



# The University System of Georgia Annual Financial Report FY 2014





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# INTRODUCTORY SECTION



## LETTER OF TRANSMITTAL

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

February 4, 2015

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 of the University System of Georgia for the year ended June 30, 2014. The report provides financial information about the University System of Georgia's operations during the year and describes 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 2014 and has issued an unmodified 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,



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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; regents may be reappointed to subsequent terms by a sitting governor. Regents donate their time and expertise to serve the state through their governance of the University System of Georgia – the positions are voluntary ones without financial remuneration. Today the Board of Regents is composed of 19 members, five of whom are appointed from the state-at-large, and one from each of the 14 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 the 31 colleges and universities that comprise the University System of Georgia, and has oversight of the Georgia Archives and the Georgia Public Library System.

Members of the Board in Fiscal 2014 included the following:

C. Dean Alford  
W. Paul Bowers  
Lori Durden  
Larry R. Ellis  
Rutledge A. (Rusty) Griffin, Jr.  
C. Thomas Hopkins, Jr., MD  
James M. Hull  
Donald M. Leebern, Jr.  
Doreen Stiles Poitevint  
Neil L. Pruitt, Jr. (Vice Chair)  
Sachin Shailendra  
E. Scott Smith  
Kessel Stelling, Jr.  
Benjamin“Ben” J. Tarbutton, III  
Richard L. Tucker  
Thomas Rogers Wade  
Larry Walker  
Don L. Waters  
Philip A. Wilheit, Sr. (Chair)





# 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 4, 2015

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. Huckaby, Chancellor

### INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

#### **Report on the Financial Statements**

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, 2014 and the related notes to the financial statements, which collectively comprise the University System of Georgia's basic financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University System of Georgia's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the



circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University System of Georgia's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the 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, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

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 cash flows of only that portion of the business-type 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, 2014, 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.

As described in Note 1 to the financial statements, in 2014, the University System of Georgia adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the prior period financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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 consisted 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.

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the University System of Georgia. The accompanying Introductory and Supplementary Information Sections, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting or other records used to prepare the basic financial statements or to the basic 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 (USG) is achieved through the collective missions of our state's public colleges and universities. The roles of public higher education in Georgia is to drive economic development and produce more educated individuals to contribute to the quality of life in the state. USG institutions are responsible for producing graduates with the requisite skills and knowledge to ensure Georgia's strong future in a knowledge-based and global economy. The individual mission and function of each institution within the USG must be aligned with the overall USG mission in order to strategically meet the higher education needs of the State.

This discussion and analysis provides a summary of the financial position of the USG for the fiscal year ending June 30, 2014. It should allow the user to review how the USG 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-one institutions of the USG. The USG continues to prosper, as is demonstrated by the following information:

	STUDENT HEADCOUNT	STUDENT FTE
FY2014	309,469	274,449
FY2013	314,365	278,319
FY2012	318,027	281,559

## State Resources

The General Appropriations Act of 2014 (House Bill 106), as amended by House Bill 743, appropriated a total of \$1,885,486,702 to the USG.

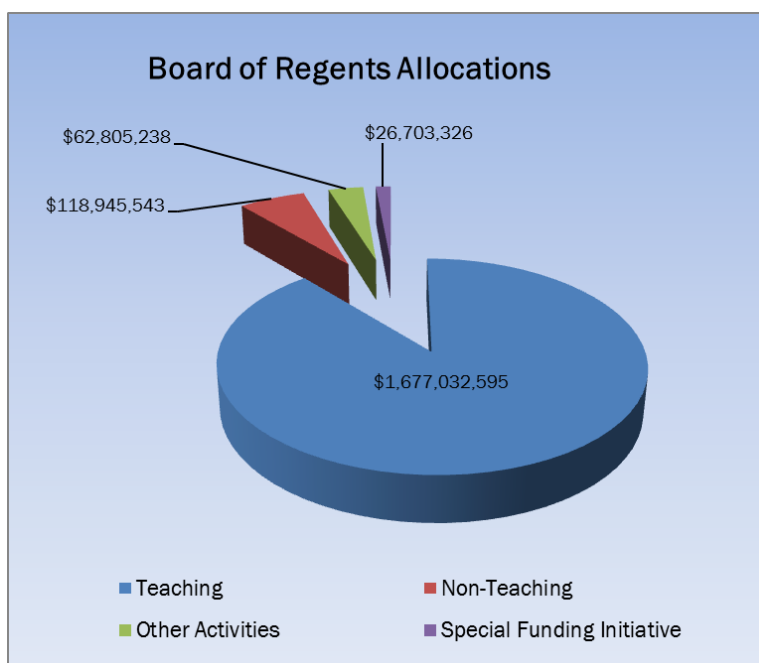
The following table presents the state appropriations available to the USG from the General Appropriations Act of 2014, as amended:

STATE APPROPRIATIONS AVAILABLE - GENERAL APPROPRIATIONS ACT OF 2014	
House Bill 106	
General State Funds	\$ 1,883,128,792
House Bill 743	
General State Funds	2,357,910
Total State Appropriations Per Appropriations Act - University System of Georgia	\$ 1,885,486,702

The following table presents the FY 2014 allocations by the Board of Regents to the USG institutions:

ALLOCATIONS BY THE BOARD OF REGENTS		
Education and General		
Teaching		\$ 1,677,032,595
Non-Teaching		118,945,543
Other Activities		
Regents Central Office	\$ 8,401,788	
Rental Payments - GA Military College	2,288,309	
GA Public Telecommunications Commission	14,513,070	
GA Public Libraries	31,497,624	
Research Consortium	6,104,447	
Total Other Activities		62,805,238
Special Initiative Funding		26,703,326
Total Education and General		\$ 1,885,486,702
Net State Appropriations Available to the University System of Georgia		\$ 1,885,486,702

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 USG is proud to present its consolidated financial statements for fiscal year 2014. These statements contain information from the thirty-one institutions of the USG and the University System Office (USO). 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 Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

Fiduciary fund statements for the Board of Regents Retiree Health Benefit Fund and the Early Retirement Plan – Georgia Regents University are also included with the financial statements noted above: the



Combining Statement of Fiduciary Net Position and the Combining Statement of Changes in Fiduciary Net Position.

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

The Required Supplementary Information section contains additional information related to the Board of Regents Retiree Health Benefit Fund and the Early Retirement Plan – Georgia Regents University as required by generally accepted accounting principles.

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 USG's consolidated financial statements provides an overview of its financial activities for the fiscal year. Further information is provided by comparative data for fiscal 2013 and 2014.

### ***Statement of Net Position***

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the USG as of June 30, 2014. The Statement of Net Position is a point-in-time financial statement that presents a fiscal snapshot of the USG. It presents end-of-year data about assets (current and non-current) plus deferred outflows, and liabilities (current and non-current) plus deferred inflows, as well as net position (assets plus deferred outflows minus liabilities plus deferred inflows). The differences between current and non-current assets are discussed in the Notes to the Financial Statements.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue operations as well as the obligations of the USG.

Finally, the Statement of Net Position provides a picture of the net position and its availability for expenditure by the USG. Net position is divided into three major categories.

The first category, net investment in capital assets, provides the USG's equity in property, plant and equipment owned by the institutions. The next category is restricted, which is divided into two categories, non-expendable and expendable. Restricted, non-expendable net position consists solely of the USG's permanent endowment funds, which are available only for investment purposes. The corpus of non-expendable, restricted resources is available only for investment purposes. Expendable and Expendable – Capital Projects are restricted resources available for expenditure, but these restricted resources 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 resources, which are available to the USG for any lawful purpose.

The USG's financial position at June 30, 2014 is very strong, with total assets of \$11.506 billion, deferred outflows of \$2.8 million, total liabilities of \$6.249 billion, deferred inflows of \$100.8 million, and net position of \$5.159 billion.

## Assets and Deferred Outflows

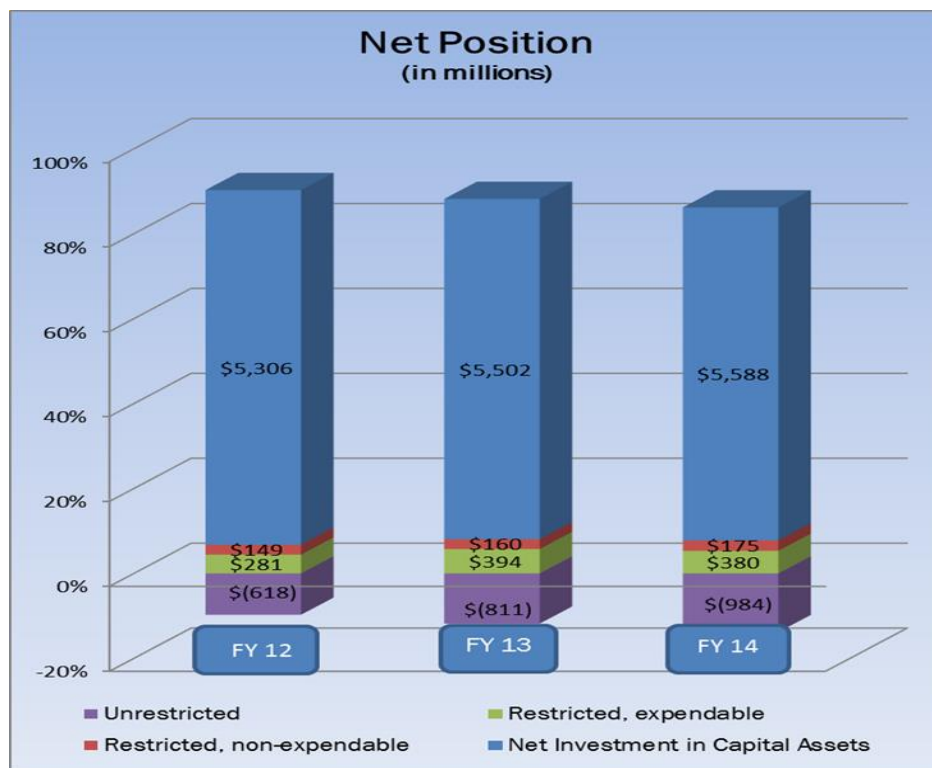
Total assets and deferred outflows of the USG in fiscal 2014 were approximately \$317 million more than those reported for fiscal 2013. A review of the Statement of Net Position will reveal that the increase primarily was due to an increase of \$139 million in capital assets, net of accumulated depreciation, and a \$149 million increase in cash and investments.

## Liabilities and Deferred Inflows

Total liabilities and deferred inflows for fiscal 2014 were approximately \$403 million more than those reported for fiscal 2013. The primary components of this increase were \$53 million in deposits held for other organization related to affiliated organization investments in the Board of Regents Investment Pool earnings, and \$280 million in the net Other Post-Employment Benefit (OPEB) obligation.

## Net Position

The combination of the increase in total assets and deferred outflows of \$317 million and the increase in total liabilities and deferred inflows of \$403 million yielded a net decrease in total net position of \$86 million, or -1.6%. The decrease in total net position was primarily associated with the \$173 decrease in Unrestricted Net resources, which is largely due to OPEB reporting requirements of the net OPEB obligation. The following chart depicts the level, by category, of net position:



The following table summarizes the USG's assets, deferred outflows, liabilities, deferred inflows and net position as of June 30, 2014 and June 30, 2013.



CONDENSED STATEMENT OF NET POSITION (in millions)			
	June 30, 2014	June 30, 2013	% Change
<b>ASSETS</b>			
Current Assets	\$ 2,114	\$ 1,909	10.7%
Capital Assets, Net	9,225	9,086	1.5%
Other Assets	167	197	-15.2%
<b>TOTAL ASSETS</b>	<b>\$ 11,506</b>	<b>\$ 11,192</b>	<b>2.8%</b>
<b>DEFERRED OUTFLOWS</b>	<b>\$ 3</b>	<b>\$ -</b>	
<b>LIABILITIES</b>			
Current Liabilities	\$ 850	\$ 792	7.3%
Non-Current Liabilities	5,399	5,077	6.3%
<b>TOTAL LIABILITIES</b>	<b>\$ 6,249</b>	<b>\$ 5,869</b>	<b>6.5%</b>
<b>DEFERRED INFLOWS</b>	<b>\$ 101</b>	<b>\$ 78</b>	<b>29.5%</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 5,588	\$ 5,502	1.6%
Restricted, Non-Expendable	175	160	9.4%
Restricted, Expendable	303	319	-5.0%
Restricted, Expendable - Capital Projects	77	75	2.7%
Unrestricted	(984)	(811)	21.3%
<b>TOTAL NET POSITION</b>	<b>\$ 5,159</b>	<b>\$ 5,245</b>	<b>-1.6%</b>

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

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues received and expenses incurred during the year. Activities are reported as either operating or non-operating. Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the USG 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 USG institutions.

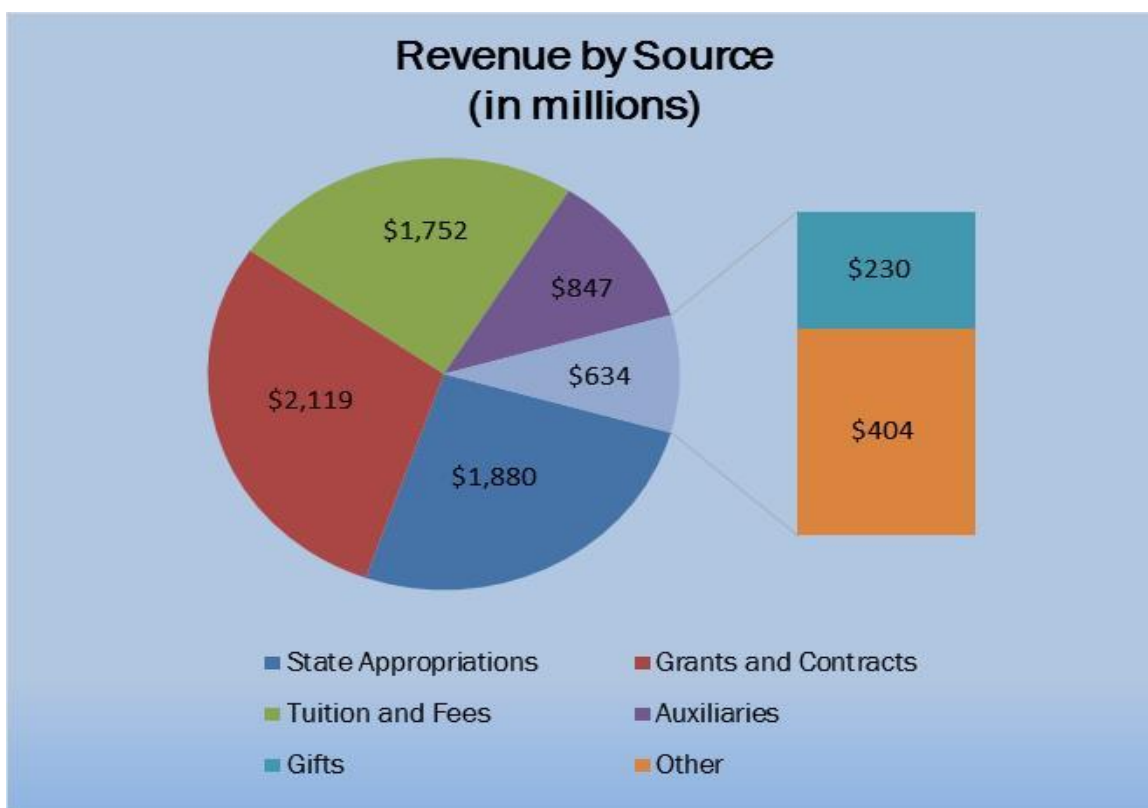
Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the institutions. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission 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 USG 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".

Some highlights of the information presented on the Statement of Revenues, Expenses and Changes in Net Position are as follows:

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (in millions)			
	June 30, 2014	June 30, 2013	% Change
Operating Revenue	\$ 4,434	\$ 4,371	1.4%
Operating Expense	7,138	6,894	3.5%
<b>Operating Loss</b>	<b>\$ (2,704)</b>	<b>\$ (2,523)</b>	<b>-7.2%</b>
Non-Operating Revenue and Expense	\$ 2,454	\$ 2,348	5%
<b>Income (Loss) before Other Revenues, Expenses, Gains, or Losses</b>	<b>\$ (250)</b>	<b>\$ (175)</b>	<b>-42.9%</b>
Other Revenues, Expenses, Gains, Losses and Special Items	\$ 150	\$ 299	-49.8%
<b>Increase in Net Position</b>	<b>\$ (100)</b>	<b>\$ 124</b>	<b>-180.6%</b>
Net Position at beginning of year, restated	\$ 5,259	\$ 5,121	2.7%
<b>Net Position at End of Year</b>	<b>\$ 5,159</b>	<b>\$ 5,245</b>	<b>-1.6%</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 increased \$136 million (7.8%) in fiscal 2014. Grants and contracts revenue decreased \$45 million (-2.1%) in fiscal 2014. Tuition and fee revenues, net increased \$46 million (2.7%) in fiscal 2014 when compared with fiscal 2013.

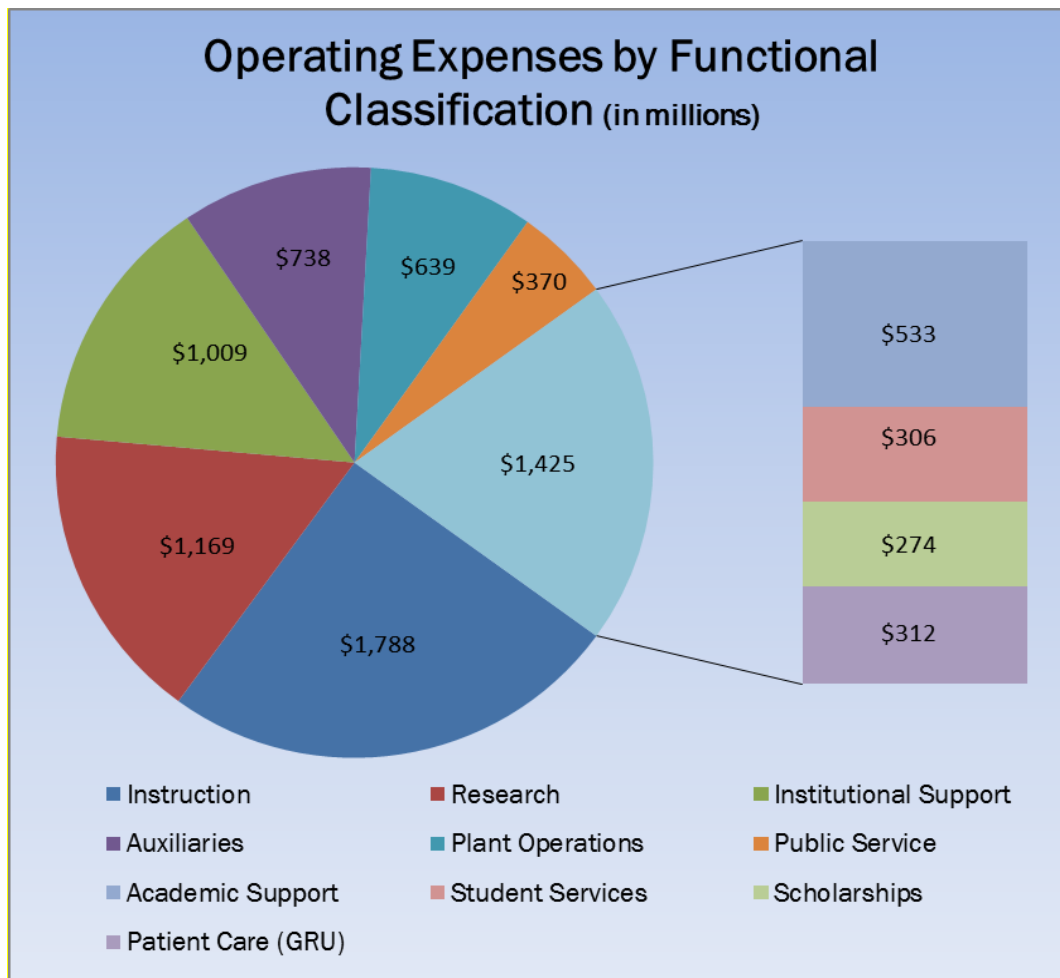


Auxiliary operations increased by \$31 million (3.8%) in fiscal 2014 as compared to fiscal 2013. Primary components of this increase included residence halls (\$14 million), food services (\$10 million), and intercollegiate athletics (\$10 million).

The gifts revenue category includes both capital and non-capital gifts. The largest element of gift revenue relates to \$115 million received from the Georgia State Financing and Investment Commission (GSFIC). Institutions within the USG receive gift revenue either through reimbursement or capital asset transfer for approved construction, capital additions or maintenance projects.

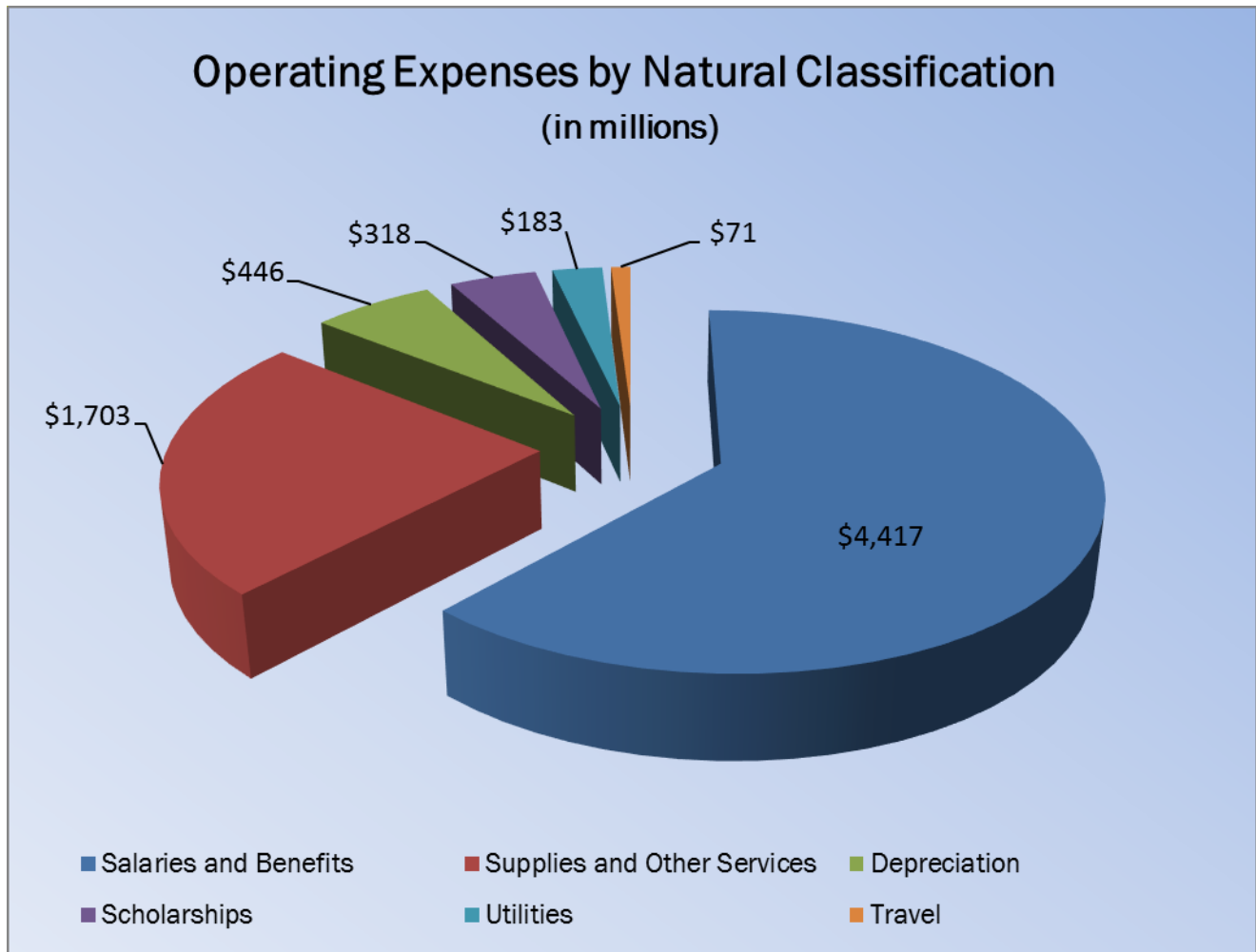
## Expenses

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



Total operating expenses were \$7,138 million in fiscal 2014, an increase of \$244 million (4%) when compared with fiscal 2013. These increases are primarily attributable to the following functional classifications: Instruction (\$35 million); Research (\$54 million); Auxiliaries (\$26 million); Academic Support (\$32 million); Student Services (\$8 million); Institutional Support (\$79 million) and Patient Care (GRU) (\$47 million). These amounts were partially offset by a decrease in Scholarships and Fellowships (\$13 million); Plant Operations (\$2 million); and Public Service (\$22 million).

