



**BOARD OF REGENTS OF  
THE UNIVERSITY SYSTEM OF GEORGIA**

**ANNUAL FINANCIAL REPORTS**

**For the Year Ended  
June 30, 2007**

**Offices of Fiscal Affairs and Internal Audit**

*"Creating A More Educated Georgia"*  
**[www.usg.edu](http://www.usg.edu)**

**Board of Regents of  
The University System of Georgia  
Annual Financial Reports  
June 30, 2007**

***Table of Contents***

Members of the Board of Regents .....	1
Letter of Transmittal .....	2
Map of Institutions .....	3
Institutions of the University System of Georgia .....	4
State Resources .....	5
 <b>Management’s Discussion and Analysis .....</b>	 <b>6</b>
 <b>Financial Statements (GAAP Basis)</b>	
Statement of Net Assets .....	14
Statement of Revenues, Expenses and Changes in Net Assets .....	34
Statement of Cash Flows .....	54
 <b>Notes to the Financial Statements</b>	
Note 1 – Summary of Significant Accounting Policies .....	55
Note 2 – Deposits and Investments .....	62
Note 3 – Accounts Receivable .....	70
Note 4 – Inventories .....	70
Note 5 – Notes/Loans Receivable .....	70
Note 6 – Capital Assets .....	71
Note 7 – Deferred Revenue .....	72
Note 8 – Long Term Liabilities .....	72
Note 9 – Significant Commitments .....	72
Note 10 – Lease Obligations .....	72
Note 11 – Retirement Plans .....	81
Note 12 – Risk Management .....	84
Note 13 – Contingencies .....	85
Note 14 – Post Employment Benefits Other Than Pension Benefits .....	86
Note 15 – Natural Classifications with Functional Classifications .....	87
Note 16 – Component Units .....	88
 <b>Financial Statements (Statutory Basis)</b>	
Balance Sheet (Non-GAAP Basis) .....	209
Budget Comparison and Surplus Analysis Report (Non-GAAP Basis) .....	210

BOARD OF REGENTS  
UNIVERSITY SYSTEM OF GEORGIA  
June 30, 2007

Hugh A. Carter, Jr. ....Atlanta  
State-At-Large  
Term Expires January 1, 2009

William H. Cleveland .....Atlanta  
State-At-Large  
Term Expires January 1, 2009

Felton Jenkins .....Madison  
State-At-Large  
Term Expires January 1, 2013

Donald M. Leebern, Jr.....Columbus  
State-At-Large  
Term Expires January 1, 2012

Robert F. Hatcher.....Macon  
State-At-Large  
Term Expires January 1, 2013

James A. Bishop.....Sea Island  
First District  
Term Expires January 1, 2011

Doreen Stiles Poitevint .....Bainbridge  
Second District  
Term Expires January 1, 2011

Allan Vigil .....McDonough  
Third District  
Term Expires January 1, 2010

Wanda Yancey Rodwell.....Stone Mountain  
Fourth District  
Term Expires January 1, 2012

Elridge W. McMillan .....Atlanta  
Fifth District  
Term Expires January 1, 2010

Vacant  
Sixth District  
Term Expires January 1, 2008

Richard L. Tucker .....Duluth  
Seventh District  
Term Expires January 1, 2012

W. Mansfield Jennings, Jr. ....Hawkinsville  
Eighth District  
Term Expires January 1, 2013

James R. Jolly .....Dalton  
Ninth District  
Term Expires January 1, 2008

Patrick S. Pittard .....Lakemont  
Tenth District  
Term Expires January 1, 2008

Willis J. Potts .....Rome  
Eleventh District  
Term Expires January 1, 2013

Benjamin J. Tarbuton, III .....Sandersville  
Twelfth District  
Term Expires January 1, 2013

Kenneth R. Bernard, Jr. ....Douglasville  
Thirteenth District  
Term Expires January 1, 2014

OFFICERS OF THE BOARD OF REGENTS

Allan Vigil.....Chairman  
William H. Cleveland.....Vice Chairman  
Erroll B. Davis, Jr. ....Chancellor

William R. Bowes .....Treasurer  
Julia M. Murphy.....Secretary to the Board

OFFICE OF BUSINESS AND FISCAL AFFAIRS  
OFFICE OF INTERNAL AUDIT  
270 WASHINGTON STREET, S.W.  
ATLANTA, GEORGIA 30334

404-656-2232  
404-656-2237

December 14, 2007

Chancellor Erroll B. Davis, Jr.  
Board of Regents  
University System of Georgia

Dear Chancellor Davis:

In keeping with the by-laws of the Board of Regents, we submit to you the Annual Financial Report of the University System of Georgia for the fiscal year ended June 30, 2007.

The officers of the various institutions represented in this report have assured us that every effort has been made to reflect accurately the information considered important to all concerned parties. In the event that this report is not sufficient in detail or if there is additional information desired, this office will be glad to supply such information.

Sincerely,

---

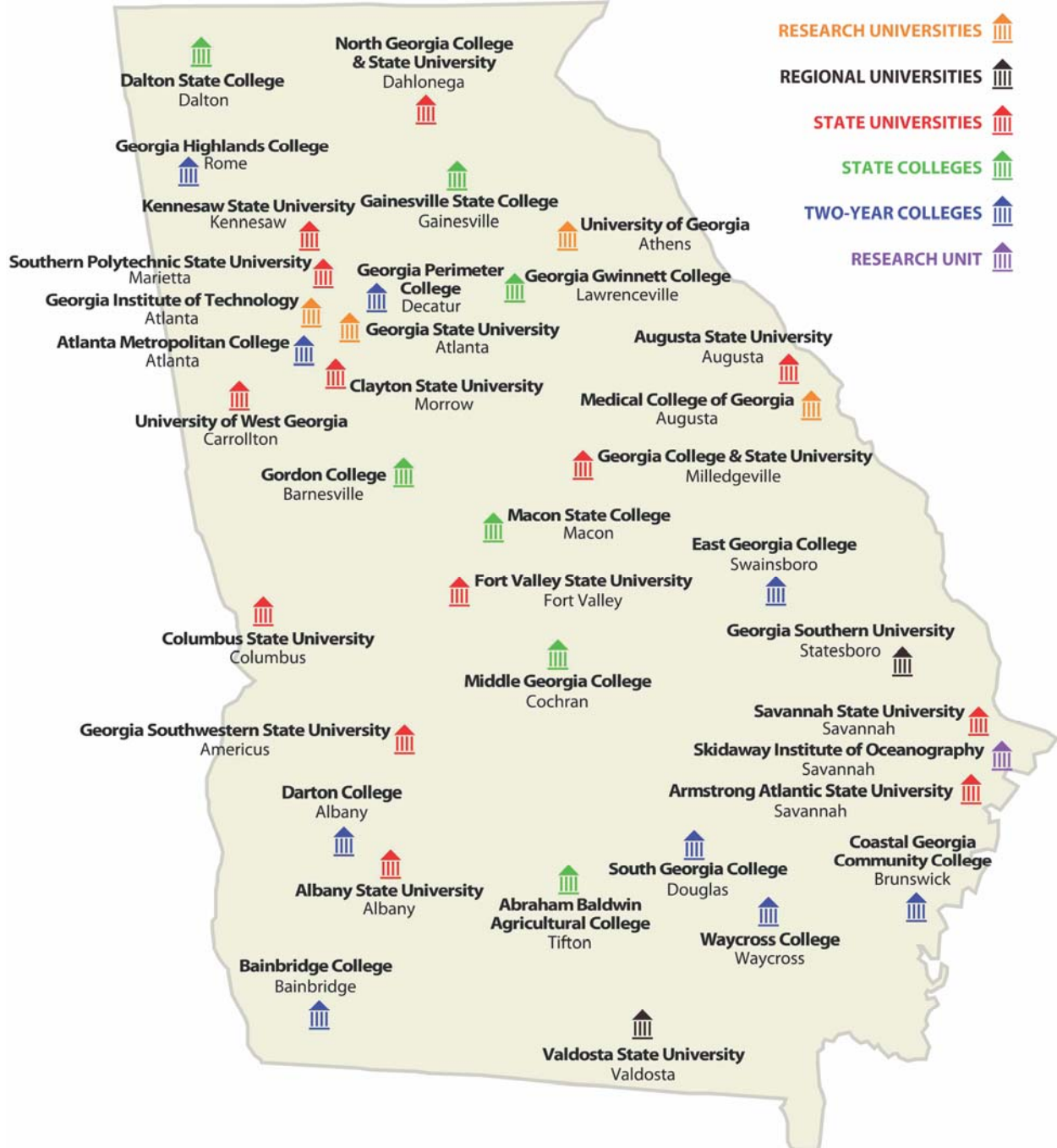
William R. Bowes  
Vice Chancellor for Fiscal Affairs  
and Treasurer of the Board

---

Ronald B. Stark  
Chief Audit Officer and  
Associate Vice Chancellor

*"Creating A More Educated Georgia"*  
[www.usg.edu](http://www.usg.edu)

# UNIVERSITY SYSTEM OF GEORGIA



## Institutions of the University System of Georgia

### RESEARCH UNIVERSITIES

Georgia Institute of Technology .....	Atlanta
Georgia State University .....	Atlanta
Medical College of Georgia .....	Augusta
University of Georgia .....	Athens

### REGIONAL UNIVERSITIES

Georgia Southern University .....	Statesboro
Valdosta State University .....	Valdosta

### STATE UNIVERSITIES

Albany State University .....	Albany
Armstrong Atlantic State University .....	Savannah
Augusta State University .....	Augusta
Clayton State University .....	Morrow
Columbus State University .....	Columbus
Fort Valley State University .....	Fort Valley
Georgia College & State University .....	Milledgeville
Georgia Southwestern State University .....	Americus
Kennesaw State University .....	Kennesaw
North Georgia College & State University .....	Dahlonega
Savannah State University .....	Savannah
Southern Polytechnic State University .....	Marietta
University of West Georgia .....	Carrollton

### STATE COLLEGES

Abraham Baldwin Agricultural College .....	Tifton
Dalton State College .....	Dalton
Gainesville State College .....	Gainesville
Georgia Gwinnett College .....	Lawrenceville
Gordon College .....	Barnesville
Macon State College .....	Macon
Middle Georgia College .....	Cochran

### TWO-YEAR COLLEGES

Atlanta Metropolitan College .....	Atlanta
Bainbridge College .....	Bainbridge
Coastal Georgia Community College .....	Brunswick
Darton College .....	Albany
East Georgia College .....	Swainsboro
Georgia Highlands College .....	Rome
Georgia Perimeter College .....	Decatur
South Georgia College .....	Douglas
Waycross College .....	Waycross

### INDEPENDENT RESEARCH UNIT

Skidaway Institute of Oceanography .....	Savannah
--	----------

## STATE RESOURCES

The General Appropriations Act of 2007, as amended, provided a total of \$1,917,562,898 to the University System of Georgia. In addition, House Bill 1027 provided \$15,732,554 from Tobacco funds. The amounts were as follows:

### STATE APPROPRIATIONS AVAILABLE

General Appropriations Act of 2007

House Bill 1027

General State Funds	\$1,917,240,948
---------------------	-----------------

Tobacco funds	15,732,554
---------------	------------

House Bill 94

General State Funds	321,950
---------------------	---------

TOTAL STATE APPROPRIATIONS AVAILABLE	<u>\$1,933,295,452</u>
--------------------------------------	------------------------

### ALLOCATIONS BY BOARD OF REGENTS

Educational and General

Teaching	\$1,615,305,109
----------	-----------------

Non-Teaching	141,345,322
--------------	-------------

Tobacco funds	15,732,554
---------------	------------

Other Activities

Regents Central Office	\$12,730,454
------------------------	--------------

Information Technology	36,430,154
------------------------	------------

Southern Regional Education Board	1,032,148
-----------------------------------	-----------

Rental Payments - Georgia Military College	2,660,060
--	-----------

Georgia Public Telecommunications Commission	17,023,143
--	------------

Public Libraries	37,968,698
------------------	------------

Research Consortium	25,650,251
---------------------	------------

Total Other Activities	133,494,908
------------------------	-------------

Special Initiative Funding	27,417,559
----------------------------	------------

Total Educational and General	<u>1,933,295,452</u>
-------------------------------	----------------------

TOTAL ALLOCATIONS BY BOARD OF REGENTS	<u>\$1,933,295,452</u>
---------------------------------------	------------------------

# UNIVERSITY SYSTEM OF GEORGIA

## *Management's Discussion and Analysis*

### *Introduction*

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

The 35 institutions in the University System were led by Chancellor Erroll B. Davis Jr. and the Board of Regents at June 30, 2007. The University System continues to thrive as shown by the following statistics:

	<u>Faculty</u>	<u>Students- Headcount</u>	<u>Students- FTE</u>
FY2007	10,093	259,945	225,197
FY2006	9,721	253,552	218,617
FY2005	9,335	250,659	214,863

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

The University System of Georgia is proud to present its consolidated financial statements for fiscal year 2007. These consolidated statements contain information from the 35 institutions of the University System of Georgia, the Skidaway Institute of Oceanography and the University System Office. Each institution has prepared a separate financial statement that is available on compact disc. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. This discussion and analysis of the University System's financial statements provides an overview of its financial activities for the year. Comparative data is provided for fiscal 2007 and 2006.

### *Statement of Net Assets*

The Statement of Net Assets presents the assets, liabilities, and net assets of the University System of Georgia as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of the University System of Georgia. The Statement of Net



Assets presents end-of-year data concerning Assets (current and non-current), Liabilities (current and non-current), and Net Assets (assets minus liabilities). The difference between current and non-current assets will be discussed in the footnotes to the financial statements.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the University System. They are also able to determine how much the University System owes vendors.

Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the University System. Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the University System of Georgia's equity in property, plant and equipment owned by its institutions. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the institutions within the University System, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available to the institutions within the University System for any lawful purpose of the respective institution.

#### Statement of Net Assets, Condensed

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
<b>Assets:</b>		
Current Assets	\$1,157,762,551	\$1,009,710,744
Capital Assets, net	5,150,217,912	4,588,411,513
Other Assets	<u>179,777,799</u>	<u>186,508,292</u>
Total Assets	<u>6,487,758,262</u>	<u>5,784,630,549</u>
<b>Liabilities:</b>		
Current Liabilities	579,979,308	517,527,418
Noncurrent Liabilities	<u>1,253,090,173</u>	<u>890,816,145</u>
Total Liabilities	<u>1,833,069,481</u>	<u>1,408,343,563</u>
<b>Net Assets:</b>		
Invested in Capital Assets, net of debt	3,948,707,929	3,756,425,368
Restricted - nonexpendable	127,857,042	116,812,689
Restricted - expendable	215,423,585	203,025,824
Capital Projects	53,667,781	19,248,501
Unrestricted	<u>309,032,444</u>	<u>280,774,604</u>
<b>Total Net Assets</b>	<u><u>\$4,654,688,781</u></u>	<u><u>\$4,376,286,986</u></u>

The total assets of the University System of Georgia increased by approximately \$703 million. A review of the Statement of Net Assets will reveal that the increase was primarily due to an increase of \$562 million of Capital Assets, net of accumulated depreciation and an increase of \$119 million in Cash and Investments.

The total liabilities for the year increased by approximately \$425 million. The primary components of this increase were increases of \$365 million in lease purchase obligations and \$35

million in accounts payable. The combination of the increase in total assets of \$703 million and the increase in total liabilities of \$425 million yielded a net increase in total net assets of \$278 million, or 6.4%. The increase in total net assets is primarily in the category of Invested in Capital Assets, net of related debt in the amount of \$192 million.

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

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received by the University System of Georgia, both operating and non-operating, and the expenses paid by the University System, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the University System. Generally speaking, 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 missions of the institutions. Non-operating revenues are revenues received for which goods and services are not provided. For example state appropriations are non-operating because they are provided by the Legislature to the University System without the Legislature directly receiving commensurate goods and services for those revenues.

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

	<b>June 30, 2007</b>	<b>June 30, 2006</b>
Operating Revenues	\$2,852,965,328	\$2,666,117,984
Operating Expenses	4,871,469,225	4,591,770,541
Operating Loss	(2,018,503,897)	(1,925,652,557)
Nonoperating Revenues and Expenses	2,069,761,573	1,913,241,920
Income (Loss) Before other revenues, expenses, gains or losses	51,257,676	(12,410,637)
Other revenues, expenses, gains, losses and transfers	222,159,611	189,378,834
Increase in Net Assets	273,417,287	176,968,197
Net Assets at beginning of year, as originally reported	4,376,286,986	4,199,305,635
Prior Year Adjustments	4,984,508	13,154
Net Assets at beginning of year, restated	4,381,271,494	4,199,318,789
Net Assets at End of Year	<u>\$4,654,688,781</u>	<u>\$4,376,286,986</u>

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the year. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

Revenue by Source  
For the Years Ended June 30, 2007 and June 30, 2006

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Operating Revenue		
Tuition and Fees	\$839,004,413	\$778,546,436
Federal Appropriations	17,390,952	15,764,281
Grants and Contracts	1,298,338,449	1,241,458,815
Sales and Services	115,843,964	105,560,471
Auxiliary	500,905,604	445,156,679
Other	81,481,946	79,631,302
Total Operating Revenue	<u>2,852,965,328</u>	<u>2,666,117,984</u>
Nonoperating Revenue		
State Appropriations	1,931,813,311	1,817,258,595
Grants and Contracts	64,533,847	76,184,808
Gifts	63,500,857	37,490,128
Investment Income	59,319,097	38,830,965
Other	4,915,332	(12,612,266)
Total Nonoperating Revenue	<u>2,124,082,444</u>	<u>1,957,152,230</u>
Capital Gifts and Grants		
State	197,794,495	149,618,884
Other Capital Gifts and Grants	24,316,821	39,712,338
Total Capital Gifts and Grants	<u>222,111,316</u>	<u>189,331,222</u>
Special Item Transfers	<u>48,295</u>	<u>47,612</u>
Total Revenues	<u><u>\$5,199,207,383</u></u>	<u><u>\$4,812,649,048</u></u>

Expenses (By Functional Classification)  
For the Years Ended June 30, 2007 and June 30, 2006

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Operating Expenses		
Instruction	\$1,243,360,766	\$1,136,097,589
Research	716,786,462	699,292,562
Public Service	405,219,847	385,137,832
Academic Support	359,378,722	338,041,955
Student Services	187,227,234	174,407,248
Institutional Support	734,087,541	693,500,532
Plant Operations and Maintenance	385,913,708	382,900,429
Scholarships and Fellowships	146,093,867	143,900,127
Auxiliary Enterprises	430,608,320	388,780,429
Unallocated Expenses	76,439,730	74,498,187
Patient Care (MCG only)	186,353,028	175,213,651
Total Operating Expenses	<u>4,871,469,225</u>	<u>4,591,770,541</u>
Nonoperating Expenses		
Interest Expense (Capital Assets)	<u>54,320,871</u>	<u>43,910,310</u>
Total Expenses	<u><u>\$4,925,790,096</u></u>	<u><u>\$4,635,680,851</u></u>

## *Statement of Cash Flows*

The final statement presented by the University System of Georgia is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the University System during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the University System. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

### Cash Flows for the Years Ended June 30, 2007 and 2006, Condensed

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Cash Provided (used) By:		
Operating Activities	(\$1,711,860,614)	(\$1,679,012,681)
Non-capital Financing Activities	2,091,570,178	1,926,902,737
Capital and Related Financing Activities	(304,343,901)	(244,102,912)
Investing Activities	<u>56,701,786</u>	<u>48,687,351</u>
Net Change in Cash	132,067,449	52,474,495
Cash, Beginning of Year	<u>593,143,824</u>	<u>540,669,329</u>
Cash, End of Year	<u><u>\$725,211,273</u></u>	<u><u>\$593,143,824</u></u>

## *Capital Assets*

The University System of Georgia had many significant capital asset additions and renovations during fiscal 2007 including the following:

**Georgia Institute of Technology:** The Institute had three significant capital additions in fiscal year 2007 totaling \$140 million. Two of the three additions were research buildings. The Molecular Science and Engineering Building was completed this year, resulting in an addition of \$80 million. Also, the Klaus Advanced Computing Building was completed at a cost of \$50 million, which includes a \$10 million parking facility. The third significant capital addition in fiscal year 2007 was the \$10 million addition of the museum collection at the Institute of Paper Science and Technology.

**Georgia State University:** In fiscal year 2006, the State Legislature approved funding for the Science Teaching Laboratory Building, and this remains the University's top capital priority. The 213,000 gross square foot building is projected to cost a total of \$77 million. The University will receive State funding of \$40 million and the remainder is to be funded through non-state sources. Additionally, the Board of Regents, in Spring 2005, added our proposal for a 330,000 square foot Humanities Building to its Major Capital Funding List. Of the total \$78 million

estimated cost to construct the building, the University has requested \$58 million, and the remainder is to be funded through non-state sources. The only new item of funding the University received in fiscal 2007 was a minor capital project of approximately \$5 million to renovate the roof and the exhaust stacks on the Natural Science Center Building.

**Medical College of Georgia:** Numerous projects were completed during the fiscal year totaling \$37 million. Medical College of Georgia also completed the Health Sciences Building in fiscal year 2007. A total of \$35 million for this project was funded by Georgia State Financing and Investment Commission (GSFIC). Other on-going projects funded by the GSFIC during fiscal 2007 included \$5 million.

**University of Georgia:** In fiscal year 2007, the University had \$104 million in capital asset additions. The Animal Health Research Center was completed, which is the only BSL-3-Ag (biosafety lab-level 3-agriculture) research facility located on a university campus. This project was completed at a cost of \$38 million and was funded by many sources including the Georgia State Financing and Investment Commission. In October 2006, the University celebrated the 200<sup>th</sup> birthday and most recent renovation of its most significant building, Old College. The renovation of the University's first permanent building included work that restored and preserved historic features while adding modern amenities.

**Georgia Southern University:** Capital assets, net, increased \$49 million. The University had a significant capital asset addition in fiscal year 2007. The GSU Housing Foundation, Inc. renovated the Recreation Activities Complex at a cost of \$40 million and leased the facility to Georgia Southern University beginning August, 2006. Georgia Southern University had two major construction-in-progress capital additions for renovation of two former student residence halls. The residence halls are being converted to office space for new faculty members and to allow for conversion of space in academic buildings to student classroom and lab space.

**Valdosta State University:** The University had one significant capital asset addition for facilities in fiscal year 2007. The Patterson Hall renovation was completed and was reopened during fiscal year 2007. The renovation cost of approximately \$10 million was financed through a capital lease with the Valdosta State University Foundation Real Estate I, LLC.

**Albany State University:** The University had one significant capital asset addition for facilities in fiscal year 2007. The residence halls were completed, resulting in capital additions of \$34 million. In addition, the Early Learning Center was under construction in fiscal year 2007.

**Georgia College and State University:** The University had three significant capital asset additions for facilities in fiscal year 2007. The University entered into capital leases with GCSU Foundation, resulting in capital additions of \$94 million for the Student Residential Facilities; \$6 million for the Student Union Building and \$2 million for the Irwin Street parking facility.

**Kennesaw State University:** Kennesaw State University had \$15 million in capital asset additions in fiscal year 2007, of which \$8 million was funded by the Georgia State Financing and Investment Commission, primarily for completion of the Social Science Building. The University also entered into three new capital leases with the Foundation. The leases added \$2 million to capital assets for additional space in Chastain Pointe and Town Point, as well as the Village Centre classroom.

**North Georgia College and State University:** The University had significant capital additions totaling \$18 million during fiscal 2007, which included Land (\$1 million), Owen Residence Hall (\$11 million), Infrastructure (\$4 million) and a Main Street office building (\$2 million).

**University of West Georgia:** The University had \$64 million in capital additions for residence halls and a University Center that were financed through capital leases with University of West Georgia Foundation, Inc. and University of West Georgia Real Estate Foundation, Inc., both discretely presented component units in this report.

**Gordon College:** The College had a capital addition in fiscal 2007 of \$16 million for the Gordon Commons. This was funded through a capital lease with Gordon College Properties, LLC.

**Middle Georgia College:** The College had two significant capital asset additions for facilities in fiscal year 2007. Gateway dormitory was opened in August 2006, resulting in a capital addition of \$10 million. This facility was financed through a capital lease with the MGC Real Estate Foundation, LLC. Middle Georgia College also completed the new Chiller Plant, the installation of improved lighting and the related poles and portions of the campus utilities loop during the year. This is part of a \$16 million Campus Utilities Loop project funded by the Georgia State Financing and Investment Commission.

**Georgia Perimeter College:** The College had one significant capital asset addition of \$11 million for facilities in fiscal year 2007. Construction of the College Center on the Clarkston campus was completed and placed into service early in calendar year 2007.

**University System Office:** The System Office had significant capital additions of over \$11 million during fiscal 2007. Over \$7 million of this total were Equipment additions financed through capital leases. The balance of \$4 million represents land and equipment transferred to the University System Office through an intergovernmental agreement with The Georgia Public Telecommunications Commission.

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

The University System of Georgia had Long-Term Debt and Liabilities of \$1.4 billion, excluding related party liabilities and deferred revenue, of which \$123 million was reflected as current liability at June 30, 2007.

For additional information concerning Long-Term Debt, see notes 1, 8 and 10 in the Notes to the Financial Statements.

### ***Component Units***

In compliance with GASB Statement No. 39, the University System of Georgia has included the financial statements and notes for all required component units for fiscal 2007. System-wide, there were 57 component units at 32 of the colleges and universities. All 57 component units are discretely presented in this consolidated Annual Financial Report. Fourteen of the component

units were deemed significant for reporting purposes to the State of Georgia and are also reported in the State Comprehensive Annual Financial Report (CAFR) for fiscal 2007.

The 57 component units had combined total assets of \$6.5 billion and total liabilities of \$3.2 billion at June 30, 2007. The assets included \$3.0 billion in investments and \$1.5 billion in capital assets. The liabilities included \$2.7 billion in long-term liabilities. Details are available in Note 1, Summary of Significant Accounting Policies and Note 16, Component Units.

### ***Economic Outlook***

The University System of Georgia has had significant increases in state appropriations during the last two years, owing to enrollment growth and the recent creation of Georgia Gwinnett College as the 35<sup>th</sup> institution in the system. Fiscal year 2008 state appropriations for current University System of Georgia operations, including institutions and other organized activities, are \$2.1 billion, an increase of 10.5% over fiscal year 2007 state appropriations. Additionally, the University System of Georgia received \$271 million in general obligation bond funding for capital facilities. The recent growth in enrollment has strengthened tuition revenues as well. As a result of continuing strong state support, the University System of Georgia has had to rely less than most higher education systems on non-state revenue sources. Total funds generated for the University System of Georgia, including all fund sources, now exceed \$5.3 billion annually.

With a solid base of state funding support, and the recent growth in appropriations and non-state revenues, the University System of Georgia remains financially strong. Enrollment in the system continues to grow at rates higher than originally expected for the time period, with a higher than anticipated increase in FTE student enrollment. There do not appear to be any conditions or economic factors on the horizon that would affect the University System of Georgia's operations or its financial position.

