48,279,521	52,852,799
Dalton State College Foundation, Inc.	1,254,780	(123,325)	297,527	29,826,233		29,826,233	30,123,760
Darton Boosters, Inc.	280		(734,325)	1,288,700		1,288,700	554,375
Darton College Foundation, Inc.	78,604		(238,586)	4,931,274		4,931,274	4,692,688
East Georgia College Foundation, Inc.	28,862		(78,249)	1,062,743		1,062,743	984,494
Fort Valley State University Foundation, Inc.	730,304	(2,989,345)	409,914	4,971,038		4,971,038	5,380,952
Foundation Properties, Inc. (Columbus State University)	127,660	(3,211,946)	(91,187)	12,148,169		12,148,169	12,056,982
Gainesville State College Foundation, Inc.	15,254	(250,446)	68,984	15,056,800		15,056,800	15,125,784
Georgia Advanced Technology Ventures, Inc.	6,302,332	(7,516,963)	(1,749,695)	8,387,471		8,387,471	6,637,776
Georgia College & State University Alumni Association, Inc.	42,434	-	(175,819)	6,297,672		6,297,672	6,121,853
Georgia College and State University Foundation, Inc. and Subsidiaries	(3,306,837)	(5,131,834)	(2,557,124)	7,625,132		7,625,132	5,068,008
Georgia Gwinnett College Foundation, Inc. and Subsidiaries	539,095	(11,955,838)	(2,154,290)	(2,393,652)		(2,393,652)	(4,547,942)
Georgia Health Sciences University Research Institute, Inc.	91,724		333,647	6,554,781		6,554,781	6,888,428
Georgia Health Sciences University, College of Dental Medicine Faculty Practice Group d/b/a GHSU Dental Faculty Practice Group	239,637	(27,841)	220,602	256,538		256,538	477,140
Georgia Highlands College Foundation, Inc.	(518)	(186,900)	430,690	2,150,677		2,150,677	2,581,367
Georgia Perimeter College Foundation, Inc.	181,269	(3,576,653)	(700,034)	5,051,679		5,051,679	4,351,645
Georgia Southern University Athletic Foundation, Inc.	21,025	(13,730)	1,975,799	3,890,538		3,890,538	5,866,337
Georgia Southern University Foundation, Inc.	(710,892)		(650,657)	46,338,629		46,338,629	45,687,972
Georgia Southern University Housing Foundation, Inc. and Georgia Southern University Research and Service Foundation,	(10,929)	(10,195,905)	477,176	5,203,140	3,218,154	8,421,294	8,898,470
	8,397		131,776	966,531		966,531	1,098,307
Georgia Southwestern Foundation, Inc.	177,449	(1,946,817)	(1,029,725)	25,377,150	2,074,667	27,451,817	26,422,092
Georgia State University Foundation, Inc. and Affiliate	(1,048,115)	(11,756,489)	7,214,591	166,144,197		166,144,197	173,358,788
Georgia State University Research Foundation, Inc.	1,224,301	(4,416,200)	1,478,658	22,301,882		22,301,882	23,780,540
Georgia Tech Alumni Association			(356,067)	404,674		404,674	48,607
Georgia Tech Athletic Association	896,884	(11,031,328)	(8,341,433)	83,292,335	(1,902,376)	81,389,959	73,048,526
Georgia Tech Facilities, Inc.	9,100	(13,143,613)	(2,756,634)	(19,699,338)		(19,699,338)	(22,455,972)
Georgia Tech Foundation, Inc.	3,987,000	(14,491,070)	(41,479,000)	1,170,952,000		1,170,952,000	1,129,473,000
Georgia Tech Research Corporation	158,337		2,347,103	42,671,812		42,671,812	45,018,915
Gordon College Foundation, Inc. and Subsidiaries	(138,746)	(1,213,918)	174,973	9,199,960		9,199,960	9,374,933
Kennesaw State University Foundation, Inc.	(17,070,880)		957,961	26,859,062		26,859,062	27,817,023
Macon State College Foundation, Inc. and Subsidiaries	1,684,908		846,367	8,060,922		8,060,922	8,907,289
MCG Health, Inc./MCG Health Systems, Inc. (blended)	33,739,708	(22,941,687)	(13,276,063)	268,068,706	2,756	268,071,462	254,795,399
Medical College of Georgia Foundation, Inc.	(1,325,639)		(3,928,626)	138,234,713		138,234,713	134,306,087
The Medical College of Georgia Physicians Practice Group Foundation (d/b/a Physicians Practice Group and Subsidiaries)	2,835,750	(1,320,897)	3,849,021	85,058,156		85,058,156	88,907,177
Middle Georgia College Foundation, Inc. and Subsidiaries	310,466	(3,094,485)	444,564	10,668,092		10,668,092	11,112,656
North Georgia College & State University Foundation, Inc.	(7,505,395)		280,212	30,524,023		30,524,023	30,804,235
North Georgia College & State University Real Estate Foundation, Inc. and Subsidiaries	201,283	(5,077,561)	358,608	78,960		78,960	437,568
Savannah State University Foundation, Inc. and Subsidiaries	6,417,664	(10,269,350)	(791,149)	886,152		886,152	95,003
South Georgia College Foundation, Inc. and Subsidiaries	60,650	(1,236,654)	533,687	3,389,175		3,389,175	3,922,862
Southern Polytechnic Applied Research Corporation			261,340				261,340
Southern Polytechnic State University Foundation, Inc.	1,151,506	(1,455,666)	(493,126)	7,516,576		7,516,576	7,023,450
University of Georgia Athletic Assoc., Inc.	(603,903)	(5,011,658)	3,496,904	183,293,823		183,293,823	186,790,727
University of Georgia Foundation	12,242,123	(1,613,294)	(6,845,585)	732,052,888		732,052,888	725,207,303
University of Georgia Research Foundation, Inc.	(88,636)	(13,039,423)	3,132,357	75,263,243		75,263,243	78,395,600
University of West Georgia Foundation, Inc.	790,783	(2,610,986)	2,212,032	32,787,579		32,787,579	34,999,611
University System of Georgia Foundation, Inc. and Affiliates	111,812	(12,740,008)	3,280,432	5,607,505		5,607,505	8,887,937
University of West Georgia Real Estate Foundation, Inc.	(78,238)	(2,954,795)	538,932	6,190,258		6,190,258	6,729,190
Valdosta State University Foundation, Inc.	579,855	(580,663)	(115,595)	26,639,371		26,639,371	26,523,776
VSU Auxiliary Services Real Estate Foundation, Inc.	147,496	(8,640,655)	(1,035,234)	40,128,107		40,128,107	39,092,873
Walter & Emilie Spivey Foundation (Clayton State University)	(3,086)		(263,691)	6,201,987		6,201,987	5,938,296
Waycross College Foundation, Inc.	4,230		31,615	1,797,425		1,797,425	1,829,040
Total	\$ 56,511,965	\$ (209,528,626)	\$ (45,047,668)	\$ 3,502,093,674	\$ 5,378,527	\$ 3,507,472,201	\$ 3,462,424,533