The following depicts the fiscal 2014 operating expenses by natural classification:



As noted above, expenses increased \$244 million (3.5%) in fiscal 2014 when compared with fiscal 2013. The increases were substantially attributable to salaries and benefits, including other personal services (\$157 million); depreciation (\$2 million); supplies and other services (\$89 million); utilities (\$5 million) and travel (\$4 million). These increases were partially offset by decreases to scholarships and fellowships (\$13 million).

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

The Statement of Cash Flows presents detailed information about the cash activity of the USG during the year and is divided into five sections. The first section is concerned with operating cash flows and reflects the net cash used by the various operating activities of the USG. 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 Position.

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

CONDENSED STATEMENT OF NET CASH FLOWS (in millions)		
	June 30, 2014	June 30, 2013
<b>Cash Provided (Used) by:</b>		
Operating Activities	\$ (1,918)	\$ (1,720)
Non-Capital Financing Activities	2,635	2,511
Capital and Related Financing Activities	(565)	(574)
Investing Activities	(3)	36
<b>NET CHANGE IN CASH</b>	<b>\$ 149</b>	<b>\$ 253</b>
Cash, beginning of year (restated)	1,302	1,051
<b>CASH, end of year</b>	<b>\$ 1,451</b>	<b>\$ 1,304</b>

### **Capital Assets**

Capital assets, net of accumulated depreciation, at June 30, 2014 and June 30, 2013 were as follows:

CAPITAL ASSETS, net of accumulated depreciation (in millions)	June 30, 2014	June 30, 2013	Increase (Decrease)	% Change
Land	\$ 362	\$ 351	\$ 11	3.1%
Construction in Progress	182	210	(28)	-13.3%
Infrastructure, Facilities, and Improvements	457	448	9	2.0%
Building and Improvements	5,490	5,410	80	1.5%
Equipment	410	417	(7)	-1.7%
Capital Leases	2,079	2,029	50	2.5%
Library and other collections	222	216	6	3.0%
Software	22	5	17	340.0%
<b>Capital Assets, net of accumulated depreciation</b>	<b>\$ 9,224</b>	<b>\$ 9,086</b>	<b>\$ 138</b>	<b>1.5%</b>

As shown above, capital assets, net of accumulated depreciation increased \$138 million, or 1.5% during fiscal 2014 when compared with fiscal 2013. Major building additions represented \$80 million of the capital asset additions.

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

The University System of Georgia had long-term debt and liabilities of \$5.59 billion in fiscal 2014. Long-term liabilities included lease purchase obligations of \$3.5 billion, compensated absences of \$195 million, net OPEB obligation of \$1.843 billion, and other long-term liabilities of \$.8 million. Of these amounts, \$200.7 million was reflected as current liabilities at June 30, 2014.

For additional information concerning long-term debt and liabilities of the USG, 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 USG carries a net OPEB Obligation liability of \$1.843 billion as of June 30, 2014. 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 15 in the Notes to Financial Statements.

### ***Early Retirement Pension Plan Fund – Georgia Regents University***

Georgia Regents University Early Retirement Pension Plan (ERP) is a single-employer defined benefit pension plan administered by Bryan, Pendleton, Swats and McAlister. The plan was devised by Georgia Regents University as a means of manpower reduction and was approved by the Board of Regents of the USG of Georgia effective January 1, 2000.

For additional information concerning the Early Retirement Pension Fund, please refer to note 12 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 included in the supplementary information section. Ten of these affiliated organizations are reported in the State Comprehensive Annual Financial Report (CAFR) as discretely presented component units for fiscal 2014 and ten of these affiliated organizations are reported as blended in the CAFR in compliance with GASB Statement No. 61.

### ***Economic Outlook***

An enhanced focus on ensuring that students can afford and earn degrees has resulted in an increased emphasis on restructuring public higher education in Georgia to work more efficiently and effectively. The USG is committed to timely and thorough review of programs, services and policies for currency and relevance. Additionally, the USG and its institutions are committed to measuring performance and being accountable for its decisions. Global economic indicators reveal that in the near future, two-thirds of the workforce will require post-secondary credentials to compete for jobs; thus, Georgia's education agencies are collaborating to increase college completion rates from the current level of 42 percent to a targeted 60 percent of the population.

Key areas of consideration include institutional consolidation, a study of how facilities are used and proposed, assessment of degree program effectiveness, expansion of on-line education, a more rigorous approach to K-12 teacher preparation, increased focus on supporting economic development, and enhanced military outreach.

The consolidation of ten institutions into five new ones has been successfully completed and another consolidation of two institutions is in the preliminary stages. This will allow more funding to be shifted from administration to the classroom following the USG's strategic plan of being committed to pursuing operational efficiencies and being a model steward of resources.

As a labor-intensive organization, the USG faces competitive pressures related to attracting and retaining quality faculty and staff. As is the case nationally, the USG also faces the rising costs of health-care benefits, but will continue to take proactive measures to mitigate these rising costs.

A key component of the USG's success and future is the strong relationship with Governor Deal and the Georgia General Assembly. Due to their support, and the excellent leadership of the Board of Regents and Chancellor Huckaby, the USG will continue to progress in remaining affordable and maintaining access, while protecting the academic enterprise for the citizens of the State of Georgia.



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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 POSITION**  
**June 30, 2014**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$	1,448,179,831
Short-term Investments		185,555,093
Accounts Receivable, Net (Note 3)		
Receivables - Federal Financial Assistance		123,999,801
Receivables - Other		263,539,807
Inventories (Note 4)		22,257,390
Prepaid Items		70,485,264
Other Assets		370,925
Total Current Assets	\$	<u>2,114,388,111</u>

**Non-Current Assets**

Non-Current Cash	\$	3,315,982
Short-term Investments		1,542,366
Investments (Externally Restricted)		68,587,674
Other Non-Current Assets		6,915,164
Investments		41,611,097
Notes Receivable, Net		44,984,887
Capital Assets, Net (Note 6)		9,224,826,502
Total Non-Current Assets	\$	<u>9,391,783,672</u>

**TOTAL ASSETS**

\$ 11,506,171,783

**Deferred Outflows of Resources**

Debt Refunding	\$	<u>2,862,046</u>
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**LIABILITIES**

**Current Liabilities**

Accounts Payable	\$	152,389,330
Salaries Payable		17,831,769
Benefits Payable		39,846,855
Contracts Payable		15,310,050
Deposits		48,194,941
Advances ( Including Tuition and Fees) (Note 7)		223,744,686
Other Liabilities		8,748,033
Deposits Held for Other Organizations		143,800,257
Lease Purchase Obligations		78,787,826
Compensated Absences		121,710,299
Total Current Liabilities	\$	<u>850,364,046</u>

**UNIVERSITY SYSTEM OF GEORGIA**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

<b>Non-Current Liabilities (Note 8)</b>	
Lease Purchase Obligations	\$ 3,472,479,122
Advances	8,432,959
Compensated Absences	73,979,486
Other Liabilities	712,595
Net OPEB Obligation	1,843,077,235
Total Non-Current Liabilities	<u>\$ 5,398,681,397</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 6,249,045,443</u>
<b>Deferred Inflows of Resources</b>	
Deferred Gain on Debt Refundings	\$ 9,046,482
Other	15,563,057
Service Concession Arrangement	<u>76,162,295</u>
<b>TOTAL DEFERRED INFLOWS</b>	<u>\$ 100,771,834</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 5,588,531,688
Restricted	
Non-Expendable	174,994,517
Expendable	380,105,488
Unrestricted	<u>(984,415,141)</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 5,159,216,552</u></u>



**UNIVERSITY SYSTEM OF GEORGIA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2014**

**OPERATING REVENUES**

Student Tuition and Fees (Net of Allowance for Doubtful Accounts)	\$ 2,282,577,269
Less: Scholarship Allowances	(530,970,563)
Federal Appropriations	18,770,294
Gifts and Contributions	2,196,892
Grants and Contracts	
Federal	747,338,179
Federal Stimulus	12,008,072
State	231,774,820
Other	492,423,943
Sales and Services	182,725,700
Rents and Royalties	2,926,002
Auxiliary Enterprises	
Residence Halls	334,373,217
Bookstore	68,394,701
Food Services	168,004,883
Parking/Transportation	79,263,843
Health Services	53,364,490
Intercollegiate Athletics	114,084,641
Other Organizations	29,937,242
Other Operating Revenues	144,975,233
Total Operating Revenues	<u>\$ 4,434,168,858</u>

**OPERATING EXPENSES**

Faculty Salaries	\$ 1,383,910,777
Staff Salaries	1,825,610,904
Employee Benefits	1,195,590,895
Other Personal Services	11,383,125
Travel	71,378,144
Scholarships and Fellowships	318,139,424
Utilities	183,570,984
Supplies and Other Services	1,702,974,606
Depreciation	445,565,188
Total Operating Expenses	<u>\$ 7,138,124,047</u>
Operating Income (Loss)	<u>\$ (2,703,955,189)</u>

**UNIVERSITY SYSTEM OF GEORGIA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2014**

**NON-OPERATING REVENUES (EXPENSES)**

State Appropriations	\$ 1,880,492,086
Grants and Contracts	
Federal	561,567,226
Federal Stimulus	2,204,018
State	12,607,249
Other	58,546,611
Gifts	77,999,054
Investment Income	35,208,348
Interest Expense	(195,204,860)
Other Non-Operating Revenues (Expenses)	20,343,955
Net Non-Operating Revenues	<u>\$ 2,453,763,687</u>
Income (Loss) before Other Revenues, Expenses, Gains, or Losses	<u>\$ (250,191,502)</u>
Capital Grants and Gifts	
Federal	\$ 11,738,741
State	115,484,795
Other	22,320,525
Special Item - Capital Asset Transfer	206,326
Total Other Revenues and Special Items	<u>\$ 149,750,387</u>
Decrease in Net Position	<u>\$ (100,441,115)</u>
Net Position, Beginning of Year, Restated	<u>5,259,657,667</u>
Net Position, End of Year	<u><u>\$ 5,159,216,552</u></u>

**UNIVERSITY SYSTEM OF GEORGIA**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2014**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$ 1,766,325,605
Federal Appropriations	18,659,439
Grants and Contracts (Exchange)	1,472,827,255
Sales and Services of Educational Departments	185,746,723
Payments to Suppliers	(2,815,236,441)
Payments to Employees	(3,203,555,141)
Payments for Scholarships and Fellowships	(318,200,025)
Loans Issued to Students and Employees	(10,187,135)
Collection of Loans to Students and Employees	10,381,904
Auxiliary Enterprise Charges	839,435,151
Other Receipts (Payments)	136,269,196
Net Cash Used by Operating Activities	<u>\$ (1,917,533,469)</u>

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

State Appropriations	\$ 1,880,492,086
Federal Stimulus Funds	(1,034,480)
Agency Fund Transactions	83,004,678
Gifts and Grants Received for Other Than Capital Purposes	661,720,453
Principal Paid on Installment Debt	(117,166)
Interest Paid on Installment Debt	(10,105)
Other Non-Operating Receipts	10,722,131
Net Cash Flows Provided by Non-Capital Financing Activities	<u>\$ 2,634,777,597</u>

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

Capital Grants and Gifts Received	\$ 83,192,535
Proceeds from Sales of Capital Assets	19,169,911
Purchases of Capital Assets	(382,812,798)
Principal Paid on Capital Debt and Leases	(92,134,678)
Interest Paid on Capital Debt and Leases	(192,258,636)
Net Cash Used by Capital and Related Financing Activities	<u>\$ (564,843,666)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales and Maturities of Investments	\$ 7,167,332
Interest on Investments	12,289,007
Transfer of Endowment	(76,088)
Purchase of Investments	(22,571,029)
Net Cash Provided by Investing Activities	<u>\$ (3,190,778)</u>
Net Increase/Decrease in Cash	<u>\$ 149,209,684</u>

Cash and Cash Equivalents - Beginning of Year	1,304,490,484
Early Retirement Plan Cash Method Moved to Fiduciary Fund	(2,204,355)
Cash and Cash Equivalents - Beginning of Year (Restated)	<u>1,302,286,129</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 1,451,495,813</u></u>



**UNIVERSITY SYSTEM OF GEORGIA**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2014**

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

Operating Income (Loss)	\$ (2,703,955,189)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	445,565,188
Change in Assets and Liabilities:	30,058,080
Receivables, Net	(43,919,472)
Inventories	1,486,033
Other Assets	224,101
Prepaid items	(2,081,893)
Notes Receivable, Net	420,375
Investment in Capital Leases	124,347
Accounts Payable	19,379,926
Advances (Including Tuition and Fees)	21,036,755
Other Liabilities	14,859,089
Compensated Absences	4,367,288
Change in Deferred Inflows/Outflows:	
Deferred Inflows	5,967,644
Net OPEB Obligation	288,934,259
Net Cash Used by Operating Activities	<u><u>\$ (1,917,533,469)</u></u>

**NON-CASH TRANSACTIONS:**

Capital Assets Acquired by Incurring Capital Lease Obligations	<u><u>\$ 133,575,150</u></u>
Non-capital Items acquired by incurring Capital Lease Obligations	<u><u>\$ 701,676</u></u>
Change in Accounts Receivable Related to GSFIC Gifts	<u><u>\$ 1,170,828</u></u>
Change in Fair Value of Investments Recognized as a Component of Interest Income	<u><u>\$ 22,052,070</u></u>
Special Item - Capital Asset Transfer	<u><u>\$ 282,414</u></u>
Change in Accrued Interest Payable Affecting Interest Paid	<u><u>\$ 526,215</u></u>
Gifts Other Than Capital Assets Reducing Proceeds of Grants and Gifts for Other Than Capital Assets	<u><u>\$ 31,856,205</u></u>
Gift of Capital Assets Reducing Proceeds of Capital Grants and Gifts	<u><u>\$ 63,753,808</u></u>
Reduction In Capital Lease Obligations	<u><u>\$ 411,204</u></u>

UNIVERSITY SYSTEM OF GEORGIA  
 COMBINED STATEMENT OF FIDUCIARY NET POSITION  
 PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS  
 June 30, 2014

	Pension Trust Fund - Georgia Regents University	Board of Regents Retiree Health Benefit Fund	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 6,348,522	\$ 6,356,351	\$ 12,704,873
Investments			
Debt Securities - Mutual Bond Fund	10,018,022		10,018,022
Bond/Equity Mutual Funds	1,360,217		1,360,217
Equity Mutual Funds - International	6,174,139		6,174,139
Equity Securities - Domestic	19,940,294		19,940,294
Equity Securities - International	2,031,690		2,031,690
Real Estate Fund	2,573,247		2,573,247
Teachers Retirement System of Georgia Georgia Pooled Fund	27,747,479		27,747,479
Receivables			
Employer		4,308,498	4,308,498
Employee		1,909,947	1,909,947
<b>Total Assets</b>	<b>\$ 76,193,610</b>	<b>\$ 12,574,796</b>	<b>\$ 88,768,406</b>
<b>LIABILITIES</b>			
Benefits Payable		\$ 12,119,357	\$ 12,119,357
Other		373,920	373,920
<b>Total Liabilities</b>		<b>\$ 12,493,277</b>	<b>\$ 12,493,277</b>
<b>NET POSITION</b>			
Net Assets Held in Trust for Private Purposes	\$ 76,193,610		\$ 76,193,610
Net Assets Held in Trust for Other Postemployment Benefits		\$ 81,519	81,519
<b>Total Net Position</b>	<b>\$ 76,193,610</b>	<b>\$ 81,519</b>	<b>\$ 76,275,129</b>

UNIVERSITY SYSTEM OF GEORGIA  
 COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS  
 June 30, 2014

ADDITIONS	Pension Trust Fund - Georgia Regents University	Board of Regents Retiree Health Benefit Fund	Total
Contributions			
Employer	\$ 13,084,672	\$ 117,503,272	\$ 130,587,944
Plan member		34,218,671	34,218,671
Investment Earnings			
Net Increase in Fair Value of Investments	11,096,562		11,096,562
Investment Income	737,421		737,421
Less: Investment Expense	(106,232)		(106,232)
Other		4,707,496	4,707,496
<b>TOTAL ADDITIONS</b>	<b>\$ 24,812,423</b>	<b>\$ 156,429,439</b>	<b>\$ 181,241,862</b>
<b>DEDUCTIONS</b>			
Benefits	\$ 13,054,512	\$ 142,703,797	\$ 155,758,309
Life Insurance Premium Expense		3,423,184	3,423,184
Administrative expense		10,437,714	10,437,714
<b>Total Deductions</b>	<b>\$ 13,054,512</b>	<b>\$ 156,564,695</b>	<b>\$ 169,619,207</b>
<b>Net Decrease</b>	<b>\$ 11,757,911</b>	<b>\$ (135,256)</b>	<b>\$ 11,622,655</b>
Beginning Net Position -Restated	64,435,699	216,775	64,652,474
<b>Net Position - End of Year</b>	<b>\$ 76,193,610</b>	<b>\$ 81,519</b>	<b>\$ 76,275,129</b>





# NOTES TO THE FINANCIAL STATEMENTS



**UNIVERSITY SYSTEM OF GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 1 Summary of Significant Accounting Policies**

**Nature of Operations**

The University System of Georgia (USG) 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 USG, an organizational unit of the State of Georgia, is comprised of thirty-one (31) State-supported member institutions of higher education in Georgia and the University System Office (USO). The USO 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 USG does not have authority to retain unexpended State appropriations (surplus) for any given fiscal year. Accordingly, all 31 institutions and the USO are considered organizational units of the Board of Regents of the USG 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 USG, which are organizational units of the State of Georgia, are considered potential component units of the State. See Note 17, Affiliated Organizations, for additional information.

On November 12, 2013, based on the Chancellor's recommendation, the Board of Regents voted to consolidate two institutions of the USG to enhance and improve educational offerings and student success. The following mergers became effective on January 6, 2015: Southern Polytechnic State University consolidated with Kennesaw State University. The new university is also named Kennesaw State University.

**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 USG's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position and cash flows.

**Basis of Accounting**

For financial reporting purposes, the USG is considered a special-purpose government engaged only in business-type activities. Accordingly, the USG's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. 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.

### **New Accounting Pronouncements**

In fiscal year 2014, the USG adopted the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The provisions of this Statement clarify the use of deferred inflows of resources and deferred outflows of resources. Certain items, including those items that were previously reported as assets and liabilities, now will be reported as outflows of resources or inflows of resources. As a result of this implementation, the USG changed the classification of certain assets to deferred outflows or resources and liabilities to deferred inflows of resources.

In fiscal year 2014, the USG adopted Governmental Accounting Standards Board (GASB) Statement No. 66, *Technical Corrections – 2012, an amendment to GASB Statements No. 10 and No. 62*. The objective of this Statement is to resolve conflicting guidance by amending GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 10 was amended by removing the provision that limited fund based reporting of an entity's risk and financing activities to certain funds. GASB Statement No. 62 was amended by modifying guidance on (1) operating lease payments that vary from a straight-line basis, (2) purchases of a loan or a group of loans, and (3) recognition of servicing fees on mortgage loans that are sold when the stated service fee rate differs from a current (normal) servicing fee rate.

In fiscal year 2014, the USG adopted Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, an amendment of GASB Statement No. 25. This Statement establishes new financial reporting standards for state and local governmental pension plans that are administered through a trust or similar arrangement. This Statement resulted in changes to the actuarial calculation of total and net pension liability and the related note disclosures and required supplementary information.

In fiscal year 2014, the USG adopted Governmental Accounting Standards Board (GASB) Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement establishes accounting and reporting requirements for state and local governments that extend or receive financial guarantees that are nonexchange transactions.

### **Future Accounting Pronouncements**

In fiscal year 2015, the USG will adopt Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this Statement will require the USG to record a liability for its proportionate share of the Net Pension Liability of pensions plans in which it participates. Actuarial estimates are currently being made to determine the USG's liability, the effects of which are believed to be material.

### **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 USG 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 Position. 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 as 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 federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the USG'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.

### **Non-current Cash and Investments**

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

### **Prepaid Items**

Payments made to vendors and state and local government organizations for services that will benefit periods beyond June 30, 2014 are recorded as prepaid items. At June 30, 2014, the Early Retirement Program – Net Pension Asset of \$7,178,658 was reported as a prepaid item.

### **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 USG'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 USG, 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, GSFIC retains construction in progress in its accounting records 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 USG, the institutions retain construction in progress on their books and are reimbursed by GSFIC.

### **Deposits**

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

### **Advances**

Advances 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. Advances 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 Position, and as a component of compensation and benefit expense in the Statements of Revenues, Expenses, and Changes in Net Position.

### **Non-current Liabilities**

Non-current 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.

### **Service Concession Agreements**

Service concession agreements are arrangements between a government (transferor, one of our institutions) and a third party (operator) in which all of the following criteria are met:

- a. The institution conveys to the operator the right and obligation to provide public services through the use and operation of a capital asset in exchange for significant consideration. Significant consideration could be in the form of up-front payments, installment payments, a new facility or improvements to existing facility.
- b. The operator collects and is compensated by fees from third parties.
- c. The institution has the ability to modify or approve what services the operator is required to provide, to whom services are provided, and prices or rates that can be charged for those services.
- d. The institution is entitled to significant residual interest in the service utility of the asset at the end of the arrangement.

At June 30, 2014, the USG had service concession agreements totaling \$76 million.

At June 30, 2014, Kennesaw State University (KSU) had three Service Concession Agreements:

1. In August 2001, KSU entered into an agreement with Kennesaw State University Foundation, Inc. (KSUF) whereby KSUF will operate and collect revenues for housing operations from students.

KSUF is required to operate the dormitory ("University Place") in accordance with a contractual agreement between the parties. Under the terms of the agreement, KSU received no funds upfront from KSUF, but will take full ownership of the dormitory at the end of the operating agreement (June, 2031).

2. In August 2003, KSU entered into an agreement with Kennesaw State University Foundation, Inc. (KSUF) whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the dormitory ("University Village") in accordance with a contractual agreement between the parties. Under the terms of the agreement, KSU received no funds upfront from KSUF, but will take full ownership of the dormitory at the end of the operating agreement (June, 2034).

3. In August 2007, KSU entered into an agreement with Kennesaw State University Foundation, Inc. (KSUF) whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the dormitory ("University Suites") in accordance with a contractual agreement between the parties. Under the terms of the agreement, KSU received no funds upfront from KSUF, but will take full ownership of the dormitory at the end of the operating agreement (June, 2037).

At June 30, 2014, KSU reports the three dormitories as Capital Assets with a net carrying value of \$74,302,295. For fiscal year 2014, KSU reported a remaining Deferred Inflow of Resources of \$74,302,295 and amortized revenue of \$3,582,189. Finally, as part of the contractual agreement, KSUF is responsible for insuring each of the three dormitories and for providing maintenance services. As such, the University has no reportable future obligation for these services.

On May 13, 2014 Georgia Gwinnett College (GGC) entered into an agreement with Aramark Educational Services, LLC (Aramark), whereby Aramark will operate food services operations from service recipients. Aramark is required to operate the food service facilities in accordance with the contractual agreement. Under the terms of the contract Aramark committed to a lump sum upfront payment of \$360,000.

Under the terms of the agreement, GGC will receive three yearly installment payments of \$500,000 from Aramark with a total value of \$1,500,000.

GGC recorded a deferred inflow of resources of \$1,860,000 and an accounts receivable of \$1,860,000 for this contractual commitment.

In addition to any upfront or installment payments, GGC keeps a portion of meal plan revenues each semester and eighty-eight percent of each semesters' revenue is remitted to Aramark. The agreement is renewable each year for ten years.

### **Net Position**

The USG's net position is classified as follows:

*Net Investment in capital assets:* This represents the USG'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 net investment in capital assets. 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.

*Restricted – nonexpendable* includes endowments 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. For Institution-controlled, donor-restricted endowments, the by-laws of the Board of Regents of the University System of Georgia permits each individual Institution to use prudent judgment in the spending of current realized and unrealized endowment appreciation. Donor-restricted endowment appreciation is periodically transferred to restricted – expendable accounts for expenditure as specified by the purpose of the endowment. Each University/College maintains pertinent information related to each endowment fund including donor; amount and date of donation; restrictions by the source of limitations; limitations on investments, etc.