---

William R. Bowes  
Vice Chancellor for Fiscal Affairs  
University System of Georgia

# Statement of Net Assets

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF NET ASSETS June 30, 2007

### University System of Georgia (Primary Government)

#### ASSETS

##### Current Assets

Cash and Cash Equivalents	\$709,561,879
Short-term Investments	104,917,827
Accounts Receivable, net (note 3)	
Receivables - Federal Financial Assistance	45,016,992
Margin Allocation Funds	9,921,362
Receivables - Other	141,257,192
Due from Component Units	78,374,644
Inventories (note 4)	20,459,595
Prepaid Items	48,233,909
Other Assets	19,151
Total Current Assets	1,157,762,551

##### Noncurrent Assets

Noncurrent Cash	15,649,394
Short-Term Investments (noncurrent portion)	3,947,800
Due from Component Units	2,003,034
Investments (including real estate)	113,907,644
Notes Receivable, net	44,269,927
Capital Assets, net (note 6)	5,150,217,912
Total Noncurrent Assets	5,329,995,711

##### TOTAL ASSETS

6,487,758,262

#### LIABILITIES

##### Current Liabilities

Accounts Payable	109,388,839
Salaries Payable	15,399,195
Benefits Payable	27,331,432
Contracts Payable	18,036,910
Deposits	31,508,735
Deferred Revenue (note 7)	190,645,670
Other Liabilities	6,061,147
Deposits Held for Other Organizations	57,206,944
Lease Purchase Obligations (current portion)	34,229,883
Compensated Absences (current portion)	88,641,955
US DOE Settlement (current portion)	206,277
Due to Component Units	1,193,388
Notes and Loans Payable (current portion)	128,933
Total Current Liabilities	579,979,308

##### Noncurrent Liabilities (note 8)

Due to Primary Government	
Lease Purchase Obligations (noncurrent)	1,166,364,008
Deferred Revenue (noncurrent) and Other Noncurrent Liabilities	9,977,107
Compensated Absences (noncurrent)	70,052,831
US DOE Settlement (noncurrent)	746,126
Due to Component Units	3,500,000
Notes and Loans Payable (noncurrent)	2,450,101
Total Noncurrent Liabilities	1,253,090,173
TOTAL LIABILITIES	1,833,069,481

#### NET ASSETS

Invested in Capital Assets, net of related debt	3,948,707,929
Restricted for	
Nonexpendable	127,857,042
Expendable	215,423,585
Capital Projects	53,667,781
Unrestricted	309,032,444
TOTAL NET ASSETS	\$4,654,688,781



# Statement of Net Assets, Continued

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF NET ASSETS June 30, 2007

	Component Units		
	Georgia Tech Foundation, Inc.	Georgia Tech Athletic Association	Georgia Tech Research Corporation
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$8,359,000	\$6,544,312	\$42,799,436
Short-term Investments			
Accounts Receivable, net			
Receivables - Other	905,029	1,798,759	31,689,662
Due from Component Units	10,117	280	
Leases Receivable	3,852,749		
Pledges Receivable		2,066,187	
Contributions Receivable	6,637,289		
Due From Primary Government			
Inventories			
Prepaid Items		789,474	19,407
Notes and Mortgages Receivable	1,341,000		
Other Assets			32,730,988
Total Current Assets	21,105,184	11,199,012	107,239,493
<b>Noncurrent Assets</b>			
Noncurrent Cash			
Short-Term Investments (noncurrent portion)			
Due from Component Units		80,967,000	
Due from Primary Government			
Investments (including real estate)	1,348,124,536		470,259
Notes Receivable, net			
Leases Receivable	167,891,090		
Receivables Other			
Contributions Receivable	34,194,211		
Pledges Receivable		8,816,470	
Capital Assets, net	39,123,000	98,484,948	1,669,985
Other Assets	20,037,493	2,490,340	
Total Noncurrent Assets	1,609,370,330	190,758,758	2,140,244
<b>TOTAL ASSETS</b>	1,630,475,514	201,957,770	109,379,737
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	6,998,307	5,915,129	1,699,877
Salaries Payable			
Contracts Payable			
Deposits		8,082,575	
Deferred Revenue	2,206,210	456,265	33,215,545
Other Liabilities	250,000		
Deposits Held for Other Organizations			
Due to Primary Government			33,389,771
Lease Purchase Obligations (current portion)			
Compensated Absences (current portion)	245,178	1,044,814	
Revenue/Mortgage Bonds payable (current)	4,605,000	1,925,000	
Liabilities under Split-Interest Agreements (current)	1,357,838		
Due to Component Units	429,687		
Notes and Loans Payable (current portion)	43,725,993	26,979	
Total Current Liabilities	59,818,213	17,450,762	68,305,193
<b>Noncurrent Liabilities</b>			
Due to Primary Government			
Lease Purchase Obligations (noncurrent)			
Deferred Revenue (noncurrent)	42,616,317		
Compensated Absences (noncurrent)			
Revenue/Mortgage Bonds payable (noncurrent)	207,330,000	104,093,678	
Deposits			
Liabilities under Split Interest Agreements	9,116,999		
Other Long-Term Liabilities			
Due to Component Units	90,332,000		
Notes and Loans Payable (noncurrent)	20,000,000	936,332	
Total Noncurrent Liabilities	369,395,316	105,030,010	0
<b>TOTAL LIABILITIES</b>	429,213,529	122,480,772	68,305,193
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	592,820	(5,103,357)	1,669,985
Restricted for			
Nonexpendable	353,617,657	16,466,611	
Expendable	417,988,082	63,770,532	
Capital Projects	11,386,657		
Unrestricted	417,676,769	4,343,212	39,404,559
<b>TOTAL NET ASSETS</b>	\$1,201,261,985	\$79,476,998	\$41,074,544

# Statement of Net Assets, Continued

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF NET ASSETS June 30, 2007

	Component Units		
	Georgia Advanced Technology Ventures, Inc.	Georgia Tech Facilities, Inc.	Georgia Tech Alumni Association
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$1,462,199	\$4,343,000	\$575,497
Short-term Investments			
Accounts Receivable, net			
Receivables - Other	514,799	33,000	190,447
Due from Component Units		429,687	
Leases Receivable			
Pledges Receivable	50,000		
Contributions Receivable			
Due From Primary Government			
Inventories			18,182
Prepaid Items		5,813,000	47,314
Notes and Mortgages Receivable			
Other Assets		896,000	
Total Current Assets	2,026,998	11,514,687	831,440
<b>Noncurrent Assets</b>			
Noncurrent Cash	269,336	13,852,000	
Short-Term Investments (noncurrent portion)			
Due from Component Units		9,365,000	
Due from Primary Government			
Investments (including real estate)	1,005,000	157,687,000	
Notes Receivable, net			
Leases Receivable			
Receivables Other			
Contributions Receivable			
Pledges Receivable	758,790		
Capital Assets, net	111,176,844	34,752,000	469,905
Other Assets		4,863,313	
Total Noncurrent Assets	113,209,970	220,519,313	469,905
<b>TOTAL ASSETS</b>	<u>115,236,968</u>	<u>232,034,000</u>	<u>1,301,345</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	674,488	5,411,000	227,105
Salaries Payable			
Contracts Payable			
Deposits	496,578		
Deferred Revenue	3,585,561		311,050
Other Liabilities			
Deposits Held for Other Organizations			
Due to Primary Government	246,109		47,173
Lease Purchase Obligations (current portion)		2,098,000	
Compensated Absences (current portion)			185,161
Revenue/Mortgage Bonds payable (current)		3,921,000	
Liabilities under Split-Interest Agreements (current)			
Due to Component Units			10,397
Notes and Loans Payable (current portion)	1,640,295		
Total Current Liabilities	6,643,031	11,430,000	780,886
<b>Noncurrent Liabilities</b>			
Due to Primary Government			
Lease Purchase Obligations (noncurrent)	85,145,694	7,394,000	
Deferred Revenue (noncurrent)		607,000	
Compensated Absences (noncurrent)			
Revenue/Mortgage Bonds payable (noncurrent)		206,204,000	
Deposits			
Liabilities under Split Interest Agreements			
Other Long-Term Liabilities			
Due to Component Units			
Notes and Loans Payable (noncurrent)	6,407,057		
Total Noncurrent Liabilities	91,552,751	214,205,000	0
<b>TOTAL LIABILITIES</b>	<u>98,195,782</u>	<u>225,635,000</u>	<u>780,886</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	19,583,798	(10,286,000)	469,905
Restricted for			
Nonexpendable			
Expendable	897,392	14,295,000	
Capital Projects			
Unrestricted	(3,440,004)	2,390,000	50,554
<b>TOTAL NET ASSETS</b>	<u>\$17,041,186</u>	<u>\$6,399,000</u>	<u>\$520,459</u>

# Statement of Net Assets, Continued

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF NET ASSETS June 30, 2007

	Component Units		
	Georgia State University Foundation, Inc.	Georgia State University Research Foundation, Inc.	MCG Health, Inc.
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$24,537,320	\$5,937,628	\$41,448,111
Short-term Investments			30,181,019
Accounts Receivable, net			
Receivables - Other	167,083	5,860,843	63,354,846
Due from Component Units			78,138
Leases Receivable			
Pledges Receivable	6,306,977		
Contributions Receivable			
Due From Primary Government		73,912	193,474
Inventories			7,626,746
Prepaid Items	114,883	4,236,085	
Notes and Mortgages Receivable			
Other Assets			803,299
Total Current Assets	31,126,263	16,108,468	143,685,633
<b>Noncurrent Assets</b>			
Noncurrent Cash	44,002,266	2,004,631	
Short-Term Investments (noncurrent portion)			
Due from Component Units			
Due from Primary Government			
Investments (including real estate)	130,677,338	4,463,141	88,015,660
Notes Receivable, net			
Leases Receivable			
Receivables Other			
Contributions Receivable			
Pledges Receivable	3,161,452		
Capital Assets, net	223,631,470	5,024,806	74,510,746
Other Assets	7,446,113		771,696
Total Noncurrent Assets	408,918,639	11,492,578	163,298,102
<b>TOTAL ASSETS</b>	440,044,902	27,601,046	306,983,735
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	20,442,215	26,098	16,200,967
Salaries Payable			4,308,583
Contracts Payable			
Deposits			
Deferred Revenue		4,236,085	202,511
Other Liabilities			2,324,000
Deposits Held for Other Organizations			
Due to Primary Government		5,095,568	17,751,953
Lease Purchase Obligations (current portion)	722,430		3,058,375
Compensated Absences (current portion)			11,190,803
Revenue/Mortgage Bonds payable (current)	1,615,000		
Liabilities under Split-Interest Agreements (current)			
Due to Component Units			320,674
Notes and Loans Payable (current portion)			
Total Current Liabilities	22,779,645	9,357,751	55,357,866
<b>Noncurrent Liabilities</b>			
Due to Primary Government			
Lease Purchase Obligations (noncurrent)	9,000,026		8,614,579
Deferred Revenue (noncurrent)	837,532		
Compensated Absences (noncurrent)	33,520		
Revenue/Mortgage Bonds payable (noncurrent)	249,059,710		
Deposits			
Liabilities under Split Interest Agreements	260,992		
Other Long-Term Liabilities	5,812,394		6,974,000
Due to Component Units	773,294		
Notes and Loans Payable (noncurrent)			
Total Noncurrent Liabilities	265,777,468	0	15,588,579
<b>TOTAL LIABILITIES</b>	288,557,113	9,357,751	70,946,445
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	6,183,126	5,024,806	62,837,792
Restricted for			
Nonexpendable	78,702,404	2,000,000	
Expendable	49,443,877	982,649	
Capital Projects			
Unrestricted	17,158,382	10,235,840	173,199,498
<b>TOTAL NET ASSETS</b>	\$151,487,789	\$18,243,295	\$236,037,290

# Statement of Net Assets, Continued

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF NET ASSETS June 30, 2007

	Component Units		
	Medical College of Georgia Foundation, Inc.	Medical College of Georgia PPG Foundation	Medical College of Georgia Research Institute, Inc.
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$15,870,777	\$19,604,686	\$6,965,332
Short-term Investments	350,000	26,708,294	
Accounts Receivable, net			
Receivables - Other		326,155	3,601,054
Due from Component Units		320,674	
Leases Receivable		2,175,624	
Pledges Receivable			
Contributions Receivable			
Due From Primary Government		117,863	6,701
Inventories			
Prepaid Items			
Notes and Mortgages Receivable	186,325		
Other Assets	43,305		
Total Current Assets	<u>16,450,407</u>	<u>49,253,296</u>	<u>10,573,087</u>
<b>Noncurrent Assets</b>			
Noncurrent Cash		558,885	
Short-Term Investments (noncurrent portion)			
Due from Component Units			
Due from Primary Government			
Investments (including real estate)	133,402,427	17,308,336	
Notes Receivable, net	119,206		
Leases Receivable		59,874,379	
Receivables Other			
Contributions Receivable			
Pledges Receivable			
Capital Assets, net	1,957,565	6,199,020	16,728
Other Assets	361,113	1,280,391	
Total Noncurrent Assets	<u>135,840,311</u>	<u>85,221,011</u>	<u>16,728</u>
<b>TOTAL ASSETS</b>	<u>152,290,718</u>	<u>134,474,307</u>	<u>10,589,815</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable		1,741,466	109,909
Salaries Payable			
Contracts Payable			
Deposits		940,085	10,000
Deferred Revenue		2,363,015	77,659
Other Liabilities			
Deposits Held for Other Organizations			
Due to Primary Government		2,744,740	4,615,057
Lease Purchase Obligations (current portion)			
Compensated Absences (current portion)			
Revenue/Mortgage Bonds payable (current)			
Liabilities under Split-Interest Agreements (current)			
Due to Component Units		78,138	
Notes and Loans Payable (current portion)		670,000	
Total Current Liabilities	<u>0</u>	<u>8,537,444</u>	<u>4,812,625</u>
<b>Noncurrent Liabilities</b>			
Due to Primary Government			
Lease Purchase Obligations (noncurrent)			
Deferred Revenue (noncurrent)		32,611,077	
Compensated Absences (noncurrent)			
Revenue/Mortgage Bonds payable (noncurrent)			
Deposits			
Liabilities under Split Interest Agreements	2,342,658		
Other Long-Term Liabilities		558,885	
Due to Component Units			
Notes and Loans Payable (noncurrent)		32,019,063	
Total Noncurrent Liabilities	<u>2,342,658</u>	<u>65,189,025</u>	<u>0</u>
<b>TOTAL LIABILITIES</b>	<u>2,342,658</u>	<u>73,726,469</u>	<u>4,812,625</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	1,957,565	6,199,020	16,728
Restricted for			
Nonexpendable	120,241,872		
Expendable	15,714,845		136,025
Capital Projects			
Unrestricted	12,033,778	54,548,818	5,624,437
<b>TOTAL NET ASSETS</b>	<u>\$149,948,060</u>	<u>\$60,747,838</u>	<u>\$5,777,190</u>

# Statement of Net Assets, Continued

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF NET ASSETS June 30, 2007

	Component Units		
	Medical College of Georgia Dental Foundation	University of Georgia Foundation	University of Georgia Athletic Association, Inc.
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$90,396	\$11,052,551	\$65,606,584
Short-term Investments		39,897,092	
Accounts Receivable, net			
Receivables - Other	18,952	2,502,648	2,235,542
Due from Component Units			3,025,134
Leases Receivable			
Pledges Receivable			
Contributions Receivable		6,175,994	
Due From Primary Government	419,416	17,378	
Inventories			
Prepaid Items	102,303	173,658	211,353
Notes and Mortgages Receivable			
Other Assets		2,110,293	
Total Current Assets	631,067	61,929,614	71,078,613
<b>Noncurrent Assets</b>			
Noncurrent Cash	538,707	13,509,424	7,358,609
Short-Term Investments (noncurrent portion)			
Due from Component Units			
Due from Primary Government			
Investments (including real estate)	2,789,427	599,781,509	
Notes Receivable, net		67,505	
Leases Receivable			
Receivables Other			
Contributions Receivable		13,787,452	
Pledges Receivable			
Capital Assets, net		179,778,304	187,025,258
Other Assets		6,026,467	1,340,782
Total Noncurrent Assets	3,328,134	812,950,661	195,724,649
<b>TOTAL ASSETS</b>	3,959,201	874,880,275	266,803,262
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable		2,463,928	5,294,172
Salaries Payable			
Contracts Payable			
Deposits			
Deferred Revenue	581,404	1,265,398	17,757,579
Other Liabilities			
Deposits Held for Other Organizations		837,591	
Due to Primary Government	3,187,418	905,752	1,937,917
Lease Purchase Obligations (current portion)		29,495	
Compensated Absences (current portion)		3,485,000	2,090,000
Revenue/Mortgage Bonds payable (current)		539,149	
Liabilities under Split-Interest Agreements (current)		3,025,134	500,000
Due to Component Units		10,628,504	87,113
Notes and Loans Payable (current portion)			
Total Current Liabilities	3,768,822	23,179,951	27,666,781
<b>Noncurrent Liabilities</b>			
Due to Primary Government			2,003,034
Lease Purchase Obligations (noncurrent)			
Deferred Revenue (noncurrent)			
Compensated Absences (noncurrent)			
Revenue/Mortgage Bonds payable (noncurrent)		172,182,798	95,470,000
Deposits			
Liabilities under Split Interest Agreements		11,147,013	
Other Long-Term Liabilities			1,340,782
Due to Component Units			913,495
Notes and Loans Payable (noncurrent)		10,063,029	
Total Noncurrent Liabilities	0	193,392,840	99,727,311
<b>TOTAL LIABILITIES</b>	3,768,822	216,572,791	127,394,092
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt			94,400,327
Restricted for			
Nonexpendable		284,918,541	
Expendable		341,558,451	
Capital Projects			
Unrestricted	190,379	31,830,492	45,008,843
<b>TOTAL NET ASSETS</b>	\$190,379	\$658,307,484	\$139,409,170

# Statement of Net Assets, Continued

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF NET ASSETS June 30, 2007

	Component Units		
	Arch Foundation for the University of Georgia, Inc.	University of Georgia Research Foundation, Inc.	Georgia Southern University Foundation, Inc.
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$19,562,384	\$9,800,115	\$119,886
Short-term Investments			41,964,044
Accounts Receivable, net			
Receivables - Other	474,046	16,977,081	79,342
Due from Component Units	500,000		
Leases Receivable			
Pledges Receivable			
Contributions Receivable	18,453,341		856,398
Due From Primary Government		474,161	
Inventories			
Prepaid Items		47,702	25,034
Notes and Mortgages Receivable			
Other Assets		13,656,257	
Total Current Assets	38,989,771	40,955,316	43,044,704
<b>Noncurrent Assets</b>			
Noncurrent Cash			
Short-Term Investments (noncurrent portion)			
Due from Component Units	913,495		
Due from Primary Government		3,500,000	
Investments (including real estate)	19,781,151	40,773,566	158,900
Notes Receivable, net			
Leases Receivable			
Receivables Other			
Contributions Receivable	12,456,376		3,183,096
Pledges Receivable			
Capital Assets, net		514,994	419,749
Other Assets		1,001,803	106,825
Total Noncurrent Assets	33,151,022	45,790,363	3,868,570
<b>TOTAL ASSETS</b>	72,140,793	86,745,679	46,913,274
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	72,335	11,786,489	69,086
Salaries Payable			
Contracts Payable			
Deposits		13,656,257	
Deferred Revenue	172,333	3,787,091	50,000
Other Liabilities			
Deposits Held for Other Organizations			
Due to Primary Government	373,389	15,843,599	
Lease Purchase Obligations (current portion)			
Compensated Absences (current portion)			
Revenue/Mortgage Bonds payable (current)			
Liabilities under Split-Interest Agreements (current)			
Due to Component Units			438,954
Notes and Loans Payable (current portion)			
Total Current Liabilities	618,057	45,073,436	558,040
<b>Noncurrent Liabilities</b>			
Due to Primary Government			
Lease Purchase Obligations (noncurrent)			
Deferred Revenue (noncurrent)		4,095,914	
Compensated Absences (noncurrent)			
Revenue/Mortgage Bonds payable (noncurrent)			
Deposits			
Liabilities under Split Interest Agreements			148,460
Other Long-Term Liabilities			
Due to Component Units			
Notes and Loans Payable (noncurrent)			
Total Noncurrent Liabilities	0	4,095,914	148,460
<b>TOTAL LIABILITIES</b>	618,057	49,169,350	706,500
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt		514,994	419,749
Restricted for			
Nonexpendable	25,279,166		27,156,274
Expendable	45,498,963		15,500,236
Capital Projects			
Unrestricted	744,607	37,061,335	3,130,515
<b>TOTAL NET ASSETS</b>	\$71,522,736	\$37,576,329	\$46,206,774

# Statement of Net Assets, Continued

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF NET ASSETS June 30, 2007

	Component Units		
	Georgia Southern University Housing Foundation, Inc.	(Georgia Southern University) Southern Boosters, Inc.	Georgia Southern University Research and Service Foundation, Inc.
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$2,006,665	\$1,055,124	\$1,434,323
Short-term Investments			
Accounts Receivable, net			
Receivables - Other	10,000	579,513	1,376,015
Due from Component Units	438,955		
Leases Receivable	8,130,071		
Pledges Receivable			
Contributions Receivable		461,017	
Due From Primary Government			25,181
Inventories			
Prepaid Items	47,444		21,455
Notes and Mortgages Receivable			
Other Assets			
Total Current Assets	10,633,135	2,095,654	2,856,974
<b>Noncurrent Assets</b>			
Noncurrent Cash	14,928,390		
Short-Term Investments (noncurrent portion)			
Due from Component Units			
Due from Primary Government			
Investments (including real estate)			
Notes Receivable, net			
Leases Receivable	176,016,345		
Receivables Other			
Contributions Receivable		700,363	
Pledges Receivable			
Capital Assets, net		1,276,958	
Other Assets			
Total Noncurrent Assets	190,944,735	1,977,321	0
<b>TOTAL ASSETS</b>	201,577,870	4,072,975	2,856,974
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	3,462,436	73,967	12,000
Salaries Payable			
Contracts Payable	630,000		
Deposits			
Deferred Revenue	5,558,366	76,113	783,260
Other Liabilities			
Deposits Held for Other Organizations			207,719
Due to Primary Government			1,471,666
Lease Purchase Obligations (current portion)			
Compensated Absences (current portion)			
Revenue/Mortgage Bonds payable (current)	2,685,000		
Liabilities under Split-Interest Agreements (current)			
Due to Component Units			
Notes and Loans Payable (current portion)		25,391	
Total Current Liabilities	12,335,802	175,471	2,474,645
<b>Noncurrent Liabilities</b>			
Due to Primary Government			
Lease Purchase Obligations (noncurrent)			
Deferred Revenue (noncurrent)	75,007,737		
Compensated Absences (noncurrent)			
Revenue/Mortgage Bonds payable (noncurrent)	109,765,827		
Deposits			
Liabilities under Split Interest Agreements			
Other Long-Term Liabilities			
Due to Component Units			
Notes and Loans Payable (noncurrent)		553,411	
Total Noncurrent Liabilities	184,773,564	553,411	0
<b>TOTAL LIABILITIES</b>	197,109,366	728,882	2,474,645
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt		910,148	
Restricted for			
Nonexpendable			
Expendable	4,695,777	2,225,265	
Capital Projects			
Unrestricted	(227,273)	208,680	382,329
<b>TOTAL NET ASSETS</b>	\$4,468,504	\$3,344,093	\$382,329

# Statement of Net Assets, Continued

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF NET ASSETS June 30, 2007

	Component Units		
	Valdosta State University Foundation	Albany State University Foundation, Inc.	Armstrong Atlantic State University Foundation, Inc.
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$4,793,090	\$9,868	\$1,137,028
Short-term Investments			
Accounts Receivable, net			
Receivables - Other		20,989	
Due from Component Units			
Leases Receivable			
Pledges Receivable	43,996		
Contributions Receivable			95,224
Due From Primary Government			
Inventories			
Prepaid Items	15,965		
Notes and Mortgages Receivable	40,585	80,000	
Other Assets	36,399		
Total Current Assets	4,930,035	110,857	1,232,252
<b>Noncurrent Assets</b>			
Noncurrent Cash	5,460,278	1,361,198	
Short-Term Investments (noncurrent portion)		4,880,608	
Due from Component Units			
Due from Primary Government			
Investments (including real estate)	19,597,341	1,859,391	5,733,281
Notes Receivable, net	133,682		
Leases Receivable			
Receivables Other			
Contributions Receivable			5,233
Pledges Receivable	199,384		
Capital Assets, net	35,117,010	36,282,005	
Other Assets	1,087,535	1,156,526	
Total Noncurrent Assets	61,595,230	45,539,728	5,738,514
<b>TOTAL ASSETS</b>	66,525,265	45,650,585	6,970,766
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	601,973	1,146,192	14,000
Salaries Payable			
Contracts Payable	7,250		
Deposits			
Deferred Revenue			
Other Liabilities			
Deposits Held for Other Organizations	111,174		
Due to Primary Government	97,687		
Lease Purchase Obligations (current portion)	6,352		
Compensated Absences (current portion)			
Revenue/Mortgage Bonds payable (current)	404,424	225,000	
Liabilities under Split-Interest Agreements (current)			
Due to Component Units			
Notes and Loans Payable (current portion)	1,040,109	2,270,134	
Total Current Liabilities	2,268,969	3,641,326	14,000
<b>Noncurrent Liabilities</b>			
Due to Primary Government			
Lease Purchase Obligations (noncurrent)	14,823		
Deferred Revenue (noncurrent)			
Compensated Absences (noncurrent)			
Revenue/Mortgage Bonds payable (noncurrent)	37,716,312	34,730,276	
Deposits			
Liabilities under Split Interest Agreements	394,948		
Other Long-Term Liabilities	596		
Due to Component Units			
Notes and Loans Payable (noncurrent)	303,811	39,943	
Total Noncurrent Liabilities	38,430,490	34,770,219	0
<b>TOTAL LIABILITIES</b>	40,699,459	38,411,545	14,000
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	3,553,563	4,666,572	
Restricted for			
Nonexpendable	18,559,581		4,019,499
Expendable	2,080,113	941,462	2,836,470
Capital Projects		(842,359)	
Unrestricted	1,632,549	2,473,365	100,797
<b>TOTAL NET ASSETS</b>	\$25,825,806	\$7,239,040	\$6,956,766



# Statement of Net Assets, Continued

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF NET ASSETS June 30, 2007

	Component Units		
	AASU Educational Properties Foundation, Inc.	Augusta State University Foundation, Inc.	Augusta State University Athletic Foundation
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$955,219	\$1,366,522	\$236,375
Short-term Investments		1,114,936	
Accounts Receivable, net			
Receivables - Other		75,203	12,133
Due from Component Units			
Leases Receivable		1,864,177	
Pledges Receivable		38,919	
Contributions Receivable			
Due From Primary Government			
Inventories			
Prepaid Items	17,587		4,766
Notes and Mortgages Receivable		284,000	
Other Assets			
Total Current Assets	972,806	4,743,757	253,274
<b>Noncurrent Assets</b>			
Noncurrent Cash	4,819,624	4,566,956	
Short-Term Investments (noncurrent portion)			
Due from Component Units			
Due from Primary Government			
Investments (including real estate)		18,139,746	
Notes Receivable, net		1,260,695	
Leases Receivable		59,598,747	
Receivables Other			
Contributions Receivable			
Pledges Receivable		671,201	
Capital Assets, net	35,021,490		1,909,963
Other Assets	1,448,232	845,485	
Total Noncurrent Assets	41,289,346	85,082,830	1,909,963
<b>TOTAL ASSETS</b>	42,262,152	89,826,587	2,163,237
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	1,107,970	720,976	160,155
Salaries Payable			6,801
Contracts Payable			
Deposits	15,278		
Deferred Revenue	321,709	1,638,566	14,055
Other Liabilities			
Deposits Held for Other Organizations			
Due to Primary Government		1,926	
Lease Purchase Obligations (current portion)			17,430
Compensated Absences (current portion)			
Revenue/Mortgage Bonds payable (current)	930,000	255,000	
Liabilities under Split-Interest Agreements (current)			
Due to Component Units			
Notes and Loans Payable (current portion)	21,188	142,000	293,158
Total Current Liabilities	2,396,145	2,758,468	491,599
<b>Noncurrent Liabilities</b>			
Due to Primary Government			
Lease Purchase Obligations (noncurrent)			30,323
Deferred Revenue (noncurrent)		27,424,401	
Compensated Absences (noncurrent)			
Revenue/Mortgage Bonds payable (noncurrent)	41,891,797	30,512,518	
Deposits			
Liabilities under Split Interest Agreements			
Other Long-Term Liabilities			
Due to Component Units			
Notes and Loans Payable (noncurrent)	596,812	1,259,883	1,273,109
Total Noncurrent Liabilities	42,488,609	59,196,802	1,303,432
<b>TOTAL LIABILITIES</b>	44,884,754	61,955,270	1,795,031
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	(2,167,527)		295,943
Restricted for			
Nonexpendable		15,747,124	
Expendable		6,416,738	
Capital Projects			
Unrestricted	(455,075)	5,707,455	72,263
<b>TOTAL NET ASSETS</b>	(\$2,622,602)	\$27,871,317	\$368,206