UNIVERSITY SYSTEM OF GEORGIA  
BALANCE SHEET (NON-GAAP BASIS)  
BUDGET FUNDS  
June 30, 2012  
**UNAUDITED**

<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 482,992,230.24
Investments	88,801,037.44
Accounts Receivable	
Federal Financial Assistance	119,035,715.34
Other	207,049,319.89
Margin Allocation	3,344,974.00
Prepaid Expenditures	28,323,384.33
Inventories	4,648,827.76
Other Assets	<u>1,662,250.11</u>
Total Assets	<u>\$ 935,857,739.11</u>
 <u>LIABILITIES AND FUND EQUITY</u>	
Liabilities	
Cash Overdraft	\$ 5,709,014.48
Contracts Payable	313,937.49
Accrued Payroll	8,019,120.68
Encumbrance Payable	201,347,800.00
Accounts Payable	162,018,637.29
Deferred Revenue	227,058,198.78
Funds Held for Others	111,392.98
Other Liabilities	<u>3,619,241.08</u>
Total Liabilities	<u>\$ 608,197,342.78</u>
 <u>FUND BALANCES</u>	
Reserved:	
Capital Outlay	\$ 1,761,723.81
Department Sales and Services	52,268,794.74
Indirect Cost Recoveries	73,471,925.13
Technology Fees	15,720,328.66
Restricted/Sponsored Funds	119,601,684.05
Uncollectible Accounts Receivable	13,028,150.69
Inventories	3,063,613.25
Tuition Carry - Forward	29,619,283.79
Carry-Over "Per State Accounting Office"	8,360,265.75
Early Retirement Program	7,774,436.53
Excess State Appropriations to be remitted in fiscal year 2013	12,405.55
Unreserved	
Unreserved: Surplus	<u>2,977,784.38</u>
Total Fund Balances	<u>\$ 327,660,396.33</u>
Total Liabilities and Fund Balances	<u>\$ 935,857,739.11</u>

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a comprehensive basis of accounting other than generally accepted accounting principles. A separately issued University System of Georgia Budgetary Compliance Report is available at <http://www.audits.ga.gov/>.

UNIVERSITY SYSTEM OF GEORGIA  
BUDGET COMPARISON AND SURPLUS ANALYSIS REPORT (NON-GAAP BASIS)  
BUDGET FUNDS  
Year Ended June 30, 2012  
**UNAUDITED**

	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>			
State Appropriations			
State General Funds	\$1,704,966,581.00	\$1,704,966,581.00	\$ -
Non-State Funds			
Research Funds - Other	2,103,908,898.00	1,949,369,897.57	(154,539,000.43)
Research Funds - Federal Stimulus	57,537,467.00	75,115,730.72	17,578,263.72
Agency Funds	2,799,637,889.00	2,522,638,644.91	(276,999,244.09)
Total Revenue	6,666,050,835.00	6,252,090,854.20	(413,959,980.80)
Mandatory and Non-Mandatory Transfers	-	33,920,916.56	33,920,916.56
Prior Year Reserves Available for Expenditure	159,637.00	268,555,816.16	268,396,179.16
Total Funds Available	6,666,210,472.00	6,554,567,586.92	(111,642,885.08)
<b>EXPENDITURES</b>			
UGA - Forestry Research	15,010,907.00	12,245,615.83	2,765,291.17
UGA - Agricultural Experiment Station	103,085,390.00	79,279,780.11	23,805,609.89
UGA - Athens Tifton Vet Labs	8,092,031.00	6,224,530.32	1,867,500.68
UGA - Cooperative Extension Service	66,656,454.00	58,087,168.32	8,569,285.68
UGA - Forestry Cooperative Extension	1,318,202.00	995,115.78	323,086.22
UGA - Marine Institute	1,543,791.00	1,304,184.73	239,606.27
UGA - Marine Resources Extension Center	3,211,266.00	2,646,456.58	564,809.42
UGA - Veterinary Medicine Experiment Station	2,519,490.00	2,519,490.00	
UGA - Veterinary Medicine Teaching Hospital	14,440,304.00	11,382,710.83	3,057,593.17
MCG - Georgia Radiation Therapy Center	3,625,810.00	3,625,810.00	
GT - Enterprise Innovation Institute	24,858,901.00	20,432,453.42	4,426,447.58
GT - Georgia Tech Research Institute	256,075,867.00	255,673,308.46	402,558.54
USO - Public Libraries	37,830,980.00	36,801,680.59	1,029,299.41
USO - Regents Central Office	5,499,726.00	5,499,726.00	
USO - Medical Collge of Georgia Hospitals and Clinics	28,589,189.00	28,589,189.00	
USO - Georgia Public Telecommunications Commission	12,219,944.00	12,219,944.00	
USO - Georgia Military College	2,270,765.00	2,270,765.00	
SKIO - Skidaway Institute of Oceanography-B	5,674,690.00	5,782,815.66	(108,125.66)
Research Consortium	6,293,244.00	6,293,244.00	
Special Funding Initiative	11,867,084.00	11,791,807.82	75,276.18
Teaching	6,055,526,437.00	5,688,436,418.21	367,090,018.79
Total Expenditures	\$ 6,666,210,472.00	\$ 6,252,102,214.66	\$ 414,108,257.34
Excess of Funds Available over Expenditures		\$ 302,465,372.26	

UNIVERSITY SYSTEM OF GEORGIA  
BUDGET COMPARISON AND SURPLUS ANALYSIS REPORT (NON-GAAP BASIS)  
BUDGET FUNDS  
Year Ended June 30, 2012  
**UNAUDITED**

<u>Beginning Fund Balance July 1, 2011</u>	
Reserved	\$ 291,967,738.62
Unreserved, Undesignated Fund Balance (Surplus) for fiscal year 2011	2,799,681.09
Unreserved, Unreserved Fund Balance (Surplus)	(2,799,681.09)
Early Return of Surplus in fiscal year 2012	(343,245.75)
<u>Adjustments</u>	
Prior Year Payables/Expenditures	3,739,005.90
Prior Year Receivables/Revenues	(1,612,658.54)
Reserved Fund Balance Carried Over from Prior Year as Funds Available	<u>(268,555,816.16)</u>
<b>Ending Fund Balance - June 30, 2012</b>	<b><u>\$ 327,660,396.33</u></b>
<u>Summary of Fund Balance</u>	
Reserved	
Capital Outlay	\$ 1,761,723.81
Department Sales & Services	52,268,794.74
Early Retirement Program	7,774,436.53
Indirect Cost Recovery	73,471,925.13
Inventories	3,063,613.25
Technology Fees	15,720,328.66
Restricted/Sponsored Funds	119,601,684.05
Uncollectible Accounts Receivable	13,028,150.69
Tuition Carry - Forward	29,619,283.79
Property Reserves	8,360,265.75
Excess State Appropriations to be remitted in fiscal year 2013	12,405.55
Total Reserved	<u>\$ 324,682,611.95</u>
Unreserved	
Surplus	<u>2,977,784.38</u>
<b>Total Fund Balance - June 30, 2012</b>	<b><u>\$ 327,660,396.33</u></b>

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a comprehensive basis of accounting other than generally accepted accounting principles. A separately issued University System of Georgia Budgetary Compliance Report is available at <http://www.audits.ga.gov/>.