*Restricted - expendable* includes resources in which the USG is legally or contractually obligated to spend resources in accordance with restrictions by external third parties. Expendable, restricted net position at June 30, 2014 included the following:

Restricted - E&G and Other Organized Activities	\$ 137,980,207
Federal Loans	42,031,287
Institutional Loans	25,019,962
Term Endowments	3,676,182
Quasi-Endowments	16,876,844
Health Insurance Reserve	77,831,695
Total Restricted Expendable	<u>\$ 303,416,177</u>

*Expendable, restricted – capital projects* represents resources for which the USG is legally or contractually obligated to spend resources for capital projects in accordance with restrictions imposed by external third parties totaled \$76,689,311 at June 30, 2014.

*Unrestricted* represents 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 USG, 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 USG, USO 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 position included the following items at June 30, 2014, which are quasi-restricted by management:

R & R Reserve	\$ 187,986,260
Reserve for Encumbrances	378,100,095
Reserve for Inventory	33,781,499
Other Unrestricted	(1,584,282,995)
Total Unrestricted Net Assets	<u>\$ (984,415,141)</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 USG, 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 Position classifies 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 Position. Scholarship allowances are the difference between the stated charge for goods and services provided by the USG, 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 USG'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**

On June 4, 1997, the Atlanta Chapter of the Professional Construction Estimators Association and its successor, the America Society of Professional Estimators, Atlanta Chapter, contributed a gift of cash to create an endowment funded scholarship with the Southern Polytechnic State University. On July 12, 2013, the donor requested that the remaining proceeds in this endowment be transferred to the Southern Polytechnic State University Foundation. On July 23, 2013, the Golden Hammer Scholarship Fund balances of \$76,088 was transferred to the Foundation. This transfer is reflected as a Special Item Transfer on the Statement of Revenues, Expense and Changes in Net Position.

The Georgia Division of Archives and History was transferred from the Office of the Secretary of State to the USG effective July 1, 2013. On July 1, 2013, the Georgia Archives building had a reported gross book value of \$44,297,978 and accumulated depreciation of \$8,305,870, for a net book value of \$35,992,108. The building was acquired in 2003 through a 50-year annually renewable lease with the University Financing Foundation. The remaining net lease obligation at the date of transfer was \$35,709,693. The net transfer of \$282,414 is noted as a Special Item Transfer on the Statement of Revenues, Expenses and Changes in Net Position.



## Restatement of Prior Year Net Position

The following institutions had restatements of prior year balances in fiscal year 2014:

In conformity with Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*, the Georgia Regents University Early Retirement Plan previously reported as agency funds was reclassified as a Pension Trust Fund in the amount of \$64,435,699. Beginning net position was restated for the amount previously reported as agency funds and the initial plan contributions that were remitted to the Office of the State Treasurer and were invested with other retirement funds held by the state, as well as amounts remitted to the plan administrator for payment to beneficiaries.

Institution	Effect on Beginning Net Position
Bainbridge State College	688,503
Clayton State University	6,826
Georgia Gwinnett College	6,663,614
Georgia Highlands College	(307,801)
Georgia Perimeter College	25,666
Georgia Southern University	\$ 3,016,460
Southern Polytechnic State University	(4,230,862)
University System Office	8,398,592
Total	<u>\$ 14,260,998</u>

**Georgia Southern University** had a restatement of prior year net position, increasing beginning net position by \$3,016,460, which includes an increase in buildings of \$5,207,899 and a decrease in equipment of \$2,191,439. These adjustments were made to correct errors in capital assets related to the Herty Advance Material Center, which was merged with Georgia Southern University in fiscal year 2013.

**Valdosta State University** had a restatement of prior year net position, due to removing the maintenance from certain capital lease obligations. This affected the long-term liabilities by an offsetting amount (\$2,974,526); therefore, beginning net position was unchanged.

**Clayton State University** had a restatement of prior year net assets, increasing beginning net assets by \$6,826. This is due to adding capital assets that met the capitalization threshold, but was not originally recorded.

**Georgia College & State University** had a restatement of prior year capital assets, decreasing beginning capital leased assets by \$4,289,687. This decrease in assets was offset by a decrease to beginning capital lease liability of the same amount, \$4,289,687, which resulted in no overall effect to beginning net position. This restatement was due to a correction necessitated by a change in accounting principle that required adjustments to bring capital lease liabilities of the University and related asset values in line and consistent with the Georgia College & State University Foundation, Inc.'s asset values in accordance with GASB Statement No. 61.

**Southern Polytechnic State University** had a restatement of prior year net position, decreasing beginning net position by \$4,230,862. This was due to correction of errors that decreased capital assets, net by \$3,881,309, and increased capital lease obligations by \$349,553.

**Bainbridge State College** had a restatement of prior year net position, increasing beginning net position by \$688,503. During the course of expanding and renovating an academic building during the year, it was determined that the useful life of the original building asset should have been increased to coincide with the useful life of the expansion/renovations. This subsequently increased the reported amount of capital assets, net and net position.

**Georgia Gwinnett College** had a restatement of prior year net position, increasing beginning net position by \$6,663,614. In fiscal year 2014, the accounting treatment for leased buildings were adjusted to adhere to the capitalization thresholds as set forth in the University System of Georgia's capital assets guidelines.

**Georgia Highlands College** had a restatement of prior year net position, decreasing beginning net position by \$307,801. This was due to the removing of construction work-in-progress for the GSFIC managed Academic Building project that was being retained on GSFIC's books until the completion of the project.

**Georgia Perimeter College** had a restatement of prior year net position, increasing beginning net position by \$25,666. This was primarily due to capitalizing an equipment asset in fiscal year 2014 that was purchased in fiscal year 2013, but also includes equipment asset reinstatements and an asset re-categorization.

**The University System Office** had a restatement of prior year net position, increasing beginning net position by \$8,398,532. This was due to an understatement in FY 2013 of the employer contribution for retiree post-employment life insurance benefits.

## **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 USG's deposits may not be recovered. Funds belonging to the State of Georgia (and thus the USG) 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

6. Credit Banks, the Federal Home Loan Mortgage Association and the Federal National Mortgage Association.
7. 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 USG.

At June 30, 2014, the carrying value of deposits was \$569,169,217 and the bank balance was \$603,450,985. Of the USG's deposits, \$594,221,943 was uninsured. Of these uninsured deposits, \$84,777,669 were collateralized with securities held by the financial institution's trust department or agent in the USG's name, \$509,254,281 were collateralized with securities held by the financial institutions, by it trust department or agency, but not in the USG's name and \$189,993 were uncollateralized.

## B. Investments

The USG 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 USG's investments as of June 30, 2014 are presented below: investments are presented by investment type and debt securities are presented by maturity.

Investment type	Fair Value	Investment Maturity				
		Less Than 3 Months	4-12 Months	1-5 Years	6-10 Years	More Than 10 Years
<b>Debt Securities</b>						
U.S. Treasuries	\$ 8,437,116		\$ 1,191,911	\$ 2,102,977	\$ 5,048,858	\$ 93,370
U.S. Agencies - Explicitly Guaranteed	75,413,624			13,065,458	62,344,890	3,276
U.S. Agencies - Implicitly Guaranteed	399,888,612	2,724,591	5,600,521	111,017,724	60,265,275	220,280,501
Bond Securities	47,327,138			4,967,692	37,827,566	4,531,880
Corporate Bonds	101,419		4,778	55,630	41,011	
Corporate Debt	214,218	11,383	19,333	55,143	128,359	
General Obligation Bonds	1,078,460		80,610	602,853	394,997	
Money Market Mutual Fund	20,733,040	20,733,040				
Municipal Bonds						
Mutual Funds - Bonds	19,624,702	6,856	47,047	8,364,276	8,402,522	2,804,001
Repurchase Agreements	2,508,497	2,508,497				
	<u>\$ 575,326,826</u>	<u>\$ 25,984,367</u>	<u>\$ 6,944,200</u>	<u>\$ 140,231,753</u>	<u>\$ 174,453,478</u>	<u>\$ 227,713,028</u>
<b>Other Investments</b>						
Bond/Equity Mutual Funds	9,712,264					
Bond Exchange - Traded Funds	853,466					
Bond/Equity Mutual Funds - International	132,890					
Cash Surrender Value	322,824					
Common Stock	808,597					
Equity Mutual Funds - Domestic	48,002,766					
Equity Mutual Funds - International	7,705,371					
Equity Securities - Domestic	90,633,697					
Equity Securities - International	2,508,817					
Real Estate Fund	8,434,654					
Real Estate Held for Investments	6,151,982					
Real Estate Investment Trusts	582,848					
Open-end Mutual Fund	14,891					
Miscellaneous Holdings	98,500					
<b>Investment Pools</b>						
Office of the State Treasurer						
Georgia Fund 1	475,116,471					
Georgia Extended Asset Pool	6,843,092					
Teachers Retirement System of Georgia						
Georgia Pooled Index Fund	<u>27,747,479</u>					
	<u>\$ 1,260,997,435</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. This investment is valued at the pool's share price, \$1.00 per share. The Georgia Fund 1 Investment Pool is an AA+ rated investment pool by Standard and Poor's; the weighted average maturity of the fund is 62 days.

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 \$1.99 at June 30, 2014. The Georgia Extended Asset Pool is an AA+f rated investment pool by Standard and Poor's; the weighted average maturity of the fund is 0.22 years.

The USO serves as fiscal agent for various units of the USG and affiliated organizations. The USO pools the monies of these organizations with the USO's monies for investment purposes. The USO cannot allocate pool investments between the internal (USG) and external (affiliated 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 USO maintains investment policy guidelines for each fund within the investment pool that is offered to qualified USG participants. These policies are intended to foster the 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 USG and their affiliated organizations are eligible to participate in the Pooled Investment Fund program. Although the underlying investment instruments of the Pooled Investment Fund program have been reported for investment disclosure purposes, the overall characteristics of each of the pooled fund portfolios within the Pooled Investment Fund program are described below.

### **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. The market value of the Short Term Fund at June 30, 2014 was \$353,832,444.

### **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 typically ranges 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. The market value of the Legal Fund at June 30, 2014 was \$17,548,776.



### **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. The market value of the Balanced Income Fund at June 30, 2014 was \$5,409,197.

### **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. The market value of the Total Return Fund at June 30, 2014 was \$12,611,857.

### **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 investment 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. The market value of the Diversified Fund at June 30, 2014 was \$157,110,087.

Condensed financial information for the investment pool is as follows:

**Regents Investment Pool  
Statement of Net Position  
June 30, 2014**

Assets	
Investments	\$ 545,959,998
Accrued Interest	552,363
Net Assets	<u>\$ 546,512,361</u>
Distribution of Net Assets	
External Participant Account Balance	\$ 30,358,254
Internal Participant Account Balance	516,154,107
Total Distribution	<u>\$ 546,512,361</u>

**Regents Investment Pool  
Statement of Changes in Net Position  
For the Fiscal Year Ended June 30, 2014**

Additions	
Pool Participant Deposits	\$ 92,445,941
Investment Income	15,446,010
Fair Value Decreases	12,277,563
Less: Investment Expense	(192,847)
Total Additions	\$ 119,976,667
Deductions	
Pool Participant Withdrawals	(35,418,274)
Net Increase (Decrease)	\$ 84,558,393
Net Assets	
July 1, 2013	461,953,968
June 30, 2014	<u>\$ 546,512,361</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 U.S. 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 USG will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The USG's policy for managing custodial credit risk for investments is:

1. The USG 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 USG 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, 2014, \$670,663,237 of the USG's applicable investments was uninsured and held by the investment's counterparty in the USG'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 USG's policy for managing credit quality risk is contained in the investment policy guidelines for the various pooled investment funds:

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.

1. The Diversified Fund is permitted to invest in non-investment grade debt issues up to a limit of 15% of the entire portfolio.

The USG investments subject to credit quality risk follow:

	Fair Value	AAAm	AAA	AA+	A	BBB	Not Rated
<b>Related Debt Investments</b>							
U.S. Treasuries	\$8,437,116		\$4,568,061	\$3,715,148			\$153,907
U.S. Agencies	399,888,612		2,168,019	3,152,882			394,567,711
Bond Securities	47,327,138						47,327,138
Corporate Bonds	101,419			21,258	40,056	40,105	
Corporate Debt	214,218			27,560	57,037	16,821	112,800
General Obligation Bonds	1,078,460						1,078,460
Money Market Mutual Fund	20,733,040	2,603,139					18,129,901
Mutual Bond Fund	19,624,702		51,277	1,195,924	50,550	589,605	17,737,346
Repurchase Agreements	2,508,497			2,508,497			
	<u>\$499,913,202</u>	<u>\$2,603,139</u>	<u>\$6,787,357</u>	<u>\$10,621,269</u>	<u>\$147,643</u>	<u>\$646,531</u>	<u>\$479,107,263</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. The USG's policy for managing concentration of credit risk is to diversify investments to the extent that any single issuer shall be limited to 5% of the market value in a particular investment fund. The following U.S. agency investments exceeded 5% of the total reported investment amount as of June 30, 2014:

Investment	Amount	% of Total
Federal National Mortgage Association	\$ 300,066,539	23.8%
Federal Home Loan Mortgage Corporation	\$ 97,935,179	7.8%

### Note 3 Accounts Receivable

Accounts receivable consisted of the following at June 30, 2014:

Student Tuition and Fees	\$ 58,147,897
Auxiliary Enterprises and Other Operating Activities	25,188,087
Federal Financial Assistance	123,999,801
Georgia State Financing and Investment Commission	13,927,807
Due from Affiliated Organizations	137,234,074
Other	57,506,281
	<u>416,003,947</u>
Less: Allowance for Doubtful Accounts	28,464,339
Net Accounts Receivable	<u>\$ 387,539,608</u>

### Note 4 Inventories

Inventories consisted of the following at June 30, 2014:

Bookstore	\$ 16,204,803
Food Services	1,571,547
Physical Plant	3,601,121
Other	879,919
	<u>879,919</u>
Total	<u>\$ 22,257,390</u>

## Note 5 Notes/Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2014. 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, 2014, the allowance for uncollectible loans was \$1,907,839.

## Note 6 Capital Assets

Changes in capital assets for the year ended June 30, 2014 are shown below:

	<b>Beginning Balance 7/1/2013</b>	<b>Adjustments</b>	<b>Restated Beginning Balance 7/1/2013</b>	<b>Special Transfer</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance 6/30/2014</b>
Capital Assets, Not Being Depreciated:							
Land	\$ 351,051,644	\$ 354,448	\$ 351,406,092	\$	\$ 11,155,830	966,051	361,595,871
Capitalized Collections	44,393,191		44,393,191		641,191	8,500	45,025,882
Construction Work-in-Progress	209,687,181	(3,991,879)	205,695,302		158,873,664	182,815,740	181,753,226
Total Capital Assets Not Being Depreciated	\$ 605,132,016	\$ (3,637,431)	\$ 601,494,585	\$	\$ 170,670,685	183,790,291	588,374,979
Capital Assets, Being Depreciated:							
Infrastructure	\$ 308,495,096	\$ 3,262,973	\$ 311,758,069	\$	19,962,254	18,650	331,701,673
Building and Building Improvements	7,749,252,970	12,394,183	7,761,647,153		265,195,909	3,664,852	8,023,178,210
Facilities and Other Improvements	367,084,251	(1,022,116)	366,062,135		13,748,514	1,147,831	378,662,818
Equipment	1,405,982,646	(30,719,509)	1,375,263,137		127,470,475	47,460,766	1,455,272,846
Capital Leases	2,408,800,762	13,468,597	2,422,269,359	44,297,978	105,610,228	18,968,700	2,553,208,865
Library Collections	804,303,714	100,683	804,404,397		34,136,368	1,748,508	836,792,257
Capitalized Collections	7,594,594	(90,003)	7,504,591		13,778		7,518,369
Software	20,361,211	-	20,361,211		18,524,941		38,886,152
Total Assets Being Depreciated	\$ 13,071,875,244	(2,605,192)	\$ 13,069,270,052	\$ 44,297,978	584,662,467	73,009,307	13,625,221,190
Less: Accumulated Depreciation							
Infrastructure	\$ 98,957,480	\$ 443,145	\$ 99,400,625	\$	13,369,584		112,770,209
Buildings and Building Improvements	2,339,831,253	1,765,218	2,341,596,471		194,863,806	3,026,058	2,533,434,219
Facilities and Other improvements	128,501,291	187,469	128,688,760		12,120,025	680,596	140,128,189
Equipment	988,837,359	(10,873,065)	977,964,294		111,279,626	44,649,170	1,044,594,750
Capital Leases	379,511,395	5,609,448	385,120,843	8,305,870	80,798,017	681,813	473,542,917
Library Collections	638,983,951	(2,320,786)	636,663,165		31,276,264	1,760,690	666,178,739
Capitalized Collections	1,004,047	(1,798)	1,002,249		142,666		1,144,915
Software	15,260,529	-	15,260,529		1,715,200		16,975,729
Total Accumulated Depreciation	\$ 4,590,887,305	\$ (5,190,369)	\$ 4,585,696,936	\$ 8,305,870	445,565,188	50,798,327	4,988,769,667
Total Capital Assets, Being Depreciated, Net	\$ 8,480,987,939	\$ 2,585,177	\$ 8,483,573,116	\$ 35,992,108	139,097,279	22,210,980	8,636,451,523
Capital Assets, net	\$ 9,086,119,955	\$ (1,052,254)	\$ 9,085,067,701	\$ 35,992,108	\$ 309,767,964	206,001,271	9,224,826,502



## Note 7 Advances (Including Tuition and Fees)

Advances, including tuition and fees (current portion) consisted of the following at June 30, 2014:

Prepaid Tuition and Fees	\$ 133,215,880
Research	40,408,725
Other Advances	<u>50,120,081</u>
Total	<u>\$ 223,744,686</u>

## Note 8 Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Restated Beginning Balance July 1, 2013	Additions	Reductions	Ending Balance June 30, 2014	Current Portion
Leases					
Lease Obligations	<u>\$ 3,490,926,928</u>	<u>\$ 169,523,840</u>	<u>\$ 109,183,820</u>	<u>\$ 3,551,266,948</u>	<u>\$ 78,787,826</u>
Other Liabilities					
Compensated Absences	\$ 190,978,502	\$ 136,289,102	\$ 131,577,819	\$ 195,689,785	\$ 121,710,299
Net OPEB Obligation	1,554,142,976	288,934,259		1,843,077,235	
Other Long Term Liabilities	955,515	46,605	119,335	882,785	170,190
Total	<u>\$ 1,746,076,993</u>	<u>\$ 425,269,966</u>	<u>\$ 131,697,154</u>	<u>\$ 2,039,649,805</u>	<u>\$ 121,880,489</u>
Total Long-Term Obligations	<u>\$ 5,237,003,921</u>	<u>\$ 594,793,806</u>	<u>\$ 240,880,974</u>	<u>\$ 5,590,916,753</u>	<u>\$ 200,668,315</u>

## Note 9 Significant Commitments

The USG had significant unearned, outstanding construction or renovation contracts executed in the amount of \$164,751,464 as of June 30, 2014, which are not reflected in the accompanying basic financial statements.

Institution	Commitment Amount	Project
Abraham Baldwin Agricultural College	\$ 279,927	Construction and renovation contracts
Bainbridge College	19,800	Construction and renovation contracts
Clayton State University	213,632	Construction and renovation contracts
East Georgia College	152,214	Construction and renovation contracts
Fort Valley State University	5,234,826	Construction and renovation contracts
Georgia College & State University	3,200,055	Construction and renovation contracts
Georgia Institute of Technology	41,228,807	Construction and renovation contracts
Georgia Perimeter College	5,571,991	Construction and renovation contracts
Georgia Regents University	3,543,044	Construction and renovation contracts
Georgia Southern University	5,593,433	Construction and renovation contracts
Georgia State University	43,793,863	Construction and renovation contracts
Gordon State College	12,830,000	Construction and renovation contracts
Kennesaw State University	12,693,707	Construction and renovation contracts/Student Center Lease
Savannah State University	37,777	Construction and renovation contracts
South Georgia State College	187,057	Construction and renovation contracts
Southern Polytechnic State University	640,242	Construction and renovation contracts
University of Georgia	13,439,529	Construction and renovation contracts
University of West Georgia	11,707,004	Construction and renovation contracts
Valdosta State University	4,384,556	Construction and renovation contracts
	<u>\$ 164,751,464</u>	

## Note 10 Lease Obligations

The USG 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 USG is obligated under approximately \$3.5 billion in capital lease liability as of June 30, 2014. Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between fiscal 2015 and 2052. Payments for fiscal year 2014 were \$284,393,314, of which \$192,258,636 represented interest and \$92,134,678 represented principle. Interest rates range from 0.75 percent to 31.08 percent.

The following is a summary of the carrying values of assets held under capital lease at June 30, 2014:

	Gross Amount	Accumulated Depreciation	Assets Held Under Capital Lease, Net at June 30, 2014
Land	\$ 50,163,847	\$ -	\$ 50,163,847
Infrastructure	51,592,099	(12,118,782)	39,473,317
Buildings	3,715,131,252	(662,565,294)	3,052,565,958
Facilities and Other Improvements	44,788,584	(6,219,279)	38,569,305
Equipment	26,957,431	(18,700,213)	8,257,218
Total Assets Held Under Capital Lease at June 30, 2014	<u>\$ 3,888,633,213</u>	<u>\$ (699,603,568)</u>	<u>\$ 3,189,029,645</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 USG's non-cancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2015 through 2049. 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 2014 was \$38,378,201.

Future commitments for capital leases, which here and on the Statement of Net Position include other installment purchase agreements, and for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2014, are as follows:

Year Ending June 30:	Year	Capital Leases	Operating Leases
2015	1	\$ 275,655,762	\$ 35,898,227
2016	2	277,206,749	10,144,146
2017	3	279,335,741	7,992,235
2018	4	281,726,218	6,299,852
2019	5	283,738,609	4,922,658
2020 through 2024	6-10	1,426,882,046	20,683,516
2025 through 2029	11-15	1,443,981,587	20,399,845
2030 through 2034	16-20	1,255,049,689	8,182,198
2035 through 2039	21-25	840,086,860	927,387
2040 through 2044	26-30	120,811,502	663,580
2045 through 2049	31-35	212,962	1,327,161
2050 through 2052	36-38	107,950	
Total minimum lease payments		\$ 6,484,795,675	\$ 117,440,805
Less: Interest		2,779,299,737	
Less: Executory costs (if paid)		154,228,990	
Principal Outstanding		\$ 3,551,266,948	

## Note 11 Retirement Plans

The USG 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 USG 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 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 completing 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 USG 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 USG 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 USG contributions are not at any time refundable to the member or the member's beneficiary.

Employer contributions required for fiscal year 2014 were based on the June 30, 2011 actuarial valuation as follows:

Old Plan*	18.46%
New Plan	18.46%
GSEPS	15.18%

\*13.71% 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. 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, 2014 were 6% of annual salary. Employer contributions required for fiscal year 2014 were 12.28% of annual salary as required by the June 30, 2011 actuarial valuation.

The following table summarizes the USG contributions by defined benefit plan for the years ending June 30, 2014, June 30, 2013, and June 30, 2012:

Fiscal Year	ERS		TRS	
	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
2014	\$ 1,604,331	100%	\$ 181,383,954	100%
2013	\$ 1,238,577	100%	\$ 164,293,969	100%
2012	\$ 896,604	100%	\$ 148,193,749	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 USG. 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 (VALIC, 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 USG 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 2014, the employer contribution was 9.24% for the participating employee's earned compensation. Employees contribute 6% of their earned compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

The USG and the covered employees made the required contributions of \$110,586,186 (9.24%) and \$71,402,283 (6%), respectively.

VALIC, 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 USG 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 2014 were \$7,660,647, 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. Early Retirement Pension Plan

### Plan Description

Georgia Regents University Early Retirement Pension Plan (ERP) is a single-employer defined benefit pension plan administered by Bryan, Pendleton, Swats, and McAlister. The plan was derived by the Georgia Regents University as a means of manpower reduction and was approved by the Board of Regents of the University System of Georgia (BOR) effective January 1, 2000.

The plan was intended to provide eligible participants additional benefits above the amounts payable through Teachers Retirement System of Georgia (TRS). The plan was designed to allow vested employees aged 55 or employees of any age with 25 years of creditable service to retire without penalties as applied by the Teachers Retirement System of Georgia (TRS) for early retirement. The plan would allow for all participants to retire as if they were vested and aged 60 or had attained 30 years of creditable service. Any member who opted into the Optional Retirement Plan aged 55 with 10 years of service by June 30, 2000 was also eligible to participate in the plan.

The plan is closed to new entrants. There were no active plan participants. As of January 1, 2014, plan participants consisted of the following:

#### Inactive Plan Participants:

Retirees and Beneficiaries Currently Receiving Benefits	656
Terminated Employees Entitled to Deferred Benefits	0
Disabled Employees Entitled to Deferred Benefits	0
Total	656

TRS provides a benefit equal to 2% of the participant's average annual compensation during the two consecutive years of creditable service which produce the highest such average, multiplied by the number of years of creditable service, limited to 40 years. If the participant has less than 30 years of creditable service and has not attained age 60 at the time of retirement, the benefit will be reduced by the lesser of 1/12 of 7% for each month that retirement precedes age 60 or 7% for each year or fraction of a year by which the participant has less than 30 years of creditable service at the time of retirement.