# Statement of Net Assets, Continued

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF NET ASSETS June 30, 2007

	Component Units		
	Walter & Emilie Spivey Foundation	Clayton State University Foundation, Inc.	Columbus State University Foundation, Inc.
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$171,456	\$583,604	\$1,944,474
Short-term Investments		169,795	
Accounts Receivable, net			
Receivables - Other			29,445
Due from Component Units			1,125,128
Leases Receivable			
Pledges Receivable		56,000	12,086,813
Contributions Receivable			
Due From Primary Government			
Inventories			732
Prepaid Items		1,830	48,837
Notes and Mortgages Receivable			
Other Assets			304,431
Total Current Assets	171,456	811,229	15,539,860
<b>Noncurrent Assets</b>			
Noncurrent Cash			2,977,848
Short-Term Investments (noncurrent portion)			
Due from Component Units			
Due from Primary Government			
Investments (including real estate)	7,479,018	4,332,905	25,260,039
Notes Receivable, net	20,331		
Leases Receivable			
Receivables Other			
Contributions Receivable			
Pledges Receivable			15,209,513
Capital Assets, net	147,575	788,405	
Other Assets		9,400	
Total Noncurrent Assets	7,646,924	5,130,710	43,447,400
<b>TOTAL ASSETS</b>	7,818,380	5,941,939	58,987,260
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable		18,970	84,329
Salaries Payable			
Contracts Payable			
Deposits			
Deferred Revenue			12,041
Other Liabilities			
Deposits Held for Other Organizations			
Due to Primary Government		788,405	5,594,853
Lease Purchase Obligations (current portion)			
Compensated Absences (current portion)			
Revenue/Mortgage Bonds payable (current)			
Liabilities under Split-Interest Agreements (current)			110,245
Due to Component Units			14,985
Notes and Loans Payable (current portion)			
Total Current Liabilities	0	807,375	5,816,453
<b>Noncurrent Liabilities</b>			
Due to Primary Government			
Lease Purchase Obligations (noncurrent)			
Deferred Revenue (noncurrent)			
Compensated Absences (noncurrent)			
Revenue/Mortgage Bonds payable (noncurrent)			
Deposits			
Liabilities under Split Interest Agreements			1,181,908
Other Long-Term Liabilities			
Due to Component Units			
Notes and Loans Payable (noncurrent)			
Total Noncurrent Liabilities	0	0	1,181,908
<b>TOTAL LIABILITIES</b>	0	807,375	6,998,361
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	147,575	788,405	
Restricted for			
Nonexpendable		1,467,808	25,352,984
Expendable		3,577,266	15,280,774
Capital Projects			7,594,548
Unrestricted	7,670,805	(698,915)	3,760,593
<b>TOTAL NET ASSETS</b>	\$7,818,380	\$5,134,564	\$51,988,899

# Statement of Net Assets, Continued

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF NET ASSETS June 30, 2007

	Component Units		
	(Columbus State University) Foundation Properties, Inc.	Columbus State University Athletic Fund, Inc.	Columbus State University Alumni Association, Inc.
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$1,365,605	\$60,834	\$43,889
Short-term Investments			8,043
Accounts Receivable, net			
Receivables - Other	244,899	89,943	481
Due from Component Units	50,000	14,985	
Leases Receivable			
Pledges Receivable		51,220	350
Contributions Receivable			
Due From Primary Government			23,507
Inventories		3,058	
Prepaid Items	301,256	2,292	
Notes and Mortgages Receivable			
Other Assets	2,119		
Total Current Assets	1,963,879	222,332	76,270
<b>Noncurrent Assets</b>			
Noncurrent Cash	2,088,974	373,949	33,013
Short-Term Investments (noncurrent portion)			
Due from Component Units			
Due from Primary Government			
Investments (including real estate)	6,068,326	1,646,844	120,334
Notes Receivable, net			
Leases Receivable			
Receivables Other			
Contributions Receivable			
Pledges Receivable		34,106	
Capital Assets, net	113,740,376		3,144
Other Assets	1,657,997		
Total Noncurrent Assets	123,555,673	2,054,899	156,491
<b>TOTAL ASSETS</b>	125,519,552	2,277,231	232,761
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	6,745,491	68,858	5,553
Salaries Payable			
Contracts Payable			
Deposits			
Deferred Revenue		28,542	4,940
Other Liabilities			
Deposits Held for Other Organizations			
Due to Primary Government	23,559,301	31,102	
Lease Purchase Obligations (current portion)			
Compensated Absences (current portion)			
Revenue/Mortgage Bonds payable (current)	1,146,806		
Liabilities under Split-Interest Agreements (current)			
Due to Component Units	1,124,629	50,000	499
Notes and Loans Payable (current portion)	5,836,324		
Total Current Liabilities	38,412,551	178,502	10,992
<b>Noncurrent Liabilities</b>			
Due to Primary Government			
Lease Purchase Obligations (noncurrent)			
Deferred Revenue (noncurrent)			
Compensated Absences (noncurrent)			
Revenue/Mortgage Bonds payable (noncurrent)	69,625,000		
Deposits	101,625		
Liabilities under Split Interest Agreements			
Other Long-Term Liabilities			
Due to Component Units			
Notes and Loans Payable (noncurrent)			
Total Noncurrent Liabilities	69,726,625	0	0
<b>TOTAL LIABILITIES</b>	108,139,176	178,502	10,992
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	40,288,935		3,144
Restricted for			
Nonexpendable		1,335,372	84,061
Expendable		710,842	
Capital Projects			
Unrestricted	(22,908,559)	52,515	134,564
<b>TOTAL NET ASSETS</b>	\$17,380,376	\$2,098,729	\$221,769

# Statement of Net Assets, Continued

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF NET ASSETS June 30, 2007

	Component Units		
	Fort Valley State University Foundation, Inc.	Georgia College & State University Alumni Association, Inc.	Georgia College & State University Foundation, Inc.
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$1,022,497	\$252,756	\$5,214,397
Short-term Investments	797,234		
Accounts Receivable, net			
Receivables - Other			1,724
Due from Component Units			
Leases Receivable			4,130,286
Pledges Receivable		1,000	447,276
Contributions Receivable	176,131		
Due From Primary Government			25,621
Inventories		8,111	
Prepaid Items		1,748	167
Notes and Mortgages Receivable	65,412		
Other Assets			
Total Current Assets	2,061,274	263,615	9,819,471
<b>Noncurrent Assets</b>			
Noncurrent Cash	9,066,157		14,818,374
Short-Term Investments (noncurrent portion)			
Due from Component Units			
Due from Primary Government			
Investments (including real estate)	5,052,682	5,822,122	13,415,858
Notes Receivable, net	545,328		
Leases Receivable			185,930,136
Receivables Other			
Contributions Receivable	104,108		
Pledges Receivable			
Capital Assets, net	35,200,590	86,864	3,266,060
Other Assets	1,536,166	4,500	2,138,326
Total Noncurrent Assets	51,505,031	5,913,486	219,568,754
<b>TOTAL ASSETS</b>	53,566,305	6,177,101	229,388,225
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	173,856	1,199	397,861
Salaries Payable			
Contracts Payable	1,779,069		
Deposits			
Deferred Revenue			2,439,182
Other Liabilities			644,572
Deposits Held for Other Organizations			
Due to Primary Government	44,619		508,813
Lease Purchase Obligations (current portion)			
Compensated Absences (current portion)			
Revenue/Mortgage Bonds payable (current)			275,000
Liabilities under Split-Interest Agreements (current)			
Due to Component Units			
Notes and Loans Payable (current portion)	316,399		
Total Current Liabilities	2,313,943	1,199	4,265,428
<b>Noncurrent Liabilities</b>			
Due to Primary Government			
Lease Purchase Obligations (noncurrent)			
Deferred Revenue (noncurrent)			107,359,845
Compensated Absences (noncurrent)			
Revenue/Mortgage Bonds payable (noncurrent)	43,254,894		109,173,601
Deposits			
Liabilities under Split Interest Agreements			46,652
Other Long-Term Liabilities			
Due to Component Units			
Notes and Loans Payable (noncurrent)	1,160,916		2,670,957
Total Noncurrent Liabilities	44,415,810	0	219,251,055
<b>TOTAL LIABILITIES</b>	46,729,753	1,199	223,516,483
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	2,506,806	86,864	(11,682,982)
Restricted for			
Nonexpendable	2,572,835	4,208,367	10,186,200
Expendable	3,174,980	1,661,950	3,845,758
Capital Projects	110,881		
Unrestricted	(1,528,950)	218,721	3,522,766
<b>TOTAL NET ASSETS</b>	\$6,836,552	\$6,175,902	\$5,871,742

# Statement of Net Assets, Continued

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF NET ASSETS June 30, 2007

	Component Units		
	Georgia Southwestern Foundation, Inc.	GSW Research and Development Corp., Inc. (Ceased Operations)	Kennesaw State University Foundation, Inc.
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$2,409,502	\$0	\$2,365,529
Short-term Investments	1,421,133		
Accounts Receivable, net (note 3)			
Receivables - Other	73,237		184,563
Due from Component Units			
Leases Receivable			4,117,899
Pledges Receivable	287,030		614,778
Contributions Receivable			
Due From Primary Government			158,060
Inventories (note 4)	6,724		
Prepaid Items			576,246
Notes and Mortgages Receivable			288,867
Other Assets			275,692
Total Current Assets	4,197,626	0	8,581,634
<b>Noncurrent Assets</b>			
Noncurrent Cash	2,324,768		23,036,689
Short-Term Investments (noncurrent portion)			
Due from Component Units			
Due from Primary Government			
Investments (including real estate)	24,606,380		25,681,236
Notes Receivable, net			
Leases Receivable			80,104,849
Receivables Other			
Contributions Receivable			
Pledges Receivable	430,691		1,240,501
Capital Assets, net (note 6)	23,615,507		104,680,065
Other Assets	769,694		5,564,751
Total Noncurrent Assets	51,747,040	0	240,308,091
<b>TOTAL ASSETS</b>	<b>55,944,666</b>	<b>0</b>	<b>248,889,725</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	10,323		5,584,421
Salaries Payable			
Contracts Payable	610,840		
Deposits			95,105
Deferred Revenue (note 7)			3,768,170
Other Liabilities			
Deposits Held for Other Organizations			
Due to Primary Government	97,962		1,210,237
Lease Purchase Obligations (current portion)			
Compensated Absences (current portion)			
Revenue/Mortgage Bonds payable (current)	250,000		4,230,000
Liabilities under Split-Interest Agreements (current)			35,232
Due to Component Units			
Notes and Loans Payable (current portion)			2,220,615
Total Current Liabilities	969,125	0	17,143,780
<b>Noncurrent Liabilities (note 8)</b>			
Due to Primary Government			
Lease Purchase Obligations (noncurrent)			
Deferred Revenue (noncurrent)			35,372,341
Compensated Absences (noncurrent)			
Revenue/Mortgage Bonds payable (noncurrent)	26,983,914		177,560,167
Deposits			
Liabilities under Split Interest Agreements			188,652
Other Long-Term Liabilities			
Due to Component Units			
Notes and Loans Payable (noncurrent)			
Total Noncurrent Liabilities	26,983,914	0	213,121,160
<b>TOTAL LIABILITIES</b>	<b>27,953,039</b>	<b>0</b>	<b>230,264,940</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	(2,938,226)		(4,875,297)
Restricted for			
Nonexpendable	8,597,523		13,513,494
Expendable	5,651,170		7,412,490
Capital Projects			1,000,000
Unrestricted	16,681,160		1,574,098
<b>TOTAL NET ASSETS</b>	<b>\$27,991,627</b>	<b>\$0</b>	<b>\$18,624,785</b>

# Statement of Net Assets, Continued

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF NET ASSETS June 30, 2007

	Component Units		
	North Georgia College & State University Foundation, Inc.	Southern Polytechnic State University Foundation, Inc.	University of West Georgia Foundation, Inc.
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$98,450	\$498,996	\$2,940,063
Short-term Investments			5,019,626
Accounts Receivable, net			
Receivables - Other	565,754	964,485	64,311
Due from Component Units			
Leases Receivable	1,039,477	2,460,125	2,600,360
Pledges Receivable		83,859	853,198
Contributions Receivable			
Due From Primary Government	88,305		
Inventories			
Prepaid Items	103,078	3,944	
Notes and Mortgages Receivable			
Other Assets			
Total Current Assets	1,895,064	4,011,409	11,477,558
<b>Noncurrent Assets</b>			
Noncurrent Cash	29,822,875		
Short-Term Investments (noncurrent portion)		4,119,621	
Due from Component Units			
Due from Primary Government			
Investments (including real estate)	26,863,108	3,895,606	15,603,044
Notes Receivable, net			
Leases Receivable	27,907,664	49,915,259	50,431,527
Receivables Other			
Contributions Receivable	3,151,223		
Pledges Receivable		110,361	1,268,609
Capital Assets, net	3,718,551		6,170,270
Other Assets	1,056,767	517,247	1,085,985
Total Noncurrent Assets	92,520,188	58,558,094	74,559,435
<b>TOTAL ASSETS</b>	94,415,252	62,569,503	86,036,993
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	989,128	623,843	553,026
Salaries Payable			
Contracts Payable			
Deposits			
Deferred Revenue	777,634	1,683,490	1,860,559
Other Liabilities			
Deposits Held for Other Organizations			
Due to Primary Government	243,681		
Lease Purchase Obligations (current portion)			
Compensated Absences (current portion)			
Revenue/Mortgage Bonds payable (current)	555,000	900,000	839,743
Liabilities under Split-Interest Agreements (current)	2,500		
Due to Component Units			
Notes and Loans Payable (current portion)			5,700,000
Total Current Liabilities	2,567,943	3,207,333	8,953,328
<b>Noncurrent Liabilities</b>			
Due to Primary Government			
Lease Purchase Obligations (noncurrent)			
Deferred Revenue (noncurrent)	18,009,150	20,034,483	18,196,848
Compensated Absences (noncurrent)			
Revenue/Mortgage Bonds payable (noncurrent)	46,424,761	33,457,823	32,349,438
Deposits			
Liabilities under Split Interest Agreements	20,165		56,377
Other Long-Term Liabilities		551,896	
Due to Component Units			
Notes and Loans Payable (noncurrent)	300,873		395,000
Total Noncurrent Liabilities	64,754,949	54,044,202	50,997,663
<b>TOTAL LIABILITIES</b>	67,322,892	57,251,535	59,950,991
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	(2,576,749)		795,556
Restricted for			
Nonexpendable	22,131,247	2,008,952	10,145,595
Expendable	6,206,475	1,547,762	15,456,341
Capital Projects			
Unrestricted	1,331,387	1,761,254	(311,490)
<b>TOTAL NET ASSETS</b>	\$27,092,360	\$5,317,968	\$26,086,002

# Statement of Net Assets, Continued

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF NET ASSETS June 30, 2007

	Component Units		
	UWG Real Estate Foundation, Inc.	Abraham Baldwin Agricultural College Foundation, Inc.	Dalton State College Foundation, Inc.
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$4,105,470	\$2,418,828	\$778,631
Short-term Investments			
Accounts Receivable, net			
Receivables - Other	23,521	401,854	2,111
Due from Component Units			
Leases Receivable	1,760,000		
Pledges Receivable		487,042	2,163,635
Contributions Receivable			
Due From Primary Government	9,549	3,183	
Inventories			
Prepaid Items	1,981	1,812	160,268
Notes and Mortgages Receivable		14,225	
Other Assets			
Total Current Assets	5,900,521	3,326,944	3,104,645
<b>Noncurrent Assets</b>			
Noncurrent Cash		11,606,509	
Short-Term Investments (noncurrent portion)			
Due from Component Units			
Due from Primary Government			
Investments (including real estate)		7,488,636	12,471,910
Notes Receivable, net			
Leases Receivable	54,810,000		
Receivables Other			
Contributions Receivable			
Pledges Receivable		508,333	7,279,474
Capital Assets, net		38,305,273	4,878,531
Other Assets	758,838	2,323,437	34,292
Total Noncurrent Assets	55,568,838	60,232,188	24,664,207
<b>TOTAL ASSETS</b>	61,469,359	63,559,132	27,768,852
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	582,741	1,566,340	82,350
Salaries Payable			
Contracts Payable			
Deposits			16,564
Deferred Revenue	1,559,051	190,720	
Other Liabilities			
Deposits Held for Other Organizations			
Due to Primary Government	50	423,875	17,112
Lease Purchase Obligations (current portion)			
Compensated Absences (current portion)			
Revenue/Mortgage Bonds payable (current)	367,476	785,000	
Liabilities under Split-Interest Agreements (current)			
Due to Component Units			
Notes and Loans Payable (current portion)		128,253	47,717
Total Current Liabilities	2,509,318	3,094,188	163,743
<b>Noncurrent Liabilities</b>			
Due to Primary Government			
Lease Purchase Obligations (noncurrent)			
Deferred Revenue (noncurrent)	26,738,400		
Compensated Absences (noncurrent)			
Revenue/Mortgage Bonds payable (noncurrent)	30,555,424	47,450,847	
Deposits			
Liabilities under Split Interest Agreements			
Other Long-Term Liabilities			
Due to Component Units			
Notes and Loans Payable (noncurrent)		656,822	2,377,228
Total Noncurrent Liabilities	57,293,824	48,107,669	2,377,228
<b>TOTAL LIABILITIES</b>	59,803,142	51,201,857	2,540,971
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	249,246	1,058,101	2,453,586
Restricted for			
Nonexpendable		7,199,767	8,627,546
Expendable		3,570,234	2,015,132
Capital Projects			
Unrestricted	1,416,971	529,173	12,131,617
<b>TOTAL NET ASSETS</b>	\$1,666,217	\$12,357,275	\$25,227,881

# Statement of Net Assets, Continued

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF NET ASSETS June 30, 2007

	Component Units		
	Gainesville State College Foundation, Inc.	Gordon College Foundation	Macon State College Foundation, Inc.
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents		\$122,528	\$252,334
Short-term Investments		5,318,636	
Accounts Receivable, net			
Receivables - Other	2,975		
Due from Component Units			
Leases Receivable			
Pledges Receivable	290,806		233,117
Contributions Receivable			
Due From Primary Government			
Inventories			
Prepaid Items			10,000
Notes and Mortgages Receivable			
Other Assets			
Total Current Assets	293,781	5,441,164	495,451
<b>Noncurrent Assets</b>			
Noncurrent Cash	105,240	2,950,000	
Short-Term Investments (noncurrent portion)			
Due from Component Units			
Due from Primary Government			
Investments (including real estate)	11,768,732	688,000	7,673,396
Notes Receivable, net			
Leases Receivable			
Receivables Other			
Contributions Receivable			
Pledges Receivable			317,550
Capital Assets, net	8,400	12,708,215	
Other Assets			
Total Noncurrent Assets	11,882,372	16,346,215	7,990,946
<b>TOTAL ASSETS</b>	12,176,153	21,787,379	8,486,397
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable		295,708	78,667
Salaries Payable			
Contracts Payable			
Deposits			
Deferred Revenue			
Other Liabilities			
Deposits Held for Other Organizations			
Due to Primary Government			
Lease Purchase Obligations (current portion)			
Compensated Absences (current portion)			
Revenue/Mortgage Bonds payable (current)		405,000	
Liabilities under Split-Interest Agreements (current)		10,486	
Due to Component Units			
Notes and Loans Payable (current portion)			
Total Current Liabilities	0	711,194	78,667
<b>Noncurrent Liabilities</b>			
Due to Primary Government			
Lease Purchase Obligations (noncurrent)			
Deferred Revenue (noncurrent)			
Compensated Absences (noncurrent)			
Revenue/Mortgage Bonds payable (noncurrent)		14,694,554	
Deposits			
Liabilities under Split Interest Agreements		46,763	
Other Long-Term Liabilities			
Due to Component Units			
Notes and Loans Payable (noncurrent)			
Total Noncurrent Liabilities	0	14,741,317	0
<b>TOTAL LIABILITIES</b>	0	15,452,511	78,667
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	8,400	(445,204)	
Restricted for			
Nonexpendable	3,180,824	86,843	7,066,742
Expendable	7,580,240		775,224
Capital Projects			
Unrestricted	1,406,689	6,693,229	565,764
<b>TOTAL NET ASSETS</b>	\$12,176,153	\$6,334,868	\$8,407,730



# Statement of Net Assets, Continued

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF NET ASSETS June 30, 2007

	Component Units		
	Middle Georgia College Foundation, Inc.	Bainbridge College Foundation	Coastal Georgia Community College Foundation, Inc.
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$54,358	\$39,492	\$1,059,229
Short-term Investments	350,000	107,693	
Accounts Receivable, net			
Receivables - Other	10,471		
Due from Component Units			
Leases Receivable	266,860		
Pledges Receivable			
Contributions Receivable			69,451
Due From Primary Government			
Inventories			
Prepaid Items			
Notes and Mortgages Receivable			
Other Assets			
Total Current Assets	681,689	147,185	1,128,680
<b>Noncurrent Assets</b>			
Noncurrent Cash	5,718,415		
Short-Term Investments (noncurrent portion)			
Due from Component Units			
Due from Primary Government			
Investments (including real estate)	848,396		7,482,670
Notes Receivable, net			
Leases Receivable	21,703,531		
Receivables Other			
Contributions Receivable			8,586
Pledges Receivable			
Capital Assets, net	11,023,575		
Other Assets	640,771		
Total Noncurrent Assets	39,934,688	0	7,491,256
<b>TOTAL ASSETS</b>	40,616,377	147,185	8,619,936
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	2,191,523		
Salaries Payable			
Contracts Payable			
Deposits			
Deferred Revenue			
Other Liabilities			
Deposits Held for Other Organizations			
Due to Primary Government	18,959		
Lease Purchase Obligations (current portion)			
Compensated Absences (current portion)			
Revenue/Mortgage Bonds payable (current)			
Liabilities under Split-Interest Agreements (current)			
Due to Component Units			
Notes and Loans Payable (current portion)			
Total Current Liabilities	2,210,482	0	0
<b>Noncurrent Liabilities</b>			
Due to Primary Government			
Lease Purchase Obligations (noncurrent)			
Deferred Revenue (noncurrent)	11,193,535		
Compensated Absences (noncurrent)			
Revenue/Mortgage Bonds payable (noncurrent)	26,850,000		
Deposits			
Liabilities under Split Interest Agreements			
Other Long-Term Liabilities			
Due to Component Units			
Notes and Loans Payable (noncurrent)			
Total Noncurrent Liabilities	38,043,535	0	0
<b>TOTAL LIABILITIES</b>	40,254,017	0	0
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	1,309,617		
Restricted for			
Nonexpendable	802,928	107,693	4,284,665
Expendable	471,250	39,492	1,212,101
Capital Projects			849,351
Unrestricted	(2,221,435)		2,273,819
<b>TOTAL NET ASSETS</b>	\$362,360	\$147,185	\$8,619,936

# Statement of Net Assets, Continued

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF NET ASSETS June 30, 2007

	Component Units		
	Darton College Foundation	East Georgia College Foundation	Georgia Highlands College Foundation, Inc.
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$130,661	\$101,350	\$480,483
Short-term Investments	435,099	39,233	
Accounts Receivable, net			
Receivables - Other		1,565	7,176
Due from Component Units			
Leases Receivable			
Pledges Receivable	140,103	34,130	5,095
Contributions Receivable			
Due From Primary Government			
Inventories			
Prepaid Items	453	5,000	
Notes and Mortgages Receivable			
Other Assets			
Total Current Assets	706,316	181,278	492,754
<b>Noncurrent Assets</b>			
Noncurrent Cash	155,636		
Short-Term Investments (noncurrent portion)			
Due from Component Units			
Due from Primary Government			
Investments (including real estate)	1,088,379	879,080	752,755
Notes Receivable, net			
Leases Receivable			
Receivables Other			
Contributions Receivable			
Pledges Receivable	159,556		62,205
Capital Assets, net	660,331	168,600	
Other Assets		118,572	
Total Noncurrent Assets	2,063,902	1,166,252	814,960
<b>TOTAL ASSETS</b>	2,770,218	1,347,530	1,307,714
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable			
Salaries Payable			
Contracts Payable			
Deposits			
Deferred Revenue			2,800
Other Liabilities			
Deposits Held for Other Organizations			
Due to Primary Government		1,100	
Lease Purchase Obligations (current portion)			
Compensated Absences (current portion)			
Revenue/Mortgage Bonds payable (current)			
Liabilities under Split-Interest Agreements (current)			
Due to Component Units			
Notes and Loans Payable (current portion)			
Total Current Liabilities	0	1,100	2,800
<b>Noncurrent Liabilities</b>			
Due to Primary Government			
Lease Purchase Obligations (noncurrent)			
Deferred Revenue (noncurrent)			
Compensated Absences (noncurrent)			
Revenue/Mortgage Bonds payable (noncurrent)			
Deposits			
Liabilities under Split Interest Agreements			
Other Long-Term Liabilities			
Due to Component Units			
Notes and Loans Payable (noncurrent)			
Total Noncurrent Liabilities	0	0	0
<b>TOTAL LIABILITIES</b>	0	1,100	2,800
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	660,331	168,600	
Restricted for			
Nonexpendable	1,094,832		471,044
Expendable	388,666	1,011,156	731,394
Capital Projects	551,851		
Unrestricted	74,538	166,674	102,476
<b>TOTAL NET ASSETS</b>	\$2,770,218	\$1,346,430	\$1,304,914

# Statement of Net Assets, Continued

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF NET ASSETS June 30, 2007

	Component Units		
	Georgia Perimeter College Foundation, Inc.	South Georgia College Foundation, Inc.	Waycross College Foundation, Inc.
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$113,380	\$129,080	\$140,207
Short-term Investments			
Accounts Receivable, net			
Receivables - Other		31,893	
Due from Component Units			
Leases Receivable			
Pledges Receivable			1,820
Contributions Receivable			
Due From Primary Government			
Inventories			
Prepaid Items			63
Notes and Mortgages Receivable			
Other Assets			581
Total Current Assets	113,380	160,973	142,671
<b>Noncurrent Assets</b>			
Noncurrent Cash	14,211,732	7,474,284	
Short-Term Investments (noncurrent portion)		30,500	
Due from Component Units			
Due from Primary Government			
Investments (including real estate)	992,993	2,843,579	1,508,728
Notes Receivable, net			
Leases Receivable			
Receivables Other	49,237		
Contributions Receivable			
Pledges Receivable			
Capital Assets, net	16,334,171	8,214,375	
Other Assets	713,350	229,807	
Total Noncurrent Assets	32,301,483	18,792,545	1,508,728
<b>TOTAL ASSETS</b>	<b>32,414,863</b>	<b>18,953,518</b>	<b>1,651,399</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	1,219,001	145,875	3,070
Salaries Payable			
Contracts Payable	1,009,660		
Deposits			
Deferred Revenue			
Other Liabilities			
Deposits Held for Other Organizations			
Due to Primary Government			4,498
Lease Purchase Obligations (current portion)			
Compensated Absences (current portion)			
Revenue/Mortgage Bonds payable (current)	104,499		
Liabilities under Split-Interest Agreements (current)			
Due to Component Units			
Notes and Loans Payable (current portion)			
Total Current Liabilities	2,333,160	145,875	7,568
<b>Noncurrent Liabilities</b>			
Due to Primary Government			
Lease Purchase Obligations (noncurrent)			
Deferred Revenue (noncurrent)			
Compensated Absences (noncurrent)			
Revenue/Mortgage Bonds payable (noncurrent)	25,140,501	15,801,289	
Deposits			
Liabilities under Split Interest Agreements			
Other Long-Term Liabilities			
Due to Component Units			
Notes and Loans Payable (noncurrent)			
Total Noncurrent Liabilities	25,140,501	15,801,289	0
<b>TOTAL LIABILITIES</b>	<b>27,473,661</b>	<b>15,947,164</b>	<b>7,568</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	6,010,253	117,177	
Restricted for			
Nonexpendable	3,447,645	2,211,518	1,394,394
Expendable	691,853	162,165	112,451
Capital Projects			
Unrestricted	(5,208,549)	515,494	136,986
<b>TOTAL NET ASSETS</b>	<b>\$4,941,202</b>	<b>\$3,006,354</b>	<b>\$1,643,831</b>