UNIVERSITY SYSTEM OF GEORGIA  
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET BY PROGRAM AND FUNDING SOURCES  
BUDGET FUNDS  
Year Ended June 30, 2012  
**UNAUDITED**

	Original Appropriation	Amended Appropriation	Final Budget	Funds Compared to Budget Current Year Revenues
<b>Enterprise Innovation Institute</b>				
State Appropriation				
State General Funds	\$ 7,483,572.00	\$ 7,333,901.00	\$ 7,333,901.00	\$ 7,333,901.00
Other Funds	10,475,000.00	10,475,000.00	17,525,000.00	13,098,974.30
<b>Total Enterprise Innovation Institute</b>	<b>\$ 17,958,572.00</b>	<b>\$ 17,808,901.00</b>	<b>\$ 24,858,901.00</b>	<b>\$ 20,432,875.30</b>
<b>Agricultural Experiment Station</b>				
State Appropriation				
State General Funds	\$ 34,058,182.00	\$ 33,844,114.00	\$ 33,844,114.00	\$ 33,844,114.00
Other Funds	37,552,919.00	37,552,919.00	69,241,276.00	46,876,022.86
<b>Total Agricultural Experiment Station</b>	<b>\$ 71,611,101.00</b>	<b>\$ 71,397,033.00</b>	<b>\$ 103,085,390.00</b>	<b>\$ 80,720,136.86</b>
<b>Athens and Tifton Veterinary Laboratories</b>				
Other Funds	\$ 4,944,522.00	\$ 4,944,522.00	\$ 8,092,031.00	\$ 6,103,806.60
<b>Total Athens and Tifton Veterinary Laboratories</b>	<b>\$ 4,944,522.00</b>	<b>\$ 4,944,522.00</b>	<b>\$ 8,092,031.00</b>	<b>\$ 6,103,806.60</b>
<b>Cooperative Extension Service</b>				
State Appropriation				
State General Funds	\$ 28,589,236.00	\$ 28,226,579.00	\$ 28,226,579.00	\$ 28,226,579.00
Other Funds	25,083,929.00	25,083,929.00	38,429,875.00	27,524,007.37
<b>Total Cooperative Extension Service</b>	<b>\$ 53,673,165.00</b>	<b>\$ 53,310,508.00</b>	<b>\$ 66,656,454.00</b>	<b>\$ 55,750,586.37</b>
<b>Forestry Cooperative Extension</b>				
State Appropriation				
State General Funds	\$ 507,349.00	\$ 497,202.00	\$ 497,202.00	\$ 497,202.00
Other Funds	400,000.00	400,000.00	821,000.00	511,125.14
<b>Total Forestry Cooperative Extension</b>	<b>\$ 907,349.00</b>	<b>\$ 897,202.00</b>	<b>\$ 1,318,202.00</b>	<b>\$ 1,008,327.14</b>
<b>Forestry Research</b>				
State Appropriation				
State General Funds	\$ 2,523,601.00	\$ 2,523,601.00	\$ 2,523,601.00	\$ 2,523,601.00
Other Funds	6,950,426.00	6,950,426.00	12,487,306.00	9,835,970.83
<b>Total Forestry Research</b>	<b>\$ 9,474,027.00</b>	<b>\$ 9,474,027.00</b>	<b>\$ 15,010,907.00</b>	<b>\$ 12,359,571.83</b>
<b>Georgia Radiation Therapy Center</b>				
Other Funds	\$ 3,625,810.00	\$ 3,625,810.00	\$ 3,625,810.00	\$ 3,625,810.00
<b>Total Georgia Radiation Therapy Center</b>	<b>\$ 3,625,810.00</b>	<b>\$ 3,625,810.00</b>	<b>\$ 3,625,810.00</b>	<b>\$ 3,625,810.00</b>
<b>Georgia Tech Research Institute</b>				
State Appropriation				
State General Funds	\$ 5,722,356.00	\$ 5,607,909.00	\$ 5,607,909.00	\$ 5,607,909.00
Other Funds	223,917,958.00	223,917,958.00	250,467,958.00	250,325,720.72
<b>Total Georgia Tech Research Institute</b>	<b>\$ 229,640,314.00</b>	<b>\$ 229,525,867.00</b>	<b>\$ 256,075,867.00</b>	<b>\$ 255,933,629.72</b>
<b>Marine Institute</b>				
State Appropriation				
State General Funds	\$ 718,506.00	\$ 704,136.00	\$ 704,136.00	\$ 704,136.00
Other Funds	486,281.00	486,281.00	839,655.00	706,360.77
<b>Total Marine Institute</b>	<b>\$ 1,204,787.00</b>	<b>\$ 1,190,417.00</b>	<b>\$ 1,543,791.00</b>	<b>\$ 1,410,496.77</b>
<b>Marine Resources Extension Center</b>				
State Appropriation				
State General Funds	\$ 1,180,737.00	\$ 1,180,737.00	\$ 1,180,737.00	\$ 1,180,737.00
Other Funds	1,345,529.00	1,345,529.00	2,030,529.00	1,449,092.69
<b>Total Marine Resources Extension Center</b>	<b>\$ 2,526,266.00</b>	<b>\$ 2,526,266.00</b>	<b>\$ 3,211,266.00</b>	<b>\$ 2,629,829.69</b>
<b>Medical College of Georgia Hospital and Clinics</b>				
State Appropriation				
State General Funds	\$ 29,172,642.00	\$ 28,589,189.00	\$ 28,589,189.00	\$ 28,589,189.00
<b>Total Medical College of Georgia Hospital and Clinics</b>	<b>\$ 29,172,642.00</b>	<b>\$ 28,589,189.00</b>	<b>\$ 28,589,189.00</b>	<b>\$ 28,589,189.00</b>
<b>Public Libraries</b>				
State Appropriation				
State General Funds	\$ 32,248,245.00	\$ 31,603,280.00	\$ 31,603,280.00	\$ 31,603,280.00
Other Funds	5,222,400.00	5,222,400.00	6,227,700.00	5,198,996.02
<b>Total Public Libraries</b>	<b>\$ 37,470,645.00</b>	<b>\$ 36,825,680.00</b>	<b>\$ 37,830,980.00</b>	<b>\$ 36,802,276.02</b>