The ERP provides the additional benefits that would have been payable under TRS based on the following adjustments:

Age of the participant was increased five years

Participant's creditable service was increased five years

Participant's annual rate of earnings as of August 1, 1999 was projected five years into the future with 3% increases each year

ERP benefits will be increased 3% a year as a cost-of-living adjustment (COLA): 1-1/2% on each January 1 and July 1. The ERP provided COLA's for both the ERP and TRS benefits until actual eligibility for a COLA through TRS occurred. Since that time, the ERP has provided COLA's only on the portion of the benefit paid by the ERP, and TRS has provided COLA's under the terms of the TRS plan.

The ERP does not issue a standalone report.

### **Funding Policy**

The fund sources that provided for an employee's salary, as of December 31, 1999, would be responsible for funding the plan to provide for retiree benefits. There is no additional cost to the employee/retiree, Board of Regents, or State of Georgia for this plan. Contributions are made by the University based on the actuarial valuation for the plan. For fiscal year 2014, affiliated organizations contributed \$5,886,802 to the plan on-behalf of the University.

Since this plan was not pre-funded, Georgia Regents University approach is to deposit as much into the ERP fund in the earlier years as is possible, thereby, realizing a greater return on investment. Effective January 1, 2009, the period to amortize the unfunded accrued liability was extended 4 years to 14 years. The funding policy is reasonable and in compliance with minimum funding requirements set forth in Code Section 47-20-10 of the Public Retirement Systems Standards Law. With this change, the plan should be fully funded by June 30, 2023.

## Annual Pension Cost and Net Pension Asset

The ERP's annual pension cost and net pension asset for the current year were as follows:

	Total
Annual Required Contribution	\$ 13,045,051
Interest on Net Pension Obligation	(576,154)
Adjustments on Annual Required Contribution	<u>1,119,167</u>
Annual Pension Cost	\$ 13,588,064
Contributions Made	<u>(13,084,672)</u>
Increase (Decrease) in Net Pension Obligation	503,392
Net Pension Obligation, beginning of year	<u>(7,682,050)</u>
Net Pension Obligation, end of year	<u><u>\$ (7,178,658)</u></u>

### Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost	Actual Contribution	Percentage Contributed	Net Pension Asset
6/30/2012	\$ 13,300,187	\$ 13,225,850	99.4%	\$ 8,006,060
6/30/2013	\$ 13,549,860	\$ 13,225,850	97.6%	\$ 7,682,050
6/30/2014	\$ 13,588,064	\$ 13,084,672	96.3%	\$ 7,178,658

## Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the plan was 43.5% funded. The actuarial accrued liability for benefits was \$146,615,477, and the actuarial value of assets was \$63,711,746, resulting in an unfunded actuarial accrued liability (UAAL) of \$82,903,731.

## Schedule of Funding Progress

The schedule of funding progress which follows, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2005	\$ 41,322,743	\$ 147,352,588	\$ 106,029,845	28.0%	N/A	N/A
1/1/2006	\$ 43,203,598	\$ 148,323,853	\$ 105,120,255	29.1%	N/A	N/A
1/1/2007	\$ 47,722,236	\$ 148,253,721	\$ 100,531,485	32.2%	N/A	N/A
1/1/2008	\$ 52,044,359	\$ 148,797,058	\$ 96,752,699	35.0%	N/A	N/A
1/1/2009	\$ 37,818,696	\$ 148,605,625	\$ 110,786,929	25.4%	N/A	N/A
1/1/2010	\$ 42,540,252	\$ 147,961,323	\$ 105,421,071	28.8%	N/A	N/A
1/1/2011	\$ 47,778,455	\$ 147,266,514	\$ 99,488,059	32.4%	N/A	N/A
1/1/2012	\$ 52,241,174	\$ 147,750,673	\$ 95,509,499	35.4%	N/A	N/A
1/1/2013	\$ 57,220,244	\$ 146,762,529	\$ 89,542,285	39.0%	N/A	N/A
1/1/2014	\$ 63,711,746	\$ 146,615,477	\$ 82,903,731	43.5%	N/A	N/A

## Investments

The pension plan does not have a policy in regard to the allocation of invested assets. However, the Georgia Regents University 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 of the institution to the citizens of Georgia and which conforms to the Board of Regents investment policy. All investments are consistent with Board of Regents policy and applicable Federal and state laws.

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price. The University's Investment Policy and Guidelines for managing concentration of credit risk requires that stocks and debt issues be diversified. The University also relies upon the concentration of credit risk policy of the individual investment vehicles related to plan assets. More than 5% of the plan's investments are in iShares Core Total U. S. Aggregate Exchange-traded Fund (ETF), iShares Russell 1000 Growth ETF, iShares Russell 1000 Value ETF, iShares Russell Midcap Growth ETF, iShares iBoxx Investment Grade Corporate Bond ETF, T Rowe Price Real Estate Fund, Oppenheimer Developing Markets Fund and iShares Russell 2000 Growth ETF. These investments are 17.7%, 16.2%, 10.8%, 7.4%, 6.1%, 6.1%, 5.9% and 5.7% of the plan's investments.

For the fiscal year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 18.35%.



The following table summarizes the adopted asset allocation policy at June 30, 2014:

<u>Asset Class</u>	
Domestic Equities	60% - 65%
International Equities	10% - 15%
Fixed Income	10% - 15%
Real Estate	3% - 5%
Cash	<u>5% - 10%</u>
 Total	 <u><u>100%</u></u>

### Net Pension Liability (NPL)

The components of the net pension liability at June 30, 2014 were as follows:

	<u>2014</u>
Total Pension Liability	\$ 145,384,819
Plan Fiduciary Net Position	<u>(76,193,610)</u>
 Net Pension Liability	 \$ <u><u>69,191,209</u></u>

Plan Fiduciary Net Position as a percentage of total pension liability is 52.41%.

### Actuarial Methods and Assumptions

The annual required contribution for the current year was determined as part of the January, 2013 actuarial valuation using the Entry Age Normal method. The remaining amortization period is 10 years using the Level Dollar amortization method. The actuarial assumptions include (a) rate of return of 7.5% per annum, compounded annually, (b) inflation of 3% per annum, compounded annually, and (c) annual cost of living increase of 3.00% per annum, compounded annually. Plan assumptions and methods are reviewed annually for reasonableness by the actuary.

Mortality rates were based on the RP-2000 Mortality Table for Healthy Annuitants with projected improvement from year 2000 to year 2021 under Projection Scale AA.

Mortality Rates (per 1,000 lives)	<u>AGE</u>			
	<u>60</u>	<u>65</u>	<u>70</u>	<u>75</u>
Male	5.84	9.98	16.17	28.14
Female	5.58	9.33	15.07	23.74

The projection of cash flows used to determine the discount rate of 7.5% per annum, compounded annually assumes that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	62.58%	6.50%
International Equity	10.71%	7.25%
Fixed Income	14.93%	1.25%
Real Estate	3.38%	5.75%
Cash	8.40%	0.50%

The following represents the net pension liability calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
Net Pension Liability	\$ 81,395,268	\$ 69,191,209	\$ 58,570,968

## Note 13 Risk Management

The USG (USG) offers its employees and retirees access to four healthcare plan options. For the USG's Plan Year 2014, the following self-insured health care options were available: Blue Choice HMO, (Blue Cross Blue Shield) Health Savings Account (HAS) Open Access Point of Service (POS), and (Blue Cross Blue Shield) Open Access POS. The USG institutions and participating employees pay premiums to these plans to access benefits coverage and 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 plans, a fully insured HMO healthcare plan option also is offered to USG employees through Kaiser Permanente.

The prescription drug plan was administered through Express Scripts. Pharmacy drug claims are processed in accordance with guidelines established for the Board of Regents' Prescription Drug Benefit Program. Generally, claims are submitted to the plan administrator for verification, processing and payment. The plan administrator maintains an eligibility file based on information furnished by Blue Cross Blue Shield on behalf of the various organizational units of the USG.

A reconciliation of total estimated claim liabilities for employees and retirees for the fiscal years ended June 30, 2014 and June 30, 2013 is provided below:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<b>Employees:</b>		
Unpaid Claims and Claim Adjustments (Prior Year IBNR)	\$ 32,737,154	\$ 26,269,302
Incurring Claims and Claim Adjustments Expenses - Provisions for Insured Events of the Current Year	360,327,990	325,395,148
Payments - Claims and Claim Adjustments Attributable To Insured Events of the Current Year and Prior Years	<u>353,976,121</u>	<u>318,927,296</u>
Unpaid Claims and Claim Adjustments (Current Year IBNR)	<u>\$ 39,089,023</u>	<u>\$ 32,737,154</u>
<b>Retirees:</b>		
Unpaid Claims and Claim Adjustments (Prior Year IBNR)	\$ 9,326,592	\$ 9,714,307
Incurring Claims and Claim Adjustments Expenses - Provisions for Insured Events of the Current Year	140,920,834	113,908,368
Payments - Claims and Claim Adjustments Attributable To Insured Events of the Current Year and Prior Years	<u>138,128,069</u>	<u>114,296,083</u>
Unpaid Claims and Claim Adjustments (Current Year IBNR)	<u>\$ 12,119,357</u>	<u>\$ 9,326,592</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 USG 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 USG 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, 2014, three USG institutions had projects or events that met one of the five obligating events related to recognition of pollution remediation.

Georgia Institute of Technology (Institute) is responsible for pollution monitoring and remediation in all Institute facilities, including asbestos abatement. Monitoring and remediation activities are performed during renovation/construction projects when deemed necessary by Institute management.

As of June 30, 2014, the Institute recorded a liability and expense in the amount of \$143,458 for pollution monitoring and remediation projects in various Institute structures. The liability is reflected on the Statement of Net Position in Accounts Payable and on the Statement of Revenues, Expenses, and Changes in Net Position in Supplies and Other Services. 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 any significant changes to the expected remediation outlay. There are no expected recoveries that have reduced the liability. Pollution remediation liability activity in fiscal year 2014 was as follows:

Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
\$ 504,440	\$ 143,458	\$ 504,440	\$ 143,458	\$ 143,458

**The University of Georgia** is responsible for pollution remediation at the Milledge Avenue landfill site. The University of Georgia has recorded a liability and expense related to this pollution remediation in the amount of \$882,785. The liability is reflected on the Statement of Net Assets in Accounts Payable and on the Statement of Revenues, Expenses and Changes in Net Assets in Supplies and Other Services. The liability was determined using a 5-year budget estimate provided by Brown and Caldwell. The University of Georgia does not anticipate any significant changes to the expected remediation outlay. There are no expected recoveries that have reduced the liability. Pollution remediation liability activity in fiscal year 2014 was as follows:

Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
\$ 955,515	\$ 46,605	\$ 119,335	\$ 882,785	\$ 170,190

**Georgia Regents University** is responsible for asbestos abatement as a small part of the project costs for various projects. The University has recorded a liability and expense related to this pollution remediation in the amount of \$1,234. The liability is reflected on the Statement of Net Position in Accounts Payable and on the Statement of Revenues, Expenses, and Changes in Net Position in Supplies and Other Services. The liability is the remaining amount of project abatement costs at June 30, 2014. The University does not anticipate any significant changes to the expected remediation outlay. Pollution remediation liability activity in fiscal year 2014 was as follows:

Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
\$ 26,023	\$ 63,395	\$ 88,184	\$ 1,234	\$ 1,234

## Note 14 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 USG expects such amounts, if any, to be immaterial to its overall financial position. Litigation, claims and assessments filed against the USG, 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, 2014.

## Note 15 Post-Employment Benefits Other Than Pension Benefits

### Plan Description and Funding Policy

The Board of Regents Retiree Health Benefit Plan (Plan) is a single-employer, defined-benefit, healthcare plan administered by the USO. The Plan was authorized pursuant to 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 USG has established group health and life insurance programs for regular employees of the USG. It is the policy of the USG 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 USG 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, 2014:

Retirees and beneficiaries receiving benefits	20,583
Terminated plan members entitled to but not yet receiving benefits	-
Active employee plan contracts	<u>38,092</u>
Total	<u><u>58,675</u></u>

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

Organizational units of the USG 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 USO for the upcoming Plan year. For the 2014 Plan year, the employer rate was approximately 75-80% of the total health insurance cost for eligible retirees and the retiree rate was approximately 20-25%. 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.

For fiscal year 2014, the USG contributed \$126,617,581 to the plan for current premiums or claims. Plan members receiving benefits contributed \$34,218,671 for current premiums or claims.

### 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.



## Annual OPEB Cost and Net OPEB Obligation

The annual OPEB cost (expense) (AOC) for the Plan 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 AOC, the amount actually contributed, and changes in the net OPEB obligation (NOO) for the Plan for FY 2014, 2013, and 2012 (dollars in millions):

	Fiscal Year Ending June 30		
	2014	2013	2012
Annual Required Contribution	\$ 403.3	\$ 362.4	\$ 345.3
Interest on Net OPEB Obligation (NOO)	69.9	57.5	45.8
Amortization of NOO	(63.4)	(52.1)	(41.5)
Total Expense or Annual OPEB Cost (AOC)	\$ 409.8	\$ 367.8	\$ 349.6
Actual Contribution Toward OPEB Cost	(120.9)	(83.4)	(88.8)
Increase in NOO	\$ 288.9	\$ 284.4	\$ 260.8
Net OPEB Obligation, beginning of year	1,562.6	1,278.2	1,017.4
Prior Year Adjustment - Life Insurance	(8.4)		
Net OPEB Obligation, end of year	\$ 1,843.1	\$ 1,562.6	\$ 1,278.2

The Plan's historical OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for the Retiree Health Benefit Plan were as follows (dollars in millions):

Fiscal Year Ended	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 349.6	\$ 88.8	25.4%	\$1,278.2
2013	\$ 367.8	\$ 91.8	25.0%	\$1,562.6
2014	\$ 409.8	\$ 120.9	29.5%	\$1,843.1

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2011	\$ 123,230	\$ 3,494,501,238	\$3,494,378,008	0.0%	\$2,526,211,986	138.3%
7/1/2012	\$ 165,684	\$ 3,758,969,936	\$3,758,804,252	0.0%	\$2,466,313,700	152.4%
7/1/2013	\$ 216,775	\$ 4,095,304,172	\$4,095,087,397	0.0%	\$2,594,800,486	157.8%

Actuarial valuations of an 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 following the notes to the financial statements.

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	July 1, 2013
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percent of Payroll, Closed
Asset valuation method	Market Value
Amortization period	30 years
<b>Actuarial assumptions:</b>	
Interest rate	4.5%
Inflation rate	2.5%
Salary growth	3.0%
Salary scale	4.0%
Initial healthcare cost trend	
Pre-Medicare eligible	8.0%
Medicare eligible	7.5%
Ultimate trend rate	
Pre-Medicare eligible	4.5%
Medicare eligible	4.5%
Year ultimate trend is reached	2030

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

## Note 16 Natural Classifications with Functional Classifications

The University's operating expenses by functional classification for fiscal 2014 are shown below:

Natural Classification	Functional Classification					
	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support
Faculty	\$ 874,149,835	\$ 340,588,846	\$ 34,169,199	\$ 43,557,468	\$ 2,427,651	\$ 13,171,268
Staff	309,392,744	285,630,201	132,888,874	225,089,830	152,288,747	274,747,031
Benefits	424,348,981	191,082,268	68,422,481	103,593,321	57,114,246	153,265,634
Other Personal Services	1,005,080	93,518	594,821	553,740	186,546	8,189,579
Travel	19,055,229	27,636,551	6,258,655	5,780,028	3,781,541	5,265,516
Scholarships and Fellowships	7,068,259	4,233,738	1,679,935	738,819	6,125,068	1910,914
Utilities	5,292,079	4,175,343	3,149,450	3,265,496	2,674,467	5,539,404
Supplies and Other Services	76,601,753	240,104,770	111,744,389	102,956,174	63,273,886	513,721,657
Depreciation	70,650,546	75,727,536	11,624,631	47,224,648	18,392,672	32,938,135
Total Expenses	<u>\$ 1,787,564,506</u>	<u>\$ 1,169,272,771</u>	<u>\$ 370,532,435</u>	<u>\$ 532,759,524</u>	<u>\$ 306,264,824</u>	<u>\$ 1,008,749,138</u>

Natural Classification	Functional Classification				
	Plant Operations & Maintenance	Scholarships & Fellowships	Auxiliary Enterprises	Patient Care (GRU Only)	Total Expenses
Faculty	\$ (1,199,279)	\$ -	\$ 2,632,437	\$ 74,413,352	\$ 1,383,910,777
Staff	178,355,942	221,847	170,785,914	96,209,774	1,825,610,904
Benefits	78,971,825	333,697	61,649,913	56,808,529	1,195,590,895
Other Personal Services	(7,580,152)	610,243	7,729,742	8	11,383,125
Travel	560,399	1,070	2,671,910	367,245	71,378,144
Scholarships and Fellowships	-	272,441,374	23,941,317		318,139,424
Utilities	122,406,599	1,250	36,678,784	388,112	183,570,984
Supplies and Other Services	190,947,743	76,380	318,839,976	84,707,878	1,702,974,606
Depreciation	76,043,846	7,492	112,955,682		445,565,188
Total Expenses	<u>\$ 638,506,923</u>	<u>\$ 273,693,353</u>	<u>\$ 737,885,675</u>	<u>\$ 312,894,898</u>	<u>\$ 7,138,124,047</u>

## Note 17 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 campuses and the USG. Although independent boards govern these foundations, their assets are dedicated for the benefit of the related institution and the USG.

Because the University System of Georgia which was constitutionally created as an organizational unit of the State of Georgia these affiliated organizations are considered potential component units of the State of Georgia in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* – an amendment of GASB Statements No. 14 and No. 34, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Therefore, the financial statements of the affiliated organizations are not included in these financial statements. 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.

The following affiliated organizations have been determined to be significant to the State of Georgia for the year ended June 30, 2014 and, as such, are reported as blended or discretely presented component units in the Comprehensive Annual Financial Report of the State of Georgia (CAFR).

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

Component Units of the State of Georgia	Fiscal Year Ending	Reporting Basis
Georgia Tech Foundation, Inc.	June 30, 2014	FASB
Georgia Tech Athletic Association	June 30, 2014	GASB
Georgia Tech Research Corporation	June 30, 2014	GASB
Georgia Tech Facilities, Inc.	June 30, 2014	FASB
Georgia State University Foundation, Inc.	June 30, 2014	FASB
Georgia State University Research Foundation, Inc.	June 30, 2014	GASB
MCG Health System, Inc. d/b/a Georgia Regents Health System	June 30, 2014	GASB
Medical College of Georgia Foundation, Inc.	June 30, 2014	FASB
University of Georgia Foundation	June 30, 2014	FASB
University of Georgia Athletic Association, Inc.	June 30, 2014	GASB
University of Georgia Research Foundation, Inc.	June 30, 2014	GASB
Georgia Southern University Housing Foundation, Inc.	June 30, 2014	FASB
VSU Auxiliary Services Real Estate Foundation, Inc.	December 31, 2013	FASB
Armstrong Atlantic State University Educational Properties, Inc.	December 31, 2013	GASB
Kennesaw State University Foundation, Inc.	June 30, 2014	FASB
Georgia College and State University Foundation, Inc.	June 30, 2014	FASB
University System of Georgia Foundation, Inc.	June 30, 2014	FASB
University of North Georgia Real Estate Foundation, Inc. and Subsidiaries	June 30, 2014	FASB
Middle Georgia State College Real Estate Foundation Inc.	June 30, 2014	FASB
University of West Georgia Real Estate Foundation	June 30, 2014	FASB

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



# REQUIRED SUPPLEMENTARY INFORMATION





UNIVERSITY SYSTEM OF GEORGIA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS  
 EARLY RETIREMENT PLAN - GEORGIA REGENTS UNIVERSITY  
 DEFINED BENEFIT PENSION PLAN  
 YEAR ENDED JUNE 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2005	\$ 41,322,743	\$ 147,352,588	\$ 106,029,845	28.0%	N/A	N/A
1/1/2006	\$ 43,203,598	\$ 148,323,853	\$ 105,120,255	29.1%	N/A	N/A
1/1/2007	\$ 47,722,236	\$ 148,253,721	\$ 100,531,485	32.2%	N/A	N/A
1/1/2008	\$ 52,044,359	\$ 148,797,058	\$ 96,752,699	35.0%	N/A	N/A
1/1/2009	\$ 37,818,696	\$ 148,605,625	\$ 110,786,929	25.4%	N/A	N/A
1/1/2010	\$ 42,540,252	\$ 147,961,323	\$ 105,421,071	28.8%	N/A	N/A
1/1/2011	\$ 47,778,455	\$ 147,266,514	\$ 99,488,059	32.4%	N/A	N/A
1/1/2012	\$ 52,241,174	\$ 147,750,673	\$ 95,509,499	35.4%	N/A	N/A
1/1/2013	\$ 57,220,244	\$ 146,762,529	\$ 89,542,285	39.0%	N/A	N/A
1/1/2014	\$ 63,711,746	\$ 146,615,477	\$ 82,903,731	43.5%	N/A	N/A

UNIVERSITY SYSTEM OF GEORGIA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 EARLY RETIREMENT PLAN - GEORGIA REGENTS UNIVERSITY  
 DEFINED BENEFIT PENSION PLAN  
 YEAR ENDED JUNE 30, 2014

Fiscal Year Ending		Actuarially Determined Contribution		Actual Contribution		Contribution Excess (Deficiency)	Percentage Contributed		Net Pension Asset	Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
6/30/2005	\$	12,948,607	\$	12,591,344	\$	(357,263)	97.2%	\$	9,870,829	N/A	N/A
6/30/2006		12,874,094		12,905,079		30,985	100.2%		9,901,814	N/A	N/A
6/30/2007		13,363,491		12,936,540		(426,951)	96.8%		9,474,863	N/A	N/A
6/30/2008		13,510,767		12,996,492		(514,275)	96.2%		8,960,588	N/A	N/A
6/30/2009		13,778,696		13,225,850		(552,846)	96.0%		8,407,742	N/A	N/A
6/30/2010		13,410,238		13,225,850		(184,388)	98.6%		8,223,354	N/A	N/A
6/30/2011		13,368,807		13,225,850		(142,957)	98.9%		8,080,397	N/A	N/A
6/30/2012		13,300,187		13,225,850		(74,337)	99.4%		8,006,060	N/A	N/A
6/30/2013		13,549,860		13,225,850		(324,010)	97.6%		7,682,050	N/A	N/A
6/30/2014		13,588,064		13,084,672		(503,392)	96.3%		7,178,658	N/A	N/A

UNIVERSITY SYSTEM OF GEORGIA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EMPLOYERS' AND NONEMPLOYERS' NET PENSION LIABILITY  
 EARLY RETIREMENT PLAN - GEORGIA REGENTS UNIVERSITY  
 DEFINED BENEFIT PENSION PLAN  
 YEAR ENDED JUNE 30, 2014

	2014
Total Pension Liability	\$ 145,384,819
Plan Fiduciary Net Position	(76,193,610)
Net Pension Liability	\$ 69,191,209
Plan Fiduciary Net Position as a Percentage of the Total I	52.41%
Covered Employee Payroll	0.0
Employers' and Nonemployers' Net Pension Liability as a Percentage of	
Covered Employee Payroll	N/A

UNIVERSITY SYSTEM OF GEORGIA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
EARLY RETIREMENT PLAN - GEORGIA REGENTS UNIVERSITY  
DEFINED BENEFIT PENSION PLAN  
YEAR ENDED JUNE 30, 2014

	DOLLAR AMOUNT IN MILLIONS 2014
<u>Total Pension Liability</u>	
Service Cost	\$ 0.0
Interest	10.6
Change of Benefit Terms	0.0
Differences Between Expected and Actual Experience	-0.1
Change of Assumptions	0.0
Benefit Payments/Refunds	-13.1
	<hr/>
Net Change in Total Pension Liability	-2.6
Total Pension Liability - Beginning	148.0
	<hr/>
 Total Pension Liability - Ending (a)	 \$ <u>145.4</u>
 <u>Plan Fiduciary Net Position</u>	
Contributions - Employer	\$ 13.1
Contributions - Employee	0.0
Net Investment Income	11.8
Benefit Payments/Refunds	-13.1
Administrative Expenses	0.0
Other	0.0
	<hr/>
Net Change in Plan Fiduciary Net Position	\$ 11.8
Plan Fiduciary Net Position - Beginning	64.4
	<hr/>
 Plan Fiduciary Net Position - Ending (b)	 \$ <u>76.2</u>
  Net Pension Liability - Ending (a-b)	  \$ <u>69.2</u>

UNIVERSITY SYSTEM OF GEORGIA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF INVESTMENT RETURNS  
EARLY RETIREMENT PLAN - GEORGIA REGENTS UNIVERSITY  
DEFINED BENEFIT PENSION PLAN  
YEAR ENDED JUNE 30, 2014

2014

Annual Money-Weighted Rate of Return, Net of Investment Expense

18.35%



UNIVERSITY SYSTEM OF GEORGIA  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
METHODS AND ASSUMPTIONS  
EARLY RETIREMENT PLAN - GEORGIA REGENTS UNIVERSITY  
DEFINED BENEFIT PENSION PLAN  
YEAR ENDED JUNE 30, 2014

This note provides information about changes of benefit terms, changes of assumptions, and methods and assumptions used in

Actuarially determined contribution rate are determined as of January 1, 2013.