# Statement of Revenues, Expenses and Changes in Net Assets

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS June 30, 2007

	<b>University System of Georgia (Primary Government)</b>
<b>REVENUES</b>	
Operating Revenues	
Student Tuition and Fees (net of allowance for doubtful accounts)	\$1,063,824,053
Less: Scholarship Allowances	(224,819,640)
Federal Appropriations	17,390,952
Grants and Contracts	
Federal	685,601,962
State	246,512,571
Other	366,223,916
Sales and Services	115,843,964
Rents and Royalties	3,389,796
Auxiliary Enterprises	
Residence Halls	165,294,183
Bookstore	74,162,522
Food Services	92,693,547
Parking/Transportation	46,986,024
Health Services	34,669,448
Intercollegiate Athletics	62,605,265
Other Organizations	24,494,615
Other Operating Revenues	78,092,150
Total Operating Revenues	<u>2,852,965,328</u>
<b>EXPENSES</b>	
Operating Expenses	
Salaries:	
Faculty	966,937,670
Staff	1,422,502,008
Employee Benefits	374,101,861
Other Personal Services	9,738,156
Travel	52,492,493
Scholarships and Fellowships	176,531,980
Utilities	163,640,176
Supplies and Other Services	1,433,640,624
Depreciation	271,884,257
Total Operating Expenses	<u>4,871,469,225</u>
Operating Income (loss)	<u>(2,018,503,897)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
State Appropriations	1,931,813,311
Grants and Contracts	
Federal	18,234,832
State	2,147,585
Other	44,151,430
Gifts	63,500,857
Investment Income (endowments, auxiliary and other)	59,319,097
Interest Expense (capital assets)	(54,320,871)
Other Nonoperating Revenues	4,915,332
Net Nonoperating Revenues	<u>2,069,761,573</u>
Income before other revenues, expenses, gains, losses and transfers	<u>51,257,676</u>
Capital Grants and Gifts	
State	197,794,495
Other	24,316,821
Special Item Transfers	48,295
Total other revenues, expenses, gains, losses and transfers	<u>222,159,611</u>
Increase in Net Assets	<u>273,417,287</u>
<b>NET ASSETS</b>	
Net Assets-beginning of year, as originally reported	4,376,286,986
Prior Year Adjustments	4,984,508
Net Assets-beginning of year, restated	<u>4,381,271,494</u>
Net Assets-End of Year	<u>\$4,654,688,781</u>

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

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS June 30, 2007

	Component Units		
	Georgia Tech Foundation, Inc.	Georgia Tech Athletic Association	Georgia Tech Research Corporation
<b>REVENUES</b>			
Operating Revenues			
Gifts and Contributions	\$52,201,244	\$5,498,256	\$0
Endowment Income (per spending plan)	44,200,000		
Grants and Contracts			
Federal			238,042,766
State			11,163,981
Other			102,613,448
Sales and Services	258,189	27,998,723	
Rents and Royalties	16,802,000	7,127,049	6,758,668
Auxiliary Enterprises			
Residence Halls			
Intercollegiate Athletics			
Clinical and Patient Fees			
Net Patient Service Revenue			
Realized/Unrealized Gains (Losses)			
Interest and Dividend Income			
Other Operating Revenues	198,339		88,842
Total Operating Revenues	<u>113,659,772</u>	<u>40,624,028</u>	<u>358,667,705</u>
<b>EXPENSES</b>			
Operating Expenses			
Salaries:			
Faculty			
Staff	2,006,945	12,949,266	
Employee Benefits	371,323	2,700,887	
Other Personal Services	51,852		
Travel	71,782	2,671,449	56,965
Scholarships and Fellowships		6,267,728	
Utilities	3,598		
Supplies and Other Services	1,510,416	6,242,259	5,191,222
Depreciation	2,134,160	4,608,768	516,883
Other Operating Expense			
Payments to Other Component Units	9,852,439		
Payments to or on behalf of College/University	84,566,420	8,519,343	348,934,399
Total Operating Expenses	<u>100,568,935</u>	<u>43,959,700</u>	<u>354,699,469</u>
Operating Income (loss)	<u>13,090,837</u>	<u>(3,335,672)</u>	<u>3,968,236</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State Appropriations			
Grants and Contracts			
Federal			
State			
Gifts		4,810,707	
Investment Income (endowments, auxiliary and other)	178,686,420	14,235,900	1,453,172
Interest Income			
Interest Expense (capital assets)	(15,419,272)	(6,160,868)	
Combined Margin Allocation			
Other Nonoperating Revenues			
Net Nonoperating Revenues	<u>163,267,148</u>	<u>12,885,739</u>	<u>1,453,172</u>
Income before other revenues, expenses, gains, or losses	<u>176,357,985</u>	<u>9,550,067</u>	<u>5,421,408</u>
Capital Grants and Gifts			
Federal			
Other			240,735
Loss on Bond Retirement			
Additions to permanent endowments	27,948,000	2,797,004	
Total Other Revenues, Expenses, Gains or Losses	<u>27,948,000</u>	<u>2,797,004</u>	<u>240,735</u>
Increase in Net Assets	<u>204,305,985</u>	<u>12,347,071</u>	<u>5,662,143</u>
<b>NET ASSETS</b>			
Net Assets-beginning of year, as originally reported	996,956,000	67,129,927	35,412,401
Prior Year Adjustments			
Net Assets-beginning of year, restated	<u>996,956,000</u>	<u>67,129,927</u>	<u>35,412,401</u>
Net Assets-End of Year	<u>\$1,201,261,985</u>	<u>\$79,476,998</u>	<u>\$41,074,544</u>

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

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS June 30, 2007

	Component Units		
	Georgia Advanced Technology Ventures, Inc.	Georgia Tech Facilities, Inc.	Georgia Tech Alumni Association
<b>REVENUES</b>			
Operating Revenues			
Gifts and Contributions	\$127,621	\$0	\$4,112,305
Endowment Income (per spending plan)			
Grants and Contracts			
Federal			
State	34,647		
Other			
Sales and Services	360,887	232,000	1,078,624
Rents and Royalties	8,919,094	12,998,000	810,380
Auxiliary Enterprises			
Residence Halls			
Intercollegiate Athletics			
Clinical and Patient Fees			
Net Patient Service Revenue			
Realized/Unrealized Gains (Losses)			
Interest and Dividend Income			83,971
Other Operating Revenues	728,320	8,000	194,742
Total Operating Revenues	<u>10,170,569</u>	<u>13,238,000</u>	<u>6,280,022</u>
<b>EXPENSES</b>			
Operating Expenses			
Salaries:			
Faculty			
Staff	46,811		3,090,420
Employee Benefits	14,379		774,702
Other Personal Services			
Travel			312,273
Scholarships and Fellowships			62,405
Utilities	415,766		
Supplies and Other Services	5,361,477	480,000	1,364,741
Depreciation	1,892,310	60,000	126,232
Other Operating Expense		159,000	
Payments to Other Component Units			
Payments to or on behalf of College/University	237,946	363,000	797,602
Total Operating Expenses	<u>7,968,689</u>	<u>1,062,000</u>	<u>6,528,375</u>
Operating Income (loss)	<u>2,201,880</u>	<u>12,176,000</u>	<u>(248,353)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State Appropriations			
Grants and Contracts			
Federal			
State			
Gifts			
Investment Income (endowments, auxiliary and other)	59,014	1,585,000	
Interest Income			
Interest Expense (capital assets)	(4,420,878)	(6,677,000)	
Combined Margin Allocation			
Other Nonoperating Revenues			
Net Nonoperating Revenues	<u>(4,361,864)</u>	<u>(5,092,000)</u>	<u>0</u>
Income before other revenues, expenses, gains, or losses	<u>(2,159,984)</u>	<u>7,084,000</u>	<u>(248,353)</u>
Capital Grants and Gifts			
Federal			
Other			
Loss on Bond Retirement			
Additions to permanent endowments			
Total Other Revenues, Expenses, Gains or Losses	<u>0</u>	<u>0</u>	<u>0</u>
Increase in Net Assets	<u>(2,159,984)</u>	<u>7,084,000</u>	<u>(248,353)</u>
<b>NET ASSETS</b>			
Net Assets-beginning of year, as originally reported	18,379,648	3,715,000	768,812
Prior Year Adjustments	821,522	(4,400,000)	
Net Assets-beginning of year, restated	<u>19,201,170</u>	<u>(685,000)</u>	<u>768,812</u>
Net Assets-End of Year	<u>\$17,041,186</u>	<u>\$6,399,000</u>	<u>\$520,459</u>

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

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS June 30, 2007

	Component Units		
	Georgia State University Foundation, Inc.	Georgia State University Research Foundation, Inc.	MCG Health, Inc.
<b>REVENUES</b>			
Operating Revenues			
Gifts and Contributions	\$7,653,144	\$0	\$0
Endowment Income (per spending plan)	3,221,449		
Grants and Contracts			
Federal		34,058,822	
State		6,968,377	
Other		12,395,098	
Sales and Services			4,431,135
Rents and Royalties	11,428,169		687,968
Auxiliary Enterprises			
Residence Halls			
Intercollegiate Athletics			
Clinical and Patient Fees			
Net Patient Service Revenue			340,867,183
Realized/Unrealized Gains (Losses)			
Interest and Dividend Income			
Other Operating Revenues	66,673		
Total Operating Revenues	<u>22,369,435</u>	<u>53,422,297</u>	<u>345,986,286</u>
<b>EXPENSES</b>			
Operating Expenses			
Salaries:			
Faculty			154,528,150
Staff	1,909,300		
Employee Benefits	302,416		42,277,612
Other Personal Services			33,225,247
Travel	1,275,020		729,066
Scholarships and Fellowships	2,056,693		
Utilities			4,106,398
Supplies and Other Services	8,056,414	1,889,947	115,842,331
Depreciation	2,415,675	91,700	16,929,890
Other Operating Expense			
Payments to Other Component Units			
Payments to or on behalf of College/University	12,158,055	50,924,581	
Total Operating Expenses	<u>28,173,573</u>	<u>52,906,228</u>	<u>367,638,694</u>
Operating Income (loss)	<u>(5,804,138)</u>	<u>516,069</u>	<u>(21,652,408)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State Appropriations			32,272,644
Grants and Contracts			
Federal			1,144,056
State			3,767,797
Gifts			
Investment Income (endowments, auxiliary and other)	13,719,459	1,343,645	8,472,852
Interest Income			
Interest Expense (capital assets)	(1,124,425)		(749,474)
Combined Margin Allocation			(9,921,362)
Other Nonoperating Revenues			(182,530)
Net Nonoperating Revenues	<u>12,595,034</u>	<u>1,343,645</u>	<u>34,803,983</u>
Income before other revenues, expenses, gains, or losses	<u>6,790,896</u>	<u>1,859,714</u>	<u>13,151,575</u>
Capital Grants and Gifts			
Federal			
Other			
Loss on Bond Retirement			
Additions to permanent endowments	4,195,614		
Total Other Revenues, Expenses, Gains or Losses	<u>4,195,614</u>	<u>0</u>	<u>0</u>
Increase in Net Assets	<u>10,986,510</u>	<u>1,859,714</u>	<u>13,151,575</u>
<b>NET ASSETS</b>			
Net Assets-beginning of year, as originally reported	144,670,935	16,383,581	222,885,715
Prior Year Adjustments	(4,169,656)		
Net Assets-beginning of year, restated	<u>140,501,279</u>	<u>16,383,581</u>	<u>222,885,715</u>
Net Assets-End of Year	<u>\$151,487,789</u>	<u>\$18,243,295</u>	<u>\$236,037,290</u>

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

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS June 30, 2007

	Component Units		
	Medical College of Georgia Foundation, Inc.	Medical College of Georgia PPG Foundation	Medical College of Georgia Research Institute, Inc.
<b>REVENUES</b>			
Operating Revenues			
Gifts and Contributions	\$4,151,505	\$0	\$0
Endowment Income (per spending plan)	869,252		
Grants and Contracts			
Federal			44,246,970
State			
Other			9,990,955
Sales and Services			66,336
Rents and Royalties	848,880	2,170,994	341,634
Auxiliary Enterprises			
Residence Halls			
Intercollegiate Athletics			
Clinical and Patient Fees			
Net Patient Service Revenue		88,596,411	
Realized/Unrealized Gains (Losses)	(28,276)		
Interest and Dividend Income	1,920,004		
Other Operating Revenues	101,792		
Total Operating Revenues	<u>7,863,157</u>	<u>90,767,405</u>	<u>54,645,895</u>
<b>EXPENSES</b>			
Operating Expenses			
Salaries:			
Faculty			
Staff	477,802	10,018,388	
Employee Benefits	225,327	12,290,439	
Other Personal Services			
Travel		1,324,192	
Scholarships and Fellowships		374,460	
Utilities		54,221	
Supplies and Other Services	120,911	7,556,246	3,054,176
Depreciation	207,960	690,427	5,735
Other Operating Expense			
Payments to Other Component Units		4,592,488	
Payments to or on behalf of College/University	7,755,156	53,938,061	51,160,531
Total Operating Expenses	<u>8,787,156</u>	<u>90,838,922</u>	<u>54,220,442</u>
Operating Income (loss)	<u>(923,999)</u>	<u>(71,517)</u>	<u>425,453</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State Appropriations			
Grants and Contracts			
Federal			
State			
Gifts			
Investment Income (endowments, auxiliary and other)	20,076,599	4,929,839	
Interest Income		1,423,412	300,523
Interest Expense (capital assets)		(1,475,325)	
Combined Margin Allocation			
Other Nonoperating Revenues		338	
Net Nonoperating Revenues	<u>20,076,599</u>	<u>4,878,264</u>	<u>300,523</u>
Income before other revenues, expenses, gains, or losses	<u>19,152,600</u>	<u>4,806,747</u>	<u>725,976</u>
Capital Grants and Gifts			
Federal			
Other			
Loss on Bond Retirement			
Additions to permanent endowments	2,057,166		
Total Other Revenues, Expenses, Gains or Losses	<u>2,057,166</u>	<u>0</u>	<u>0</u>
Increase in Net Assets	<u>21,209,766</u>	<u>4,806,747</u>	<u>725,976</u>
<b>NET ASSETS</b>			
Net Assets-beginning of year, as originally reported	128,738,294	55,941,091	5,051,214
Prior Year Adjustments			
Net Assets-beginning of year, restated	<u>128,738,294</u>	<u>55,941,091</u>	<u>5,051,214</u>
Net Assets-End of Year	<u>\$149,948,060</u>	<u>\$60,747,838</u>	<u>\$5,777,190</u>



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

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS June 30, 2007

	Component Units		
	Medical College of Georgia Dental Foundation	University of Georgia Foundation	University of Georgia Athletic Association, Inc.
<b>REVENUES</b>			
Operating Revenues			
Gifts and Contributions	\$0	\$12,274,134	\$0
Endowment Income (per spending plan)		17,900,723	
Grants and Contracts			
Federal			
State			
Other	287,855		
Sales and Services		5,185,587	
Rents and Royalties		17,765,154	
Auxiliary Enterprises			
Residence Halls			
Intercollegiate Athletics			71,532,102
Clinical and Patient Fees	4,848,702		
Net Patient Service Revenue			
Realized/Unrealized Gains (Losses)			
Interest and Dividend Income			
Other Operating Revenues			
Total Operating Revenues	5,136,557	53,125,598	71,532,102
<b>EXPENSES</b>			
Operating Expenses			
Salaries:			
Faculty			
Staff	1,417,822	592,823	
Employee Benefits	91,182	71,347	
Other Personal Services	5,808		
Travel	40,382	355,942	3,428,884
Scholarships and Fellowships			
Utilities		171,560	
Supplies and Other Services	2,535,125	5,816,781	19,359,289
Depreciation		5,753,220	5,249,889
Other Operating Expense			
Payments to Other Component Units		799,745	83,147
Payments to or on behalf of College/University	1,209,820	20,115,391	25,899,753
Total Operating Expenses	5,300,139	33,676,809	54,020,962
Operating Income (loss)	(163,582)	19,448,789	17,511,140
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State Appropriations			
Grants and Contracts			
Federal			
State			
Gifts			101,248
Investment Income (endowments, auxiliary and other)	220,887	85,598,712	3,049,029
Interest Income			
Interest Expense (capital assets)		(7,131,797)	(3,698,892)
Combined Margin Allocation			
Other Nonoperating Revenues			(83,376)
Net Nonoperating Revenues	220,887	78,466,915	(631,991)
Income before other revenues, expenses, gains, or losses	57,305	97,915,704	16,879,149
Capital Grants and Gifts			
Federal			
Other			
Loss on Bond Retirement			
Additions to permanent endowments		15,402,622	
Total Other Revenues, Expenses, Gains or Losses	0	15,402,622	0
Increase in Net Assets	57,305	113,318,326	16,879,149
<b>NET ASSETS</b>			
Net Assets-beginning of year, as originally reported	133,074	544,989,158	122,530,021
Prior Year Adjustments			
Net Assets-beginning of year, restated	133,074	544,989,158	122,530,021
Net Assets-End of Year	\$190,379	\$658,307,484	\$139,409,170

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

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS June 30, 2007

	Component Units		
	Arch Foundation for the University of Georgia, Inc.	University of Georgia Research Foundation, Inc.	Georgia Southern University Foundation, Inc.
<b>REVENUES</b>			
Operating Revenues			
Gifts and Contributions	\$20,965,309	\$0	\$1,933,715
Endowment Income (per spending plan)	952,065		5,197,288
Grants and Contracts			
Federal			
State			
Other		118,557,298	
Sales and Services	4,258,404	318,185	
Rents and Royalties		16,232,119	167,872
Auxiliary Enterprises			
Residence Halls			
Intercollegiate Athletics			
Clinical and Patient Fees			
Net Patient Service Revenue			
Realized/Unrealized Gains (Losses)			
Interest and Dividend Income			
Other Operating Revenues		1,070	177,208
Total Operating Revenues	26,175,778	135,108,672	7,476,083
<b>EXPENSES</b>			
Operating Expenses			
Salaries:			
Faculty			
Staff			
Employee Benefits			
Other Personal Services			
Travel	43,215		136,206
Scholarships and Fellowships			
Utilities			
Supplies and Other Services	1,092,449	10,857,008	564,619
Depreciation		46,082	1,667
Other Operating Expense			
Payments to Other Component Units			
Payments to or on behalf of College/University	3,708,541	119,723,520	3,347,366
Total Operating Expenses	4,844,205	130,626,610	4,049,858
Operating Income (loss)	21,331,573	4,482,062	3,426,225
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State Appropriations			
Grants and Contracts			
Federal			
State			
Gifts			
Investment Income (endowments, auxiliary and other)	1,449,725	4,611,236	1,128,576
Interest Income			
Interest Expense (capital assets)			
Combined Margin Allocation			
Other Nonoperating Revenues			
Net Nonoperating Revenues	1,449,725	4,611,236	1,128,576
Income before other revenues, expenses, gains, or losses	22,781,298	9,093,298	4,554,801
Capital Grants and Gifts			
Federal			
Other			
Loss on Bond Retirement			
Additions to permanent endowments	7,218,476		1,235,623
Total Other Revenues, Expenses, Gains or Losses	7,218,476	0	1,235,623
Increase in Net Assets	29,999,774	9,093,298	5,790,424
<b>NET ASSETS</b>			
Net Assets-beginning of year, as originally reported	41,522,962	28,483,031	40,416,350
Prior Year Adjustments			
Net Assets-beginning of year, restated	41,522,962	28,483,031	40,416,350
Net Assets-End of Year	\$71,522,736	\$37,576,329	\$46,206,774

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

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS June 30, 2007

	Component Units		
	Georgia Southern University Housing Foundation, Inc.	(Georgia Southern University) Southern Boosters, Inc.	Georgia Southern University Research and Service Foundation, Inc.
<b>REVENUES</b>			
Operating Revenues			
Gifts and Contributions	\$0	\$1,472,548	\$0
Endowment Income (per spending plan)			
Grants and Contracts			
Federal			4,928,689
State			77,630
Other			560,253
Sales and Services		35,175	
Rents and Royalties	6,549,416	175,750	
Auxiliary Enterprises			
Residence Halls			
Intercollegiate Athletics			
Clinical and Patient Fees			
Net Patient Service Revenue			
Realized/Unrealized Gains (Losses)			
Interest and Dividend Income			
Other Operating Revenues	122,500	129,916	
Total Operating Revenues	<u>6,671,916</u>	<u>1,813,389</u>	<u>5,566,572</u>
<b>EXPENSES</b>			
Operating Expenses			
Salaries:			
Faculty			
Staff			
Employee Benefits			
Other Personal Services			
Travel			
Scholarships and Fellowships	1,487		
Utilities			
Supplies and Other Services		799,680	68,299
Depreciation	59,686	18,820	
Other Operating Expense			
Payments to Other Component Units			
Payments to or on behalf of College/University		901,176	5,469,335
Total Operating Expenses	<u>61,173</u>	<u>1,719,676</u>	<u>5,537,634</u>
Operating Income (loss)	<u>6,610,743</u>	<u>93,713</u>	<u>28,938</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State Appropriations			
Grants and Contracts			
Federal			
State			
Gifts			
Investment Income (endowments, auxiliary and other)	70,266	48,638	63,105
Interest Income			
Interest Expense (capital assets)	(3,268,723)	(49,755)	
Combined Margin Allocation			
Other Nonoperating Revenues	77,156		
Net Nonoperating Revenues	<u>(3,121,301)</u>	<u>(1,117)</u>	<u>63,105</u>
Income before other revenues, expenses, gains, or losses	<u>3,489,442</u>	<u>92,596</u>	<u>92,043</u>
Capital Grants and Gifts			
Federal			
Other			
Loss on Bond Retirement			
Additions to permanent endowments			
Total Other Revenues, Expenses, Gains or Losses	<u>0</u>	<u>0</u>	<u>0</u>
Increase in Net Assets	<u>3,489,442</u>	<u>92,596</u>	<u>92,043</u>
<b>NET ASSETS</b>			
Net Assets-beginning of year, as originally reported	979,062	3,251,497	530,800
Prior Year Adjustments			(240,514)
Net Assets-beginning of year, restated	<u>979,062</u>	<u>3,251,497</u>	<u>290,286</u>
Net Assets-End of Year	<u>\$4,468,504</u>	<u>\$3,344,093</u>	<u>\$382,329</u>

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

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS June 30, 2007

	Component Units		
	Valdosta State University Foundation	Albany State University Foundation, Inc.	Armstrong Atlantic State University Foundation, Inc.
<b>REVENUES</b>			
Operating Revenues			
Gifts and Contributions	\$977,566	\$582,334	\$2,322,894
Endowment Income (per spending plan)	693,390		518,592
Grants and Contracts			
Federal			
State			
Other			
Sales and Services	559,790	360,260	
Rents and Royalties	3,188,603		
Auxiliary Enterprises			
Residence Halls			
Intercollegiate Athletics			
Clinical and Patient Fees			
Net Patient Service Revenue			
Realized/Unrealized Gains (Losses)			
Interest and Dividend Income			
Other Operating Revenues	81,884		
Total Operating Revenues	<u>5,501,233</u>	<u>942,594</u>	<u>2,841,486</u>
<b>EXPENSES</b>			
Operating Expenses			
Salaries:			
Faculty			
Staff			449,223
Employee Benefits			
Other Personal Services			
Travel			
Scholarships and Fellowships		349,761	
Utilities			
Supplies and Other Services	830,257	420,916	921,109
Depreciation	938,685	524,196	
Other Operating Expense			
Payments to Other Component Units			
Payments to or on behalf of College/University	1,976,418		468,795
Total Operating Expenses	<u>3,745,360</u>	<u>1,294,873</u>	<u>1,839,127</u>
Operating Income (loss)	<u>1,755,873</u>	<u>(352,279)</u>	<u>1,002,359</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State Appropriations			
Grants and Contracts			
Federal			
State			
Gifts			
Investment Income (endowments, auxiliary and other)	1,501,725	469,779	86,639
Interest Income			
Interest Expense (capital assets)	(1,419,065)	(1,790,808)	
Combined Margin Allocation			
Other Nonoperating Revenues		70,000	
Net Nonoperating Revenues	<u>82,660</u>	<u>(1,251,029)</u>	<u>86,639</u>
Income before other revenues, expenses, gains, or losses	<u>1,838,533</u>	<u>(1,603,308)</u>	<u>1,088,998</u>
Capital Grants and Gifts			
Federal			
Other			
Loss on Bond Retirement			
Additions to permanent endowments	764,813		130,481
Total Other Revenues, Expenses, Gains or Losses	<u>764,813</u>	<u>0</u>	<u>130,481</u>
Increase in Net Assets	<u>2,603,346</u>	<u>(1,603,308)</u>	<u>1,219,479</u>
<b>NET ASSETS</b>			
Net Assets-beginning of year, as originally reported	23,222,460	9,745,614	5,737,287
Prior Year Adjustments		(903,266)	
Net Assets-beginning of year, restated	<u>23,222,460</u>	<u>8,842,348</u>	<u>5,737,287</u>
Net Assets-End of Year	<u>\$25,825,806</u>	<u>\$7,239,040</u>	<u>\$6,956,766</u>

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

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS June 30, 2007

	Component Units		
	AASU Educational Properties Foundation, Inc.	Augusta State University Foundation, Inc.	Augusta State University Athletic Foundation
<b>REVENUES</b>			
Operating Revenues			
Gifts and Contributions	\$0	\$1,333,800	\$0
Endowment Income (per spending plan)		615,313	
Grants and Contracts			
Federal			
State			
Other			
Sales and Services			749,861
Rents and Royalties	4,002,413	1,806,726	12,570
Auxiliary Enterprises			
Residence Halls			
Intercollegiate Athletics			
Clinical and Patient Fees			
Net Patient Service Revenue			
Realized/Unrealized Gains (Losses)		795,032	
Interest and Dividend Income		238,206	
Other Operating Revenues	2,655	78,639	4,775
Total Operating Revenues	4,005,068	4,867,716	767,206
<b>EXPENSES</b>			
Operating Expenses			
Salaries:			
Faculty			
Staff	108,189		441,265
Employee Benefits			31,343
Other Personal Services			3,004
Travel			
Scholarships and Fellowships			
Utilities	23,993		61,284
Supplies and Other Services	73,648	518,057	167,826
Depreciation	1,490,341		148,659
Other Operating Expense	697,119		58,709
Payments to Other Component Units			
Payments to or on behalf of College/University		2,036,068	
Total Operating Expenses	2,393,290	2,554,125	912,090
Operating Income (loss)	1,611,778	2,313,591	(144,884)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State Appropriations			
Grants and Contracts			
Federal			
State			
Gifts			
Investment Income (endowments, auxiliary and other)	322,031	652,269	11,553
Interest Income			
Interest Expense (capital assets)	(1,668,119)	(1,546,458)	(108,277)
Combined Margin Allocation			
Other Nonoperating Revenues		779,160	160,500
Net Nonoperating Revenues	(1,346,088)	(115,029)	63,776
Income before other revenues, expenses, gains, or losses	265,690	2,198,562	(81,108)
Capital Grants and Gifts			
Federal			
Other			
Loss on Bond Retirement			
Additions to permanent endowments		2,348,730	
Total Other Revenues, Expenses, Gains or Losses	0	2,348,730	0
Increase in Net Assets	265,690	4,547,292	(81,108)
<b>NET ASSETS</b>			
Net Assets-beginning of year, as originally reported	(2,888,292)	23,324,025	449,314
Prior Year Adjustments			
Net Assets-beginning of year, restated	(2,888,292)	23,324,025	449,314
Net Assets-End of Year	(\$2,622,602)	\$27,871,317	\$368,206