UNIVERSITY SYSTEM OF GEORGIA  
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET BY PROGRAM AND FUNDING SOURCES  
BUDGET FUNDS  
Year Ended June 30, 2012  
**UNAUDITED**

Funds Available Compared to Budget				Expenditures Compared to Budget				Excess (Deficiency) of Funds Available Over/(Under) Expenditures
Prior Year Carry-Over	Adjustments and Program Transfers	Total Funds Available	Variance Positive (Negative)	Actual	Variance Positive (Negative)			
\$ -	\$ -	\$ 7,333,901.00	\$ -	\$ 7,333,900.69	\$ 0.31			\$ 0.31
-	-	13,098,974.30	(4,426,025.70)	13,098,552.73	4,426,447.27			421.57
\$ -	\$ -	\$ 20,432,875.30	\$ (4,426,025.70)	\$ 20,432,453.42	\$ 4,426,447.58			\$ 421.88
\$ -	\$ -	\$ 33,844,114.00	\$ -	\$ 33,844,114.00	\$ -			\$ -
15,666,408.42	-	62,542,431.28	(6,698,844.72)	45,435,666.11	23,805,609.89			17,106,765.17
\$ 15,666,408.42	\$ -	\$ 96,386,545.28	\$ (6,698,844.72)	\$ 79,279,780.11	\$ 23,805,609.89			\$ 17,106,765.17
\$ 502,555.36	\$ -	\$ 6,606,361.96	\$ (1,485,669.04)	\$ 6,224,530.32	\$ 1,867,500.68			\$ 381,831.64
\$ 502,555.36	\$ -	\$ 6,606,361.96	\$ (1,485,669.04)	\$ 6,224,530.32	\$ 1,867,500.68			\$ 381,831.64
\$ -	\$ -	\$ 28,226,579.00	\$ -	\$ 28,226,579.00	\$ -			\$ -
5,490,273.28	-	33,014,280.65	(5,415,594.35)	29,860,589.32	8,569,285.68			3,153,691.33
\$ 5,490,273.28	\$ -	\$ 61,240,859.65	\$ (5,415,594.35)	\$ 58,087,168.32	\$ 8,569,285.68			\$ 3,153,691.33
\$ -	\$ -	\$ 497,202.00	\$ -	\$ 497,202.00	\$ -			\$ -
100,763.83	-	611,888.97	(209,111.03)	497,913.78	323,086.22			113,975.19
\$ 100,763.83	\$ -	\$ 1,109,090.97	\$ (209,111.03)	\$ 995,115.78	\$ 323,086.22			\$ 113,975.19
\$ -	\$ -	\$ 2,523,601.00	\$ -	\$ 2,523,601.00	\$ -			\$ -
2,426,347.40	-	12,262,318.23	(224,987.77)	9,722,014.83	2,765,291.17			2,540,303.40
\$ 2,426,347.40	\$ -	\$ 14,785,919.23	\$ (224,987.77)	\$ 12,245,615.83	\$ 2,765,291.17			\$ 2,540,303.40
\$ -	\$ -	\$ 3,625,810.00	\$ -	\$ 3,625,810.00	\$ -			\$ -
\$ -	\$ -	\$ 3,625,810.00	\$ -	\$ 3,625,810.00	\$ -			\$ -
\$ -	\$ -	\$ 5,607,909.00	\$ -	\$ 5,607,162.00	\$ 747.00			\$ 747.00
36,746.88	-	250,362,467.60	(105,490.40)	250,066,146.46	401,811.54			296,321.14
\$ 36,746.88	\$ -	\$ 255,970,376.60	\$ (105,490.40)	\$ 255,673,308.46	\$ 402,558.54			\$ 297,068.14
\$ -	\$ -	\$ 704,136.00	\$ -	\$ 704,136.00	\$ -			\$ -
233,892.74	-	940,253.51	100,598.51	600,048.73	239,606.27			340,204.78
\$ 233,892.74	\$ -	\$ 1,644,389.51	\$ 100,598.51	\$ 1,304,184.73	\$ 239,606.27			\$ 340,204.78
\$ -	\$ -	\$ 1,180,737.00	\$ -	\$ 1,180,737.00	\$ -			\$ -
162,726.94	-	1,611,819.63	(418,709.37)	1,465,719.58	564,809.42			146,100.05
\$ 162,726.94	\$ -	\$ 2,792,556.63	\$ (418,709.37)	\$ 2,646,456.58	\$ 564,809.42			\$ 146,100.05
\$ -	\$ -	\$ 28,589,189.00	\$ -	\$ 28,589,189.00	\$ -			\$ -
\$ -	\$ -	\$ 28,589,189.00	\$ -	\$ 28,589,189.00	\$ -			\$ -
\$ -	\$ -	\$ 31,603,280.00	\$ -	\$ 31,602,684.57	\$ 595.43			\$ 595.43
-	-	5,198,996.02	(1,028,703.98)	5,198,996.02	1,028,703.98			-
\$ -	\$ -	\$ 36,802,276.02	\$ (1,028,703.98)	\$ 36,801,680.59	\$ 1,029,299.41			\$ 595.43

UNIVERSITY SYSTEM OF GEORGIA  
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET BY PROGRAM AND FUNDING SOURCES  
BUDGET FUNDS  
Year Ended June 30, 2012  
**UNAUDITED**