Methods and assumptions used to determine contribution rates:

Actuarial valuation method: Entry Age Normal

Amortization method: Level Dollar

Remaining amortization period: 10 years

Asset valuation method: Method recognizes a portion of the difference between the market value of assets and expected

Inflation: 3.0% per annum, compounded annually

Cost of living adjustments: 3.0% per annum, compounded annually

Investment rate of return: 7.5% per annum, compounded annually

Mortality Rates (per 1,000 lives):

RP-2000 Mortality Table for Healthy Annuitants with projected improvement from year 2000 to year 2021  
under Projection Scale AA

	AGE			
	60	65	70	75
Male	5.84	9.98	16.17	28.14
Female	5.58	9.33	15.07	23.74

Changes of benefit terms: None

Changes of assumptions: None

**UNIVERSITY SYSTEM OF GEORGIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BOARD OF REGENTS RETIREE HEALTH BENEFIT FUND**  
**SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS**  
**YEAR ENDED JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2011	\$ 123,230	\$ 3,494,501,238	\$ 3,494,378,008	0.0%	\$ 2,526,211,986	138.3%
7/1/2012	\$ 165,684	\$ 3,758,969,936	\$ 3,758,804,252	0.0%	\$ 2,466,313,700	152.4%
7/1/2013	\$ 216,775	\$ 4,095,304,172	\$ 4,095,087,397	0.0%	\$ 2,594,800,486	157.8%

**UNIVERSITY SYSTEM OF GEORGIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BOARD OF REGENTS RETIREE HEALTH BENEFIT FUND**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**YEAR ENDED JUNE 30, 2014**

Fiscal Year Ended	Required Contribution	Percentage Contributed
2012	\$ 345,297,650.0	25.7%
2013	\$ 362,426,199.0	23.0%
2014	\$ 403,314,315.0	30.0%

# SUPPLEMENTARY INFORMATION



**UNIVERSITY SYSTEM OF GEORGIA**  
**CONDENSED STATEMENT OF NET POSITION BY INSTITUTION**  
**JUNE 30, 2014**

Institution	Assets					Deferred Outflows of Resources
	Current Assets	Noncurrent Cash/ Investments	Capital Assets	Other Assets	Total Assets	
Georgia Institute of Technology	\$348,964,700	\$75,041,440	\$1,726,133,331	\$12,405,889	\$2,162,545,360	
Georgia State University	250,214,019	2,170,586	810,457,161	6,577,589	1,069,419,355	
Georgia Regents University	138,092,112	68,816,645	470,856,169	2,927,002	680,691,928	
University of Georgia	414,075,792	85,760,221	1,690,097,604	9,308,522	2,199,242,139	
Georgia Southern University	49,784,531	11,686,860	536,509,911	2,532,527	600,513,829	
Valdosta State University	27,489,673	15,471,312	352,875,505	37,130	395,873,620	
Albany State University	11,889,979	507,324	152,010,159	402,298	164,809,760	
Armstrong Atlantic State University	24,709,774	3,913,823	158,497,355	4,182	187,125,134	
Clayton State University	10,725,844	2,007,488	120,953,623	77,000	133,763,955	
Columbus State University	24,578,598	5,090,513	120,195,756	1,052,277	150,917,144	
Fort Valley State University	9,936,299	704,547	152,632,764	1,280,080	164,553,690	
Georgia College & State University	25,238,026	11,149,370	175,141,372	2,331,397	213,860,165	
Georgia Southwestern State Univ.	9,909,784	1,012,811	90,976,416	837,532	102,736,543	
Kennesaw State University	68,858,155	2,220,648	466,965,485	437,916	538,482,204	
University of North Georgia	38,694,017	3,669,490	283,240,568	1,294,787	326,898,862	
Savannah State University	14,387,338	6,961,306	153,148,227	900,118	175,396,989	
Southern Polytechnic State Univ.	14,088,061	3,958,540	162,995,718	160,707	181,203,026	2,862,046
University of West Georgia	54,398,160	1,756,348	301,447,649	2,082,307	359,684,464	
Abraham Baldwin Agricultural Col.	8,086,961	338,250	80,561,143	286,354	89,272,708	
College of Coastal Georgia	3,738,365	299,334	85,957,501		89,995,200	
Dalton State College	8,630,103	49,131	44,181,271		52,860,505	
Georgia Gwinnett College	22,235,374	1,507,117	235,936,817		259,679,308	
Gordon State College	18,189,138	355,149	76,167,652		94,711,939	
Middle Georgia State College	23,176,433	3,728,202	239,860,467		266,765,102	
Atlanta Metropolitan State College	3,888,630	69,628	34,302,330		38,260,588	
Bainbridge State College	3,930,805	1,874,431	53,074,315		58,879,551	
Darton State College	7,921,007	307,038	76,487,113		84,715,158	
East Georgia State College	4,464,695	53,190	30,911,392		35,429,277	
Georgia Highlands College	7,201,113	151,874	54,316,907		61,669,894	
Georgia Perimeter College	28,633,250	548,768	154,369,336		183,551,354	
South Georgia State College	6,320,226	743,105	56,921,959	49,273	64,034,563	
University System Office	716,759,624	9,788,559	76,643,526	1,621,305	804,813,014	
Elimination/Consolidation Entries	(284,822,475)	(202,196,529)		834,459	(486,184,545)	
<b>Totals</b>	<b>\$2,114,388,111</b>	<b>\$119,516,519</b>	<b>\$9,224,826,502</b>	<b>\$47,440,651</b>	<b>\$11,506,171,783</b>	<b>\$2,862,046</b>

**UNIVERSITY SYSTEM OF GEORGIA**  
**CONDENSED STATEMENT OF NET POSITION BY INSTITUTION**  
**JUNE 30, 2014**

Institution	Liabilities			Deferred Inflows of Resources
	Current Liabilities	Noncurrent Liabilities	Total Liabilities	
Georgia Institute of Technology	\$171,370,502	\$483,782,755	\$655,153,257	
Georgia State University	69,601,080	367,336,063	436,937,143	15,787,349
Georgia Regents University	104,904,735	69,334,953	174,239,688	
University of Georgia	152,037,816	287,467,289	439,505,105	
Georgia Southern University	28,153,389	218,412,934	246,566,323	
Valdosta State University	18,399,480	197,542,419	215,941,899	4,097,246
Albany State University	5,844,563	75,112,748	80,957,311	
Armstrong Atlantic State University	7,922,804	97,718,775	105,641,579	
Clayton State University	4,640,400	77,044,628	81,685,028	
Columbus State University	11,616,272	58,509,914	70,126,186	
Fort Valley State University	7,909,376	82,461,978	90,371,354	
Georgia College & State University	12,405,540	128,952,086	141,357,626	4,714,546
Georgia Southwestern State Univ.	4,938,944	38,017,358	42,956,302	
Kennesaw State University	32,352,512	197,387,115	229,739,627	74,302,295
University of North Georgia	12,860,242	145,866,859	158,727,101	
Savannah State University	7,354,442	107,095,748	114,450,190	
Southern Polytechnic State Univ.	10,748,369	86,963,151	97,711,520	
University of West Georgia	14,642,859	184,188,874	198,831,733	
Abraham Baldwin Agricultural Col.	3,899,163	42,998,581	46,897,744	
College of Coastal Georgia	2,687,869	26,735,670	29,423,539	
Dalton State College	2,306,501	7,222,812	9,529,313	
Georgia Gwinnett College	9,431,004	182,483,600	191,914,604	1,870,398
Gordon State College	10,367,564	32,581,376	42,948,940	
Middle Georgia State College	7,420,243	97,065,816	104,486,059	
Atlanta Metropolitan State College	2,043,143	10,601,177	12,644,320	
Bainbridge State College	2,577,916	20,080,873	22,658,789	
Darton State College	4,578,557	45,132,370	49,710,927	
East Georgia State College	1,642,117	8,346,624	9,988,741	
Georgia Highlands College	2,784,632	17,188,351	19,972,983	
Georgia Perimeter College	15,341,292	78,982,929	94,324,221	
South Georgia State College	2,403,727	36,491,879	38,895,606	
University System Office	589,857,979	48,000,016	637,857,995	
Elimination/Consolidation Entries	(484,680,986)	1,841,573,676	1,356,892,690	
Totals	\$850,364,046	\$5,398,681,397	\$6,249,045,443	\$100,771,834

**UNIVERSITY SYSTEM OF GEORGIA**  
**CONDENSED STATEMENT OF NET POSITION BY INSTITUTION**  
**JUNE 30, 2014**

Institution	Net Position				
	Net Investment in Capital Assets	Restricted Unexpendable	Restricted Expendable	Unrestricted	Total Net Position
Georgia Institute of Technology	\$1,245,844,977	\$63,073,867	\$60,720,091	\$137,753,168	\$1,507,392,103
Georgia State University	429,900,254	65,255	17,977,070	168,752,284	616,694,863
Georgia Regents University	415,713,919	2,133,850	84,871,707	3,732,764	506,452,240
University of Georgia	1,411,848,296	75,806,989	86,436,729	185,645,020	1,759,737,034
Georgia Southern University	313,675,376	2,465,814	10,105,690	27,700,626	353,947,506
Valdosta State University	148,954,238	3,690,472	3,733,190	19,456,575	175,834,475
Albany State University	76,320,278		399,790	7,132,381	83,852,449
Armstrong Atlantic State University	59,588,828	2,919,503	330,202	18,645,022	81,483,555
Clayton State University	44,108,535	1,434,732	(26,269)	6,561,929	52,078,927
Columbus State University	60,761,674	1,813,559	3,759,613	14,456,112	80,790,958
Fort Valley State University	70,030,258		4,568,103	(416,025)	74,182,336
Georgia College & State University	48,165,631	3,843,361	5,370,170	10,408,831	67,787,993
Georgia Southwestern State Univ.	52,783,908	432,717	1,120,565	5,443,051	59,780,241
Kennesaw State University	192,906,560	561,914	614,842	40,356,966	234,440,282
University of North Georgia	136,655,536	2,652,092	2,183,894	26,680,239	168,171,761
Savannah State University	45,273,738	5,902,322	1,202,737	8,568,002	60,946,799
Southern Polytechnic State Univ.	77,016,159	1,750,685	1,754,563	5,832,145	86,353,552
University of West Georgia	114,970,596		2,706,050	43,176,085	160,852,731
Abraham Baldwin Agricultural Col.	36,311,587		660,346	5,403,031	42,374,964
College of Coastal Georgia	59,197,126	68,879	85,371	1,220,285	60,571,661
Dalton State College	37,071,606		1,961	6,257,625	43,331,192
Georgia Gwinnett College	52,323,419		38,195	13,532,692	65,894,306
Gordon State College	44,315,602		15,054	7,432,343	51,762,999
Middle Georgia State College	142,235,262		3,121,037	16,922,744	162,279,043
Atlanta Metropolitan State College	23,958,730		48,251	1,609,287	25,616,268
Bainbridge State College	32,988,080	1,600,228	172,944	1,459,510	36,220,762
Darton State College	31,775,630			3,228,601	35,004,231
East Georgia State College	22,656,982	37,100	14,870	2,731,584	25,440,536
Georgia Highlands College	37,129,989	36,371	35,638	4,494,913	41,696,911
Georgia Perimeter College	75,112,561	31,338	205,931	13,877,303	89,227,133
South Georgia State College	20,170,522	291,490	321,497	4,355,448	25,138,957
University System Office	28,765,831	4,381,979	87,555,656	46,251,553	166,955,019
Elimination/Consolidation Entries				(1,843,077,235)	(\$1,843,077,235)
Totals	\$5,588,531,688	\$174,994,517	\$380,105,488	(\$984,415,141)	\$5,159,216,552





UNIVERSITY SYSTEM OF GEORGIA  
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY INSTITUTION  
FOR YEAR ENDED JUNE 30, 2014

Institution	Operating					
	Revenue				Operating Expenses	Operating Loss
	Tuition & Fees, Net	Federal Approp., Grants & Contracts	Auxiliaries	Other		
Georgia Institute of Technology	287,203,042	695,110,524	99,081,204	42,056,703	(1,332,066,331)	(208,614,858)
Georgia State University	225,837,006	77,109,511	70,651,231	23,830,969	(615,502,290)	(218,073,573)
Georgia Regents University	77,795,381	454,251,359	16,700,182	10,074,340	(758,413,070)	(199,591,808)
University of Georgia	364,533,204	198,663,812	169,958,352	73,013,973	(1,253,332,393)	(447,163,052)
Georgia Southern University	107,971,597	16,084,037	82,600,488	6,579,395	(326,585,167)	(113,349,650)
Valdosta State University	57,741,225	4,687,045	39,100,277	1,579,517	(172,383,139)	(69,275,075)
Albany State University	14,659,462	9,421,772	14,452,252	913,820	(72,398,127)	(32,950,821)
Armstrong Atlantic State University	30,415,037	6,524,291	17,839,510	303,180	(93,969,457)	(38,887,439)
Clayton State University	27,639,047	1,682,079	14,758,657	2,024,570	(88,269,837)	(42,165,484)
Columbus State University	42,174,768	2,075,048	12,106,202	3,487,947	(114,267,563)	(54,423,598)
Fort Valley State University	9,830,191	6,959,101	14,263,383	188,522	(70,573,778)	(39,332,581)
Georgia College & State University	50,812,722	531,735	27,154,958	2,150,905	(115,345,402)	(34,695,082)
Georgia Southwestern State University	11,233,557	2,539,720	9,083,833	879,519	(42,021,409)	(18,284,780)
Kennesaw State University	128,408,766	3,161,677	53,884,958	11,362,153	(319,069,164)	(122,251,610)
University of North Georgia	55,267,062	249,806	32,767,682	2,796,890	(160,034,039)	(68,952,599)
Savannah State University	12,705,861	9,492,562	31,270,375	843,597	(89,572,601)	(35,260,206)
Southern Polytechnic State University	34,101,361	324,873	16,842,941	1,455,810	(82,947,586)	(30,222,601)
University of West Georgia	56,501,671	3,558,265	39,594,393	7,205,125	(170,104,799)	(63,245,345)
Abraham Baldwin Agricultural College	6,374,999	133,468	13,099,795	381,567	(43,264,149)	(23,274,320)
College of Coastal Georgia	5,406,889	25,226	5,986,851	115,413	(35,055,812)	(23,521,433)
Dalton State College	8,603,624	2,207,023	3,548,955	116,055	(42,093,642)	(27,617,985)
Georgia Gwinnett College	29,918,628	581,419	13,474,684	255,522	(97,873,990)	(53,643,737)
Gordon State College	7,075,084	133,077	10,608,429	274,563	(38,897,804)	(20,806,651)
Middle Georgia State College	19,145,393	281,443	13,908,341	1,242,045	(93,568,662)	(58,991,440)
Atlanta Metropolitan State College	3,336,515	2,260,521	1,205,077	266,057	(27,735,669)	(20,667,499)
Bainbridge State College	5,929,608	1,882,482	375,482	175,273	(29,324,452)	(20,961,607)
Darton State College	11,522,836	2,776,316	5,774,064	410,363	(51,779,283)	(31,295,704)
East Georgia State College	3,420,024	23,232	2,570,904	51,922	(23,199,247)	(17,133,165)
Georgia Highlands College	9,913,740	270,460	1,314,248	426,358	(38,025,484)	(26,100,678)
Georgia Perimeter College	43,309,285	2,748,413	8,877,450	911,787	(145,004,010)	(89,157,075)
South Georgia State College	2,819,121	24,639	4,659,400	131,656	(25,753,737)	(18,118,921)
University System Office		7,740,909		397,668,578	(549,425,514)	(144,016,027)
Elimination/Consolidation Entries		(9,003,645)	(91,541)	(262,547,159)	(20,266,440)	(291,908,785)
Total	\$1,751,606,706	\$1,504,512,200	\$847,423,017	\$330,626,935	(\$7,138,124,047)	(\$2,703,955,189)

**UNIVERSITY SYSTEM OF GEORGIA**  
**CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY INSTITUTION**  
**FOR YEAR ENDED JUNE 30, 2014**

Institution	Non-Operating			
	State Appropriations	Other Revenue/ (Expenses)	Special Item Transfer	Interest Expense
Georgia Institute of Technology	222,083,429	76,543,754		(25,544,549)
Georgia State University	187,399,846	77,069,728		(20,788,112)
Georgia Regents University	173,404,460	22,781,483		(2,966,531)
University of Georgia	387,087,925	153,057,145		(18,120,788)
Georgia Southern University	81,442,638	41,795,368		(12,081,933)
Valdosta State University	48,465,236	61,642,547		(7,753,570)
Albany State University	18,539,883	13,557,878		(3,741,453)
Armstrong Atlantic State University	28,838,670	14,433,077		(4,588,520)
Clayton State University	23,401,932	19,027,352		(4,365,626)
Columbus State University	33,008,566	21,310,357		(2,737,685)
Fort Valley State University	24,002,876	21,514,513		(4,557,700)
Georgia College & State University	29,005,791	21,481,521		(7,825,511)
Georgia Southwestern State University	11,867,701	6,672,898		(2,009,517)
Kennesaw State University	82,371,326	52,049,225		(11,859,160)
University of North Georgia	44,963,866	34,383,119		(9,745,744)
Savannah State University	18,655,084	19,513,699		(5,645,714)
Southern Polytechnic State University	21,228,613	12,067,827	(76,088)	(4,916,860)
University of West Georgia	44,262,247	28,484,647		(9,049,399)
Abraham Baldwin Agricultural College	13,421,366	11,324,003		(2,045,330)
College of Coastal Georgia	13,958,549	9,444,858		(1,404,786)
Dalton State College	14,038,522	30,291,873		(463,200)
Georgia Gwinnett College	39,791,420	26,294,765		(11,313,188)
Gordon State College	11,236,106	10,992,263		(1,490,864)
Middle Georgia State College	34,102,741	24,232,715		(3,796,594)
Atlanta Metropolitan State College	8,847,878	11,097,469		(610,116)
Bainbridge State College	9,989,108	10,447,796		(1,119,779)
Darton State College	14,948,189	16,040,711		(2,881,135)
East Georgia State College	7,616,913	9,273,737		(449,552)
Georgia Highlands College	14,477,661	12,251,712		(1,015,928)
Georgia Perimeter College	56,871,319	44,998,972		(3,628,109)
South Georgia State College	11,135,308	8,718,377		(1,756,008)
University System Office	150,052,543	(3,395,254)	282,414	(1,943,489)
Elimination/Consolidation Entries	(25,626)	(1,379,613)		(2,988,410)
Total	\$1,880,492,086	\$918,020,522	\$206,326	(\$195,204,860)

UNIVERSITY SYSTEM OF GEORGIA  
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY INSTITUTION  
FOR YEAR ENDED JUNE 30, 2014

Institution	Net Position				
	Increase/Decrease) in Net Position	Net Position -Beginning of Year	Prior Year Adjustments	Net Position - Beginning of Year Restated	Net Position - End of Year
Georgia Institute of Technology	64,467,776	1,442,924,327		1,442,924,327	1,507,392,103
Georgia State University	25,607,889	591,086,974		591,086,974	616,694,863
Georgia Regents University	(6,372,396)	512,824,636		512,824,636	506,452,240
University of Georgia	74,861,230	1,674,958,617	9,917,187	1,684,875,804	1,759,737,034
Georgia Southern University	(2,193,577)	353,124,623	3,016,460	356,141,083	353,947,506
Valdosta State University	33,079,138	145,729,863	(2,974,526)	142,755,337	175,834,475
Albany State University	(4,594,513)	88,446,962		88,446,962	83,852,449
Armstrong Atlantic State University	(204,212)	81,687,767		81,687,767	81,483,555
Clayton State University	(4,101,826)	56,173,927	6,826	56,180,753	52,078,927
Columbus State University	(2,842,360)	83,633,318		83,633,318	80,790,958
Fort Valley State University	1,627,108	72,555,228		72,555,228	74,182,336
Georgia College & State University	7,966,719	59,821,274		59,821,274	67,787,993
Georgia Southwestern State University	(1,753,698)	61,533,939		61,533,939	59,780,241
Kennesaw State University	309,781	234,130,501		234,130,501	234,440,282
University of North Georgia	648,642	167,523,119		167,523,119	168,171,761
Savannah State University	(2,737,137)	63,683,936		63,683,936	60,946,799
Southern Polytechnic State University	(1,919,109)	86,356,052	1,916,609	88,272,661	86,353,552
University of West Georgia	452,150	160,400,581		160,400,581	160,852,731
Abraham Baldwin Agricultural College	(574,281)	42,949,245		42,949,245	42,374,964
College of Coastal Georgia	(1,522,812)	62,094,473		62,094,473	60,571,661
Dalton State College	16,249,210	27,081,982		27,081,982	43,331,192
Georgia Gwinnett College	1,129,260	58,101,432	6,663,614	64,765,046	65,894,306
Gordon State College	(69,146)	51,832,145		51,832,145	51,762,999
Middle Georgia State College	(4,452,578)	166,731,621		166,731,621	162,279,043
Atlanta Metropolitan State College	(1,332,268)	26,948,536		26,948,536	25,616,268
Bainbridge State College	(1,644,482)	37,176,741	688,503	37,865,244	36,220,762
Darton State College	(3,187,939)	38,192,170		38,192,170	35,004,231
East Georgia State College	(692,067)	26,132,603		26,132,603	25,440,536
Georgia Highlands College	(387,233)	42,391,945	(307,801)	42,084,144	41,696,911
Georgia Perimeter College	9,085,107	80,116,360	25,666	80,142,026	89,227,133
South Georgia State College	(21,244)	25,160,201		25,160,201	25,138,957
University System Office	980,187	165,974,832		165,974,832	166,955,019
Elimination/Consolidation Entries	(296,302,434)	(1,552,000,448)	5,225,647	(1,546,774,801)	(1,843,077,235)
Total	(\$100,441,115)	\$5,235,479,482	\$24,178,185	\$5,259,657,667	\$5,159,216,552



**UNIVERSITY SYSTEM OF GEORGIA**  
**CONDENSED STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (UNAUDITED)**  
**June 30, 2014**