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

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS June 30, 2007

	Component Units		
	Walter & Emilie Spivey Foundation	Clayton State University Foundation, Inc.	Columbus State University Foundation, Inc.
<b>REVENUES</b>			
Operating Revenues			
Gifts and Contributions	\$0	\$575,496	\$4,170,473
Endowment Income (per spending plan)		85,128	249,338
Grants and Contracts			
Federal			
State			
Other			
Sales and Services			
Rents and Royalties			
Auxiliary Enterprises			
Residence Halls			
Intercollegiate Athletics			
Clinical and Patient Fees			
Net Patient Service Revenue			
Realized/Unrealized Gains (Losses)			
Interest and Dividend Income			
Other Operating Revenues			352,221
Total Operating Revenues	0	660,624	4,772,032
<b>EXPENSES</b>			
Operating Expenses			
Salaries:			
Faculty			
Staff	28,545		907,474
Employee Benefits			114,901
Other Personal Services			
Travel			
Scholarships and Fellowships		179,192	
Utilities			
Supplies and Other Services		151,259	1,467,668
Depreciation			
Other Operating Expense			
Payments to Other Component Units			254,324
Payments to or on behalf of College/University	467,397	335,312	973,154
Total Operating Expenses	495,942	665,763	3,717,521
Operating Income (loss)	(495,942)	(5,139)	1,054,511
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State Appropriations			
Grants and Contracts			
Federal			
State			
Gifts			
Investment Income (endowments, auxiliary and other)	860,012	243,497	1,150,547
Interest Income			
Interest Expense (capital assets)			
Combined Margin Allocation			
Other Nonoperating Revenues			
Net Nonoperating Revenues	860,012	243,497	1,150,547
Income before other revenues, expenses, gains, or losses	364,070	238,358	2,205,058
Capital Grants and Gifts			
Federal			
Other			
Loss on Bond Retirement			
Additions to permanent endowments		71,353	492,257
Total Other Revenues, Expenses, Gains or Losses	0	71,353	492,257
Increase in Net Assets	364,070	309,711	2,697,315
<b>NET ASSETS</b>			
Net Assets-beginning of year, as originally reported	7,454,310	4,824,853	49,291,584
Prior Year Adjustments			
Net Assets-beginning of year, restated	7,454,310	4,824,853	49,291,584
Net Assets-End of Year	\$7,818,380	\$5,134,564	\$51,988,899

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

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS June 30, 2007

	Component Units		
	(Columbus State University) Foundation Properties, Inc.	Columbus State University Athletic Fund, Inc.	Columbus State University Alumni Association, Inc.
<b>REVENUES</b>			
Operating Revenues			
Gifts and Contributions	\$1,393,897	\$123,586	\$101,703
Endowment Income (per spending plan)		231,791	4,550
Grants and Contracts			
Federal			
State			
Other			
Sales and Services			
Rents and Royalties	2,150,945		
Auxiliary Enterprises			
Residence Halls	2,256,443		
Intercollegiate Athletics			
Clinical and Patient Fees			
Net Patient Service Revenue			
Realized/Unrealized Gains (Losses)			
Interest and Dividend Income			
Other Operating Revenues		229,336	62,532
Total Operating Revenues	<u>5,801,285</u>	<u>584,713</u>	<u>168,785</u>
<b>EXPENSES</b>			
Operating Expenses			
Salaries:			
Faculty			
Staff	325,385	6,288	52,226
Employee Benefits	36,979	1,437	8,434
Other Personal Services			
Travel			
Scholarships and Fellowships			
Utilities	294,990		
Supplies and Other Services	1,671,911	292,922	70,975
Depreciation	1,627,570	354	660
Other Operating Expense			
Payments to Other Component Units	110,000	80,567	16,025
Payments to or on behalf of College/University	<u>669,715</u>	<u>32,545</u>	<u>17,484</u>
Total Operating Expenses	<u>4,736,550</u>	<u>414,113</u>	<u>165,804</u>
Operating Income (loss)	<u>1,064,735</u>	<u>170,600</u>	<u>2,981</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State Appropriations			
Grants and Contracts			
Federal			
State			
Gifts			
Investment Income (endowments, auxiliary and other)	411,310	1,693	1,804
Interest Income			
Interest Expense (capital assets)	(2,753,413)		
Combined Margin Allocation			
Other Nonoperating Revenues			
Net Nonoperating Revenues	<u>(2,342,103)</u>	<u>1,693</u>	<u>1,804</u>
Income before other revenues, expenses, gains, or losses	<u>(1,277,368)</u>	<u>172,293</u>	<u>4,785</u>
Capital Grants and Gifts			
Federal			
Other			
Loss on Bond Retirement			
Additions to permanent endowments		51,134	
Total Other Revenues, Expenses, Gains or Losses	<u>0</u>	<u>51,134</u>	<u>0</u>
Increase in Net Assets	<u>(1,277,368)</u>	<u>223,427</u>	<u>4,785</u>
<b>NET ASSETS</b>			
Net Assets-beginning of year, as originally reported	18,657,744	1,875,302	216,984
Prior Year Adjustments			
Net Assets-beginning of year, restated	<u>18,657,744</u>	<u>1,875,302</u>	<u>216,984</u>
Net Assets-End of Year	<u>\$17,380,376</u>	<u>\$2,098,729</u>	<u>\$221,769</u>

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

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS June 30 2007

	Component Units		
	Fort Valley State University Foundation, Inc.	Georgia College & State University Alumni Association, Inc.	Georgia College & State University Foundation, Inc.
<b>REVENUES</b>			
Operating Revenues			
Gifts and Contributions	\$702,635	\$42,717	\$2,039,381
Endowment Income (per spending plan)		814,647	1,466,934
Grants and Contracts			
Federal			
State			
Other			
Sales and Services			385,880
Rents and Royalties	21,140		9,340,958
Auxiliary Enterprises			
Residence Halls			
Intercollegiate Athletics			
Clinical and Patient Fees			
Net Patient Service Revenue			
Realized/Unrealized Gains (Losses)	410,235		
Interest and Dividend Income	61,046		
Other Operating Revenues		133,402	24,965
Total Operating Revenues	<u>1,195,056</u>	<u>990,766</u>	<u>13,258,118</u>
<b>EXPENSES</b>			
Operating Expenses			
Salaries:			
Faculty			
Staff			1,823,989
Employee Benefits			
Other Personal Services			254,480
Travel			320,376
Scholarships and Fellowships			
Utilities		5,315	1,181,407
Supplies and Other Services	243,410	165,789	12,333
Depreciation	26,311	4,851	2,068,025
Other Operating Expense	41,050		126,158
Payments to Other Component Units			
Payments to or on behalf of College/University	1,179,871	157,645	1,156,729
Total Operating Expenses	<u>1,490,642</u>	<u>333,600</u>	<u>6,943,497</u>
Operating Income (loss)	<u>(295,586)</u>	<u>657,166</u>	<u>6,314,621</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State Appropriations			
Grants and Contracts			
Federal			
State			
Gifts			
Investment Income (endowments, auxiliary and other)	110,794		743,290
Interest Income			
Interest Expense (capital assets)			(4,449,316)
Combined Margin Allocation			
Other Nonoperating Revenues			
Net Nonoperating Revenues	<u>110,794</u>	<u>0</u>	<u>(3,706,026)</u>
Income before other revenues, expenses, gains, or losses	<u>(184,792)</u>	<u>657,166</u>	<u>2,608,595</u>
Capital Grants and Gifts			
Federal	110,882		
Other			
Loss on Bond Retirement			(7,721,750)
Additions to permanent endowments	626,627	22,469	297,809
Total Other Revenues, Expenses, Gains or Losses	<u>737,509</u>	<u>22,469</u>	<u>(7,423,941)</u>
Increase in Net Assets	<u>552,717</u>	<u>679,635</u>	<u>(4,815,346)</u>
<b>NET ASSETS</b>			
Net Assets-beginning of year, as originally reported	6,283,835	5,496,267	10,952,905
Prior Year Adjustments			(265,817)
Net Assets-beginning of year, restated	<u>6,283,835</u>	<u>5,496,267</u>	<u>10,687,088</u>
Net Assets-End of Year	<u>\$6,836,552</u>	<u>\$6,175,902</u>	<u>\$5,871,742</u>



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

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS June 30, 2007

	Component Units		
	Georgia Southwestern Foundation, Inc.	GSW Research and Development Corp., Inc. (Ceased Operations)	Kennesaw State University Foundation, Inc.
<b>REVENUES</b>			
Operating Revenues			
Gifts and Contributions	\$640,114	\$118,848	\$4,352,065
Endowment Income (per spending plan)	2,346,323		899,947
Grants and Contracts			
Federal			
State			
Other		71,000	
Sales and Services	330,552		97,000
Rents and Royalties	499,626		20,388,395
Auxiliary Enterprises			
Residence Halls			
Intercollegiate Athletics			
Clinical and Patient Fees			
Net Patient Service Revenue			
Realized/Unrealized Gains (Losses)			
Interest and Dividend Income			
Other Operating Revenues	32,138		
Total Operating Revenues	<u>3,848,753</u>	<u>189,848</u>	<u>25,737,407</u>
<b>EXPENSES</b>			
Operating Expenses			
Salaries:			
Faculty			
Staff	148,779	153,534	1,726,356
Employee Benefits	34,069	32,782	
Other Personal Services			
Travel	3,271	1,882	
Scholarships and Fellowships			
Utilities			1,789,757
Supplies and Other Services	781,737	3,663	4,575,411
Depreciation	591,022	240,720	4,088,857
Other Operating Expense	102,012	2,650	
Payments to Other Component Units			
Payments to or on behalf of College/University	1,464,621	60,180	4,125,711
Total Operating Expenses	<u>3,125,511</u>	<u>495,411</u>	<u>16,306,092</u>
Operating Income (loss)	<u>723,242</u>	<u>(305,563)</u>	<u>9,431,315</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State Appropriations			
Grants and Contracts			
Federal			
State			
Gifts			
Investment Income (endowments, auxiliary and other)	1,516,937		2,694,940
Interest Income			
Interest Expense (capital assets)	(783,557)		(8,736,485)
Combined Margin Allocation			
Other Nonoperating Revenues	(40,555)		
Net Nonoperating Revenues	<u>692,825</u>	<u>0</u>	<u>(6,041,545)</u>
Income before other revenues, expenses, gains, or losses	<u>1,416,067</u>	<u>(305,563)</u>	<u>3,389,770</u>
Capital Grants and Gifts			
Federal			
Other			
Loss on Bond Retirement			
Additions to permanent endowments	297,133		1,175,818
Total Other Revenues, Expenses, Gains or Losses	<u>297,133</u>	<u>0</u>	<u>1,175,818</u>
Increase in Net Assets	<u>1,713,200</u>	<u>(305,563)</u>	<u>4,565,588</u>
<b>NET ASSETS</b>			
Net Assets-beginning of year, as originally reported	25,721,746	305,563	14,059,197
Prior Year Adjustments	556,681		
Net Assets-beginning of year, restated	<u>26,278,427</u>	<u>305,563</u>	<u>14,059,197</u>
Net Assets-End of Year	<u>\$27,991,627</u>	<u>\$0</u>	<u>\$18,624,785</u>

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

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS June 30, 2007

	Component Units		
	North Georgia College & State University Foundation, Inc.	Southern Polytechnic State University Foundation, Inc.	University of West Georgia Foundation, Inc.
<b>REVENUES</b>			
Operating Revenues			
Gifts and Contributions	\$727,940	\$1,971,416	\$4,433,025
Endowment Income (per spending plan)	616,641	383,780	1,884,808
Grants and Contracts			
Federal			
State			
Other			
Sales and Services			
Rents and Royalties	1,330,342	2,563,822	543,580
Auxiliary Enterprises			
Residence Halls			
Intercollegiate Athletics			
Clinical and Patient Fees			
Net Patient Service Revenue			
Realized/Unrealized Gains (Losses)			
Interest and Dividend Income			1,685,380
Other Operating Revenues	262,587		561,366
Total Operating Revenues	<u>2,937,510</u>	<u>4,919,018</u>	<u>9,108,159</u>
<b>EXPENSES</b>			
Operating Expenses			
Salaries:			
Faculty			
Staff	34,631	5,168	411,713
Employee Benefits			137,433
Other Personal Services	113,950		
Travel	11,676	68,991	2,854
Scholarships and Fellowships	472,661	109,137	
Utilities	115,142		
Supplies and Other Services	278,120	1,197,164	797,807
Depreciation	205,781		94,653
Other Operating Expense		238,946	91,419
Payments to Other Component Units			
Payments to or on behalf of College/University	1,685,181	537,749	1,547,361
Total Operating Expenses	<u>2,917,142</u>	<u>2,157,155</u>	<u>3,083,240</u>
Operating Income (loss)	<u>20,368</u>	<u>2,761,863</u>	<u>6,024,919</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State Appropriations			
Grants and Contracts			
Federal			
State			
Gifts			
Investment Income (endowments, auxiliary and other)	2,881,437	196,490	
Interest Income			
Interest Expense (capital assets)	(1,470,472)	(1,604,483)	(1,816,961)
Combined Margin Allocation			
Other Nonoperating Revenues	70,790		
Net Nonoperating Revenues	<u>1,481,755</u>	<u>(1,407,993)</u>	<u>(1,816,961)</u>
Income before other revenues, expenses, gains, or losses	<u>1,502,123</u>	<u>1,353,870</u>	<u>4,207,958</u>
Capital Grants and Gifts			
Federal			
Other			
Loss on Bond Retirement	(541,686)		
Additions to permanent endowments	10,468,995	11,047	715,612
Total Other Revenues, Expenses, Gains or Losses	<u>9,927,309</u>	<u>11,047</u>	<u>715,612</u>
Increase in Net Assets	<u>11,429,432</u>	<u>1,364,917</u>	<u>4,923,570</u>
<b>NET ASSETS</b>			
Net Assets-beginning of year, as originally reported	15,662,928	3,953,051	15,936,073
Prior Year Adjustments			5,226,359
Net Assets-beginning of year, restated	<u>15,662,928</u>	<u>3,953,051</u>	<u>21,162,432</u>
Net Assets-End of Year	<u>\$27,092,360</u>	<u>\$5,317,968</u>	<u>\$26,086,002</u>

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

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS June 30, 2007

	Component Units		
	UWG Real Estate Foundation, Inc.	Abraham Baldwin Agricultural College Foundation, Inc.	Dalton State College Foundation, Inc.
<b>REVENUES</b>			
Operating Revenues			
Gifts and Contributions	\$0	\$1,175,338	\$10,153,122
Endowment Income (per spending plan)			941,937
Grants and Contracts			
Federal			
State			
Other			
Sales and Services			
Rents and Royalties	72,500	3,601,214	740,532
Auxiliary Enterprises			
Residence Halls			
Intercollegiate Athletics			
Clinical and Patient Fees			
Net Patient Service Revenue			
Realized/Unrealized Gains (Losses)			
Interest and Dividend Income	1,221,347		
Other Operating Revenues			
Total Operating Revenues	1,293,847	4,776,552	11,835,591
<b>EXPENSES</b>			
Operating Expenses			
Salaries:			
Faculty			
Staff		134,747	151,982
Employee Benefits		27,599	12,365
Other Personal Services		99,526	352,245
Travel		16,007	2,692
Scholarships and Fellowships			
Utilities			58,537
Supplies and Other Services		2,901,136	347,046
Depreciation		1,343,662	81,515
Other Operating Expense	83,476	4,151	1,235
Payments to Other Component Units			
Payments to or on behalf of College/University		326,018	1,330,217
Total Operating Expenses	83,476	4,852,846	2,337,834
Operating Income (loss)	1,210,371	(76,294)	9,497,757
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State Appropriations			
Grants and Contracts			
Federal			
State			
Gifts			
Investment Income (endowments, auxiliary and other)	177,055	1,540,307	
Interest Income			
Interest Expense (capital assets)	(1,411,271)	(1,313,929)	(137,499)
Combined Margin Allocation			
Other Nonoperating Revenues	16,271		
Net Nonoperating Revenues	(1,217,945)	226,378	(137,499)
Income before other revenues, expenses, gains, or losses	(7,574)	150,084	9,360,258
Capital Grants and Gifts			
Federal			
Other			
Loss on Bond Retirement			
Additions to permanent endowments		363,758	602,389
Total Other Revenues, Expenses, Gains or Losses	0	363,758	602,389
Increase in Net Assets	(7,574)	513,842	9,962,647
<b>NET ASSETS</b>			
Net Assets-beginning of year, as originally reported	1,673,791	11,843,433	15,265,234
Prior Year Adjustments			
Net Assets-beginning of year, restated	1,673,791	11,843,433	15,265,234
Net Assets-End of Year	\$1,666,217	\$12,357,275	\$25,227,881

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

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS June 30, 2007

	Component Units		
	Gainesville State College Foundation, Inc.	Gordon College Foundation	Macon State College Foundation, Inc.
<b>REVENUES</b>			
Operating Revenues			
Gifts and Contributions	\$2,237,884	\$874,391	\$390,212
Endowment Income (per spending plan)	693,440		256,772
Grants and Contracts			
Federal			
State			
Other			
Sales and Services			2,140
Rents and Royalties		649,354	
Auxiliary Enterprises			
Residence Halls			
Intercollegiate Athletics			
Clinical and Patient Fees			
Net Patient Service Revenue			
Realized/Unrealized Gains (Losses)			
Interest and Dividend Income			
Other Operating Revenues	103,381		
Total Operating Revenues	<u>3,034,705</u>	<u>1,523,745</u>	<u>649,124</u>
<b>EXPENSES</b>			
Operating Expenses			
Salaries:			
Faculty			
Staff			
Employee Benefits			
Other Personal Services			
Travel			
Scholarships and Fellowships			
Utilities		239	
Supplies and Other Services	179,093	21,403	99,225
Depreciation		373,137	
Other Operating Expense		30,850	
Payments to Other Component Units			
Payments to or on behalf of College/University	479,068	53,520	512,879
Total Operating Expenses	<u>658,161</u>	<u>479,149</u>	<u>612,104</u>
Operating Income (loss)	<u>2,376,544</u>	<u>1,044,596</u>	<u>37,020</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State Appropriations			
Grants and Contracts			
Federal			
State			
Gifts			
Investment Income (endowments, auxiliary and other)	202,308	647,899	754,079
Interest Income			
Interest Expense (capital assets)		(716,562)	
Combined Margin Allocation			
Other Nonoperating Revenues			
Net Nonoperating Revenues	<u>202,308</u>	<u>(68,663)</u>	<u>754,079</u>
Income before other revenues, expenses, gains, or losses	<u>2,578,852</u>	<u>975,933</u>	<u>791,099</u>
Capital Grants and Gifts			
Federal			
Other			
Loss on Bond Retirement			
Additions to permanent endowments	36,124		84,875
Total Other Revenues, Expenses, Gains or Losses	<u>36,124</u>	<u>0</u>	<u>84,875</u>
Increase in Net Assets	<u>2,614,976</u>	<u>975,933</u>	<u>875,974</u>
<b>NET ASSETS</b>			
Net Assets-beginning of year, as originally reported	9,561,177	5,358,935	7,531,756
Prior Year Adjustments			
Net Assets-beginning of year, restated	<u>9,561,177</u>	<u>5,358,935</u>	<u>7,531,756</u>
Net Assets-End of Year	<u>\$12,176,153</u>	<u>\$6,334,868</u>	<u>\$8,407,730</u>

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

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS June 30, 2007

	Component Units		
	Middle Georgia College Foundation, Inc.	Bainbridge College Foundation	Coastal Georgia Community College Foundation, Inc.
<b>REVENUES</b>			
Operating Revenues			
Gifts and Contributions	\$158,736	\$3,381	\$574,082
Endowment Income (per spending plan)	96,336		268,159
Grants and Contracts			
Federal			
State			
Other			
Sales and Services			
Rents and Royalties	521,103		
Auxiliary Enterprises			
Residence Halls			
Intercollegiate Athletics			
Clinical and Patient Fees			
Net Patient Service Revenue			
Realized/Unrealized Gains (Losses)			
Interest and Dividend Income			
Other Operating Revenues		295	
Total Operating Revenues	776,175	3,676	842,241
<b>EXPENSES</b>			
Operating Expenses			
Salaries:			
Faculty			
Staff			
Employee Benefits			
Other Personal Services			
Travel			
Scholarships and Fellowships			31,773
Utilities			
Supplies and Other Services	163,705		
Depreciation			
Other Operating Expense			
Payments to Other Component Units			
Payments to or on behalf of College/University	44,518	759	656,559
Total Operating Expenses	208,223	759	688,332
Operating Income (loss)	567,952	2,917	153,909
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State Appropriations			
Grants and Contracts			
Federal			
State			
Gifts			
Investment Income (endowments, auxiliary and other)	225,796	345	469,815
Interest Income			
Interest Expense (capital assets)	(560,203)		
Combined Margin Allocation			
Other Nonoperating Revenues	(1,032,167)		
Net Nonoperating Revenues	(1,366,574)	345	469,815
Income before other revenues, expenses, gains, or losses	(798,622)	3,262	623,724
Capital Grants and Gifts			
Federal			
Other			
Loss on Bond Retirement			
Additions to permanent endowments	15,200	31,150	2,185
Total Other Revenues, Expenses, Gains or Losses	15,200	31,150	2,185
Increase in Net Assets	(783,422)	34,412	625,909
<b>NET ASSETS</b>			
Net Assets-beginning of year, as originally reported	1,145,782	112,773	7,994,027
Prior Year Adjustments			
Net Assets-beginning of year, restated	1,145,782	112,773	7,994,027
Net Assets-End of Year	\$362,360	\$147,185	\$8,619,936

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

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS June 30, 2007

	Component Units		
	Darton College Foundation	East Georgia College Foundation	Georgia Highlands College Foundation, Inc.
<b>REVENUES</b>			
Operating Revenues			
Gifts and Contributions	\$562,413	\$240,945	\$289,820
Endowment Income (per spending plan)	37,202	28,436	117,230
Grants and Contracts			
Federal			
State			
Other			
Sales and Services		9,688	69,120
Rents and Royalties			
Auxiliary Enterprises			
Residence Halls			
Intercollegiate Athletics			
Clinical and Patient Fees			
Net Patient Service Revenue			
Realized/Unrealized Gains (Losses)			
Interest and Dividend Income	2,962		
Other Operating Revenues			
Total Operating Revenues	602,577	279,069	476,170
<b>EXPENSES</b>			
Operating Expenses			
Salaries:			
Faculty			
Staff			23,443
Employee Benefits			
Other Personal Services			
Travel		31	
Scholarships and Fellowships		1,149	
Utilities			
Supplies and Other Services		92,983	39,681
Depreciation	3,444		
Other Operating Expense			
Payments to Other Component Units			
Payments to or on behalf of College/University	324,681	42,838	305,961
Total Operating Expenses	328,125	137,001	369,085
Operating Income (loss)	274,452	142,068	107,085
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State Appropriations			
Grants and Contracts			
Federal			
State			
Gifts			
Investment Income (endowments, auxiliary and other)	31,733	82,675	
Interest Income			
Interest Expense (capital assets)			
Combined Margin Allocation			
Other Nonoperating Revenues			
Net Nonoperating Revenues	31,733	82,675	0
Income before other revenues, expenses, gains, or losses	306,185	224,743	107,085
Capital Grants and Gifts			
Federal			
Other			
Loss on Bond Retirement			
Additions to permanent endowments			1,428
Total Other Revenues, Expenses, Gains or Losses	0	0	1,428
Increase in Net Assets	306,185	224,743	108,513
<b>NET ASSETS</b>			
Net Assets-beginning of year, as originally reported	2,464,033	1,121,687	1,196,401
Prior Year Adjustments			
Net Assets-beginning of year, restated	2,464,033	1,121,687	1,196,401
Net Assets-End of Year	\$2,770,218	\$1,346,430	\$1,304,914

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

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS June 30, 2007

	Component Units		
	Georgia Perimeter College Foundation, Inc.	South Georgia College Foundation, Inc.	Waycross College Foundation, Inc.
<b>REVENUES</b>			
Operating Revenues			
Gifts and Contributions	\$970,269	\$95,711	\$40,898
Endowment Income (per spending plan)		70,411	53,019
Grants and Contracts			
Federal			
State			
Other			
Sales and Services			
Rents and Royalties			
Auxiliary Enterprises			
Residence Halls			
Intercollegiate Athletics			
Clinical and Patient Fees			
Net Patient Service Revenue			
Realized/Unrealized Gains (Losses)			
Interest and Dividend Income			
Other Operating Revenues			
Total Operating Revenues	<u>970,269</u>	<u>166,122</u>	<u>93,917</u>
<b>EXPENSES</b>			
Operating Expenses			
Salaries:			
Faculty			
Staff			1,114
Employee Benefits			637
Other Personal Services			
Travel			
Scholarships and Fellowships			
Utilities			
Supplies and Other Services	309,213	36,650	3,056
Depreciation			
Other Operating Expense			
Payments to Other Component Units			
Payments to or on behalf of College/University	<u>609,179</u>	<u>169,887</u>	<u>85,555</u>
Total Operating Expenses	<u>918,392</u>	<u>206,537</u>	<u>90,362</u>
Operating Income (loss)	<u>51,877</u>	<u>(40,415)</u>	<u>3,555</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State Appropriations			
Grants and Contracts			
Federal			
State			
Gifts			
Investment Income (endowments, auxiliary and other)	1,052,193	324,528	153,565
Interest Income			
Interest Expense (capital assets)	(93,502)		
Combined Margin Allocation			
Other Nonoperating Revenues			
Net Nonoperating Revenues	<u>958,691</u>	<u>324,528</u>	<u>153,565</u>
Income before other revenues, expenses, gains, or losses	<u>1,010,568</u>	<u>284,113</u>	<u>157,120</u>
Capital Grants and Gifts			
Federal			
Other			
Loss on Bond Retirement			
Additions to permanent endowments	<u>548,310</u>	<u>65,586</u>	<u>40,044</u>
Total Other Revenues, Expenses, Gains or Losses	<u>548,310</u>	<u>65,586</u>	<u>40,044</u>
Increase in Net Assets	<u>1,558,878</u>	<u>349,699</u>	<u>197,164</u>
<b>NET ASSETS</b>			
Net Assets-beginning of year, as originally reported	3,382,324	2,656,655	1,446,667
Prior Year Adjustments			
Net Assets-beginning of year, restated	<u>3,382,324</u>	<u>2,656,655</u>	<u>1,446,667</u>
Net Assets-End of Year	<u>\$4,941,202</u>	<u>\$3,006,354</u>	<u>\$1,643,831</u>

# Statement of Cash Flows

## UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF CASH FLOWS June 30, 2007

	June 30, 2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees	\$848,386,966
Federal Appropriations	17,522,100
Grants and Contracts (Exchange)	1,267,831,122
Sales and Services of Educational Departments	115,635,824
Payments to Suppliers	(2,001,394,331)
Payments to Employees	(2,375,360,937)
Payments for Scholarships and Fellowships	(175,440,297)
Loans Issued to Students and Employees	(15,200,945)
Collection of Loans to Students and Employees	15,432,870
Auxiliary Enterprise Charges:	
Residence Halls	161,236,637
Bookstore	69,192,410
Food Services	96,764,922
Parking/Transportation	47,134,834
Health Services	34,897,164
Intercollegiate Athletics	63,450,179
Other Organizations	25,921,841
Other Receipts (payments)	92,129,027
Net Cash Provided (used) by Operating Activities	(1,711,860,614)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	1,931,813,311
Agency Funds Transactions	16,611,350
Gifts and Grants Received for Other Than Capital Purposes	131,136,852
Principal Paid on Installment Debt	(499,062)
Interest Paid on Installment Debt	(93,643)
Other Nonoperating Receipts	12,601,370
Net Cash Flows Provided by Non-capital Financing Activities	2,091,570,178
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Grants and Gifts Received	88,072,051
Proceeds from sale of Capital Assets	5,750,298
Purchases of Capital Assets	(314,665,133)
Principal Paid on Capital Debt and Leases	(30,975,303)
Interest Paid on Capital Debt and Leases	(52,525,814)
Net Cash used by Capital and Related Financing Activities	(304,343,901)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	24,348,688
Interest on Investments	44,076,527
Purchase of Investments	(11,723,429)
Net Cash Provided (used) by Investing Activities	56,701,786
Net Increase/Decrease in Cash	132,067,449
Cash and Cash Equivalents - Beginning of year	593,143,824
Cash and Cash Equivalents - End of Year	\$725,211,273
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating Income (loss)	(\$2,018,503,897)
Adjustments to Reconcile Net Income (loss) to Net Cash Provided (used) by Operating Activities	
Depreciation	271,884,257
Change in Assets and Liabilities:	
Receivables, net	(22,506,782)
Inventories	(709,805)
Other Assets	449,850
Prepaid Items	(197,713)
Notes Receivable, Net	1,150,859
Accounts Payable	39,238,282
Deferred Revenue	11,148,693
Benefits Payable	(836,182)
Other Liabilities	(4,346,433)
Compensated Absences	11,368,257
Net Cash Provided (used) by Operating Activities	(\$1,711,860,614)
<b>** NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS</b>	
Fixed assets acquired by incurring capital lease obligations	\$385,781,803
Non-capital items acquired by incurring capital lease obligations	\$5,058,668
Change in accounts receivable related to private gifts	\$13,452
Change in fair value of investments recognized as a component of interest income	\$15,239,445
Special Item Transfer	\$48,295
Change in accrued interest payable affecting interest paid	\$874,357
Gift reducing proceeds of Gifts and Grants received for other than capital purposes	(\$1,169,009)
Gift of capital assets reducing proceeds of capital grants and gifts	(\$132,357,893)



**UNIVERSITY SYSTEM OF GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**

***Note 1. Summary of Significant Accounting Policies***

**Nature of Operations**

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

**Reporting Entity**

The University System of Georgia is comprised of thirty-five (35) State supported member institutions of higher education in Georgia, the Skidaway Institute of Oceanography and the University System Office. The accompanying financial statements reflect the consolidated operations of the University System of Georgia.