	Original Appropriation	Amended Appropriation	Final Budget	Funds Compared to Budget Current Year Revenues
<b>Public Service / Special Funding Initiatives</b>				
State Appropriation				
State General Funds	\$ 11,946,374.00	\$ 11,707,447.00	\$ 11,707,447.00	\$ 11,707,447.00
State General Funds - Prior Year	-	-	159,637.00	-
<b>Total Public Service / Special Funding Initiatives</b>	<b>\$ 11,946,374.00</b>	<b>\$ 11,707,447.00</b>	<b>\$ 11,867,084.00</b>	<b>\$ 11,707,447.00</b>
<b>Regents Central Office</b>				
State Appropriation				
State General Funds	\$ 5,596,860.00	\$ 5,499,726.00	\$ 5,499,726.00	\$ 5,499,726.00
<b>Regents Central Office</b>	<b>\$ 5,596,860.00</b>	<b>\$ 5,499,726.00</b>	<b>\$ 5,499,726.00</b>	<b>\$ 5,499,726.00</b>
<b>Research Consortium</b>				
State Appropriation				
State General Funds	\$ 6,421,678.00	\$ 6,293,244.00	\$ 6,293,244.00	\$ 6,293,244.00
<b>Total Research Consortium</b>	<b>\$ 6,421,678.00</b>	<b>\$ 6,293,244.00</b>	<b>\$ 6,293,244.00</b>	<b>\$ 6,293,244.00</b>
<b>Skidaway Institute of Oceanography</b>				
State Appropriation				
State General Funds	\$ 1,230,101.00	\$ 1,205,499.00	\$ 1,205,499.00	\$ 1,205,499.00
Other Funds	3,550,000.00	3,550,000.00	4,469,191.00	4,766,013.54
<b>Total Skidaway Institute of Oceanography</b>	<b>\$ 4,780,101.00</b>	<b>\$ 4,755,499.00</b>	<b>\$ 5,674,690.00</b>	<b>\$ 5,971,512.54</b>
<b>Teaching</b>				
State Appropriation				
State General Funds	\$ 1,553,681,395.00	\$ 1,522,714,719.00	\$ 1,522,714,719.00	\$ 1,522,714,719.00
Other Funds	3,597,731,160.00	3,597,731,160.00	4,532,811,718.00	4,166,559,123.96
<b>Total Teaching</b>	<b>\$ 5,151,412,555.00</b>	<b>\$ 5,120,445,879.00</b>	<b>\$ 6,055,526,437.00</b>	<b>\$ 5,689,273,842.96</b>
<b>Veterinary Medicine Experiment Station</b>				
State Appropriation				
State General Funds	\$ 2,542,873.00	\$ 2,519,490.00	\$ 2,519,490.00	\$ 2,519,490.00
<b>Total Veterinary Medicine Experiment Station</b>	<b>\$ 2,542,873.00</b>	<b>\$ 2,519,490.00</b>	<b>\$ 2,519,490.00</b>	<b>\$ 2,519,490.00</b>
<b>Veterinary Medicine Teaching Hospital</b>				
State Appropriation				
State General Funds	\$ 433,774.00	\$ 425,099.00	\$ 425,099.00	\$ 425,099.00
Other Funds	9,621,951.00	9,621,951.00	14,015,205.00	10,543,248.40
<b>Total Veterinary Medicine Teaching Hospital</b>	<b>\$ 10,055,725.00</b>	<b>\$ 10,047,050.00</b>	<b>\$ 14,440,304.00</b>	<b>\$ 10,968,347.40</b>
<b>Payments to the Georgia Cancer Coalition</b>				
State Appropriation				
Tobacco Funds	\$ -	\$ -	\$ -	\$ -
<b>Total Payments to the Georgia Cancer Coalition</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Payments to Georgia Military College</b>				
State Appropriation				
State General Funds	\$ 2,317,107.00	\$ 2,270,765.00	\$ 2,270,765.00	\$ 2,270,765.00
<b>Total Payments to Georgia Military College</b>	<b>\$ 2,317,107.00</b>	<b>\$ 2,270,765.00</b>	<b>\$ 2,270,765.00</b>	<b>\$ 2,270,765.00</b>
<b>Payments to Public Telecommunications Commission, GA</b>				
State Appropriation				
State General Funds	\$ 12,431,297.00	\$ 12,219,944.00	\$ 12,219,944.00	\$ 12,219,944.00
<b>Total Payments to Public Telecommunications Commission</b>	<b>\$ 12,431,297.00</b>	<b>\$ 12,219,944.00</b>	<b>\$ 12,219,944.00</b>	<b>\$ 12,219,944.00</b>
<b>Total Operating Activity</b>	<b>\$ 5,669,713,770.00</b>	<b>\$ 5,635,874,466.00</b>	<b>\$ 6,666,210,472.00</b>	<b>\$ 6,252,090,854.20</b>

UNIVERSITY SYSTEM OF GEORGIA  
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET BY PROGRAM AND FUNDING SOURCES  
BUDGET FUNDS  
Year Ended June 30, 2012  
**UNAUDITED**

Funds Available Compared to Budget						Expenditures Compared to Budget		Excess (Deficiency) of Funds Available Over/(Under) Expenditures
Prior Year Carry-Over	Adjustments and Program Transfers	Total Funds Available	Variance Positive (Negative)	Actual	Variance Positive (Negative)			
\$ -	\$ -	\$ 11,707,447.00	\$ -	\$ 11,632,170.82	\$ 75,276.18	\$ 75,276.18		
159,637.78	-	159,637.78	0.78	159,637.00	-	0.78		
\$ 159,637.78	\$ -	\$ 11,867,084.78	\$ 0.78	\$ 11,791,807.82	\$ 75,276.18	\$ 75,276.96		
\$ -	\$ -	\$ 5,499,726.00	\$ -	\$ 5,499,726.00	\$ -	\$ -		
\$ -	\$ -	\$ 5,499,726.00	\$ -	\$ 5,499,726.00	\$ -	\$ -		
\$ -	\$ -	\$ 6,293,244.00	\$ -	\$ 6,293,244.00	\$ -	\$ -		
\$ -	\$ -	\$ 6,293,244.00	\$ -	\$ 6,293,244.00	\$ -	\$ -		
\$ -	\$ -	\$ 1,205,499.00	\$ -	\$ 1,205,498.68	\$ 0.32	\$ 0.32		
251,828.02	-	5,017,841.56	548,650.56	4,577,316.98	(108,125.98)	440,524.58		
\$ 251,828.02	\$ -	\$ 6,223,340.56	\$ 548,650.56	\$ 5,782,815.66	\$ (108,125.66)	\$ 440,524.90		
\$ -	\$ 193,150.39	\$ 1,522,907,869.39	\$ 193,150.39	\$ 1,522,514,040.10	\$ 200,678.90	\$ 393,829.29		
240,095,986.58	33,727,766.17	4,440,382,876.71	(92,428,841.29)	4,165,922,378.11	366,889,339.89	274,460,498.60		
\$ 240,095,986.58	\$ 33,920,916.56	\$ 5,963,290,746.10	\$ (92,235,690.90)	\$ 5,688,436,418.21	\$ 367,090,018.79	\$ 274,854,327.89		
\$ -	\$ -	\$ 2,519,490.00	\$ -	\$ 2,519,490.00	\$ -	\$ -		
\$ -	\$ -	\$ 2,519,490.00	\$ -	\$ 2,519,490.00	\$ -	\$ -		
\$ -	\$ -	\$ 425,099.00	\$ -	\$ 425,099.00	\$ -	\$ -		
3,428,648.93	-	13,971,897.33	(43,307.67)	10,957,611.83	3,057,593.17	3,014,285.50		
\$ 3,428,648.93	\$ -	\$ 14,396,996.33	\$ (43,307.67)	\$ 11,382,710.83	\$ 3,057,593.17	\$ 3,014,285.50		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
\$ -	\$ -	\$ 2,270,765.00	\$ -	\$ 2,270,765.00	\$ -	\$ -		
\$ -	\$ -	\$ 2,270,765.00	\$ -	\$ 2,270,765.00	\$ -	\$ -		
\$ -	\$ -	\$ 12,219,944.00	\$ -	\$ 12,219,944.00	\$ -	\$ -		
\$ -	\$ -	\$ 12,219,944.00	\$ -	\$ 12,219,944.00	\$ -	\$ -		
\$ 268,555,816.16	\$ 33,920,916.56	\$ 6,554,567,586.92	\$ (111,642,885.08)	\$ 6,252,102,214.66	\$ 414,108,257.34	\$ 302,465,372.26		