Affiliated Organizations	Assets					Deferred Outflows of Resources
	Current Assets	Noncurrent Cash/ Investments	Capital Assets	Other Assets	Total Assets	
Abraham Baldwin Agricultural College Foundation, Inc. and Subsidiaries	\$4,195,897	\$25,712,832	\$3,292,949	\$38,216,529	\$71,418,207	
Albany State University Foundation, Inc.	1,738,703	15,339,066	467,055	66,097,333	83,642,157	
Armstrong Atlantic State Educational Properties Foundation, Inc. and Subsidiaries	3,286,624	9,412,841	2,784,948	98,020,229	113,504,642	
Armstrong Atlantic State University Foundation, Inc.	809,798	8,885,796			9,695,594	
Atlanta Metropolitan College Foundation, Inc.	238,899				238,899	
Augusta State University Foundation	4,176,758	30,280,162	942,223	42,515,613	77,914,756	
Clayton State University Foundation, Inc.	4,400,424	5,725,903	62,400,188	5,785,076	78,311,591	
College of Coastal Georgia Foundation, Inc.	1,423,621	13,105,115	1,604,559	173,877	16,307,172	
Columbus State University Alumni Association, Inc.	161,905	6,914		202,953	371,772	
Columbus State University Athletic Fund, Inc.	78,918	2,121,697	40,099		2,240,714	
Columbus State University Foundation, Inc.	4,451,990	52,754,541		5,282,047	62,488,578	
Dalton State College Athletic Club	1,438,897		1,265,486	3,330,852	6,035,235	
Dalton State College Foundation, Inc.	1,798,506	25,458,648	6,525,182	572,494	34,354,830	
Darton Boosters, Inc.	1,764,706	1,217,785	20,652,603	409,821	24,044,915	
Darton College Foundation, Inc.	3,266,126	1,230,337	403,432		4,899,895	
East Georgia College Foundation, Inc.	225,286	947,501	23,833		1,196,620	
Fort Valley State University Foundation, Inc.	5,888,973	12,402,245	1,726,547	55,254,834	75,272,599	
Foundation Properties, Inc. (Columbus State University)	5,507,749	1,952,836	85,159,120	2,794,237	95,413,942	
Georgia Advanced Technology Ventures, Inc. (Georgia Institute of Technology)	4,058,815	788,403	119,623,442	2,031,409	126,502,069	15,000
Georgia College & State University Alumni Assoc. Inc.	163,830	7,167,205	23,976	4,500	7,359,511	
Georgia College & State University Foundation, Inc.	4,692,554	42,064,995	3,356,110	90,806,502	140,920,161	
Georgia Gwinnett College Foundation Inc.	13,309,198	20,619,415	10,939,408	338,553,125	383,421,146	
Georgia Highlands College Foundation, Inc.	3,959,875		11,811	17,681,144	21,652,830	
Georgia Perimeter College Foundation, Inc.	2,589,530	4,189,904	3,000,000	76,949,881	86,729,315	
Georgia Regents University Research Institute, Inc.	12,333,842	402,771			12,736,613	
Georgia Regents University, College of Dental Medicine Faculty Practice Group d/b/a GRU Dental Faculty Practice Group	2,356,029	9,933,670			12,289,699	
Georgia Southern University Athletic Foundation, Inc.	6,269,920	5,998,378	22,272,101	2,759,423	37,299,822	
Georgia Southern University Foundation, Inc.	59,087,509	145,500	408,083	877,964	60,519,056	
Georgia Southern University Housing Foundation, Inc.	10,941,036	33,243,195	254,767	219,145,445	263,584,443	1,679,532
Georgia Southern University Research and Service Foundation, Inc.	6,789,037		682		6,789,719	
Georgia Southwestern Foundation, Inc.	1,842,916	33,241,541	357,417	38,809,551	74,251,425	
Georgia State University Foundation, Inc.	86,437,647	142,844,105	10,626,301	265,156,505	505,064,558	
Georgia State University Research Foundation, Inc. and Affiliate	36,295,858	5,195,960	8,704,576	80,940,822	131,137,216	
Georgia Tech Alumni Association	305,458		144,379		449,837	
Georgia Tech Athletic Association	8,106,156		171,494,676	120,469,746	300,070,578	23,934,618
Georgia Tech Facilities, Inc.	12,529,392	1,226,733	3,598,560	268,301,212	285,655,897	31,722,603
Georgia Tech Foundation, Inc.	32,861,643	1,572,227,000	35,906,000	241,792,357	1,882,787,000	
Georgia Tech Research Corporation	178,709,961	4,084	1,571,286	200,000	180,485,331	
Gordon College Foundation, Inc. and Subsidiaries	587,948	11,757,596	-	32,200,706	44,546,250	
Kennesaw State University Foundation, Inc.	17,459,904	101,015,125	143,373,696	198,842,550	460,691,275	
Middle Georgia State College Foundation, Inc.	510,778	10,446,522		104,411	11,061,711	
MCG Health, Inc./MCG Health System, Inc. (d/b/a Georgia Regents Health System) (blended)	205,167,872	148,226,368	233,995,093	2,811,309	590,200,642	
Medical College of Georgia Foundation, Inc.	2,640,352	221,347,907	4,212,623	358,040	228,558,922	
Middle Georgia State College Real Estate Foundation, Inc. and Subsidiaries	1,434,303	14,060,578		96,557,080	112,051,961	
Savannah State University Foundation, Inc.	3,350,509	3,533,247	7,590	91,112,873	98,004,219	
South Georgia College Foundation, Inc.	1,083,365	6,320,906	330,395	32,590,607	40,325,273	
Southern Polytechnic State University Foundation, Inc.	1,832,906	9,531,858	1,196,556	24,400,258	36,961,578	
The Medical College of Georgia Physicians Practice Group Foundation (d/b/a Georgia Regents Medical Associates and Subsidiaries)	57,568,547	26,804,179	7,462,069	45,678,268	137,513,063	
University of Georgia Athletic Assoc., Inc.	65,349,698		224,398,241	44,947,793	334,695,732	10,228,633
University of Georgia Foundation	106,925,840	834,825,321	22,321,247	52,499,321	1,016,571,729	1,842,358
University of Georgia Research Foundation, Inc.	79,112,074	56,150,116	42,990,447	273,433,842	451,686,479	6,331,998
University of North Georgia College Real Estate Foundation Inc.	4,789,163	20,578,184	1,193,686	142,206,889	168,767,922	
University of North Georgia Foundation - Dahlonega, Inc.	184,207	37,368,414	193,942	1,256,700	39,003,263	
University of West Georgia Foundation, Inc.	6,319,520	34,874,159	73,578	50,932,548	92,199,805	
University of West Georgia Real Estate Foundation, Inc.	7,524,366	3,982,332		128,790,916	140,297,614	1,424,987
University System of Georgia Foundation, Inc. and Affiliates	7,325,177	19,834,426		264,283,722	291,443,325	
Valdosta State University Foundation, Inc.	3,733,074	28,089,424	8,128,428	798,466	40,749,392	
VSU Auxiliary Services Real Estate Foundation, Inc.	15,425,641		227,338	192,479,246	208,132,225	7,993,840
Walter & Emilie Spivey Foundation (Clayton State University)	7,024,882				7,024,882	
James M. Dye Foundation (South Georgia State College)	116,569	2,003,945			2,120,514	
<b>Total</b>	<b>\$1,123,960,681</b>	<b>\$3,676,597,685</b>	<b>\$1,269,686,728</b>	<b>\$3,759,421,026</b>	<b>\$9,829,666,120</b>	<b>\$85,173,569</b>



**UNIVERSITY SYSTEM OF GEORGIA**  
**CONDENSED STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (UNAUDITED)**  
**June 30, 2014**

Affiliated Organizations	Liabilities			Deferred Inflows of Resources
	Current Liabilities	Noncurrent Liabilities	Total Liabilities	
Abraham Baldwin Agricultural College Foundation, Inc. and Subsidiaries	\$2,135,880	\$39,721,458	\$41,857,338	
Albany State University Foundation, Inc.	3,404,987	75,600,282	79,005,269	
Armstrong Atlantic State Educational Properties Foundation, Inc. and Subsidiaries	2,828,122	89,243,897	92,072,019	
Armstrong Atlantic State University Foundation, Inc.	145,838		145,838	
Atlanta Metropolitan College Foundation, Inc.	120		120	
Augusta State University Foundation	2,751,089	41,940,113	44,691,202	
Clayton State University Foundation, Inc.	1,676,216	69,933,580	71,609,796	
College of Coastal Georgia Foundation, Inc.	218,099	23,179	241,278	
Columbus State University Alumni Association, Inc.	7,834		7,834	
Columbus State University Athletic Fund, Inc.	142,814		142,814	
Columbus State University Foundation, Inc.	898,947	2,804,695	3,703,642	
Dalton State College Athletic Club	221,905	192,741	414,646	
Dalton State College Foundation, Inc.	2,163,656	117,735	2,281,391	
Darton Boosters, Inc.	390,000	22,209,044	22,599,044	
Darton College Foundation, Inc.				
East Georgia College Foundation, Inc.	1,563		1,563	
Fort Valley State University Foundation, Inc.	2,869,374	62,233,138	65,102,512	
Foundation Properties, Inc. (Columbus State University)	18,798,818	61,158,898	79,957,716	
Georgia Advanced Technology Ventures, Inc. (Georgia Institute of Technology)	12,126,010	112,276,976	124,402,986	
Georgia College & State University Alumni Assoc. Inc.	147		147	
Georgia College & State University Foundation, Inc.	18,793,753	104,591,895	123,385,648	2,610,746
Georgia Gwinnett College Foundation Inc.	20,848,409	364,174,664	385,023,073	
Georgia Highlands College Foundation, Inc.	11,666	18,515,000	18,526,666	
Georgia Perimeter College Foundation, Inc.	10,078,466	71,655,000	81,733,466	
Georgia Regents University Research Institute, Inc.	5,733,899		5,733,899	
Georgia Regents University, College of Dental Medicine Faculty Practice Group d/b/a GRU Dental Faculty Practice Group	11,095,436		11,095,436	
Georgia Southern University Athletic Foundation, Inc.	3,498,207	23,895,464	27,393,671	
Georgia Southern University Foundation, Inc.	1,490,564		1,490,564	
Georgia Southern University Housing Foundation, Inc.	11,360,674	226,888,936	238,249,610	
Georgia Southern University Research and Service Foundation, Inc.	4,741,276		4,741,276	
Georgia Southwestern Foundation, Inc.	608,871	42,450,027	43,058,898	
Georgia State University Foundation, Inc.	15,394,060	267,014,458	282,408,518	
Georgia State University Research Foundation, Inc. and Affiliate	21,982,114	84,630,845	106,612,959	
Georgia Tech Alumni Association	524,142		524,142	
Georgia Tech Athletic Association	14,278,357	232,660,704	246,939,061	
Georgia Tech Facilities, Inc.	12,345,108	287,828,404	300,173,512	
Georgia Tech Foundation, Inc.	111,651,780	366,759,220	478,411,000	
Georgia Tech Research Corporation	131,986,611		131,986,611	
Gordon College Foundation, Inc. and Subsidiaries	1,067,236	32,382,902	33,450,138	
Kennesaw State University Foundation, Inc.	23,987,716	401,758,974	425,746,690	
Middle Georgia State College Foundation, Inc.	285,786		285,786	
MCG Health, Inc./MCG Health System, Inc. (d/b/a Georgia Regents Health System) (blended)	88,725,346	217,343,525	306,068,871	
Medical College of Georgia Foundation, Inc.	2,213,206	885,315	3,098,521	
Middle Georgia State College Real Estate Foundation, Inc. and Subsidiaries	4,273,033	97,273,888	101,546,921	
Savannah State University Foundation, Inc.	11,848,577	82,235,075	94,083,652	
South Georgia College Foundation, Inc.	203,881	34,800,341	35,004,222	
Southern Polytechnic State University Foundation, Inc.	1,800,420	27,706,263	29,506,683	
The Medical College of Georgia Physicians Practice Group Foundation (d/b/a Georgia Regents Medical Associates and Subsidiaries)	15,329,801	47,297,802	62,627,603	
University of Georgia Athletic Assoc., Inc.	33,010,741	114,965,284	147,976,025	
University of Georgia Foundation	11,125,569	62,214,581	73,340,150	
University of Georgia Research Foundation, Inc.	64,146,228	308,849,454	372,995,682	
University of North Georgia College Real Estate Foundation Inc.	7,537,409	154,365,974	161,903,383	
University of North Georgia Foundation - Dahlonega, Inc.	1,055,435	10,221	1,065,656	
University of West Georgia Foundation, Inc.	2,909,072	50,174,044	53,083,116	
University of West Georgia Real Estate Foundation, Inc.	3,558,919	134,875,160	138,434,079	
University System of Georgia Foundation, Inc. and Affiliates	6,524,747	274,102,073	280,626,820	
Valdosta State University Foundation, Inc.	1,372,601	6,055,423	7,428,024	
VSU Auxiliary Services Real Estate Foundation, Inc.	4,752,086	180,048,339	184,800,425	
Walter & Emilie Spivey Foundation (Clayton State University)				
James M. Dye Foundation (South Georgia State College)	4,010		4,010	
<b>Total</b>	<b>\$732,936,631</b>	<b>\$4,895,864,991</b>	<b>\$5,628,801,622</b>	<b>\$2,610,746</b>

**UNIVERSITY SYSTEM OF GEORGIA**  
**CONDENSED STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (UNAUDITED)**  
**June 30, 2014**

Affiliated Organizations	Net Position				
	Net Investment in Capital Assets	Nonexpendable	Expendable	Unrestricted	Total Net Position
Abraham Baldwin Agricultural College Foundation, Inc. and Subsidiaries	\$1,216,233	\$8,200,611	\$5,809,020	\$14,335,005	\$29,560,869
Albany State University Foundation, Inc.	467,055		4,144,905	24,928	4,636,888
Armstrong Atlantic State Educational Properties Foundation, Inc. and Subsidiaries	2,784,948	1,269,585	2,486,256	14,891,834	21,432,623
Armstrong Atlantic State University Foundation, Inc.		5,089,213	4,049,334	411,209	9,549,756
Atlanta Metropolitan College Foundation, Inc.				238,779	238,779
Augusta State University Foundation	942,223	17,407,863	8,910,408	5,963,060	33,223,554
Clayton State University Foundation, Inc.		6,646,639		55,156	6,701,795
College of Coastal Georgia Foundation, Inc.	1,604,559	6,384,361	6,211,707	1,865,267	16,065,894
Columbus State University Alumni Association, Inc.		82,161		281,777	363,938
Columbus State University Athletic Fund, Inc.	40,099	1,351,883	643,145	62,773	2,097,900
Columbus State University Foundation, Inc.		32,471,569	22,191,206	4,122,161	58,784,936
Dalton State College Athletic Club	880,004		4,943,101	(202,516)	5,620,589
Dalton State College Foundation, Inc.	4,500,056	9,807,843	6,334,414	11,431,126	32,073,439
Darton Boosters, Inc.	1,423,037			22,834	1,445,871
Darton College Foundation, Inc.	403,432	546,000	984,185	2,966,278	4,899,895
East Georgia College Foundation, Inc.	23,833	155,335	1,012,914	2,975	1,195,057
Fort Valley State University Foundation, Inc.	1,726,547	3,812,846	4,786,366	(155,672)	10,170,087
Foundation Properties, Inc. (Columbus State University)	24,995,229			(9,539,003)	15,456,226
Georgia Advanced Technology Ventures, Inc. (Georgia Institute of Technology)	522,982		10,720,497	(9,129,396)	2,114,083
Georgia College & State University Alumni Association, Inc.	23,976	4,817,563	2,114,469	403,356	7,359,364
Georgia College & State University Foundation, Inc. and Subsidiaries	1,876,163	15,273,948	6,915,895	(9,142,239)	14,923,767
Georgia Gwinnett College Foundation Inc. and Subsidiaries	10,939,408	702,659	792,078	(14,036,072)	(1,601,927)
Georgia Highlands College Foundation, Inc.	11,811	788,207	1,926,558	399,588	3,126,164
Georgia Perimeter College Foundation, Inc.	3,000,000	1,153,537	3,354,211	(2,511,899)	4,995,849
Georgia Regents University Research Institute, Inc.			77,525	6,925,189	7,002,714
Georgia Regents University, College of Dental Medicine Faculty Practice Group d/b/a GRU Dental Faculty Practice Group				1,194,263	1,194,263
Georgia Southern University Athletic Foundation, Inc.	4,738,451		7,481,530	(2,313,830)	9,906,151
Georgia Southern University Foundation, Inc.	408,083	33,753,544	19,752,133	5,114,732	59,028,492
Georgia Southern University Housing Foundation, Inc. and Subsidiaries	254,767		23,642,949	3,116,649	27,014,365
Georgia Southern University Research and Service Foundation, Inc.	682			2,047,761	2,048,443
Georgia Southwestern Foundation, Inc.	357,417	11,904,652	9,598,672	9,331,786	31,192,527
Georgia State University Foundation, Inc.	7,000,986	106,407,329	69,536,144	39,711,581	222,656,040
Georgia State University Research Foundation, Inc. and Affiliate	8,703,014	2,000,000	6,635,058	7,186,185	24,524,257
Georgia Tech Alumni Association	144,379		(218,684)		(74,305)
Georgia Tech Athletic Association	(36,035,965)	28,421,969	81,439,028	3,241,103	77,066,135
Georgia Tech Facilities, Inc.	3,598,560		8,925,941	4,680,487	17,204,988
Georgia Tech Foundation, Inc.	35,906,000	588,380,000	715,583,000	64,507,000	1,404,376,000
Georgia Tech Research Corporation	1,571,286			46,927,434	48,498,720
Gordon College Foundation, Inc. and Subsidiaries	-	2,491,333	7,841,107	763,672	11,096,112
Kennesaw State University Foundation, Inc.	127,200,218	25,618,006	12,594,670	(130,468,309)	34,944,585
Middle Georgia State College Foundation, Inc. and Subsidiaries		8,127,614	2,313,380	334,931	10,775,925
MCG Health, Inc./MCG Health System, Inc. (d/b/a Georgia Regents Health System) (blended)	41,410,936			242,720,835	284,131,771
Medical College of Georgia Foundation, Inc.		133,686,143	70,877,702	20,896,556	225,460,401
Middle Georgia State College Real Estate Foundation, Inc. and Subsidiaries				10,505,040	10,505,040
Savannah State University Foundation, Inc. and Subsidiaries	7,590	110,000	92,297	3,710,680	3,920,567
South Georgia College Foundation, Inc. and Subsidiaries	330,395	2,891,383	229,327	1,869,946	5,321,051
Southern Polytechnic State University Foundation, Inc.	1,196,556	3,294,523	2,082,215	881,601	7,454,895
The Medical College of Georgia Physicians Practice Group Foundation (d/b/a Georgia Regents Medical Associates and Subsidiaries)	7,462,069			67,423,391	74,885,460
University of Georgia Athletic Assoc., Inc.	115,662,174			81,286,166	196,948,340
University of Georgia Foundation	11,090,667	421,826,483	430,372,477	81,784,310	945,073,937
University of Georgia Research Foundation, Inc.	11,608,494		1,291,745	72,122,556	85,022,795
University of North Georgia College Real Estate Foundation Inc. and Subsidiaries	1,193,686			5,670,853	6,864,539
University of North Georgia Foundation - Dahlonega, Inc.	193,942	20,521,459	18,774,080	(1,551,874)	37,937,607
University of West Georgia Foundation, Inc.	73,578	18,325,330	11,713,225	9,004,556	39,116,689
University of West Georgia Real Estate Foundation, Inc.				3,288,522	3,288,522
University System of Georgia Foundation, Inc. and Affiliates	93,791	1,570,275	3,365,295	5,787,144	10,816,505
Valdosta State University Foundation, Inc.	2,109,042	26,684,409	4,398,128	129,789	33,321,368
VSU Auxiliary Services Real Estate Foundation, Inc.	227,338			31,098,302	31,325,640
Walter & Emilie Spivey Foundation (Clayton State University)		7,024,882			7,024,882
James M. Dye Foundation (South Georgia State College)		1,868,358	127,946	120,200	2,116,504
<b>Total</b>	<b>\$403,889,731</b>	<b>\$1,560,869,515</b>	<b>\$1,606,857,559</b>	<b>\$711,810,516</b>	<b>\$4,283,427,321</b>



**UNIVERSITY SYSTEM OF GEORGIA  
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
BY AFFILIATED ORGANIZATION (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2014**

Affiliated Organization	Operating					Operating Profit/ (Loss)
	Revenues			Expenses		
	Gifts, Contributions, Grants & Contracts	Sales, Services, Rents & Royalties	Clinical Patient Fees/Net Patient Revenue		Other	
Abraham Baldwin Agricultural College Foundation, Inc. and Subsidiaries	\$1,112,858	\$2,910,378		\$1,996,500	(\$2,081,104)	\$3,938,632
Albany State University Foundation, Inc.	686,891	18,563		801,611	(1,448,251)	58,814
Armstrong Atlantic State Educational Properties Foundation, Inc. and Subsidiaries		1,514,315		4,622,241	(1,520,680)	4,615,876
Armstrong Atlantic State University Foundation, Inc.	1,008,546				(1,575,393)	(566,847)
Atlanta Metropolitan College Foundation	170,538			497	(101,490)	69,545
Augusta State University Foundation, Inc.	1,251,936	1,490,231		918,940	(1,656,566)	2,004,541
Clayton State University Foundation, Inc.	774,557	808,256		2,589,742	(634,082)	3,538,473
College of Coastal Georgia Foundation, Inc.	919,816	1,200		704,626	(1,539,711)	85,931
Columbus State University Alumni Association, Inc.	52,971	17,363		8,061	(66,776)	11,619
Columbus State University Athletic Fund, Inc.	151,838	291,119		4,936	(617,234)	(169,341)
Columbus State University Foundation, Inc.	7,357,627	903,840		5,478,671	(9,807,206)	3,932,932
Dalton State College Athletic Club	2,182,822				(1,394,169)	788,653
Dalton State College Foundation, Inc.	754,968	321,096			(2,560,866)	(1,484,802)
Darton Boosters, Inc.		1,976,438			(1,913,730)	62,708
Darton College Foundation, Inc.	381,914	24,000			(739,157)	(333,243)
East Georgia College Foundation, Inc.	246,487			6,336	(239,316)	13,507
Fort Valley State University Foundation, Inc.	902,853	3,364,199			(1,729,819)	2,537,233
Foundation Properties, Inc. (Columbus State University)	1,192,346	6,525,728		2,455,963	(4,120,016)	6,054,021
Georgia Advanced Technology Ventures, Inc.	940,046	16,439,517		1,072,789	(12,101,856)	6,350,496
Georgia College & State University Alumni Association, Inc.	145,470			904,701	(450,283)	599,888
Georgia College and State University Foundation, Inc. and Subsidiaries	1,626,825	5,848,730		2,807,571	(3,629,490)	6,653,636
Georgia Gwinnett College Foundation, Inc. and Subsidiaries	612,672	11,880,233		42,991	(1,851,850)	10,684,046
Georgia Highlands College Foundation, Inc.	583,872	1,028,474			(709,426)	902,920
Georgia Perimeter College Foundation, Inc.	628,423	3,947,497			(902,329)	3,673,591
Georgia Regents University Research Institute, Inc. (f/k/a Georgia Health Sciences Research Institute)	59,192,037	203,575			(59,211,905)	183,707
Georgia Regents University, College of Dental Medicine Faculty Practice Group d/b/a GRU Dental Faculty Practice Group	166,980		9,999,104		(10,752,613)	(586,529)
Georgia Southern University Athletic Foundation, Inc.	3,115,732	189,570		523,509	(2,544,812)	1,283,999
Georgia Southern University Foundation, Inc.	2,489,782	128,987		394,811	(3,780,039)	(766,459)
Georgia Southern University Housing Foundation, Inc. and Subsidiaries		71,155		13,270,259	(651,092)	12,690,322
Georgia Southern University Research and Service Foundation, Inc.	6,430,678	4,332,684		13,393	(9,947,337)	829,418
Georgia Southwestern Foundation, Inc.	263,035	1,807,394		109,116	(1,641,473)	538,072
Georgia State University Foundation, Inc. and Affiliate	14,993,727	48,973		33,849,049	(25,963,964)	22,927,785
Georgia State University Research Foundation, Inc. and	57,231,460	864,589		3,400,927	(59,016,604)	2,480,372
Georgia Tech Alumni Association	4,932,240	1,640,294		9,922	(6,560,677)	21,779
Georgia Tech Athletic Association	4,544,650	55,150,249			(59,545,687)	149,212
Georgia Tech Facilities, Inc.		4,402,614		10,951,697	(3,156,323)	12,197,988
Georgia Tech Foundation, Inc.	55,590,000	14,247,000			(90,631,000)	(20,794,000)
Georgia Tech Research Corporation	603,742,261	10,028,143			(611,075,893)	2,694,511
Gordon College Foundation, Inc. and Subsidiaries	129,784	1,323,061			(284,588)	1,168,257
Kennesaw State University Foundation, Inc.	2,781,528	39,350,629		1,119,539	(24,612,127)	18,639,569
Middle Georgia State College Foundation, Inc. and Subsidiaries	613,236			131,910	(1,257,786)	(612,640)
MCG Health, Inc./MCG Health Systems, Inc. d/b/a Georgia Regents Health System		9,893,900	509,921,136		(548,575,077)	(28,760,041)
Medical College of Georgia Foundation, Inc.	4,899,555	612,787		25,472,061	(9,350,225)	21,634,178
Middle Georgia College Foundation, Inc. and Subsidiaries	355,106			4,099,143	(355,728)	4,098,521
Savannah State University Foundation, Inc. and Subsidiaries	78,065	5,146,478		34,221	(2,722,603)	2,536,161
South Georgia College Foundation, Inc. and Subsidiaries	238,339	2,132,796			(592,998)	1,778,137
Southern Polytechnic State University Foundation, Inc.	1,120,858	1,347,357		158,159	(2,062,924)	563,450
The Medical College of Georgia Physicians Practice Group Foundation (d/b/a Physicians Practice Group and Subsidiaries)		1,764,423	148,443,789		(159,506,242)	(9,298,030)
University of Georgia Athletic Association, Inc.				97,966,750	(89,438,499)	8,528,251
University of Georgia Foundation	38,233,655	8,618,926		114,177,585	(51,403,347)	109,626,819
University of Georgia Research Foundation, Inc.	139,674,036	29,095,784		100,000	(150,161,193)	18,708,627
University of North Georgia - Dahlonega, Inc.	1,198,726	724,525		14,584,441	(5,086,551)	11,421,141
University of North Georgia Real Estate Foundation, Inc. and Subsidiaries	155,631	828,445		7,553,600	(712,938)	7,824,738
University of West Georgia Foundation, Inc.	11,395,832	3,580,549		126,993	(3,906,651)	11,196,723
University of West Georgia Real Estate Foundation, Inc.		426,020		4,734,483	(233,452)	4,927,051
University System of Georgia Foundation, Inc. and Affiliates	1,089,652	1,482,012		17,218,163	(2,846,248)	16,943,579
Valdosta State University Foundation, Inc.	2,868,272	1,558,912		737,393	(4,015,143)	1,149,434
VSU Auxiliary Services Real Estate Foundation, Inc.	824,231			10,722,462	(773,195)	10,773,498
Walter & Emilie Spivey Foundation (Clayton State University)				974,685	(265,888)	708,797
James Dye Foundation, Inc. (South Georgia State College)	50,238			23,508	(54,940)	18,806
Total	\$1,042,085,602	\$260,313,008	\$668,364,029	\$386,873,955	(\$2,056,088,562)	\$301,548,032