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

The Board of Regents of the University System of Georgia implemented GASB Statement No. 39 *Determining Whether Certain Organizations are Component Units - an amendment of Statement No. 14*, in fiscal year 2004. This statement requires the inclusion of the financial statements for foundations and affiliated organizations that qualify as component units in the Annual Financial Report. These statements (Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets) are discretely presented for the 57 component units of the University System of Georgia.

See Note 16, Component Units, for Foundation notes.

**Financial Statement Presentation**

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The State of Georgia implemented GASB Statement No. 34 as of and for the year ended June 30, 2002. As an organizational unit of the State of Georgia, the University System was also required to adopt GASB Statements No. 34 and

No. 35 as amended by GASB Statements No. 37 and No. 38. The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the GASB and are presented as required by these standards to provide a comprehensive, entity-wide perspective of the University System's assets, liabilities, net assets, revenues, expenses, changes in net assets, cash flows, and replaces the fund-group perspective previously required.

Generally Accepted Accounting Principles (GAAP) require that the reporting of summer school revenues and expenses be between fiscal years rather than in one fiscal year. Due to the lack of materiality, institutions of the University System of Georgia will continue to report summer revenues and expenses in the year in which the predominant activity takes place.

### **Basis of Accounting**

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

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

### **Cash and Cash Equivalents**

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

### **Short-Term Investments**

Short-Term Investments consist of investments of 90 days – 13 months. This would 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**

The University System accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets. The Board of Regents Legal Fund, the Board of Regents Balanced Income Fund, the Board of Regents Total Return Fund, the Board of Regents Diversified Fund, and the Georgia Extended Asset Pool are included under Investments.

**Accounts Receivable**

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

**Inventories**

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

**Noncurrent Cash and Investments**

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

**Capital Assets**

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University System's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that exceed \$100,000 and 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 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 obtain the total picture of plant additions in the University System, it is necessary to look at the activities of the Georgia State Financing and Investment Commission (GSFIC) – an organization that is external to the System. GSFIC issues bonds for and on behalf of the State of Georgia, pursuant to powers granted to it in the Constitution of the State of Georgia and the Act creating the GSFIC. The bonds so issued constitute direct and general obligations of the State of Georgia, to the payment of which the full faith, credit and taxing power of the State are pledged.

Effective July 1, 2001, the GSFIC retains construction in progress on their books throughout the construction period on projects managed by them and transfers the entire project to the University System of Georgia when complete. For the year ended June 30, 2007, GSFIC transferred capital additions valued at \$146,541,945 to the University System of Georgia. This includes projects completed during fiscal 2007 and additional expenditures for projects completed in prior years. This resulted in a cumulative total of \$2,436,285,970 as of June 30, 2007.

**Deposits**

Deposits represent good faith deposits from students to reserve housing assignments in a University System residence hall.

### **Deferred Revenues**

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

### **Compensated Absences**

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences in the Statement of Net Assets, and as a component of compensation and benefit expense in the Statement of Revenues, Expenses, and Changes in Net Assets. The University System of Georgia had accrued liability for compensated absences in the amount of \$146,088,649 as of 7-1-2006. For fiscal 2007, \$109,107,438 was earned in compensated absences and employees were paid \$96,501,301 for a net increase of \$12,606,137. The ending balance as of June 30, 2007 in accrued liability for compensated absences was \$158,694,786.

### **Noncurrent Liabilities**

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

### **Net Assets**

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

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

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

*Restricted net assets - expendable:* Restricted expendable net assets include resources in which the University System is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Expendable Restricted Net Assets include the following:

	<u>June 30, 2007</u>
Restricted - E&G and Other Organized Activities	\$122,641,129
Federal Loans	44,726,427
Institutional Loans	21,123,266
Term Endowments	5,640,601
Quasi-Endowments	<u>21,292,162</u>
Total Restricted Expendable	<u><u>\$215,423,585</u></u>

*Restricted net assets – expendable – Capital Projects:* This represents resources for which the University System is legally or contractually obligated to spend resources for capital projects in accordance with restrictions imposed by external third parties.

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

Unrestricted Net Assets include the following items which are quasi-restricted by management:

	<u>June 30, 2007</u>
R & R Reserve	\$77,870,242
Reserve for Encumbrances	202,356,721
Reserve for Inventory	3,364,638
Other Unrestricted	<u>25,440,843</u>
Total Unrestricted Net Assets	<u><u>\$309,032,444</u></u>

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

### **Income Taxes**

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

### **Classification of Revenues**

The University System has classified its revenues as either operating or non-operating revenues in the Statement of Revenues, Expenses, and Changes in Net Assets according to the following criteria:

*Operating revenues:* Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of sponsored and unsponsored scholarships, (2) sales and services of auxiliary enterprises, net of sponsored and unsponsored scholarships, (3) most Federal, state and local grants and contracts and Federal appropriations, and (4) interest on institutional student loans.

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

### **Scholarship Allowances**

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

Auxiliary Enterprise revenue reported in the Statement of Revenues, Expenses and Changes in Net Assets is reported net of \$2,684,849 allowances.

### **Special Item Transfers**

There was one Special Item transfer in fiscal 2007 in the amount of \$48,295 at Bainbridge College.

Bainbridge College absorbed the Early County Site of the Albany Technical College during the fiscal year and as a result, the Equipment assets for the Early County Campus were transferred to Bainbridge College as of July 1, 2006. The Equipment capital assets transferred had a value of \$234,440, with an accumulated depreciation balance of \$186,145 as of July 1, 2006. The net transfer to Bainbridge College was \$48,295. This amount is reported as a Special Item on the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. See Note 6 Capital Assets for additional information.

## Restatement of Prior Year Balances

The following institutions had restatements of prior year balances in fiscal 2007:

<b><u>Prior Year Adjustments:</u></b>	<b><u>Effect on Beginning Net Assets</u></b>
Fort Valley State University	\$2,484,508
Georgia Highlands College	<u>2,500,000</u>
Total	<u><u>\$4,984,508</u></u>

Fort Valley State University had a restatement of prior year net assets increasing beginning net assets by \$2,484,508. This was due to removing capital assets that were disposed in prior years as well as adjusting the useful lives of certain buildings to reflect the University's accounting policy.

Georgia Highlands College had a restatement of prior year net assets increasing beginning net assets by \$2,500,000. This was due to the donation of land for the Cartersville campus that was not reported in the prior year.

## ***Note 2. Deposits and Investments***

### **A. Deposits**

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

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

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

At June 30, 2007, the carrying values of deposits were \$370,780,125 and the bank balances were \$420,320,782. Of the University System's deposits, \$416,432,835 were uninsured. Of these uninsured deposits, \$99,848,220 were collateralized with securities held by the financial institution's trust department or agent in the University System's name, \$237,315,732 were collateralized with securities held by the financial institution, by its trust department or agency, but not in the University System's name and \$79,268,883 were uncollateralized.

### **B. Investments**

The University System maintains investment policy guidelines that are intended to foster 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 the Board of Regents investment policy. All investments must be consistent with donor intent, Board of Regents policy, and applicable federal and state laws.



The University System's investments as of June 30, 2007 are presented below. All investments are presented by investment type and debt securities are presented by maturity.

	Fair Value	Investment Maturity			
		Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
<b>Investment type</b>					
<u>Debt Securities</u>					
U.S. Treasuries	\$9,769,817	\$791,603	\$4,494,751	\$4,227,572	\$255,891
U.S. Agencies - Explicitly Guaranteed	6,418,607	3,319,690	3,083,025	15,892	
U.S. Agencies - Implicitly Guaranteed	127,490,064	58,294,098	67,573,317	819,640	803,009
Corporate Debt	2,970,618	1,062,921	1,340,425	561,779	5,493
General Obligation Bonds	1,060,321		163,650	438,018	458,653
Municipal Obligations	5,000	5,000			
Mutual Bond Funds	36,994,749	7,058	34,162,508	2,825,183	
	\$184,709,176	\$63,480,370	\$110,817,676	\$8,888,084	\$1,523,046
<u>Other Investments</u>					
Bond/Fixed Income Mutual Funds	8,244,426				
Equity Mutual Funds	75,853,828				
Equity Securities - Domestic	15,306,895				
Real Estate Held for Investment Purposes	241,927				
Real Estate Investment Funds	6,953,416				
Cash Surrender Value	8,657				
<u>Investment Pools</u>					
Office of Treasury and Fiscal Services					
Georgia Fund 1	274,139,567				
Georgia Extended Asset Pool	5,997,750				
	\$571,455,642				

## **Investment Pools**

The Georgia Fund 1 Investment Pool, managed by the Office of Treasury and Fiscal Services, is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This investment is valued at the pool's share price, \$1.00 per share. The Georgia Fund 1 Investment Pool is an AAAM rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is 15 days at June 30, 2007.

The Georgia Extended Asset Pool, managed by the Office of Treasury and Fiscal Services, 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, 2007. The Georgia Extended Asset Pool is an AAA rated investment pool by Standard and Poor's. The effective duration of the fund for the month of June, 2007 was .91 years.

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

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

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

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

#### Short Term Fund

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

#### Legal Fund

The Legal fund provides an opportunity for greater income and modest principal growth to the extent possible with the securities allowed under Georgia Code 50-17-59 and 50-17-63. The average maturity of this fund will typically range between five and 10 years, with a maximum of thirty years for any individual investment. The overall character of the portfolio should be one of treasury and agency quality, possessing virtually no degree of financial risk.

#### Balanced Income Fund

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

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

### Total Return Fund

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

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

### Diversified Fund

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

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

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

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

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

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

Condensed financial information for the investment pool follows:

<u>Regents Investment Pool</u> <u>Statement of Net Assets</u> <u>June 30, 2007</u>		<u>Regents Investment Pool</u> <u>Statement of Changes in Net Assets</u> <u>For the Fiscal Year Ended June 30, 2007</u>	
<b><u>Assets</u></b>		<b><u>Additions</u></b>	
Cash and Cash Equivalents	\$ 3,586,128	Investment Income	
Investments	126,295,038	Interest	\$ 4,720,065
Interest Receivable	<u>226,590</u>	Fair Value Increases	8,799,549
Net Assets	\$ <u><u>130,107,756</u></u>	Less: Investment Expense	<u>(358,794)</u>
		Total Additions	\$ <u><u>13,160,820</u></u>
<b><u>Distribution of Net Assets</u></b>		<b><u>Deductions</u></b>	
External Participant Account Balance	\$ 6,389,790	Pool Participant Withdrawals	\$ (41,532,793)
Internal Participant Account Balance	<u>123,717,966</u>	Capital Transactions	<u>13,283,345</u>
	\$ <u><u>130,107,756</u></u>	Total Deductions	\$ <u><u>(28,249,448)</u></u>
		Net Decrease	\$ (15,088,628)
		<b><u>Net Assets</u></b>	
		July 1, 2006	<u>145,196,384</u>
		June 30, 2007	\$ <u><u>130,107,756</u></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 University System's policy for managing interest rate risk is contained in the investment policy guidelines for the various pooled investment funds:

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

### **Custodial Credit Risk**

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

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

At June 30, 2007, \$159,484,881 of the University System's applicable investments were uninsured and held by the investment's counterparty in the University System's name and \$2,614,635 were uninsured and held by the investment's counterparty's trust department or agent, but not in the University System's name.

### Credit Quality Risk

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

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

The University System investments subject to credit quality risk follow:

	<u>Fair Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Baa</u>	<u>Unrated</u>
Related Debt Investments						
U. S. Agencies	\$127,490,064	\$21,846,281				\$105,643,783
Corporate Debt	2,970,618	347,936	808,969	1,078,786	330,081	404,846
General Obligation Bonds	1,060,321	1,060,321				
Municipal Obligations	5,000	5,000				
Mutual Bond Funds	36,994,749	493,859	493,859			36,007,031
	<u>\$168,520,752</u>	<u>\$23,753,397</u>	<u>\$1,302,828</u>	<u>\$1,078,786</u>	<u>\$330,081</u>	<u>\$142,055,660</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 University System'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. United States Government and United States Governmental agency securities explicitly guaranteed by the U.S. Government are exempt from this requirement.

The following investments of the University System of Georgia subject to concentration of credit risk exceed 5% of total investment holdings as of June 30, 2007:

<u>Investment</u>	<u>Amount</u>	<u>% of Total</u>
Federal National Mortgage Association	\$72,484,111	13%
Federal Home Loan Mortgage Corporation	\$35,462,924	6%

### Foreign Currency Risk

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

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

### ***Note 3. Accounts Receivable***

Accounts receivable consisted of the following at June 30, 2007:

	<u>June 30, 2007</u>
Student Tuition and Fees	\$22,834,271
Auxiliary Enterprises and Other Operating Activities	15,728,433
Federal Financial Assistance	45,016,992
Georgia State Financing and Investment Commission	13,954,170
Margin Allocation Funds	9,921,362
Due from Component Units	78,374,644
Other	102,101,888
Sub Total	<u>287,931,760</u>
Less Allowance for Doubtful Accounts	<u>13,361,570</u>
Net Accounts Receivable	<u><u>\$274,570,190</u></u>

### ***Note 4. Inventories***

Inventories consisted of the following at June 30, 2007:

	<u>June 30, 2007</u>
Bookstore	\$13,530,429
Food Services	1,782,832
Physical Plant	2,285,372
Other	2,860,962
Total	<u><u>\$20,459,595</u></u>

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

Notes/Loans receivable primarily consist of student loans made through the Federal Perkins Loan Program (the Program) and comprise substantially all of the loans receivable at June 30, 2007. 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, 2007 the allowance for uncollectible loans was approximately \$2,501,000.



## ***Note 6. Capital Assets***

Following are the changes in capital assets for the year ended June 30, 2007:

	<b>Restated Beg. Bal. July 1, 2006</b>	<b>Special Item Transfer</b>	<b>Additions</b>	<b>Reductions</b>	<b>End. Bal. June 30, 2007</b>
Capital Assets, Not Being Depreciated:					
Land	\$186,037,960	\$0	\$5,514,450	\$153,027	\$191,399,383
Capitalized Collections	19,847,789		11,276,231	32,582	31,091,438
Construction Work-in-Progress	165,632,377		149,505,138	125,564,442	189,573,073
Total Capital Assets Not Being Depreciated	371,518,126	0	166,295,819	125,750,051	412,063,894
Capital Assets, Being Depreciated:					
Infrastructure	154,275,863		17,958,089	2,130,188	170,103,764
Building and Building Improvements	4,549,579,362		343,822,430	15,493,125	4,877,908,667
Facilities and Other Improvements	227,048,094		9,804,686	1,399,784	235,452,996
Equipment	976,777,667	234,440	92,432,694	56,912,967	1,012,531,834
Capital Leases	312,811,275		306,752,959	1,841,065	617,723,169
Library Collections	597,651,498		32,348,880	1,741,734	628,258,644
Capitalized Collections	1,065,201		302,075	9,500	1,357,776
Total Assets Being Depreciated	6,819,208,960	234,440	803,421,813	79,528,363	7,543,336,850
Less: Accumulated Depreciation					
Infrastructure	51,212,504		4,181,862	1,746,053	53,648,313
Buildings	1,310,130,073		124,436,670	5,433,673	1,429,133,070
Facilities and Other improvements	75,520,762		6,086,935	1,251,187	80,356,510
Equipment	690,747,292	186,145	81,468,828	53,227,618	719,174,647
Capital Leases	28,235,238		23,923,813	677,378	51,481,673
Library Collections	441,060,665		31,758,587	1,874,856	470,944,396
Capitalized Collections	424,531		27,562	7,870	444,223
Total Accumulated Depreciation	2,597,331,065	186,145	271,884,257	64,218,635	2,805,182,832
Total Capital Assets, Being Depreciated, Net	4,221,877,895	48,295	531,537,556	15,309,728	4,738,154,018
Capital Assets, net	<u>\$4,593,396,021</u>	<u>\$48,295</u>	<u>\$697,833,375</u>	<u>\$141,059,779</u>	<u>\$5,150,217,912</u>

### ***Note 7. Deferred Revenue***

Deferred revenue consisted of the following at June 30, 2007:

	<u>June 30, 2007</u>
Prepaid Tuition and Fees	\$114,328,391
Research	33,200,650
Other Deferred Revenue	<u>43,116,629</u>
Totals	<u><u>\$190,645,670</u></u>

### ***Note 8. Long-Term Liabilities***

Long-term liability activity for the year ended June 30, 2007 was as follows:

	<u>Beg. Bal. July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>End. Bal. June 30, 2007</u>	<u>Current Portion</u>
<b>Leases</b>					
Lease Obligations	<u>\$835,432,764</u>	<u>\$396,250,129</u>	<u>\$31,089,002</u>	<u>\$1,200,593,891</u>	<u>\$34,229,883</u>
<b>Other Liabilities</b>					
Compensated Absences	146,088,649	109,107,438	96,501,301	158,694,786	88,641,955
US DOE Settlement	1,211,885		259,482	952,403	206,277
Notes & Loans	<u>2,554,919</u>	<u>150,000</u>	<u>125,885</u>	<u>2,579,034</u>	<u>128,933</u>
Total	<u>149,855,453</u>	<u>109,257,438</u>	<u>96,886,668</u>	<u>162,226,223</u>	<u>88,977,165</u>
<b>Total Long Term Obligations</b>	<u><u>\$985,288,217</u></u>	<u><u>\$505,507,567</u></u>	<u><u>\$127,975,670</u></u>	<u><u>\$1,362,820,114</u></u>	<u><u>\$123,207,048</u></u>

### ***Note 9. Significant Commitments***

The University System of Georgia had significant unearned, outstanding, construction or renovation contracts executed in the amount of \$101,804,481 as of June 30, 2007.

In addition, Fort Valley State University executed a rental agreement for a Student Housing Complex with the Fort Valley State University Foundation, Inc. in June 2006. The rental agreement commences in fiscal year 2008 and will expire in fiscal year 2037. The present value of the minimum lease payments over the life of the rental agreement is \$43,334,897.

These amounts are not reflected in the accompanying basic financial statements.

### ***Note 10. Lease Obligations***

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

## CAPITAL LEASES

The University System of Georgia is obligated under approximately \$1.2 billion in capital lease liability as of June 30, 2007. Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between 2008 and 2037. Expenditures for fiscal year 2007 were \$85,409,873 of which \$54,320,871 represented interest. Total principal paid on capital leases was \$31,089,002 for the fiscal year ended June 30, 2007. Interest rates range from 0.65 percent to 12 percent. The following is a summary of the carrying values of assets held under capital lease at June 30, 2007:

Land	\$14,460,922
Infrastructure	6,890,313
Buildings	1,174,334,012
Facilities	233,750
Equipment	36,634,904
	<hr/>
Total Assets Held Under Capital Lease	<u>\$1,232,553,901</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.

Details for each capital lease are included with the individual institution financial reports. Major capital lease details are listed below:

### **Georgia Institute of Technology**

Georgia Institute of Technology had six capital leases with related parties in fiscal year 2007. In November 1997, Georgia Institute of Technology entered into a capital lease of \$21,560,000 for the Parker H. Petit Institute of Bioengineering and Biosciences Building with the Georgia Tech Research Corporation and Georgia Tech Facilities, Inc., both affiliated organizations. The lease term is for a 30-year period that began November 1997 and expires May 2028. At June 30, 2007 the remaining long-term debt obligation (principal) under the lease was \$18,535,000.

In August 2001, Georgia Institute of Technology entered into a capital lease of \$142,298,200 with the Georgia Tech Foundation, Inc. for a complex of buildings collectively named "Technology Square". Georgia Tech Foundation, Inc. is an affiliated organization of the Institute. The lease term is for a 29-year period that began August 2003 and expires July 2032. At June 30, 2007 the remaining long-term debt obligation (principal) under the lease was \$131,660,360.

In February 2001 Georgia Institute of Technology entered into a capital lease of \$44,980,000 with the Georgia Tech Foundation, Inc. for the Institute's Campus Recreation Center. As noted previously, Georgia Tech Foundation, Inc. is an affiliated organization of the Institute. The lease term is for a 30-year period that began February 2001 and expires February 2031. At June 30, 2007 the remaining long-term debt obligation (principal) under the lease was \$41,745,000.

In May 2005 Georgia Institute of Technology entered into a capital lease of \$70,320,000 with Georgia Tech Facilities, Inc., an affiliated organization, for two structures/buildings: (1) A

complex of buildings collectively named "Married Family Housing", including an adjoining parking deck; and (2) The underground parking deck for the Klaus Advanced Computing Center. The lease terms are 25 years on the Housing complex and 20 years on the Klaus parking deck. The lease expires in June, 2030. At June 30, 2007 the remaining long-term debt obligation under the lease was \$67,080,000.

Georgia Institute of Technology also has one real property capital lease with an unrelated party. In June 2003, the Institute entered into a capital lease of \$64,029,360 with The University Financing Foundation for the Technology Square Research Building. The lease term is for a 23-year period that began June 2003 and expires June 2026. At June 30, 2007 the remaining long-term debt obligation (principal) under the lease was \$62,191,204. The Institute may cancel the lease agreement under prescribed terms if sufficient appropriations, revenues, income, grants or other funding sources are not available. The Institute is responsible for most operating costs such as repairs, utilities and insurance for this lease.

In May 2004 Georgia Institute of Technology entered into a capital lease of \$75,205,000 with Georgia Tech Facilities, Inc., an affiliated organization, for a Molecular Sciences and Engineering Building. The lease term is for 29 years and expires in June, 2036. At June 30, 2007 the remaining long-term debt obligation under the lease was \$75,205,000.

The Institute is obligated to various parties for the lease purchase of furniture, fixtures, equipment, and plant infrastructure improvements. These leases have various end dates through June 30, 2012. At June 30, 2007, the total obligation under these agreements was \$13,553,117.

### **Georgia State University**

Georgia State University has two capital leases associated with buildings. In July 2001, Georgia State University entered into a capital lease valued at \$34,650,000 with an effective interest rate of 6.985 percent with the Georgia State University Foundation, Inc. (Foundation), whereby the University leases the Student Recreation Center for a twenty-year period that began July 2001 and expires June 2021. In March 2000, the University entered into a capital lease valued at \$14,038,328 with an effective interest rate of 6.985 percent with the Foundation, whereby the University leases the Alpharetta Center for a twenty-year period that began March 2000 and expires February 2020. The outstanding principal liability at June 30, 2007 on these capital leases is \$28,711,360 and \$10,946,828 respectively. Each year the monthly payments for both of these leases will increase by the greater of 2 percent or the CPI. Georgia State University had no new capital building leases with related entities in the current fiscal year.

Georgia State University also has various capital leases for equipment and software with an outstanding balance at June 30, 2007 in the amount of \$4,248,587.

### **University of Georgia**

The University of Georgia occupies six real properties and holds various equipment items under capital leases. The real property leases expire in fiscal years 2032, 2033, three expire in 2034, and one expires in 2036. The equipment capital leases expire between 2008 and 2011. Interest rates range from 0.65 percent to 8.48 percent.

All six of the University of Georgia's current real property capital leases are with the University of Georgia Real Estate Foundation (UGAREF), an entity that is wholly owned by the University of Georgia Foundation, a related entity. In August 2001, the University of Georgia entered into a capital lease with the UGAREF, whereby the University leases the Carlton Street Parking Deck for a 30-year period that began September 30, 2001 and expires August 31, 2031. In November 2002, the University of Georgia entered into the second capital lease with the UGAREF whereby the University leases the East Village Parking Deck for a 30-year period that began on November 1, 2002 and expires July 31, 2032. In September 2003, The University of Georgia entered into the third capital lease with the UGAREF, whereby, the University leases the Complex Carbohydrate Research Center for a 30-year period that began on September 25, 2003 and expires September 30, 2033. The University of Georgia entered into the fourth and fifth capital leases with the UGAREF, whereby the University leases the East Campus Village dormitory complex and the East Village Commons dining hall for a 30-year period that began July 1, 2004, and expires June 30, 2034. The University of Georgia entered into a sixth capital lease with UGAREF whereby the University leases the Coverdell Center for a 30-year period that began December 9, 2005 and expires November 30, 2035. The outstanding liability at June 30, 2007 on these capital leases is \$161,497,319. The University of Georgia Foundation considers these leases to be operating leases and includes the value of the related properties in their capital assets.

The University also has various capital leases for equipment with an outstanding balance of \$241,587 at June 30, 2007.

### **Georgia Southern University**

Georgia Southern University has six real property capital leases with Georgia Southern University Housing Foundation, Inc. (Housing Foundation), a related entity that is discretely presented in these financial statements.

In October 2002, Georgia Southern University entered into a capital lease of \$42,668,051 at 4.89 percent with the Housing Foundation, whereby the University leases buildings (Southern Courtyard and Southern Pines) for a twenty-seven year period that began September 2003 and expires October 2031. The outstanding liability at June 30, 2007, for this capital lease was \$39,298,099.

In July 2005, Georgia Southern University entered into a capital lease of \$2,230,350 at 4.94 percent with the Housing Foundation, whereby the University leases a facility (Clements Baseball Stadium) for a twenty-four year period that began August 2005 and expires July 2029. The outstanding liability at June 30, 2007, for this capital lease was \$2,132,577.

In July 2005, Georgia Southern University entered into a capital lease of \$694,056 at 4.94 percent with the Housing Foundation, whereby the University leases a facility (Athletic Training Center) for a twenty-four year period that began August 2005 and expires July 2029. The outstanding liability at June 30, 2007 for this capital lease was \$663,592.

In July 2005, Georgia Southern University entered into a capital lease of \$1,677,441 at 4.94 percent with the Housing Foundation, whereby the University leases a facility (Soccer Stadium)

for a twenty-four year period that began August 2005 and expires July 2029. The outstanding liability at June 30, 2007 for this capital lease was \$1,603,463.

In July 2005, Georgia Southern University entered into a capital lease of \$30,179,998 at 4.94 percent with the Housing Foundation, whereby the University leases buildings (Eagle Village) for a twenty-four year period that began August 2005 and expires July 2030. The outstanding liability at June 30, 2007, for this capital lease was \$28,938,674.

In August 2006, Georgia Southern University entered into a capital lease of \$40,264,056 at 4.73 percent with the Housing Foundation, whereby the University leases buildings (Recreational Activities Complex-RAC) for a twenty-five year period that began August 2006 and expires July 2031. The outstanding liability at June 30, 2007, for this capital lease was \$41,351,115, which includes \$1,087,059 in capitalized interest.

Georgia Southern University also has various capital leases for equipment with an outstanding balance at June 30, 2007 in the amount of \$250,337.

### **Valdosta State University**

Valdosta State University has four capital leases with related entities in the current fiscal year. Interest rates on these leases range from 4.25 percent to 10 percent and lease expirations range from 2008 to 2031.