UNIVERSITY SYSTEM OF GEORGIA  
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE  
BUDGET FUNDS  
Year Ended June 30, 2012  
**UNAUDITED**

	Beginning Fund Balance/(Deficit) July 1	Fund Balance Carried Over from Prior Period as Funds Available	Return of Fiscal Year 2011 Surplus	Prior Period Adjustments
<b>Enterprise Innovation Institute</b>				
State Appropriation				
State General Funds	\$ 507.67	\$ -	\$ (507.67)	\$ 8.29
Other Funds	540.78	-	(540.78)	-
<b>Total Enterprise Innovation Institute</b>	<b>\$ 1,048.45</b>	<b>\$ -</b>	<b>\$ (1,048.45)</b>	<b>\$ 8.29</b>
<b>Agricultural Experiment Station</b>				
State Appropriation				
State General Funds	\$ 47,131.47	\$ -	\$ (47,131.47)	\$ 28,814.60
Other Funds	15,666,408.42	(15,666,408.42)	-	33,284.14
<b>Total Agricultural Experiment Station</b>	<b>\$ 15,713,539.89</b>	<b>\$ (15,666,408.42)</b>	<b>\$ (47,131.47)</b>	<b>\$ 62,098.74</b>
<b>Athens and Tifton Veterinary Laboratories</b>				
Other Funds	\$ 502,555.36	\$ (502,555.36)	\$ -	\$ 2,427.50
<b>Total Athens and Tifton Veterinary Laboratories</b>	<b>\$ 502,555.36</b>	<b>\$ (502,555.36)</b>	<b>\$ -</b>	<b>\$ 2,427.50</b>
<b>Cooperative Extension Service</b>				
State Appropriation				
State General Funds	\$ 14,732.43	\$ -	\$ (14,732.43)	\$ 8,523.42
Other Funds	5,490,273.28	(5,490,273.28)	-	15,948.15
<b>Total Cooperative Extension Service</b>	<b>\$ 5,505,005.71</b>	<b>\$ (5,490,273.28)</b>	<b>\$ (14,732.43)</b>	<b>\$ 24,471.57</b>
<b>Forestry Cooperative Extension</b>				
State Appropriation				
State General Funds	\$ 202.35	\$ -	\$ (202.35)	\$ -
Other Funds	100,763.83	(100,763.83)	-	30.65
<b>Total Forestry Cooperative Extension</b>	<b>\$ 100,966.18</b>	<b>\$ (100,763.83)</b>	<b>\$ (202.35)</b>	<b>\$ 30.65</b>
<b>Forestry Research</b>				
State Appropriation				
State General Funds	\$ 1,167.31	\$ -	\$ (1,167.31)	\$ 8,415.15
Other Funds	2,426,347.40	(2,426,347.40)	-	2,848.59
<b>Total Forestry Research</b>	<b>\$ 2,427,514.71</b>	<b>\$ (2,426,347.40)</b>	<b>\$ (1,167.31)</b>	<b>\$ 11,263.74</b>
<b>Georgia Radiation Therapy Center</b>				
Other Funds	\$ -	\$ -	\$ -	\$ -
<b>Total Georgia Radiation Therapy Center</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Georgia Tech Research Institute</b>				
State Appropriation				
State General Funds	\$ 297.45	\$ -	\$ (297.45)	\$ 2,322.00
Other Funds	41,351.73	(36,746.88)	(4,604.85)	-
<b>Total Georgia Tech Research Institute</b>	<b>\$ 41,649.18</b>	<b>\$ (36,746.88)</b>	<b>\$ (4,902.30)</b>	<b>\$ 2,322.00</b>
<b>Marine Institute</b>				
State Appropriation				
State General Funds	\$ 216.00	\$ -	\$ (216.00)	\$ -
Other Funds	233,892.74	(233,892.74)	-	-
<b>Total Marine Institute</b>	<b>\$ 234,108.74</b>	<b>\$ (233,892.74)</b>	<b>\$ (216.00)</b>	<b>\$ -</b>
<b>Marine Resources Extension Center</b>				
State Appropriation				
State General Funds	\$ 966.39	\$ -	\$ (966.39)	\$ 2,421.33
Other Funds	162,726.94	(162,726.94)	-	11,086.12
<b>Total Marine Resources Extension Center</b>	<b>\$ 163,693.33</b>	<b>\$ (162,726.94)</b>	<b>\$ (966.39)</b>	<b>\$ 13,507.45</b>
<b>Medical College of Georgia Hospital and Clinics</b>				
State Appropriation				
State General Funds	\$ -	\$ -	\$ -	\$ -
<b>Total Medical College of Georgia Hospital and Clinics</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Public Libraries</b>				
State Appropriation				
State General Funds	\$ 3,842.68	\$ -	\$ (3,842.68)	\$ 3,741.18
Other Funds	-	-	-	-
<b>Total Public Libraries</b>	<b>\$ 3,842.68</b>	<b>\$ -</b>	<b>\$ (3,842.68)</b>	<b>\$ 3,741.18</b>

UNIVERSITY SYSTEM OF GEORGIA  
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE  
BUDGET FUNDS  
Year Ended June 30, 2012  
**UNAUDITED**