**UNIVERSITY SYSTEM OF GEORGIA  
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
BY AFFILIATED ORGANIZATION (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2014**

Affiliated Organization	Non-Operating		
	Revenues	Expenses	Increase/(Decrease) in Net Position
Abraham Baldwin Agricultural College Foundation, Inc. and Subsidiaries	\$651,836	(\$1,818,275)	\$2,772,193
Albany State University Foundation, Inc.	3,872,648	(3,523,430)	408,032
Armstrong Atlantic State Educational Properties Foundation, Inc. and Subsidiaries	334,144	(4,433,844)	516,176
Armstrong Atlantic State University Foundation, Inc.	1,492,339		925,492
Atlanta Metropolitan College Foundation			69,545
Augusta State University Foundation, Inc.	3,123,727	(1,159,214)	3,969,054
Clayton State University Foundation, Inc.	1,161,933	(4,235,584)	464,822
College of Coastal Georgia Foundation, Inc.	829,622		915,553
Columbus State University Alumni Association, Inc.	23,344		34,963
Columbus State University Athletic Fund, Inc.	589,582		420,241
Columbus State University Foundation, Inc.	866,047		4,798,979
Dalton State College Athletic Club	95,166		883,819
Dalton State College Foundation, Inc.	2,254,914	(130,481)	639,631
Darton Boosters, Inc.	124		62,832
Darton College Foundation, Inc.	499,397		166,154
East Georgia College Foundation, Inc.	110,252		123,759
Fort Valley State University Foundation, Inc.	1,239,180	(2,822,184)	954,229
Foundation Properties, Inc. (Columbus State University)	163,986	(2,402,296)	3,815,711
Georgia Advanced Technology Ventures, Inc.	277,768	(7,212,712)	(584,448)
Georgia College & State University Alumni Association, Inc.	164,074		763,962
Georgia College and State University Foundation, Inc. and Subsidiaries	2,059,638	(4,350,402)	4,362,872
Georgia Gwinnett College Foundation, Inc. and Subsidiaries	738,496	(9,851,074)	1,571,468
Georgia Highlands College Foundation, Inc.	263,943	(790,636)	376,227
Georgia Perimeter College Foundation, Inc.	3,320,159		6,993,750
Georgia Regents University Research Institute, Inc. (f/k/a Georgia Health Sciences Research Institute)	42,013		225,720
Georgia Regents University, College of Dental Medicine Faculty Practice Group d/b/a GRU Dental Faculty Practice Group	913,848	(13,858)	313,461
Georgia Southern University Athletic Foundation, Inc.	38,887	(9,687)	1,313,199
Georgia Southern University Foundation, Inc.	9,126,029		8,359,570
Georgia Southern University Housing Foundation, Inc. and Subsidiaries	632,554	(9,828,628)	3,494,248
Georgia Southern University Research and Service Foundation, Inc.	3,287		832,705
Georgia Southwestern Foundation, Inc.	4,485,067	(2,041,175)	2,981,964
Georgia State University Foundation, Inc. and Affiliate	14,427,472	(10,456,373)	26,898,884
Georgia State University Research Foundation, Inc. and Affiliates	1,730,349	(4,246,328)	(35,607)
Georgia Tech Alumni Association			21,779
Georgia Tech Athletic Association	21,191,181	(12,756,754)	8,583,639
Georgia Tech Facilities, Inc.	171,570	(8,842,309)	3,527,249
Georgia Tech Foundation, Inc.	239,173,000	(11,070,000)	207,309,000
Georgia Tech Research Corporation	73,790		2,768,301
Gordon College Foundation, Inc. and Subsidiaries	1,171,261	(1,448,249)	891,269
Kennesaw State University Foundation, Inc.	4,279,885	(17,561,598)	5,357,856
Middle Georgia State College Foundation, Inc. and Subsidiaries	1,585,470		1,072,830
MCG Health, Inc./MCG Health Systems, Inc. d/b/a Georgia Regents Health System	46,610,222	(11,347,269)	6,502,912
Medical College of Georgia Foundation, Inc.	49,328,897		70,963,075
Middle Georgia College Foundation, Inc. and Subsidiaries		(3,715,400)	383,121
Savannah State University Foundation, Inc. and Subsidiaries	18,040	(4,293,521)	(1,739,320)
South Georgia College Foundation, Inc. and Subsidiaries	226,194	(1,184,871)	819,460
Southern Polytechnic State University Foundation, Inc.	1,317,050	(820,193)	1,060,307
The Medical College of Georgia Physicians Practice Group Foundation (d/b/a Physicians Practice Group and Subsidiaries)	6,641,173	(1,268,136)	(3,924,993)
University of Georgia Athletic Association, Inc.	5,104,390	(4,373,010)	9,259,631
University of Georgia Foundation	24,772,235	(336,102)	134,062,952
University of Georgia Research Foundation, Inc.	4,338,588	(16,857,671)	6,189,544
University of North Georgia - Dahlonega, Inc.	366,076	(8,727,689)	3,059,528
University of North Georgia Real Estate Foundation, Inc. and Subsidiaries	1,863,423	(7,743,168)	1,944,993
University of West Georgia Foundation, Inc.	2,477,422	(4,600,858)	9,073,287
University of West Georgia Real Estate Foundation, Inc.	304,123	(5,147,350)	83,824
University System of Georgia Foundation, Inc. and Affiliates	823,306	(14,713,226)	3,053,659
Valdosta State University Foundation, Inc.	2,474,471	(134,276)	3,489,629
VSU Auxiliary Services Real Estate Foundation, Inc.	174,816	(11,856,815)	(908,501)
Walter & Emilie Spivey Foundation (Clayton State University)			708,797
James Dye Foundation, Inc. (South Georgia State College)	165,919		184,725
<b>Total</b>	<b>\$470,184,327</b>	<b>(\$218,124,646)</b>	<b>\$553,607,713</b>

**UNIVERSITY SYSTEM OF GEORGIA  
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
BY AFFILIATED ORGANIZATION (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2014**

Affiliated Organization	Net Position			
	Net Position - Beginning of Year	Prior Year Adjustments	Net Position - Beginning of Year Restated	Net Position - End of Year
Abraham Baldwin Agricultural College Foundation, Inc. and Subsidiaries	\$28,373,601	(\$1,584,925)	\$26,788,676	\$29,560,869
Albany State University Foundation, Inc.	4,228,856		4,228,856	4,636,888
Armstrong Atlantic State Educational Properties Foundation, Inc. and Subsidiaries	23,381,674	(2,465,227)	20,916,447	21,432,623
Armstrong Atlantic State University Foundation, Inc.	8,624,264		8,624,264	9,549,756
Atlanta Metropolitan College Foundation	169,234		169,234	238,779
Augusta State University Foundation, Inc.	29,254,500		29,254,500	33,223,554
Clayton State University Foundation, Inc.	6,236,973		6,236,973	6,701,795
College of Coastal Georgia Foundation, Inc.	15,150,341		15,150,341	16,065,894
Columbus State University Alumni Association, Inc.		328,975	328,975	363,938
Columbus State University Athletic Fund, Inc.		1,677,659	1,677,659	2,097,900
Columbus State University Foundation, Inc.		53,985,957	53,985,957	58,784,936
Dalton State Athletic Club	4,736,770		4,736,770	5,620,589
Dalton State College Foundation, Inc.	31,433,808		31,433,808	32,073,439
Darton Boosters, Inc.	1,383,039		1,383,039	1,445,871
Darton College Foundation, Inc.	4,733,741		4,733,741	4,899,895
East Georgia College Foundation, Inc.	1,071,298		1,071,298	1,195,057
Fort Valley State University Foundation, Inc.	9,215,858		9,215,858	10,170,087
Foundation Properties, Inc. (Columbus State University)		11,640,515	11,640,515	15,456,226
Georgia Advanced Technology Ventures, Inc.	2,698,531		2,698,531	2,114,083
Georgia College & State University Alumni Association, Inc.	6,595,402		6,595,402	7,359,364
Georgia College and State University Foundation, Inc. and Subsidiaries	12,391,475	(1,830,580)	10,560,895	14,923,767
Georgia Gwinnett College Foundation, Inc. and Subsidiaries	(3,173,395)		(3,173,395)	(1,601,927)
Georgia Highlands College Foundation, Inc.	2,134,125	615,812	2,749,937	3,126,164
Georgia Perimeter College Foundation, Inc.	12,621,264	(14,619,165)	(1,997,901)	4,995,849
Georgia Regents University Research Institute, Inc. (f/k/a Georgia Health Sciences Research Institute)	6,776,994		6,776,994	7,002,714
Georgia Regents University, College of Dental Medicine Faculty Practice Group d/b/a GRU Dental Faculty Practice Group		880,802	880,802	1,194,263
Georgia Southern University Athletic Foundation, Inc.	8,887,344	(294,392)	8,592,952	9,906,151
Georgia Southern University Foundation, Inc.	50,668,922		50,668,922	59,028,492
Georgia Southern University Housing Foundation, Inc. and Subsidiaries	9,376,357	14,143,760	23,520,117	27,014,365
Georgia Southern University Research and Service Foundation, Inc.	1,215,738		1,215,738	2,048,443
Georgia Southwestern Foundation, Inc.	28,210,563		28,210,563	31,192,527
Georgia State University Foundation, Inc. and Affiliate	195,757,156		195,757,156	222,656,040
Georgia State University Research Foundation, Inc. and	25,557,127	(997,263)	24,559,864	24,524,257
Georgia Tech Alumni Association	(96,084)		(96,084)	(74,305)
Georgia Tech Athletic Association	68,482,496		68,482,496	77,066,135
Georgia Tech Facilities, Inc.	(26,510,776)	40,188,515	13,677,739	17,204,988
Georgia Tech Foundation, Inc.	1,197,067,000		1,197,067,000	1,404,376,000
Georgia Tech Research Corporation	45,730,419		45,730,419	48,498,720
Gordon College Foundation, Inc. and Subsidiaries	10,204,843		10,204,843	11,096,112
Kennesaw State University Foundation, Inc.	29,586,729		29,586,729	34,944,585
Middle Georgia State College Foundation, Inc. and Subsidiaries	11,988,719	(2,285,624)	9,703,095	10,775,925
MCG Health, Inc./MCG Health Systems, Inc. d/b/a Georgia Regents Health System	278,675,266	(1,046,407)	277,628,859	284,131,771
Medical College of Georgia Foundation, Inc.	154,497,326		154,497,326	225,460,401
Middle Georgia College Foundation, Inc. and Subsidiaries	10,121,919		10,121,919	10,505,040
Savannah State University Foundation, Inc. and Subsidiaries	5,659,887		5,659,887	3,920,567
South Georgia College Foundation, Inc. and Subsidiaries	4,501,591		4,501,591	5,321,051
Southern Polytechnic State University Foundation, Inc.	6,394,588		6,394,588	7,454,895
The Medical College of Georgia Physicians Practice Group Foundation (d/b/a Physicians Practice Group and Subsidiaries)	78,810,453		78,810,453	74,885,460
University of Georgia Athletic Association, Inc.	188,957,066	(1,268,357)	187,688,709	196,948,340
University of Georgia Foundation	808,242,429	2,768,556	811,010,985	945,073,937
University of Georgia Research Foundation, Inc.	85,514,725	(6,681,474)	78,833,251	85,022,795
University of North Georgia - Dahlonega, Inc.	34,878,079		34,878,079	37,937,607
North Georgia College & State University Real Estate Foundation, Inc. and Subsidiaries	4,919,546		4,919,546	6,864,539
University of West Georgia Foundation, Inc.	36,613,855	(6,570,453)	30,043,402	39,116,689
University of West Georgia Real Estate Foundation, Inc.	3,204,698		3,204,698	3,288,522
University System of Georgia Foundation, Inc. and Affiliates	12,184,811	(4,421,965)	7,762,846	10,816,505
Valdosta State University Foundation, Inc.	29,831,739		29,831,739	33,321,368
VSU Auxiliary Services Real Estate Foundation, Inc.	35,208,667	(2,974,526)	32,234,141	31,325,640
Walter & Emilie Spivey Foundation (Clayton State University)	6,316,085		6,316,085	7,024,882
James Dye Foundation, Inc. (South Georgia State College)	1,931,779		1,931,779	2,116,504
<b>Total</b>	<b>\$3,650,629,415</b>	<b>\$79,190,193</b>	<b>\$3,729,819,608</b>	<b>\$4,283,427,321</b>



**BALANCE SHEET (NON-GAAP BASIS)**  
**BUDGET FUNDS**  
**June 30, 2014**  
**UNAUDITED**

**ASSETS**

Cash and Cash Equivalents	\$ 626,025,700.25
Investments	75,421,249.37
Accounts Receivable	
Federal Financial Assistance	122,397,001.63
Other	209,508,401.31
Margin Allocation	4,396,995.00
Prepaid Expenditures	23,829,396.36
Inventories	4,382,069.75
Other Assets	40,291.03
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Total Assets	\$ 1,066,001,104.70
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**LIABILITIES AND FUND BALANCES**

Liabilities

Contracts Payable	\$ 23,691.62
Accrued Payroll	8,952,768.95
Encumbrance Payable	276,789,861.47
Accounts Payable	145,378,569.94
Deferred Revenue	218,458,444.06
Funds Held for Others	76,100.26
Other Liabilities	4,782,693.30
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Total Liabilities	\$ 654,462,129.60
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**FUND BALANCES**

Fund Balances

Reserved:

Capital Outlay	\$ 9,528,132.82
Department Sales and Services	81,525,332.93
Indirect Cost Recoveries	112,470,322.55
Technology Fees	13,933,451.66
Restricted/Sponsored Funds	117,030,310.21
Uncollectible Accounts Receivable	20,718,210.79
Inventories	2,890,060.99
Tuition Carry - Forward	35,439,012.46
Carry-Over "Per Office of Planning and Budget"	8,259,873.34
Early Retirement Program	7,787,077.08
Unreserved: Surplus	1,957,190.27
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Total Fund Balances	\$ 411,538,975.10
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Total Liabilities and Fund Balances	\$ 1,066,001,104.70
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Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which a comprehensive basis of accounting other than generally accepted accounting principles.

UNIVERSITY SYSTEM OF GEORGIA  
 Budget Comparison and Surplus Analysis Report (Non-GAAP Basis) - Budget Fund  
 Year Ended June 30, 2014

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>				
State Appropriations				
State General Funds	\$ 1,883,128,792.00	\$ 1,885,486,702.00	\$ 1,885,486,702.00	\$ -
Non-State Funds	4,521,194,857.00	5,126,948,916.00	4,647,386,900.53	(479,562,015.47)
Total Revenue	\$ 6,404,323,649.00	\$ 7,012,435,618.00	\$ 6,532,873,602.53	\$ (479,562,015.47)
Mandatory and Non-Mandatory Transfers			7,650,128.69	7,650,128.69
Prior Year Reserves Available for Expenditure	-	-	326,862,418.53	326,862,418.53
<b>Total Funds Available</b>	<b>\$ 6,404,323,649.00</b>	<b>\$ 7,012,435,618.00</b>	<b>\$ 6,867,386,149.75</b>	<b>\$ (145,049,468.25)</b>
<b>EXPENDITURES</b>				
UGA - Forestry Research	\$ 12,812,680.00	\$ 14,478,344.00	\$ 12,331,206.63	\$ 2,147,137.37
UGA - Agricultural Experiment Station	72,785,946.00	99,958,196.00	81,586,773.72	18,371,422.28
UGA - Athens Tifton Vet Labs	4,944,522.00	6,367,072.00	5,748,773.79	618,298.21
UGA - Cooperative Extension Service	54,449,313.00	67,193,497.00	61,788,328.12	5,405,168.88
UGA - Forestry Cooperative Extension	1,071,179.00	1,451,365.00	1,092,181.62	359,183.38
UGA - Marine Institute	1,200,848.00	1,340,819.00	1,143,276.07	197,542.93
UGA - Marine Resources Extension Center	2,524,781.00	2,954,781.00	2,502,541.94	452,239.06
UGA - Skidaway Institute of Oceanography-B	4,865,489.00	5,613,568.00	4,902,458.11	711,109.89
UGA - Veterinary Medicine Experiment Station	2,569,841.00	2,569,841.00	2,569,841.00	-
UGA - Veterinary Medicine Teaching Hospital	10,008,086.00	16,029,872.00	12,664,826.84	3,365,045.16
GT - Enterprise Innovation Institute (EII)	17,662,612.00	19,229,016.00	18,392,003.89	837,012.11
GT - Georgia Tech Research Institute	229,506,478.00	336,815,482.00	316,048,722.94	20,766,759.06
USO - Archives	4,684,099.00	5,082,087.00	4,794,329.79	287,757.21
USO - Public Libraries	36,720,024.00	37,537,156.00	35,204,489.44	2,332,666.56
USO - Regents Central Office	8,401,788.00	8,401,788.00	8,401,787.55	0.45
USO - MCG Hospitals and Clinics	28,297,463.00	28,297,463.00	28,297,463.00	-
USO - Georgia Public Telecommunications Commission	14,513,070.00	14,513,070.00	14,513,070.00	-
USO - Georgia Radiation Therapy Center	3,625,810.00	3,779,621.00	3,779,621.00	-
USO - Georgia Military College	2,288,309.00	2,288,309.00	2,288,309.00	-
Research Consortium	6,104,447.00	6,104,447.00	6,104,447.00	-
Special Funding Initiative	25,303,326.00	26,703,326.00	26,567,052.59	136,273.41
Teaching	5,859,983,538.00	6,305,726,498.00	5,831,295,553.63	474,430,944.37
<b>Total Expenditures</b>	<b>\$ 6,404,323,649.00</b>	<b>\$ 7,012,435,618.00</b>	<b>\$ 6,482,017,057.67</b>	<b>\$ 530,418,560.33</b>
<b>Excess of Funds Available over Expenditures</b>			<b>\$ 385,369,092.08</b>	

**UNIVERSITY SYSTEM OF GEORGIA**  
**BUDGET COMPARISON AND SURPLUS ANALYSIS REPORT (NON-GAAP BASIS)**  
**Year Ended June 30, 2014**  
**UNAUDITED**

Beginning Fund Balance July 1, 2013	
Reserved	\$ 354,306,782.94
Unreserved, Undesignated Fund Balance (Surplus) for fiscal year 2013	4,231,298.94
Unreserved, Unreserved Fund Balance (Surplus)	(4,231,298.94)
Early Return of Surplus in fiscal year 2014	(763,317.01)
Adjustments	
Prior Year Payables/Expenditures	2,602,963.75
Prior Year Receivables/Revenues	(3,114,128.13)
Reserved Fund Balance Carried Over from Prior Year as Funds Available	(326,862,418.53)
<b>Ending Fund Balance - June 30, 2014</b>	<b>\$ 411,538,975.10</b>
Summary of Fund Balance	
Reserved	
Capital Outlay	\$ 9,528,132.82
Department Sales & Services	81,525,332.93
Indirect Cost Recovery	112,470,322.55
Technology Fees	13,933,451.66
Restricted/Sponsored Funds	117,030,310.21
Uncollectible Accounts Receivable	20,718,210.79
Inventories	2,890,060.99
Tuition Carry - Forward	35,439,012.46
Carry-Over "Per Office of Planning and Budget"	8,259,873.34
Early Retirement Program	7,787,077.08
Total Reserved	\$ 409,581,784.83
Unreserved	
Surplus	1,957,190.27
<b>Ending Fund Balance - June 30, 2014</b>	<b>\$ 411,538,975.10</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.

UNIVERSITY SYSTEM OF GEORGIA  
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET  
BUDGET FUNDS  
FOR YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

	Original Appropriation	Amended Appropriation	Final Budget	Funds Current Year Revenues
<b>Agricultural Experiment Station</b>				
State Appropriation				
State General Funds	\$ 35,233,027.00	\$ 35,233,027.00	\$ 35,233,027.00	\$ 35,233,027.00
Other Funds	37,552,919.00	37,552,919.00	64,725,169.00	46,226,158.06
<b>Total Agricultural Experiment Station</b>	<b>72,785,946.00</b>	<b>72,785,946.00</b>	<b>99,958,196.00</b>	<b>81,459,185.06</b>
<b>Athens/Tifton Vet Laboratories</b>				
State Appropriation				
State General Funds	-	-	-	-
Other Funds	4,944,522.00	5,258,000.00	6,367,072.00	5,909,909.02
<b>Total Athens/Tifton Vet Laboratories</b>	<b>4,944,522.00</b>	<b>5,258,000.00</b>	<b>6,367,072.00</b>	<b>5,909,909.02</b>
<b>Cooperative Extension Service</b>				
State Appropriation				
State General Funds	29,365,384.00	29,365,384.00	29,365,384.00	29,365,384.00
Other Funds	25,083,929.00	25,083,929.00	37,828,113.00	32,839,167.70
<b>Total Cooperative Extension Service</b>	<b>54,449,313.00</b>	<b>54,449,313.00</b>	<b>67,193,497.00</b>	<b>62,204,551.70</b>
<b>Enterprise Innovation Institute</b>				
State Appropriation				
State General Funds	7,187,612.00	7,187,612.00	7,187,612.00	7,187,612.00
Federal Funds				
Federal Funds Not Itemized	-	-	-	-
Other Funds	10,475,000.00	10,475,000.00	12,041,404.00	10,868,777.84
<b>Total Enterprise Innovation Institute</b>	<b>17,662,612.00</b>	<b>17,662,612.00</b>	<b>19,229,016.00</b>	<b>18,056,389.84</b>
<b>Forestry Cooperative Extension</b>				
State Appropriation				
State General Funds	495,191.00	495,191.00	495,191.00	495,191.00
Other Funds	575,988.00	575,988.00	956,174.00	636,006.56
<b>Total Forestry Cooperative Extension</b>	<b>1,071,179.00</b>	<b>1,071,179.00</b>	<b>1,451,365.00</b>	<b>1,131,197.56</b>
<b>Forestry Research</b>				
State Appropriation				
State General Funds	2,562,254.00	2,562,254.00	2,562,254.00	2,562,254.00
Other Funds	10,250,426.00	10,250,426.00	11,916,090.00	9,706,531.91
<b>Total Forestry Research</b>	<b>12,812,680.00</b>	<b>12,812,680.00</b>	<b>14,478,344.00</b>	<b>12,268,785.91</b>
<b>Georgia Archives</b>				
State Appropriation				
State General Funds	4,151,428.00	4,151,428.00	4,151,428.00	4,151,428.00
Federal Funds Not Itemized	-	-	-	-
Other Funds	532,671.00	689,281.00	930,659.00	834,440.17
<b>Total Georgia Archives</b>	<b>4,684,099.00</b>	<b>4,840,709.00</b>	<b>5,082,087.00</b>	<b>4,985,868.17</b>
<b>Georgia Radiation Therapy Center</b>				
Other Funds	3,625,810.00	3,779,621.00	3,779,621.00	3,779,621.00

UNIVERSITY SYSTEM OF GEORGIA  
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET  
BUDGET FUNDS  
FOR YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