In fiscal year 2007, the University entered into a capital lease of \$10,399,786 at a varying interest rate with Valdosta State University Foundation Real Estate I, LLC for Patterson Hall, a 300 bed housing unit located on the main campus. This lease spans a twenty-five year period. In 2006, Valdosta State University leased Lowndes Hall for \$7,116,694 at a varying interest rate with the Valdosta State University Foundation Real Estate I, LLC for a 25 year period. In 2005, the University entered into a capital lease for a twenty-five year period at an amount of \$19,285,471 at a varying interest rate with the Valdosta State University Foundation Real Estate I, LLC for Centennial Hall, a housing unit located on Sustella Avenue. Finally, in 2004, the University entered into a capital lease of \$1,141,194 at 6.25 percent with the Valdosta State University Foundation, also a related party, whereby the University leases a building for a six-year period. The outstanding liability at June 30, 2007 on these capital leases is \$10,364,017, \$7,170,241, \$18,171,546, and \$623,712 respectively.

Valdosta State University entered into a new equipment capital lease during fiscal 2007 in the amount of \$6,338 and also has various other capital leases for equipment with an outstanding balance at June 30, 2007 in the amount of \$65,100. All equipment leases are with third parties.

### **Georgia College & State University**

Georgia College & State University had three capital leases with related entities in the current fiscal year. Interest rates range from 4.10 percent to 8.30 percent and have terms expiring in various years between 2008 and 2034.

In June 2007, Georgia College & State University entered into a capital lease of \$94,350,650 at 4.715 percent with GCSU Foundation, a discretely presented component unit, whereby the

University leases Student Housing for a twenty-seven year period that began June 15, 2007 and expires March 25, 2034. In February 2005, the University entered into a capital lease of \$6,382,006 at 4.1 percent with GCSU Foundation, whereby the University leases land and a building for a twenty-one year period that began February 1, 2005 and expires June 30, 2025. In addition, Georgia College & State University entered into a capital lease of \$1,595,163 at 4.1 percent with GCSU Foundation, whereby the University leases a Parking facility for a twenty-one year period that began September 1, 2004 and expires June 30, 2025. The outstanding liability at June 30, 2007 on these capital leases is \$94,350,650 for Student Housing; \$5,874,100 for the Student Center and \$1,449,453 for the Parking facility.

Georgia College & State University also has various capital leases for equipment with third parties with an outstanding balance at June 30, 2007 in the amount of \$388,124. These leases expire in fiscal years from 2008 through 2011.

### **Augusta State University**

Augusta State University had three capital leases with related entities in the current fiscal year. In August 2004, Augusta State University entered into a capital lease of \$20,246,137 at 5.23 percent with ASU Foundation, whereby the University leases a student housing complex for a thirty year period that began September 2005 and expires January 2035.

In February 2005, the University entered into an additional capital lease of \$11,782,962 at 4.72 percent with ASU Foundation, whereby the University leases a student center building for a 29 year term that began March 2006 and expires June 2034.

The University is responsible for operating costs, such as utilities and insurance for both leases listed above. The outstanding liability at June 30, 2007, on these capital leases is \$20,546,264 and \$11,860,938, respectively. The University may cancel the lease agreements at the end of any fiscal year when sufficient appropriations, revenues, income, grants or other funding sources are not available. The Augusta State University Foundation is a component unit of Augusta State University.

Augusta State University also entered into an installment purchase agreement for equipment with the Office of Information and Instruction Technology (OIIT), a related state agency, on December 1, 2004. The final installment under this agreement was paid in December 2006. There is no outstanding liability for this lease as of June 30, 2007.

### **Kennesaw State University**

Kennesaw State University had eight capital leases with Kennesaw State University Foundation, Inc., a discretely presented component unit, in the current fiscal year.

In May 2002, Kennesaw State University entered into a capital lease of \$3,965,768 at 9.14 percent whereby the University leases nine houses for a twenty-five-year period that expires April 2027. The outstanding liability at June 30, 2007 on this capital lease is \$3,656,077.

In August 2002, the University entered into a capital lease of \$21,016,938 at 4.7 percent whereby the University leases two parking decks for a twenty-four-year period that expires July 2026. In

August 2003, the lease payments increased because additional space was added to one of the decks, bringing the value of the lease to \$24,093,887. The decks are constructed on land owned by the University and leased to Kennesaw State University Foundation, Inc. for \$1.00 annually for a period of 25 years commencing in June 2001. At the expiration of the ground lease, ownership of the parking decks transfers to the University. The outstanding liability at June 30, 2007 on this capital lease is \$20,944,602.

In January 2004, the University entered into a capital lease of \$2,718,028 at 5.5 percent whereby the University leases a portion of a building for a twenty-five-year period that expires June 2029. The University has the right of first refusal to lease additional space in the building complex. Should the cumulative value of the rent payments equal the value of the Foundation's financing instrument and all additional rent under the terms of the agreement, Kennesaw State University Foundation, Inc. will gift the property to the University. In December 2004, the University entered into a capital lease at 5.5% for additional space in the complex, bringing the value of the lease to \$3,378,929. In February 2007, the University substituted space and added additional space in a capital lease at 5.5% bringing the value of the lease to \$4,326,537. The outstanding liability at June 30, 2007 on these capital leases is \$4,050,922.

In February 2004, the University entered into a capital lease of \$200,000 at 2.0 percent whereby the University leases a house for a fifteen-year period that expires January 2019. The outstanding liability at June 30, 2007 on this capital lease is \$159,567.

In September 2004, the University entered into a capital lease of \$14,323,134 at 5.79 percent whereby the University leases a parking deck for a twenty-five year period that expires August 31, 2029. The deck is constructed on land owned by the University and leased to Kennesaw State University Foundation, Inc. for \$197,600 annually for a period of twenty-five years commencing in September 2004. At the expiration of the ground lease, ownership of the parking deck transfers to the University. The outstanding liability at June 30, 2007 on this capital lease is \$13,471,967.

In April 2006, the University entered into a capital lease of \$4,015,944 at 8.22 percent whereby the University leases a portion of an office building for a twenty-four-year period that expires June 30, 2030. The University is obligated to lease additional space in the building as it becomes available. At the expiration of the lease, ownership of the building transfers to the University. In September 2006, the University entered into a capital lease at 8.22 percent for additional space in the complex, bringing the value of the lease to \$4,157,971. The outstanding liability at June 30, 2007 on these capital leases is \$4,063,171.

In April 2006, the University entered into a capital lease of \$1,814,402 at 5.07 percent whereby the University leases 7.242 acres of unimproved land for a twenty-four-year period that expires June 30, 2030. At the expiration of the lease, ownership of the land transfers to the University. The outstanding liability at June 30, 2007 on this capital lease is \$1,765,607.

In November 2006, the University entered into a capital lease of \$1,041,207 at 5.38 percent whereby the University leases classroom space in a multi-purpose building. The building is constructed on land owned by the University and leased to Kennesaw State University Foundation, Inc. for \$10 for a twenty-five year period commencing in June 2004. At the



expiration of the ground lease, ownership of the building transfers to the University. The outstanding liability at June 30, 2007 on this capital lease is \$978,979.

In March 2006, the Board of Regents had approved a lease for an office/classroom building that would have been classified as a capital lease; however, the lease had not been executed as of the statement date.

### **Southern Polytechnic State University**

Southern Polytechnic State University had two capital leases with related entities in the current fiscal year. In July 2005, Southern Polytechnic State University entered into a capital lease of \$11,643,862 at 5.0 percent with the Southern Polytechnic State University Foundation, Inc., a discretely presented component unit, whereby the University leases a building for a twenty-two year period that began July 2005 and expires June 2027. Also in July 2005, Southern Polytechnic State University entered into a capital lease of \$22,148,456 at 5.0 percent with the Southern Polytechnic State University Foundation, Inc., whereby the University leases a building for a twenty-four year period that began July 2005 and expires June 2029. The outstanding liability at June 30, 2007 on these capital leases is \$32,179,013. The University at its option may terminate the lease and purchase the Foundation's interest for the unamortized principal balance and the payment of \$1.

### **University of West Georgia**

University of West Georgia has three capital leases with related entities with terms expiring in various years between 2009 and 2035. Interest rates range from 3.0 percent to 4.75 percent.

Two separate capital leases for student residence halls are with the University of West Georgia Foundation, Inc., a discretely presented component unit in these financial statements. The University Suites lease began in August 2004 and expires in August 2029. Its outstanding principal balance at June 30, 2007 is \$12,408,641. The Arbor View Apartments lease began in August 2005 and expires in June 2030. The outstanding principal balance is \$20,223,471 as of June 30, 2007. Last year these two leases were considered operating leases and have been reclassified as capital leases for this and all future periods.

The University Center is being leased from the University of West Georgia Real Estate Foundation, Inc., UWG Campus Center, LLC, also a discretely presented component unit in these financial statements. The lease began in September 2006 and expires in June 2035. The remaining balance on this lease as of June 30, 2007 is \$30,413,308.

University of West Georgia also has a capital lease for PBX equipment with a third party that has an outstanding principal balance at June 30, 2007 in the amount of \$668,340. This lease expires in December 2009.

### **Albany State University**

Albany State University had one capital lease with a related entity in the current fiscal year. In August 2006, Albany State University entered into a capital lease of \$34,320,000 at 3.25 percent to 5.5 percent with the Albany State University Foundation, a discretely presented component

unit, whereby the University leases a building for a twenty-nine year period that began August 2006 and expires July 2034. The outstanding liability at June 30, 2007 on this capital lease is \$34,320,000.

## OPERATING LEASES

The University System of Georgia's noncancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2008 through 2032. 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 2007 was \$34,087,091. System-wide future operating lease commitments total \$90,608,234.

Future commitments for capital leases (which here and on the Statement of Net Assets include other installment purchase agreements) and for noncancellable operating leases having remaining terms in excess of one year as of June 30, 2007, are as follows:

		<b>Total</b>	<b>Total</b>
		<b>Capital Leases</b>	<b>Operating Leases</b>
Year Ending June 30:	Year		
2008	1	\$97,633,188	\$26,278,563
2009	2	98,898,803	9,997,886
2010	3	97,868,248	9,125,787
2011	4	94,118,966	8,891,077
2012	5	90,238,122	8,638,009
2013 through 2017	6-10	453,627,117	27,676,762
2018 through 2022	11-15	464,151,646	50
2023 through 2027	16-20	421,235,178	50
2028 through 2032	21-25	322,266,933	50
2033 through 2037	26-30	91,007,524	
Total minimum lease payments		2,231,045,725	\$90,608,234
Less: Interest		981,690,746	
Less: Executory costs		48,761,088	
Principal Outstanding		\$1,200,593,891	

## ***Note 11. Retirement Plans***

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

#### **Plan Description**

The University System of Georgia participates in the Teachers Retirement System of Georgia (TRS), a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly. TRS provides retirement allowances and other benefits for plan participants. TRS provides service retirement, disability retirement, and survivor's benefits for its members in accordance with State statute. The Teachers Retirement System of Georgia issues a separate stand alone financial audit report and a copy can be obtained from the TRS offices or from the Georgia Department of Audits and Accounts.

#### **Funding Policy**

Employees of the University System of Georgia who are covered by TRS are required by State statute to contribute 5% of their gross earnings to TRS. The University System of Georgia makes monthly employer contributions to TRS at rates adopted by the TRS Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2007, the employer contribution rate was 9.28% for covered employees. Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2007	100%	\$115,443,652
2006	100%	\$109,977,005
2005	100%	\$106,062,477

### **Employees' Retirement System of Georgia**

#### **Plan Description**

The University System of Georgia participates in the Employees' Retirement System of Georgia (ERS), a cost-sharing multiple-employer defined benefit pension plan established by the General Assembly of Georgia for the purpose of providing retirement allowances for employees of the State of Georgia.

The benefit structure of ERS is defined by State statute and was significantly modified on July 1, 1982. Unless elected 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. All other members are "new plan" members subject to the modified plan provisions.

Under both the old plan and new plan, members become vested after 10 years of creditable service. A member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60. Additionally, there are certain provisions allowing for retirement after 25 years of service regardless of age.

Retirement benefits paid to members are based upon a formula which considers the monthly average of the member's highest twenty-four consecutive calendar months of salary, the number of years of creditable service, and the member's age at retirement. Postretirement cost-of-living adjustments are also made to member's benefits. 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.

In addition, the ERS Board of Trustees created the Supplemental Retirement Benefit Plan (SRBP) effective January 1, 1998. The SRBP 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 SRBP is to provide retirement benefits to employees covered by ERS whose benefits are otherwise limited by IRC 415.

The ERS issues a financial report each fiscal year, which may be obtained through ERS.

### **Funding Policy**

As established by State statute, all full-time employees of the State of Georgia and its political subdivisions, who are not members of other state retirement systems, are eligible to participate in the ERS. Both employer and employee contributions are established by State statute. The University System of Georgia's payroll for the year ended June 30, 2007 for employees covered by ERS was \$4,621,119. The University System of Georgia's total payroll for all employees was \$2,389,439,678.

For the year ended June 30, 2007 under the old plan, member contributions consist of 6.5% of annual compensation minus \$7.00. Of these member contributions, the employee pays the first 1.5% and the University System of Georgia pays the remainder on behalf of the employee.

Under the new plan, member contributions consist solely of 1.5% of annual compensation paid by employee. The University System of Georgia also is required to contribute at a specified percentage of active member payroll determined annually by actuarial valuation for both old and new plans. For the year ended June 30, 2007, the ERS employer contribution rate for the University System of Georgia amounted to 10.41% of covered payroll and included the amounts contributed on behalf of the employees under the old plan referred to above. Employer contributions are also made on amounts paid for accumulated leave to retiring employees.

Total contributions to the plan made during fiscal year 2007 amounted to \$555,304, of which \$485,973 was made by the University System of Georgia and \$69,331 was made by employees. These contributions met the requirements of the plan.

### **Actuarial and Trend Information**

Actuarial and historical trend information is presented in the ERS June 30, 2007 financial report, which may be obtained through ERS.

## **Regents Retirement Plan**

### **Plan Description**

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan that was created/established by the Georgia General Assembly in O.C.G.A. 47-21-1 et.seq. and is administered by the Board of Regents of the University System of Georgia. O.C.G.A. 47-3-68(a) defines who may participate in the Regents Retirement 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 Regents Retirement Plan, a plan participant may purchase annuity contracts from four approved vendors (AIG-VALIC, American Century, Fidelity, and TIAA-CREF) for the purpose of receiving retirement and death benefits. Benefits depend solely on amounts contributed to the plan plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the annuity contracts.

### **Funding Policy**

The University System of Georgia makes monthly employer contributions for the Regents Retirement 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 2007, the employer contribution was 9.66% for the first six months and 8.13% for the last six months of the participating employee's earnable compensation. Employees contribute 5% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

The University System of Georgia and the covered employees made the required contributions of \$66,198,943 (9.66% or 8.13%) and \$37,233,293 (5%), respectively.

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

## **Georgia Defined Contribution Plan**

### **Plan Description**

The University System of Georgia participates in the Georgia Defined Contribution Plan (GDCP) which is a single-employer defined contribution plan established by the General Assembly of Georgia for the purpose of providing retirement coverage for State employees who are temporary, seasonal, and 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 payment will be based upon mortality tables and interest assumptions to be 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 the death of a member, a lump sum distribution equaling the amount credited to his/her account will be paid to the member's designated beneficiary. Benefit provisions are established by State statute.

**Contributions**

Member contributions are seven and one-half percent (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 2007 amounted to \$6,760,845 which represents 7.5% of covered payroll. These contributions met the requirements of the plan.

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

***Note 12. Risk Management***

The University System of Georgia offers its employees and retirees access to two different self-insured healthcare plan options – a PPO/PPO Consumer healthcare plan, and an indemnity healthcare plan. The University System of Georgia and participating employees and retirees pay premiums to either of the self-insured healthcare plan options to access benefits coverage. The respective self-insured healthcare plan options are included in the financial statements of the Board of Regents of the University System of Georgia – University System Office. All units of the University System of Georgia share the risk of loss for claims associated with these plans. The reserves for these two plans are considered to be a self-sustaining risk fund. Both self-insured healthcare plan options provide a maximum lifetime benefit of \$2,000,000 per person.

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 two self-insured healthcare plan products. All claims submitted by program participants are remitted directly to Blue Cross – Blue Shield from various organizational units for verification of coverage, processing and payment through a bank account maintained for this purpose by Blue Cross – Blue Shield. Blue Cross – Blue Shield maintains an eligibility file based on information furnished by the various organizational units of the University System of Georgia. In addition to the two different self-insured healthcare plan options offered to the employees of the University System of Georgia, two fully insured HMO healthcare plan options are also offered to System employees.

Express Scripts is the administrator of the Board of Regents' prescription drug plan. Pharmacy drug claims will be processed in accordance with guidelines established for the Board of Regents' Prescription Drug Benefit Program. Generally, claims are submitted by participating pharmacies directly to Express Scripts for verification, processing and payment. Express Scripts maintains an eligibility file based on information furnished by Blue Cross – Blue Shield on behalf of the various organizational units of the University System of Georgia.

A reconciliation of total estimated claims liabilities for the fiscal year ended June 30, 2007, is shown below:

Unpaid Claims and Claim Adjustments July 1, 2006	\$ 27,983,473
Incurred Claims and Claim Adjustments Expenses – Provisions for Insured Events of the current year	264,356,511
Payments – Claims and Claim Adjustments Attributable to Insured Events of the Current Year and of Prior Years	<u>265,192,693</u>
Unpaid Claims and Claim Adjustments June 30, 2007	<u><u>\$ 27,147,291</u></u>

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

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

### ***Note 13. Contingencies***

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

Litigation, claims and assessments filed against the University System of Georgia, if any, are generally 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, 2007.

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

Pursuant to the general powers conferred by the Official Code of Georgia Annotated Section 20-3-31, the Board of Regents of the University System of Georgia has established group health and life insurance programs for regular employees of the University System of Georgia. It is the policy of the Board of Regents to permit employees of the University System of Georgia eligible for retirement or that become permanently and totally disabled to continue as members of the group health and life insurance programs. The policies of the Board of Regents of the University System of Georgia define and delineate who is eligible for these post-employment health and life insurance benefits. Organizational units of the Board of Regents of the University System of Georgia pay the employer portion for group insurance for affected individuals. With regard to life insurance, 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 employee.

As of June 30, 2007, there were 12,909 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2007, the University System of Georgia recognized as incurred \$58,606,344 of expenditures, which was net of \$21,263,805 of participant contributions.



**Note 15. Natural Classifications with Functional Classifications**

The University System's operating expenses by functional classification for fiscal 2007 are shown below:

	Functional Classification FY2007					
	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support
<b>Natural Classification</b>						
Faculty	\$684,796,885	\$210,920,117	\$50,602,541	\$14,969,077	\$1,005,212	\$1,159,624
Staff	241,700,421	232,905,070	135,198,622	182,458,512	105,910,196	231,779,229
Benefits	130,308,757	53,588,805	29,241,727	32,190,029	17,117,586	61,535,429
Personal Services	2,432,155	397,943	962,734	173,053	42,628	5,147,198
Travel	14,032,780	18,409,633	6,275,005	4,973,462	2,571,679	3,909,018
Scholarships and Fellowships	9,429,093	2,444,601	1,667,854	201,060	2,401,900	1,638,823
Utilities	6,211,195	1,566,341	19,504,433	2,189,454	1,686,901	8,855,241
Supplies and Other Services	121,984,257	174,742,339	155,368,126	84,576,459	52,586,018	399,131,802
Depreciation	32,465,223	21,811,613	6,398,805	37,647,616	3,905,114	20,931,177
<b>Total Expenses</b>	<b>\$1,243,360,766</b>	<b>\$716,786,462</b>	<b>\$405,219,847</b>	<b>\$359,378,722</b>	<b>\$187,227,234</b>	<b>\$734,087,541</b>

	Functional Classification FY2007					
	Plant Operations & Maintenance	Scholarships & Fellowships	Auxiliary Enterprises	Unallocated Expenses	MCG only Patient Care	Total Expenses
<b>Natural Classification</b>						
Faculty	\$115,487	\$51,264	\$956,386	\$0	\$2,361,077	\$966,937,670
Staff	114,267,999	19,159	107,159,502		71,103,298	1,422,502,008
Benefits	22,475,531	50,575	15,758,854	14,112	11,820,456	374,101,861
Personal Services	(8,657,692)	354,684	8,885,453			9,738,156
Travel	(2,444)	4,484	2,008,378		310,498	52,492,493
Scholarships and Fellowships		145,453,446	13,295,203			176,531,980
Utilities	103,273,310		19,993,525		359,776	163,640,176
Supplies and Other Services	119,218,876	160,255	225,474,569		100,397,923	1,433,640,624
Depreciation	35,222,641		37,076,450	76,425,618		271,884,257
<b>Total Expenses</b>	<b>\$385,913,708</b>	<b>\$146,093,867</b>	<b>\$430,608,320</b>	<b>\$76,439,730</b>	<b>\$186,353,028</b>	<b>\$4,871,469,225</b>

## ***Note 16. Component Units***

### **Georgia Institute of Technology**

#### **Georgia Tech Foundation, Inc.**

Georgia Tech Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of the Georgia Institute of Technology (Institute). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the Institute in support of its programs. The Foundation board of trustees is self-perpetuating and consists of forty-five (45) elected trustees, who are alumni of the Institute and five (5) ex-officio trustees. Although the Institute does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests, are restricted for support of the Institute. Because the resources held by the Foundation are used by, or for the benefit of the Institute, the Foundation is considered a component unit of the Institute and is discretely presented in the Institute's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is July 1 through June 30.

During fiscal year 2007, the Foundation distributed approximately \$84.6 million to the Institute for restricted and unrestricted purposes. Note 10 of this financial report provides information on related party leases between the Foundation and the Institute. Complete financial statements for the Foundation can be requested at the following address: Georgia Tech Foundation, Inc., Controller's Office, 760 Spring Street N.W., Suite 400, Atlanta, GA 30308.

#### ***Investments for Component Units:***

The Georgia Tech Foundation, Inc. holds investments totaling \$1.348 billion as of June 30, 2007, of which \$353.6 million is the corpus of the endowment (permanently restricted). The corpus is nonexpendable, but the earnings on the investments may be spent in accordance with donor restrictions or in accordance with the Foundation's spending policy. The Foundation has established a spending policy in which up to 6% of the twelve (12) quarter average market values of the endowment funds are allocated from the earnings for expenditure. In fiscal year 2007, the Foundation allocated 5.10% of that average.

Investments are comprised of the following amounts at June 30, 2007:

	Cost	Fair Value
Cash held by investment organization	\$24,102,221	\$24,102,221
Government and Agency Securities	21,517,393	20,849,807
Corporate Bonds	30,132,667	29,752,474
Equity Securities	438,278,014	593,816,539
Mutual Funds	55,602,454	56,373,609
Venture Capital	191,376,488	257,975,006
Real Estate	27,068,525	30,633,358
Diversifying Strategies	294,031,933	334,621,522
Total Investments	<u>\$1,082,109,695</u>	<u>\$1,348,124,536</u>

### ***Capital Assets for Component Units:***

Georgia Tech Foundation, Inc. holds the following Capital Assets at June 30, 2007:

	June 30, 2007
Capital Assets not being Depreciated:	
Land and other Assets	<u>\$2,553,000</u>
Total Capital Assets not being Depreciated	2,553,000
Capital Assets being Depreciated:	
Buildings and Improvements	38,051,000
Machinery and Equipment	<u>7,145,000</u>
Total Capital Assets being Depreciated	45,196,000
Less Total Accumulated Depreciation	<u>8,626,000</u>
Total Capital Assets being Depreciated, Net	<u>36,570,000</u>
Capital Assets, Net	<u><u>\$39,123,000</u></u>

### ***Long-term Liabilities for Component Units:***

Changes in long-term liabilities for Georgia Tech Foundation, Inc. for the fiscal year ended June 30, 2007 are shown below:

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Amounts due within One Year
Compensated Absences	\$282,570	\$314,102	\$351,494	\$245,178	\$245,178
Notes and Loans Payable	44,220,000	20,000,000	494,007	63,725,993	43,725,993
Revenue/Mortgage Bonds Payable	216,256,000		4,321,000	211,935,000	4,605,000
Other Long Term Liabilities	<u>9,598,253</u>	<u>876,584</u>		<u>10,474,837</u>	<u>1,357,838</u>
Total Long Term Liabilities	<u>\$270,356,823</u>	<u>\$21,190,686</u>	<u>\$5,166,501</u>	<u>\$286,381,008</u>	<u>\$49,934,009</u>

### **Notes and Loans Payable:**

The Foundation has two \$30 million revolving lines of credit. At June 30, 2007, \$44.925 million was the total aggregate outstanding on the lines of credit. Interest is calculated using the 30-day LIBOR rate plus 0.25%, which was 5.57% at June 30, 2007. One line of credit expires on June

30, 2008 and the other on December 31, 2008. The Foundation expects to renew both lines of credit upon expiration.

The Foundation also has a \$30 million line of credit for the purpose of funding the construction of the Nanotechnology Research Center Building on the Institute's campus. As of June 30, 2007, \$18.801 million was outstanding on the line of credit. Interest is calculated using the 30-day LIBOR rate plus 0.25%, which was 5.57% at June 30, 2007. The line of credit expires on June 30, 2008.

The Foundation also has available one other line of credit in the amount of \$20 million. As of June 30, 2007, no amounts have been drawn on this credit facility. This line of credit expires on June 30, 2008.

Annual estimated debt service requirements to maturity for Notes and Loans Payable are as follows:

		Notes and Loans Payable		
		Principal	Interest	Total
Year Ending June	Year			
2008	1	\$43,725,993	\$3,549,538	\$47,275,531
2009	2	20,000,000	557,000	20,557,000
		<u>\$63,725,993</u>	<u>\$4,106,538</u>	<u>\$67,832,531</u>

### **Revenue Bonds Payable:**

#### Series 2001 Bond Issuance

During May 2001, the Foundation borrowed \$44.98 million in Series 2001A Bonds. These bonds were issued to provide funds to finance the costs of construction of the CRC, a facility that has been constructed on the Institute's campus. These bonds are general unsecured obligations of the Foundation. The interest rates on the outstanding bond principal range from 4% to 5.75% until maturity in November 2030.

#### Series 2002 Bond Issuance

During January 2002, the Foundation borrowed \$111.09 million in Series 2002A (tax exempt) Bonds and \$73.19 million Series 2002B (taxable) Bonds. These bonds were issued to provide funds to finance the costs of the acquisition, construction and installation of an addition to the Institute's campus known as Technology Square. The Foundation leased the hotel and conference center portion of Technology Square to a third party in July 2003. The other components of Technology Square were leased to the Board of Regents, on behalf of the Institute, under a capital lease effective July 2004. The bonds are general unsecured obligations of the Foundation. The interest rates on the outstanding bond principal range from 5.23% to 6.6% through maturity in November 2031.

Annual debt service requirements to maturity for Georgia Tech Foundation's revenue bonds payable are as follows:

		Bonds Payable		
		Principal	Interest	Total
<hr/>				
Year ending June 30:				
2008	1	\$4,605,000	\$11,662,200	\$16,267,200
2009	2	4,825,000	11,437,491	16,262,491
2010	3	5,060,000	11,203,637	16,263,637
2011	4	5,310,000	10,945,586	16,255,586
2012	5	5,600,000	10,653,002	16,253,002
2013 through 2017	6-10	33,215,000	48,054,824	81,269,824
2018 through 2022	11-15	44,180,000	37,082,836	81,262,836
2023 through 2027	16-20	49,120,000	24,126,187	73,246,187
2028 through 2032	21-25	61,575,000	8,603,942	70,178,942
		213,490,000	173,769,705	387,259,705
Bond Discount, net		(1,555,000)		(1,555,000)
		<u>\$211,935,000</u>	<u>\$173,769,705</u>	<u>\$385,704,705</u>

### Georgia Tech Athletic Association

Georgia Tech Athletic Association (the Athletic Association) is a legally separate, tax-exempt component unit of the Georgia Institute of Technology (Institute). The Athletic Association administers the Institute's intercollegiate athletics program, including fund-raising to support scholarships. The 14-member association board of trustees is appointed predominantly by the President of the Georgia Institute of Technology, and consists of faculty, alumni, students, and friends of the Institute. Although the Institute does not control the timing or amount of receipts and disbursements from the Athletic Association, all of the resources are restricted to support the intercollegiate athletic program for Georgia Tech. Because these resources are used for the benefit of the Institute, the Athletic Association is considered a component unit of the Institute and is discretely presented in the Institute's financial statements.