Other Adjustments	Early Return Fiscal Year 2012 Surplus	Excess (Deficiency) of Funds Available Over/(Under) Expenditures	Ending Fund Balance/(Deficit) June 30	Analysis of Ending Fund Balance		
				Reserved	Surplus/(Deficit)	Total
\$ -	\$ -	\$ 0.31	\$ 8.60	\$ -	\$ 8.60	\$ 8.60
-	-	421.57	421.57	421.57	-	421.57
\$ -	\$ -	\$ 421.88	\$ 430.17	\$ 421.57	\$ 8.60	\$ 430.17
\$ -	\$ -	\$ -	\$ 28,814.60	\$ -	\$ 28,814.60	\$ 28,814.60
-	-	17,106,765.17	17,140,049.31	17,140,049.31	-	17,140,049.31
\$ -	\$ -	\$ 17,106,765.17	\$ 17,168,863.91	\$ 17,140,049.31	\$ 28,814.60	\$ 17,168,863.91
\$ -	\$ -	\$ 381,831.64	\$ 384,259.14	\$ 384,259.14	\$ -	\$ 384,259.14
\$ -	\$ -	\$ 381,831.64	\$ 384,259.14	\$ 384,259.14	\$ -	\$ 384,259.14
\$ -	\$ -	\$ -	\$ 8,523.42	\$ -	\$ 8,523.42	\$ 8,523.42
2,413.29	-	3,153,691.33	3,172,052.77	3,172,052.77	-	3,172,052.77
\$ 2,413.29	\$ -	\$ 3,153,691.33	\$ 3,180,576.19	\$ 3,172,052.77	\$ 8,523.42	\$ 3,180,576.19
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	113,975.19	114,005.84	114,005.84	-	114,005.84
\$ -	\$ -	\$ 113,975.19	\$ 114,005.84	\$ 114,005.84	\$ -	\$ 114,005.84
\$ -	\$ -	\$ -	\$ 8,415.15	\$ -	\$ 8,415.15	\$ 8,415.15
-	-	2,540,303.40	2,543,151.99	2,543,151.99	-	2,543,151.99
\$ -	\$ -	\$ 2,540,303.40	\$ 2,551,567.14	\$ 2,543,151.99	\$ 8,415.15	\$ 2,551,567.14
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ 747.00	\$ 3,069.00	\$ -	\$ 3,069.00	\$ 3,069.00
-	-	296,321.14	296,321.14	296,321.14	-	296,321.14
\$ -	\$ -	\$ 297,068.14	\$ 299,390.14	\$ 296,321.14	\$ 3,069.00	\$ 299,390.14
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	340,204.78	340,204.78	340,204.78	-	340,204.78
\$ -	\$ -	\$ 340,204.78	\$ 340,204.78	\$ 340,204.78	\$ -	\$ 340,204.78
\$ -	\$ -	\$ -	\$ 2,421.33	\$ -	\$ 2,421.33	\$ 2,421.33
(155.00)	-	146,100.05	157,031.17	157,031.17	-	157,031.17
\$ (155.00)	\$ -	\$ 146,100.05	\$ 159,452.50	\$ 157,031.17	\$ 2,421.33	\$ 159,452.50
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ (3,741.18)	\$ 595.43	\$ 595.43	\$ -	\$ 595.43	\$ 595.43
-	-	-	-	-	-	-
\$ -	\$ (3,741.18)	\$ 595.43	\$ 595.43	\$ -	\$ 595.43	\$ 595.43



UNIVERSITY SYSTEM OF GEORGIA  
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE  
BUDGET FUNDS  
Year Ended June 30, 2012

**UNAUDITED**

	Beginning Fund Balance/(Deficit) July 1	Fund Balance Carried Over from Prior Period as Funds Available	Return of Fiscal Year 2011 Surplus	Prior Period Adjustments
<b>Public Service / Special Funding Initiatives</b>				
State Appropriation				
State General Funds	\$ 25,306.08	\$ -	\$ (25,306.08)	\$ 8,741.13
State General Funds - Prior Year	159,637.78	(159,637.78)	-	(0.78)
<b>Total Public Service / Special Funding Initiatives</b>	<b>\$ 184,943.86</b>	<b>\$ (159,637.78)</b>	<b>\$ (25,306.08)</b>	<b>\$ 8,740.35</b>
<b>Regents Central Office</b>				
State Appropriation				
State General Funds	\$ -	\$ -	\$ -	\$ -
<b>Total Regents Central Office</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Research Consortium</b>				
State Appropriation				
State General Funds	\$ 3,646.91	\$ -	\$ (3,646.91)	\$ 28,560.65
<b>Total Research Consortium</b>	<b>\$ 3,646.91</b>	<b>\$ -</b>	<b>\$ (3,646.91)</b>	<b>\$ 28,560.65</b>
<b>Skidaway Institute of Oceanography</b>				
State Appropriation				
State General Funds	\$ -	\$ -	\$ -	\$ -
Other Funds	251,828.02	(251,828.02)	-	-
<b>Total Skidaway Institute of Oceanography</b>	<b>\$ 251,828.02</b>	<b>\$ (251,828.02)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Teaching</b>				
State Appropriation				
State General Funds	\$ 1,662,360.69	\$ -	\$ (1,662,360.69)	\$ 851,364.83
Other Funds	241,129,064.15	(240,095,986.58)	(1,033,077.57)	1,055,304.73
<b>Total Teaching</b>	<b>\$ 242,791,424.84</b>	<b>\$ (240,095,986.58)</b>	<b>\$ (2,695,438.26)</b>	<b>\$ 1,906,669.56</b>
<b>Veterinary Medicine Experiment Station</b>				
State Appropriation				
State General Funds	\$ 1,079.78	\$ -	\$ (1,079.78)	\$ 847.22
<b>Total Veterinary Medicine Experiment Station</b>	<b>\$ 1,079.78</b>	<b>\$ -</b>	<b>\$ (1,079.78)</b>	<b>\$ 847.22</b>
<b>Veterinary Medicine Teaching Hospital</b>				
State Appropriation				
State General Funds	\$ -	\$ -	\$ -	\$ 4,586.24
Other Funds	3,428,648.93	(3,428,648.93)	-	57,072.22
<b>Total Veterinary Medicine Teaching Hospital</b>	<b>\$ 3,428,648.93</b>	<b>\$ (3,428,648.93)</b>	<b>\$ -</b>	<b>\$ 61,658.46</b>
<b>Payments to the Georgia Cancer Coalition</b>				
State Appropriation				
Tobacco Funds	\$ 0.68	\$ -	\$ (0.68)	\$ -
<b>Total Payments to the Georgia Cancer Coalition</b>	<b>\$ 0.68</b>	<b>\$ -</b>	<b>\$ (0.68)</b>	<b>\$ -</b>
<b>Payments to Georgia Military College</b>				
State Appropriation				
State General Funds	\$ -	\$ -	\$ -	\$ -
<b>Total Payments to Georgia Military College</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Payments to Public Telecommunications Commission, Ga</b>				
State Appropriation				
State General Funds	\$ -	\$ -	\$ -	\$ -
<b>Total Payments to Public Telecommunications Commission, Ga</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Total Operating Activity	\$ 271,355,497.25	\$ (268,555,816.16)	\$ (2,799,681.09)	\$ 2,126,347.36
<b>Prior Year Reserves Not Available for Expenditure</b>				
Inventories	3,038,239.87			
Uncollectible Accounts Receivable	12,748,016.06			
Early Retirement Program (Georgia Health Sciences University)	7,625,666.53			
<b>Budget Unit Totals</b>	<b>\$ 294,767,419.71</b>	<b>\$ (268,555,816.16)</b>	<b>\$ (2,799,681.09)</b>	<b>\$ 2,126,347.36</b>