Available Compared to Budget				Expenditures Compared to Budget		Excess (Deficiency)
Prior Year Reserve Carry-Over	Program Transfers or Adjustments	Total Funds Available	Variance Positive (Negative)	Actual	Variance Positive (Negative)	of Funds Available Over/(Under) Expenditures
\$ -	\$ -	\$ 35,233,027.00	\$ -	\$ 35,233,027.00	\$ -	\$ -
17,319,722.66	-	63,545,880.72	(1,179,288.28)	46,353,746.72	18,371,422.28	17,192,134.00
17,319,722.66	-	98,778,907.72	(1,179,288.28)	81,586,773.72	18,371,422.28	17,192,134.00
-	-	-	-	-	-	-
588,640.18	-	6,498,549.20	131,477.20	5,748,773.79	618,298.21	749,775.41
588,640.18	-	6,498,549.20	131,477.20	5,748,773.79	618,298.21	749,775.41
-	-	29,365,384.00	-	29,365,384.00	-	-
4,599,752.72	-	37,438,920.42	(389,192.58)	32,422,944.12	5,405,168.88	5,015,976.30
4,599,752.72	-	66,804,304.42	(389,192.58)	61,788,328.12	5,405,168.88	5,015,976.30
-	-	7,187,612.00	-	7,187,611.88	0.12	0.12
-	-	-	-	-	-	-
-	335,614.23	11,204,392.07	(837,011.93)	11,204,392.01	837,011.99	0.06
-	335,614.23	18,392,004.07	(837,011.93)	18,392,003.89	837,012.11	0.18
-	-	495,191.00	-	495,191.00	-	-
123,699.85	-	759,706.41	(196,467.59)	596,990.62	359,183.38	162,715.79
123,699.85	-	1,254,897.41	(196,467.59)	1,092,181.62	359,183.38	162,715.79
-	-	2,562,254.00	-	2,562,254.00	-	-
2,485,968.19	-	12,192,500.10	276,410.10	9,768,952.63	2,147,137.37	2,423,547.47
2,485,968.19	-	14,754,754.10	276,410.10	12,331,206.63	2,147,137.37	2,423,547.47
-	-	4,151,428.00	-	4,151,425.98	2.02	2.02
-	0.44	0.44	0.44	0.44	(0.44)	-
-	684,563.77	1,519,003.94	588,344.94	642,903.37	287,755.63	876,100.57
-	684,564.21	5,670,432.38	588,345.38	4,794,329.79	287,757.21	876,102.59
-	-	3,779,621.00	-	3,779,621.00	-	-

UNIVERSITY SYSTEM OF GEORGIA  
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET  
BUDGET FUNDS  
FOR YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

	Original Appropriation	Amended Appropriation	Final Budget	Funds Current Year Revenues
<b>Georgia Tech Research Institute</b>				
State Appropriation				
State General Funds	5,588,520.00	5,588,520.00	5,588,520.00	5,588,520.00
Other Funds	223,917,958.00	314,011,962.00	331,226,962.00	310,742,979.24
<b>Total Georgia Tech Research Institute</b>	<b>229,506,478.00</b>	<b>319,600,482.00</b>	<b>336,815,482.00</b>	<b>316,331,499.24</b>
<b>Marine Institute</b>				
State Appropriation				
State General Funds	714,567.00	714,567.00	714,567.00	714,567.00
Other Funds	486,281.00	486,281.00	626,252.00	444,583.74
<b>Total Marine Institute</b>	<b>1,200,848.00</b>	<b>1,200,848.00</b>	<b>1,340,819.00</b>	<b>1,159,150.74</b>
<b>Marine Resources Extension Center</b>				
State Appropriation				
State General Funds	1,179,252.00	1,179,252.00	1,179,252.00	1,179,252.00
Other Funds	1,345,529.00	1,345,529.00	1,775,529.00	1,322,761.23
<b>Total Marine Resources Extension Center</b>	<b>2,524,781.00</b>	<b>2,524,781.00</b>	<b>2,954,781.00</b>	<b>2,502,013.23</b>
<b>Medical College of Georgia Hospital and Clinics</b>				
State Appropriation				
State General Funds	28,297,463.00	28,297,463.00	28,297,463.00	28,297,463.00
<b>Public Libraries</b>				
State Appropriation				
State General Funds	31,497,624.00	31,497,624.00	31,497,624.00	31,497,624.00
Other Funds	5,222,400.00	5,222,400.00	6,039,532.00	3,707,171.84
<b>Total Public Libraries</b>	<b>36,720,024.00</b>	<b>36,720,024.00</b>	<b>37,537,156.00</b>	<b>35,204,795.84</b>
<b>Public Service/Special Funding Initiatives</b>				
State Appropriation				
State General Funds	25,303,326.00	26,703,326.00	26,703,326.00	26,703,326.00
State Funds - Prior Year Carry-Over				
State General Funds - Prior Year	-	-	-	-
Other Funds	-	-	-	-
<b>Total Public Service/Special Funding Initiatives</b>	<b>25,303,326.00</b>	<b>26,703,326.00</b>	<b>26,703,326.00</b>	<b>26,703,326.00</b>
<b>Regents Central Office</b>				
State Appropriation				
State General Funds	8,401,788.00	8,401,788.00	8,401,788.00	8,401,788.00
Other Funds	-	-	-	-
<b>Total Regents Central Office</b>	<b>8,401,788.00</b>	<b>8,401,788.00</b>	<b>8,401,788.00</b>	<b>8,401,788.00</b>
<b>Research Consortium</b>				
State Appropriation				
State General Funds	6,104,447.00	6,104,447.00	6,104,447.00	6,104,447.00
<b>Total Research Consortium</b>	<b>6,104,447.00</b>	<b>6,104,447.00</b>	<b>6,104,447.00</b>	<b>6,104,447.00</b>



Available Compared to Budget				Expenditures Compared to Budget		Excess (Deficiency)
Prior Year Reserve	Program Transfers	Total	Variance		Variance	of Funds Available
Carry-Over	or Adjustments	Funds Available	Positive (Negative)	Actual	Positive (Negative)	Over/(Under)
						Expenditures
-	-	5,588,520.00	-	5,588,520.00	-	-
-	-	310,742,979.24	(20,483,982.76)	310,460,202.94	20,766,759.06	282,776.30
-	-	316,331,499.24	(20,483,982.76)	316,048,722.94	20,766,759.06	282,776.30
-	-	714,567.00	-	714,567.00	-	-
363,804.72	-	808,388.46	182,136.46	428,709.07	197,542.93	379,679.39
363,804.72	-	1,522,955.46	182,136.46	1,143,276.07	197,542.93	379,679.39
-	-	1,179,252.00	-	1,179,252.00	-	-
159,265.31	-	1,482,026.54	(293,502.46)	1,323,289.94	452,239.06	158,736.60
159,265.31	-	2,661,278.54	(293,502.46)	2,502,541.94	452,239.06	158,736.60
-	-	28,297,463.00	-	28,297,463.00	-	-
-	-	31,497,624.00	-	31,497,622.85	1.15	1.15
-	-	3,707,171.84	(2,332,360.16)	3,706,866.59	2,332,665.41	305.25
-	-	35,204,795.84	(2,332,360.16)	35,204,489.44	2,332,666.56	306.40
-	-	26,703,326.00	-	26,567,052.59	136,273.41	136,273.41
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	26,703,326.00	-	26,567,052.59	136,273.41	136,273.41
-	-	8,401,788.00	-	8,401,787.55	0.45	0.45
-	-	-	-	-	-	-
-	-	8,401,788.00	-	8,401,787.55	0.45	0.45
-	-	6,104,447.00	-	6,104,447.00	-	-
-	-	6,104,447.00	-	6,104,447.00	-	-

UNIVERSITY SYSTEM OF GEORGIA  
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET  
BUDGET FUNDS  
FOR YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

	Original Appropriation	Amended Appropriation	Final Budget	Funds Current Year Revenues
<b>Skidaway Institute of Oceanography</b>				
State Appropriation				
State General Funds	1,214,869.00	1,214,869.00	1,214,869.00	1,214,869.00
Other Funds	3,650,620.00	3,950,620.00	4,398,699.00	3,908,733.72
<b>Total Skidaway Institute of Oceanography</b>	<b>4,865,489.00</b>	<b>5,165,489.00</b>	<b>5,613,568.00</b>	<b>5,123,602.72</b>
<b>Teaching</b>				
State Appropriation				
State General Funds	1,676,074,685.00	1,677,032,595.00	1,677,032,595.00	1,677,032,595.00
Other Funds	4,183,908,853.00	4,243,957,206.00	4,628,693,903.00	4,203,547,850.13
<b>Total Teaching</b>	<b>5,859,983,538.00</b>	<b>5,920,989,801.00</b>	<b>6,305,726,498.00</b>	<b>5,880,580,445.13</b>
<b>Veterinary Medicine Experiment Station</b>				
State Appropriation				
State General Funds	2,569,841.00	2,569,841.00	2,569,841.00	2,569,841.00
<b>Veterinary Medicine Teaching Hospital</b>				
State Appropriation				
State General Funds	386,135.00	386,135.00	386,135.00	386,135.00
Other Funds	9,621,951.00	10,088,255.00	15,643,737.00	12,912,208.37
<b>Total Veterinary Medicine Teaching Hospital</b>	<b>10,008,086.00</b>	<b>10,474,390.00</b>	<b>16,029,872.00</b>	<b>13,298,343.37</b>
<b>Agencies Attached for Administrative Purposes</b>				
<b>Payments to Georgia Military College</b>				
State Appropriation				
State General Funds	2,288,309.00	2,288,309.00	2,288,309.00	2,288,309.00
<b>Payments to Public Telecommunications Commission, Georgia</b>				
State Appropriation				
State General Funds	14,513,070.00	14,513,070.00	14,513,070.00	14,513,070.00
<b>Total Payments to Public Telecommunications Commission, Georgia</b>	<b>14,513,070.00</b>	<b>14,513,070.00</b>	<b>14,513,070.00</b>	<b>14,513,070.00</b>
<b>Budget Unit Totals</b>	<b>\$ 6,404,323,649.00</b>	<b>\$ 6,558,214,119.00</b>	<b>\$ 7,012,435,618.00</b>	<b>\$ 6,532,873,602.53</b>

UNIVERSITY SYSTEM OF GEORGIA  
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET  
BUDGET FUNDS  
FOR YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

Available Compared to Budget				Expenditures Compared to Budget		Excess (Deficiency)
Prior Year Reserve Carry-Over	Program Transfers or Adjustments	Total Funds Available	Variance Positive (Negative)	Actual	Variance Positive (Negative)	of Funds Available Over/(Under) Expenditures
-	-	1,214,869.00	-	1,214,869.00	-	-
147,832.90	-	4,056,566.62	(342,132.38)	3,687,589.11	711,109.89	368,977.51
147,832.90	-	5,271,435.62	(342,132.38)	4,902,458.11	711,109.89	368,977.51
-	50,382.09	1,677,082,977.09	50,382.09	1,676,908,057.24	124,537.76	174,919.85
299,324,026.01	6,579,568.16	4,509,451,444.30	(119,242,458.70)	4,154,387,496.39	474,306,406.61	355,063,947.91
299,431,647.93	6,629,950.25	6,186,642,043.31	(119,084,454.69)	5,831,295,553.63	474,430,944.37	355,346,489.68
-	-	2,569,841.00	-	2,569,841.00	-	-
-	-	386,135.00	-	386,135.00	-	-
1,642,084.07	-	14,554,292.44	(1,089,444.56)	12,278,691.84	3,365,045.16	2,275,600.60
1,642,084.07	-	14,940,427.44	(1,089,444.56)	12,664,826.84	3,365,045.16	2,275,600.60
-	-	2,288,309.00	-	2,288,309.00	-	-
-	-	14,513,070.00	-	14,513,070.00	-	-
-	-	14,513,070.00	-	14,513,070.00	-	-
\$ 326,862,418.53	\$ 7,650,128.69	\$ 6,867,386,149.75	\$ (145,049,468.25)	\$ 6,482,017,057.67	\$ 530,418,560.33	\$ 385,369,092.08

UNIVERSITY SYSTEM OF GEORGIA  
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE  
BUDGET FUNDS  
FOR YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

	Beginning Fund Balance/(Deficit) July 1	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2013 Surplus	Prior Year Adjustments
<b><u>Regents, University System of Georgia</u></b>				
<b>Agricultural Experiment Station</b>				
State Appropriation				
State General Funds	\$ 46,558.28	\$ -	\$ (46,558.28)	\$ 42,603.42
Other Funds	17,319,722.66	(17,319,722.66)	-	17,169.99
<b>Total Agricultural Experiment Station</b>	17,366,280.94	(17,319,722.66)	(46,558.28)	59,773.41
<b>Athens/Tifton Vet Laboratories</b>				
Other Funds	588,640.18	(588,640.18)	-	3,366.18
<b>Cooperative Extension Service</b>				
State Appropriation				
State General Funds	4,595.59	-	(4,595.59)	3,339.40
Other Funds	4,599,752.72	(4,599,752.72)	-	9,297.46
<b>Total Cooperative Extension Service</b>	4,604,348.31	(4,599,752.72)	(4,595.59)	12,636.86
<b>Enterprise Innovation Institute</b>				
State Appropriation				
State General Funds	0.02	-	(0.02)	-
Federal Funds				
Federal Funds Not Itemized	-	-	-	-
Other Funds	-	-	-	-
<b>Total Enterprise Innovation Institute</b>	0.02	-	(0.02)	-
<b>Forestry Cooperative Extension</b>				
State Appropriation				
State General Funds	-	-	-	0.01
Other Funds	123,699.85	(123,699.85)	-	1.00
<b>Total Forestry Cooperative Extension</b>	123,699.85	(123,699.85)	-	1.01
<b>Forestry Research</b>				
State Appropriation				
State General Funds	382.13	-	(382.13)	2,088.07
Other Funds	2,485,968.19	(2,485,968.19)	-	388.98
<b>Total Forestry Research</b>	2,486,350.32	(2,485,968.19)	(382.13)	2,477.05
<b>Georgia Archives</b>				
State Appropriation				
State General Funds	-	-	-	-
Federal Funds Not Itemized	-	-	-	-
Other Funds	-	-	-	-
<b>Total Georgia Archives</b>	-	-	-	-
<b>Georgia Radiation Therapy Center</b>				
Other Funds	-	-	-	-

UNIVERSITY SYSTEM OF GEORGIA  
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE  
BUDGET FUNDS  
FOR YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

Other Adjustments	Early Return of Fiscal Year 2014 Surplus	Excess (Deficiency) of Funds Available Over/(Under) Expenditures	Ending Fund Balance/(Deficit) June 30	Analysis of Ending Fund Balance		
				Reserved	Surplus/(Deficit)	Total
\$ -	\$ -	\$ -	\$ 42,603.42	\$ -	\$ 42,603.42	\$ 42,603.42
(480.00)	-	17,192,134.00	17,208,823.99	17,208,823.99	-	17,208,823.99
(480.00)	-	17,192,134.00	17,251,427.41	17,208,823.99	42,603.42	17,251,427.41
-	-	749,775.41	753,141.59	753,141.59	-	753,141.59
-	-	-	3,339.40	-	3,339.40	3,339.40
550.00	-	5,015,976.30	5,025,823.76	5,025,823.76	-	5,025,823.76
550.00	-	5,015,976.30	5,029,163.16	5,025,823.76	3,339.40	5,029,163.16
-	-	0.12	0.12	-	0.12	0.12
-	-	-	-	-	-	-
-	-	0.06	0.06	-	0.06	0.06
-	-	0.18	0.18	-	0.18	0.18
-	-	-	0.01	-	0.01	0.01
-	-	162,715.79	162,716.79	162,716.79	-	162,716.79
-	-	162,715.79	162,716.80	162,716.79	0.01	162,716.80
-	-	-	2,088.07	-	2,088.07	2,088.07
-	-	2,423,547.47	2,423,936.45	2,423,936.45	-	2,423,936.45
-	-	2,423,547.47	2,426,024.52	2,423,936.45	2,088.07	2,426,024.52
-	-	2.02	2.02	-	2.02	2.02
-	-	-	-	-	-	-
-	-	876,100.57	876,100.57	876,100.57	-	876,100.57
-	-	876,102.59	876,102.59	876,100.57	2.02	876,102.59
-	-	-	-	-	-	-

UNIVERSITY SYSTEM OF GEORGIA  
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE  
BUDGET FUNDS  
FOR YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

	Beginning Fund Balance/(Deficit) July 1	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2013 Surplus	Prior Year Adjustments
<b><u>Regents, University System of Georgia</u></b>				
<b>Georgia Tech Research Institute</b>				
State Appropriation				
State General Funds	1,369.71	-	(1,369.71)	1,222.70
Other Funds	-	-	-	-
<b>Total Georgia Tech Research Institute</b>	<u>1,369.71</u>	<u>-</u>	<u>(1,369.71)</u>	<u>1,222.70</u>
<b>Marine Institute</b>				
State Appropriation				
State General Funds	-	-	-	-
Other Funds	363,804.72	(363,804.72)	-	-
<b>Total Marine Institute</b>	<u>363,804.72</u>	<u>(363,804.72)</u>	<u>-</u>	<u>-</u>
<b>Marine Resources Extension Center</b>				
State Appropriation				
State General Funds	933.56	-	(933.56)	883.12
Other Funds	159,265.31	(159,265.31)	-	27.31
<b>Total Marine Resources Extension Center</b>	<u>160,198.87</u>	<u>(159,265.31)</u>	<u>(933.56)</u>	<u>910.43</u>
<b>Medical College of Georgia Hospital and Clinics</b>				
State Appropriation				
State General Funds	-	-	-	-
<b>Public Libraries</b>				
State Appropriation				
State General Funds	1,193.88	-	(1,193.88)	569.90
Other Funds	-	-	-	-
<b>Total Public Libraries</b>	<u>1,193.88</u>	<u>-</u>	<u>(1,193.88)</u>	<u>569.90</u>
<b>Public Service/Special Funding Initiatives</b>				
State Appropriation				
State General Funds	243,865.98	-	(243,865.98)	50,531.07
State Funds - Prior Year Carry-Over				
State General Funds - Prior Year	-	-	-	-
<b>Total Public Service/Special Funding Initiatives</b>	<u>243,865.98</u>	<u>-</u>	<u>(243,865.98)</u>	<u>50,531.07</u>
<b>Regents Central Office</b>				
State Appropriation				
State General Funds	5,742.30	-	(5,742.30)	194.22
<b>Research Consortium</b>				
State Appropriation				
State General Funds	-	-	-	-
<b>Total Research Consortium</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



UNIVERSITY SYSTEM OF GEORGIA  
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE  
BUDGET FUNDS  
FOR YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

Other Adjustments	Early Return of Fiscal Year 2014 Surplus	Excess (Deficiency) of Funds Available Over/(Under) Expenditures	Ending Fund Balance/(Deficit) June 30	Analysis of Ending Fund Balance		
				Reserved	Surplus/(Deficit)	Total
-	-	-	1,222.70	-	1,222.70	1,222.70
-	-	282,776.30	282,776.30	282,776.30	-	282,776.30
-	-	282,776.30	283,999.00	282,776.30	1,222.70	283,999.00
-	-	-	-	-	-	-
-	-	379,679.39	379,679.39	379,679.39	-	379,679.39
-	-	379,679.39	379,679.39	379,679.39	-	379,679.39
-	-	-	883.12	-	883.12	883.12
-	-	158,736.60	158,763.91	158,763.91	-	158,763.91
-	-	158,736.60	159,647.03	158,763.91	883.12	159,647.03
-	-	-	-	-	-	-
-	-	1.15	571.05	-	571.05	571.05
-	-	305.25	305.25	-	305.25	305.25
-	-	306.40	876.30	-	876.30	876.30
-	(822.00)	136,273.41	185,982.48	-	185,982.48	185,982.48
-	-	-	-	-	-	-
-	(822.00)	136,273.41	185,982.48	-	185,982.48	185,982.48
-	-	0.45	194.67	-	194.67	194.67
-	-	-	-	-	-	-
-	-	-	-	-	-	-

UNIVERSITY SYSTEM OF GEORGIA  
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE  
BUDGET FUNDS  
FOR YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

	Beginning Fund Balance/(Deficit) July 1	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2013 Surplus	Prior Year Adjustments
<b>Regents, University System of Georgia</b>				
<b>Skidaway Institute of Oceanography</b>				
State Appropriation				
State General Funds	0.32	-	(0.32)	-
Other Funds	155,268.46	(147,832.90)	(7,435.56)	-
<b>Total Skidaway Institute of Oceanography</b>	<u>155,268.78</u>	<u>(147,832.90)</u>	<u>(7,435.88)</u>	<u>-</u>
<b>Teaching</b>				
State Appropriation				
State General Funds	1,994,994.28	-	(1,994,994.28)	1,553,374.77
State Appropriation				
State General Fund Prior Year	120,027.47	(107,621.92)	(12,405.55)	-
Other Funds	301,235,179.19	(299,324,026.01)	(1,911,153.18)	(2,199,017.91)
<b>Total Teaching</b>	<u>303,350,200.94</u>	<u>(299,431,647.93)</u>	<u>(3,918,553.01)</u>	<u>(645,643.14)</u>
<b>Veterinary Medicine Experiment Station</b>				
State Appropriation				
State General Funds	668.60	-	(668.60)	904.99
<b>Veterinary Medicine Teaching Hospital</b>				
State Appropriation				
State General Funds	-	-	-	1,024.00
Other Funds	1,642,084.07	(1,642,084.07)	-	866.94
<b>Total Veterinary Medicine Teaching Hospital</b>	<u>1,642,084.07</u>	<u>(1,642,084.07)</u>	<u>-</u>	<u>1,890.94</u>
<b>Payments to the Georgia Cancer Coalition</b>				
State Appropriation				
Tobacco Settlement Funds	-	-	-	-
<b>Payments to Georgia Military College</b>				
State Appropriation				
State General Funds	-	-	-	-
<b>Payments to Public Telecommunications Commission, Georgia</b>				
State Appropriation				
State General Funds	-	-	-	-
<b>Total Payments to Public Telecommunications Commission, Georgia</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Operating Activity</b>	<u>331,093,717.47</u>	<u>(326,862,418.53)</u>	<u>(4,231,298.94)</u>	<u>(511,164.38)</u>
<b>Prior Year Reserve</b>				
<b>Not Available for Expenditure</b>				
Inventories	3,112,681.70	-	-	-
Other Reserves	24,331,682.71	-	-	-
<b>Budget Unit Totals</b>	<u>\$ 358,538,081.88</u>	<u>\$ (326,862,418.53)</u>	<u>\$ (4,231,298.94)</u>	<u>\$ (511,164.38)</u>

UNIVERSITY SYSTEM OF GEORGIA  
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE  
BUDGET FUNDS  
FOR YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

Other Adjustments	Early Return of Fiscal Year 2014 Surplus	Excess (Deficiency) of Funds Available Over/(Under) Expenditures	Ending Fund Balance/(Deficit) June 30	Analysis of Ending Fund Balance		
				Reserved	Surplus/(Deficit)	Total
-	-	-	-	-	-	-
-	-	368,977.51	368,977.51	368,977.51	-	368,977.51
-	-	368,977.51	368,977.51	368,977.51	-	368,977.51
2,791.54	(762,495.01)	174,919.85	968,591.15	-	968,591.15	968,591.15
-	-	107,621.92	107,621.92	-	107,621.92	107,621.92
(3,948,648.86)	-	355,063,947.91	348,916,281.14	348,274,425.30	641,855.84	348,916,281.14
(3,945,857.32)	(762,495.01)	355,346,489.68	349,992,494.21	348,274,425.30	1,718,068.91	349,992,494.21
-	-	-	904.99	-	904.99	904.99
-	-	-	1,024.00	-	1,024.00	1,024.00
(5,197.13)	-	2,275,600.60	2,271,270.41	2,271,270.41	-	2,271,270.41
(5,197.13)	-	2,275,600.60	2,272,294.41	2,271,270.41	1,024.00	2,272,294.41
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(3,950,984.45)	(763,317.01)	385,369,092.08	380,143,626.24	378,186,435.97	1,957,190.27	380,143,626.24
(222,620.71)	-	-	2,890,060.99	2,890,060.99	-	2,890,060.99
4,173,605.16	-	-	28,505,287.87	28,505,287.87	-	28,505,287.87
<u>\$ -</u>	<u>\$ (763,317.01)</u>	<u>\$ 385,369,092.08</u>	<u>\$ 411,538,975.10</u>	<u>\$ 409,581,784.83</u>	<u>\$ 1,957,190.27</u>	<u>\$ 411,538,975.10</u>

## Financial Statement Findings

### June 30, 2014

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:

Clayton State University - FS-528-14-01

Fort Valley State University - FS-533-14-01

Georgia College and State University - FS-536-14-01

Georgia Institute of Technology - FS-503-14-01

University System Office of the Board of Regents - FS-472-14-01 & FS-472-14-02

*Detailed information on these findings is available in the individual college or university report for the fiscal year ended June 30, 2014 located at <http://www.audits.ga.gov>.*

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