UNIVERSITY SYSTEM OF GEORGIA  
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE  
BUDGET FUNDS  
Year Ended June 30, 2012  
**UNAUDITED**

Other Adjustments	Early Return Fiscal Year 2012 Surplus	Excess (Deficiency) of Funds Available Over/(Under) Expenditures	Ending Fund Balance/(Deficit) June 30	Analysis of Ending Fund Balance		
				Reserved	Surplus/(Deficit)	Total
\$ -	\$ (750.00)	\$ 75,276.18	\$ 83,267.31	\$ -	\$ 83,267.31	\$ 83,267.31
-	-	0.78	-	-	-	-
\$ -	\$ (750.00)	\$ 75,276.96	\$ 83,267.31	\$ -	\$ 83,267.31	\$ 83,267.31
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ 28,560.65	\$ -	\$ 28,560.65	\$ 28,560.65
\$ -	\$ -	\$ -	\$ 28,560.65	\$ -	\$ 28,560.65	\$ 28,560.65
\$ -	\$ -	\$ 0.32	\$ 0.32	\$ -	\$ 0.32	\$ 0.32
-	-	440,524.58	440,524.58	433,089.02	7,435.56	440,524.58
\$ -	\$ -	\$ 440,524.90	\$ 440,524.90	\$ 433,089.02	\$ 7,435.88	\$ 440,524.90
\$ 73,183.20	\$ (338,754.57)	\$ 393,829.29	\$ 979,622.75	\$ 12,405.55	\$ 967,217.20	\$ 979,622.75
(500,390.37)	-	274,460,498.60	275,015,412.96	273,181,390.61	1,834,022.35	275,015,412.96
\$ (427,207.17)	\$ (338,754.57)	\$ 274,854,327.89	\$ 275,995,035.71	\$ 273,193,796.16	\$ 2,801,239.55	\$ 275,995,035.71
\$ -	\$ -	\$ -	\$ 847.22	\$ -	\$ 847.22	\$ 847.22
\$ -	\$ -	\$ -	\$ 847.22	\$ -	\$ 847.22	\$ 847.22
\$ -	\$ -	\$ -	\$ 4,586.24	\$ -	\$ 4,586.24	\$ 4,586.24
(29,329.13)	-	3,014,285.50	3,042,028.59	3,042,028.59	-	3,042,028.59
\$ (29,329.13)	\$ -	\$ 3,014,285.50	\$ 3,046,614.83	\$ 3,042,028.59	\$ 4,586.24	\$ 3,046,614.83
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ (454,278.01)	\$ (343,245.75)	\$ 302,465,372.26	\$ 303,794,195.86	\$ 300,816,411.48	\$ 2,977,784.38	\$ 303,794,195.86
25,373.38			3,063,613.25	3,063,613.25		3,063,613.25
280,134.63			13,028,150.69	13,028,150.69		13,028,150.69
148,770.00			7,774,436.53	7,774,436.53		7,774,436.53
\$ -	\$ (343,245.75)	\$ 302,465,372.26	\$ 327,660,396.33	\$ 324,682,611.95	\$ 2,977,784.38	\$ 327,660,396.33

UNIVERSITY SYSTEM OF GEORGIA  
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE  
BUDGET FUNDS  
Year Ended June 30, 2012  
**UNAUDITED**

	<u>Reserved</u>	<u>Surplus</u>	<u>Total Fund Balance</u>
Summary of Ending Fund Balance			
Reserved			
Capital Outlay	\$ 1,761,723.81		\$ 1,761,723.81
Departmental Sales and Services	52,268,794.74		52,268,794.74
Indirect Cost Recovery	73,471,925.13		73,471,925.13
Technology Fees	15,720,328.66		15,720,328.66
Restricted/Sponsored Funds	119,601,684.05		119,601,684.05
Property Reserves	8,360,265.75		8,360,265.75
Tuition Carry-Forward	29,619,283.79		29,619,283.79
Uncollectible Accounts Receivable	13,028,150.69		13,028,150.69
Inventories	3,063,613.25		3,063,613.25
Early Retirement Program	7,774,436.53		7,774,436.53
Excess State Appropriations to be remitted in FY 2013	12,405.55		12,405.55
Unreserved			
Surplus		<u>2,977,784.38</u>	<u>2,977,784.38</u>
Total Ending Fund Balance - June 30, 2012	<u>\$ 324,682,611.95</u>	<u>\$ 2,977,784.38</u>	<u>\$ 327,660,396.33</u>

Actual amounts were prepared based on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a comprehensive basis of accounting other than generally accepted accounting principles. A separately issued University System of Georgia Budgetary Compliance Report is available at <http://www.audits.ga.gov/>.

# University System of Georgia

## Financial Statement Findings

### June 30, 2012

The auditor is required to communicate to management and those charged with governance deficiencies in internal controls identified during the course of the financial statement audit that, in the auditor's judgment, constitute significant deficiencies or material weakness.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University System of Georgia's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Any identified deficiencies in internal controls that the auditors did not consider to be significant deficiencies and/or material weaknesses have been communicated to management and those charged with governance within separate management letters for each applicable individual college or university. Internal control deficiencies that were considered to be significant deficiencies and/or material weaknesses are presented below:

#### **Fort Valley State University**

FS-533-12-01  
FS-533-12-02  
FS-533-12-03  
FS-533-12-04

#### **Georgia Perimeter College**

FS-571-12-01  
FS-571-12-02  
FS-571-12-03  
FS-571-12-04  
FS-571-12-05

#### **Gordon State College**

FS-576-12-01  
FS-576-12-02

#### **Southern Polytechnic State University**

FS-550-12-01  
FS-550-12-02

#### **South Georgia College**

FS-587-12-01

#### **Valdosta State University**

FS-551-12-01

*Detailed information on these findings is available in the individual college or university report for the fiscal year ended June 30, 2012 located at <http://www.audits.ga.gov>.*

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### ***University System of Georgia Chief Business Officers:***

John Clemens, Abraham Baldwin Agricultural College  
Larry Wakefield, Albany State University  
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Cliff Gay, East Georgia State College  
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Nancy Stroud, Macon State College  
Lynn Hobbs, Middle Georgia College  
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### ***Photography:***

Courtesy of University System of Georgia Institutions