The Athletic Association is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Athletic Association's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Athletic Association distributed approximately \$8.5 million to the Institute for athletic scholarship support and other payments that were either expense reimbursements or support for Institute programs. Complete financial statements for the Athletic Association can be obtained from the Georgia Tech Athletic Association, Attention: Mollie Simmons Mayfield, Assistant Director of Athletics, 150 Bobby Dodd Way, NW, Atlanta, GA 30332-0455.

### *Deposits and Investments for Component Units:*

#### **Deposits:**

The Athletic Association does not have a policy that addresses custodial credit risk. As of June 30, 2007, \$3,500,799 of the Athletic Association's bank balance of \$3,600,799 was uncollateralized and exposed to custodial credit risk.

**Investments:**

The Athletic Association's investments are held and reported by Georgia Tech Foundation, Inc. and are represented by a \$80,967,000 Due from Component Unit balance on the Statement of Net Assets.

**Capital Assets for Component Units:**

Georgia Tech Athletic Association had the following Capital Asset activity for the year ended June 30, 2007:

	<b>Beginning Balances 7/1/2006</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance 6/30/2007</b>
Capital Assets, Not Being Depreciated:				
Land (and other assets)	\$49,946	\$0	\$0	\$49,946
Construction Work-in-Progress	473,447	459,393	724,165	208,675
Total Capital Assets Not Being Depreciated	523,393	459,393	724,165	258,621
Capital Assets, Being Depreciated:				
Building and Building Improvements	125,109,785	985,401		126,095,186
Facilities and Other Improvements	423,778	29,300		453,078
Equipment	5,593,098	115,701		5,708,799
Total Assets Being Depreciated	131,126,661	1,130,402	0	132,257,063
Less: Accumulated Depreciation				
Buildings	26,607,789	3,990,216		30,598,005
Facilities and Other improvements	300,097	47,497		347,594
Equipment	2,514,082	571,055		3,085,137
Total Accumulated Depreciation	29,421,968	4,608,768	0	34,030,736
Total Capital Assets, Being Depreciated, Net	101,704,693	(3,478,366)	0	98,226,327
Capital Assets, net	<u>\$102,228,086</u>	<u>(\$3,018,973)</u>	<u>\$724,165</u>	<u>\$98,484,948</u>

**Long-term Liabilities for Component Units:**

Changes in long-term liabilities for the Athletic Association for the fiscal year ended June 30, 2007 are shown below:

	<b>Beginning Balance July 1, 2006</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2007</b>	<b>Amounts due within One Year</b>
Compensated Absences	\$938,994	\$642,442	\$536,622	\$1,044,814	\$1,044,814
Notes and Loans Payable	988,214		24,903	963,311	26,979
Revenue/Mortgage Bonds Payable	107,961,507		1,942,829	106,018,678	1,925,000
Total Long Term Liabilities	<u>\$109,888,715</u>	<u>\$642,442</u>	<u>\$2,504,354</u>	<u>\$108,026,803</u>	<u>\$2,996,793</u>

**Notes and Loans Payable:**

Notes payable at June 30, 2007 represent the Athletic Association's obligation to Georgia Tech Foundation Facilities, Inc. with respect to the William C. Wardlaw Center. The effective interest rate at June 30, 2007 is 4.92%.

Annual debt service requirements to maturity for the Athletic Association's note payable are as follows:

		Notes and Loans Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$26,979	\$47,670	\$74,649
2009	2	27,978	46,376	74,354
2010	3	29,477	44,998	74,475
2011	4	30,975	43,510	74,485
2012	5	32,474	41,917	74,391
2013 through 2017	6-10	190,848	180,300	371,148
2018 through 2022	11-15	240,309	131,456	371,765
2023 through 2027	16-20	311,252	59,743	370,995
2028 through 2032	21-25	73,019	1,811	74,830
		<u>\$963,311</u>	<u>\$597,781</u>	<u>\$1,561,092</u>

### Revenue Bonds Payable:

In December 2001, the Development Authority of Fulton County issued the Georgia Tech Athletic Association Revenue Bonds, Series 2001 ("Series 2001 Bonds") with a par value of \$112,080,000 to finance the construction of a new baseball stadium, demolish a portion of the Georgia Tech Football stadium, the construction of certain improvements thereto, other miscellaneous capital improvements, and to refinance the outstanding principal on the Series 1995 Bonds and other borrowings. The interest rates on the bonds range from 4% to 5.5% and the bonds mature in October 2032.

On March 16, 2004, the Athletic Association entered into a master swap agreement with UBS AG, Stamford Branch ("UBS"), an investment bank, and simultaneously sold UBS an Interest Rate Swaption ("swaption"). The swaption represents an option to enter into an interest rate swap. The swaption premium generated by this contract was an upfront payment to the Athletic Association of \$2,367,000. In exchange for the swaption premium, UBS gains the right (but not the obligation) to enter into a specified swap agreement with the Athletic Association beginning on April 1, 2012. If the swaption is exercised, the Athletic Association and UBS will swap interest rate payments. The Athletic Association will pay interest to UBS based on the stated rates in the swap agreement. UBS would then pay the Athletic Association a floating rate based on the Bond Market Association Municipal Swap Index plus 21 basis points (0.21%), which approximates the expected interest cost on the variable rate refunding bonds. At June 30, 2007, the swaption had a fair value (representing a liability) of \$5,110,882, as calculated by UBS. The swaption premium is recorded as a component of bonds payable in the statement of net assets and is being amortized on a straight-line basis over the remaining life of the bonds as a component of interest expense in the statement of revenues, expenses, and changes in net assets.

Annual debt service requirements to maturity for the Athletic Association's revenue bonds payable are as follows:

		Bonds Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$1,925,000	\$5,332,336	\$7,257,336
2009	2	2,025,000	5,233,586	7,258,586
2010	3	2,120,000	5,137,911	7,257,911
2011	4	2,210,000	5,045,346	7,255,346
2012	5	2,315,000	4,939,956	7,254,956
2013 through 2017	6-10	13,675,000	22,612,594	36,287,594
2018 through 2022	11-15	18,740,000	17,539,356	36,279,356
2023 through 2027	16-20	23,755,000	12,523,891	36,278,891
2028 through 2032	21-25	30,300,000	8,963,216	39,263,216
2033 through 2037	26-30	7,815,000	200,259	8,015,259
		104,880,000	87,528,451	192,408,451
Bond Discount/Swaption Premium		1,138,678		1,138,678
		<u>\$106,018,678</u>	<u>\$175,056,902</u>	<u>\$193,547,129</u>

### Georgia Tech Research Corporation

Georgia Tech Research Corporation and its subsidiary Georgia Tech Applied Research Corporation (referred to in the singular as GTRC in this document), are legally separate, tax-exempt component units of the Georgia Institute of Technology (Institute). GTRC functions as the prime contractor for most sponsored research conducted at Georgia Tech and subcontracts with the Institute for faculty and staff services. GTRC's 12-member board of trustees is self-perpetuating and consists of senior Institute administrators, alumni, and supporters of Georgia Tech. GTRC's income and resources are restricted to support research mission objectives of the Institute. Because the resources held by GTRC are restricted for use in support of the Institute, GTRC is considered a component unit of Georgia Tech and is discretely presented in the Institute's financial statements.

The Georgia Tech Research Corporation is a private nonprofit organization that reports under GASB standards, in accordance with Statements of Governmental Accounting Standards ("SGAS") No. 35, Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities, as amended by SGAS No. 37, Basic Financial Statements-and Management's Discussion and Analysis-State and Local Governments: Omnibus-an Amendment of GASB Statements No. 21 and No. 34, and SGAS No. 38, Certain Financial Statement Note Disclosures. The financial statement presentation required by these statements provide a comprehensive, entity-wide perspective of GTRC's assets, liabilities, net assets, revenues, expenses, and changes in net assets. The Georgia Tech Research Corporation's fiscal year is July 1 through June 30.

During fiscal year 2007, GTRC distributed approximately \$349 million to the Institute for restricted and unrestricted purposes. Complete financial statements for GTRC can be requested at the following address: Georgia Tech Research Corporation, Director of Accounting and Reports, 505 Tenth Street, Atlanta, GA 30332-0415.



### ***Deposits and Investments for Component Units:***

#### **Deposits:**

At June 30, 2007, the carrying value of deposits was \$1,049,436 and the bank balance was \$1,820,259. Of GTRC's deposits, \$1,620,259 were uninsured and uncollateralized.

#### **Investments:**

GTRC's investments at June 30, 2007 were as follows:

	Fair Value
Commercial Paper	\$41,750,000
Equity Securities	470,259
Total Investments	<u>\$42,220,259</u>

### ***Capital Assets for Component Units:***

GTRC had the following Capital Asset activity for the year ended June 30, 2007:

	Beginning Balances 7/1/2006	Additions	Reductions	Ending Balance 6/30/2007
Capital Assets, Not Being Depreciated:				
Capitalized Collections	\$0	\$240,735	\$0	\$240,735
Total Capital Assets Not Being Depreciated	0	240,735	0	240,735
Capital Assets, Being Depreciated:				
Building and Building Improvements	13,570	7,563		21,133
Equipment	4,298,912	89,257	890,067	3,498,102
Total Assets Being Depreciated	4,312,482	96,820	890,067	3,519,235
Less: Accumulated Depreciation				
Buildings	1,131	1,925		3,056
Equipment	2,462,038	514,958	890,067	2,086,929
Total Accumulated Depreciation	2,463,169	516,883	890,067	2,089,985
Total Capital Assets, Being Depreciated, Net	1,849,313	(420,063)	0	1,429,250
Capital Assets, net	<u>\$1,849,313</u>	<u>(\$179,328)</u>	<u>\$0</u>	<u>\$1,669,985</u>

### **Georgia Advanced Technology Ventures, Inc.**

Georgia Advanced Technology Ventures, Inc. (GATV) is a Georgia non-profit organization formed to support Georgia Institute of Technology's technology transfer and economic development mission and its Advanced Technology Development Center (ATDC) incubator program. GATV provides capital and operating support for technology transfer and economic activities including ATDC incubator facilities and services to ATDC affiliated companies.

GATV is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB

presentation for external financial reporting purposes in these financial statements. Georgia Advanced Technology Ventures fiscal year is July 1 through June 30.

During the year ended June 30, 2007, GATV distributed \$237,946 to the Institute for operating expenses. Complete financial statements for GATV can be requested at the following address: Georgia Advanced Technology Ventures, Inc., Treasurer's Office, Lyman Hall, Room 315, Atlanta, GA 30332-0257, Attention: Joel Hercik.

***Prior Period Restatement:***

GATV understated the value of unconditional promises to give and unrestricted donations by \$821,522 at June 30, 2006. This was the result of an unrecorded pledge, which was made in fiscal year 2006 from TUFF. Accordingly, the financial statements have been restated to properly record this activity. The effect of the correction of this prior period error was to increase unrestricted net assets by \$821,522.

***Investments for Component Units:***

GATV holds investments in the amount of \$1.005 million. These funds are invested in Georgia Venture Partners, LLC.

***Capital Assets for Component Units:***

GATV holds the following Capital Assets as of June 30, 2007:

	<u>June 30, 2007</u>
Capital Assets not being Depreciated:	
Land and other Assets	\$11,428,531
Construction in Progress	<u>42,769</u>
Total Capital Assets not being Depreciated	11,471,300
Capital Assets being Depreciated:	
Buildings and Improvements	101,672,190
Infrastructure	3,287,774
Machinery and Equipment	<u>1,047,396</u>
Total Capital Assets being Depreciated	106,007,360
Less Total Accumulated Depreciation	<u>6,301,816</u>
Total Capital Assets being Depreciated, Net	<u>99,705,544</u>
Capital Assets, Net	<u><u>\$111,176,844</u></u>

***Long-term Liabilities for Component Units:***

Changes in long-term liabilities for GATV for the year ended June 30, 2007 are shown below:

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Amounts due within One Year
Capital Lease Obligations	\$50,613,331	\$34,532,363	\$0	\$85,145,694	\$0
Notes and Loans Payable	10,707,440	1,752,795	4,412,883	8,047,352	1,640,295
Total Long Term Liabilities	<u>\$61,320,771</u>	<u>\$36,285,158</u>	<u>\$4,412,883</u>	<u>\$93,193,046</u>	<u>\$1,640,295</u>

### **Capital Lease Obligations:**

GATV is party to a lease agreement with TUFF ATDC LLC under which GATV leases space on the first through third floors of the Centergy One Building on Fifth Street in Atlanta. GATV subleases this space to organizations compatible with its mission. The lease extends for thirty years, after which GATV may purchase the property for a nominal charge. The leased space was occupied in August 2003.

GATV is also party to a lease agreement with TUFF GATV45 LLC under which GATV leases space on the fourth and fifth floors of the Centergy One Building, which it subleases to organizations compatible with its mission. This lease commenced April 1, 2005, and extends to December 2034, at which time GATV may purchase the property for a nominal charge. Additionally, GATV may purchase the property during the lease term at an amount determined by a formula accounting for interest rates and the total previous payments made.

The properties under the above capital leases are recorded as assets in the accompanying financial statements at the value of certain pre-occupancy payments plus the present value of the future minimum lease payments. The obligations under the capital lease have been recorded at the present value of future minimum lease payments, discounted at an interest rate appropriate to GATV's estimated borrowing rate at the time of lease inception. Those interest rates are 6.25% for floors one through three and 7.75% for floors four and five. The capital lease obligation balance at June 30, 2007 includes \$1,288,478 in accrued, but unpaid interest.

GATV is party to a lease agreement with TUFF TEPB LLC under which GATV leases a building at Technology Enterprise Park. GATV subleases space in the building to organizations compatible with its mission. This lease commenced June 30, 2007 and extends to June 30, 2037, at which time GATV may purchase the property during the lease term at an amount determined by a formula accounting for interest rates and the total previous payments made.

The property under the above capital lease is recorded as building, infrastructure and leasehold improvement assets in the accompanying financial statements. The obligations under the capital lease have been recorded at the value of the contractor's cost of construction plus capitalized interest during the construction period. The effective overall average interest rate on the purchase, given an escalating lease payment schedule over the life of the agreement, is 9.078%.

Future minimum lease payments under the capital leases, and the net present value of future minimum lease payments are as follows at June 30, 2007:

Capital Leases		
Year ending June 30:		
2008	1	\$6,264,254
2009	2	6,493,283
2010	3	6,645,872
2011	4	6,790,386
2012	5	6,938,415
Thereafter	6-29	190,827,745
Total minimum lease payments		223,959,955
Less: Interest		138,814,261
Principal Outstanding		\$85,145,694

### Notes and Loans Payable:

GATV has a line of credit arrangement with TUFF, with a limit of \$1.9 million. Interest at prime plus 2% is payable each December 31; however, GATV currently chooses to make interest payments on a quarterly basis. Principal is payable within 30 days of demand by TUFF. No collateral is specified, but GATV is required to obtain the consent of TUFF before granting a security interest in its general assets to any other entity. At June 30, 2007, advances under this line of credit total \$1.6 million.

GATV has a long-term note payable to TUFF with monthly payments of \$4,164 through October 2015 at 6% interest. The outstanding principal balance of the loan at June 30, 2007 is \$327,032.

GATV has a long-term note payable to TUFF requiring monthly payments, with the principal maturing October 2033 at 6.55% interest. The loan is secured by Technology Enterprise Park land. The outstanding principal balance of the loan at June 30, 2007 is \$6,120,320.

Annual debt service requirements to maturity for Notes and Loans payable are as follows:

		Notes and Loans Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$1,640,295	\$428,543	\$2,068,838
2009	2	50,831	434,381	485,212
2010	3	62,348	440,373	502,721
2011	4	74,938	446,538	521,476
2012	5	88,700	452,894	541,594
2013 through 2017	6-10	612,256	2,372,631	2,984,887
2018 through 2022	11-15	984,893	2,651,687	3,636,580
2023 through 2027	16-20	1,896,982	3,109,731	5,006,713
2028 through 2032	21-25	1,960,621	2,518,822	4,479,443
2033 through 2037	26-30	675,488	708,197	1,383,685
		<u>\$8,047,352</u>	<u>\$13,563,797</u>	<u>\$21,611,149</u>

### Georgia Tech Facilities, Inc.

Georgia Tech Facilities, Inc. (Facilities) is a legally separate, tax-exempt component unit of the Georgia Institute of Technology (Institute). Facilities constructs research and auxiliary buildings and other structures for use by the Institute and then leases the completed buildings/structures to the Institute. The eight-member Facilities board is appointed by the President of the Georgia Institute of Technology and consists of alumni and friends of Georgia Tech. Although the

Institute does not control the timing or amount of receipts and disbursements for Facilities, its resources and income are restricted to support the construction activities of Georgia Tech. Because these restricted resources held by Facilities can only be used by, or for the benefit of the Institute, Facilities is considered a component unit of Georgia Tech and is discretely presented in the Institute's financial statements.

Georgia Tech Facilities, Inc. is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. Facilities fiscal year is July 1 through June 30.

Investments carried as capital assets valued at \$157,687,000 are included in the Facilities financial statements. The corresponding buildings and associated long-term debt are included in the Institute's report. Note 10 of this financial report provides information on related party leases. During fiscal 2007, Facilities distributed \$363,000 to the Institute for restricted and unrestricted purposes. Complete financial statements for Facilities can be obtained from the following address: Georgia Tech Facilities, Inc., Treasurer's Office, Lyman Hall, Room 315, Atlanta, GA 30332-0257, Attention: Joel Hercik.

***Prior Period Restatement:***

Georgia Tech Facilities, Inc. did not properly record capitalized interest for certain projects during relevant periods. In addition, Facilities did not appropriately account for direct financing leases with the Institute. Accordingly, the financial statements have been restated to properly capitalize interest and reflect Facilities' investment in direct financing leases, which are reported as Investments in Real Estate on the Statement of Net Assets. The effect of the correction on beginning net assets was a decrease of (\$4,400,000).

***Investments for Component Units:***

Georgia Tech Facilities, Inc. holds investments in the amount of \$157.7 million on its balance sheet which is composed of investments in Real Estate.

***Capital Assets for Component Units:***

Georgia Tech Facilities, Inc. holds the following Capital Assets as of June 30, 2007:

	<b>June 30, 2007</b>
Capital Assets not being Depreciated:	
Land and other Assets	\$598,000
Construction in Progress	33,494,000
Total Capital Assets not being Depreciated	34,092,000
Capital Assets being Depreciated:	
Buildings and Improvements	1,200,000
Total Capital Assets being Depreciated	1,200,000
Less Total Accumulated Depreciation	540,000
Total Capital Assets being Depreciated, Net	660,000
Capital Assets, Net	\$34,752,000

### ***Long-term Liabilities for Component Units:***

Changes in long-term liabilities for Facilities for the fiscal year ended June 30, 2007 are shown below:

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Amounts due within One Year
Capital Lease Obligations	\$9,734,000	\$0	\$242,000	\$9,492,000	\$2,098,000
Revenue/Mortgage Bonds Payable	212,675,000	0	2,550,000	210,125,000	3,921,000
Total Long Term Liabilities	\$222,409,000	\$0	\$2,792,000	\$219,617,000	\$6,019,000

### **Capital Lease Obligations:**

On February 17, 2006, Facilities entered into an installment sale agreement with the Institute for telecommunications equipment and installation. The agreement commences on the date the equipment is accepted and is renewable at the option of the Institute annually on July 1 for five successive one-year terms. At June 30, 2007, installation had not been completed, the equipment had not been accepted by the Institute and the agreement had not yet commenced.

To finance the equipment, Facilities entered into a Master Lease and Sublease Agreement with SunTrust Leasing Corporation (as Lessor) and the Development Authority of Fulton County (as lessee) in the amount of \$9,734,000. The outstanding principal balance of the obligation as of June 30, 2007 is \$9,492,000.

Annual debt service requirements to maturity for capital lease obligations are as follows:

		Capital Leases
Year ending June 30:		
2008	1	\$2,429,000
2009	2	2,430,000
2010	3	2,430,000
2011	4	2,430,000
2012	5	608,000
Total minimum lease payments		10,327,000
Less: Interest		835,000
Principal Outstanding		\$9,492,000

**Revenue Bonds Payable:**

Facilities has five bond issues outstanding with balances totaling \$210,125,000. The proceeds from the bond issues were used to acquire or construct (for the benefit of the Institute) the Habersham Building, which houses the Ivan Allen College, Bioengineering and Biosciences Building, Family Housing Complex, Klaus parking deck, the Molecular Science and Engineering Building and the Electrical Substation. Interest rates on the bonds range from 2% to 5.25%. Also, for the Electrical Substation bonds, Facilities has an interest rate swap agreement. Facilities retains an independent entity to provide periodic valuation of the interest rate swap. At June 30, 2007, the value is \$896,000 and is reported as Other Current Assets in the Statement of Net Assets.

Annual debt service requirements to maturity for revenue bonds payable are as follows:

		Bonds Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$3,921,000	\$9,913,000	\$13,834,000
2009	2	4,795,000	9,789,000	14,584,000
2010	3	4,950,000	9,642,000	14,592,000
2011	4	4,574,000	9,429,000	14,003,000
2012	5	4,780,000	9,221,000	14,001,000
2013 through 2017	6-10	29,445,000	42,019,000	71,464,000
2018 through 2022	11-15	38,725,000	33,368,000	72,093,000
2023 through 2027	16-20	47,795,000	22,589,000	70,384,000
2028 through 2032	21-25	43,250,000	10,910,000	54,160,000
2033 through 2037	26-30	27,890,000	3,404,000	31,294,000
		<u>\$210,125,000</u>	<u>\$160,284,000</u>	<u>\$370,409,000</u>

**Georgia Tech Alumni Association**

Georgia Tech Alumni Association (Alumni Association) is a legally separate, tax-exempt component unit of the Georgia Institute of Technology (Institute). The Alumni Association acts primarily as a point of contact with the Institute's alumni, prospective students, and friends for outreach and development. The forty-three member Alumni Association board of trustees is self-perpetuating and consists of alumni and friends of the Institute. Although the Institute does not control the timing or amount of receipts from the Alumni Association, the majority of resources or income thereon that the Alumni Association holds and invests is restricted to support the Alumni Association's mission of serving and promoting the alumni of the Institute. Because resources held by the Alumni Association are used by, or for the benefit of the Institute, the Alumni Association is considered a component unit of the Institute and is discretely presented in the Institute's financial statements.

The Alumni Association is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Alumni Association's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Alumni Association distributed \$797,602 to the Institute primarily for employee salary and insurance costs. Complete financial statements for the Alumni Association can be obtained from the Georgia Tech Alumni Association, Attention: Controller, 190 North Avenue, Atlanta, GA 30313.

***Capital Assets for Component Units:***

Georgia Tech Alumni Association holds the following Capital Assets as of June 30, 2007:

	<u>June 30, 2007</u>
Capital Assets being Depreciated:	
Buildings and Improvements	\$717,814
Machinery and Equipment	<u>694,051</u>
Total Capital Assets being Depreciated	1,411,865
Less Total Accumulated Depreciation	<u>941,960</u>
Total Capital Assets being Depreciated, Net	<u>469,905</u>
Capital Assets, Net	<u><u>\$469,905</u></u>

**Georgia State University**

**Georgia State University Foundation, Inc.**

Georgia State University Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of Georgia State University (University). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The 37-member board of the Foundation, of which 6 members are ex-officio, is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. The fiscal year of the Foundation is July 1 through June 30.

During the year ended June 30, 2007, the Foundation distributed \$12,158,055 to the University. A copy of the annual audited financial statements for the Foundation can be obtained from James F. Winters, III, Controller, Georgia State University Foundation, P.O. Box 3963, Atlanta, GA 30302-3963 or in person at One Park Place South, Atlanta, GA.

***Prior Period Adjustment:***

Beginning Net Assets for fiscal 2007 were adjusted for a prior period adjustment of (\$4,169,656), representing fiscal year 2006 interest earned on the proceeds from tax-exempt



bonds. This amount was recorded as interest income; however, should have been netted against the capitalized interest expense in accordance with FASB Statement Number 62. The restatement resulted in the interest income, property and equipment, and net asset account balances for 2006 to be reduced by \$4,169,656.

***Investments for Component Units:***

Georgia State University Foundation holds endowment and other investments in the amount of \$130.7 million. The Foundation determines the spendable amounts for endowment funds using a total return formula and makes no spending allocations to restricted funds from the operating portfolio. Income from the operating portfolio is used to fund the Foundation's administrative activities pursuant to an unrestricted spending policy. The Trustees of the Foundation adopted an endowment spending policy that provides for the allocation of endowment funds at the rate of 70% of the previous year's allocation plus 30% of the current year's market values at a spending rate of 4.5% of the market value of the endowment funds. A 1% management fee is used to fund the Foundation's administrative activities. The balance of the return is applied to the value of the endowment funds.

Investments are comprised of the following amounts at June 30, 2007:

	<u>Cost</u>	<u>Fair Value</u>
Equity Securities	\$368,078	\$368,078
Mutual Funds	102,918,990	122,180,766
Venture Capital	4,660,218	2,921,154
Real Estate	<u>2,822,293</u>	<u>5,207,340</u>
Total Investments	<u>\$110,769,579</u>	<u>\$130,677,338</u>

***Capital Assets for Component Units:***

Georgia State University Foundation holds the following Capital Assets as of June 30, 2007:

	<u>June 30, 2007</u>
Capital Assets not being Depreciated:	
Land and other Assets	\$10,090,265
Construction in Progress	<u>125,700,200</u>
Total Capital Assets not being Depreciated	135,790,465
Capital Assets being Depreciated:	
Buildings and Improvements	<u>109,386,131</u>
Total Capital Assets being Depreciated	109,386,131
Less Total Accumulated Depreciation	<u>21,545,126</u>
Total Capital Assets being Depreciated, Net	<u>87,841,005</u>
Capital Assets, Net	<u>\$223,631,470</u>

### ***Long-term Liabilities for Component Units:***

Changes in long-term liabilities for Georgia State University Foundation, Inc. for the fiscal year ended June 30, 2007 are shown below:

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Amounts due within One Year
Compensated Absences	\$19,101	\$14,419	\$0	\$33,520	\$0
Liabilities under split interest agreement	249,819	11,173		260,992	
Capital Lease Obligations	10,408,677		686,221	9,722,456	722,430
Revenue/Mortgage Bonds Payable	194,186,673	58,385,000	1,896,963	250,674,710	1,615,000
Other Long Term Liabilities	5,197,804	614,590		5,812,394	
Total Long Term Liabilities	<u>\$210,062,074</u>	<u>\$59,025,182</u>	<u>\$2,583,184</u>	<u>\$266,504,072</u>	<u>\$2,337,430</u>

### **Capital Lease Obligations:**

#### **Alpharetta Campus Facilities Capital Lease**

On September 23, 1998, \$10,600,000 of revenue bonds were issued by the Development Authority of Alpharetta, Georgia (the "Authority") for the purpose of financing the costs of acquiring, constructing and installing educational facilities located in the City of Alpharetta and are to be leased by the Foundation. The bonds are special limited obligation bonds payable by the Development Authority from lease payments made to it by the Foundation. The lease obligates the Foundation, on a limited recourse basis, to make lease payments sufficient to pay 83.5% of principal and interest on the bonds with the balance to be paid by the Authority. The Foundation in turn subleases the facilities to the Board of Regents of the University System of Georgia (Board of Regents) for the use of the University. The liability of the Foundation is limited to the interest of the Foundation in the project and the rents, profits, issues, products and proceeds thereof. The City of Alpharetta is obligated to make 100% of the principal and interest payments on the bonds to the extent rental payments derived from the project are insufficient for such purposes. The lease liability at June 30, 2007 was \$6,433,675.

#### **Rialto Center Facilities Capital Lease**

During 1994, the Foundation purchased and has since renovated facilities currently occupied by the University's School of Music. The project is being financed through contributions to the Foundation and through bonds issued by the Downtown Development Authority of the City of Atlanta (the "Authority"). The Foundation has entered into long term lease commitments with TUFF to provide for the debt service payments on the bonds and other bond financing related expenses. The Foundation in turn leases the facilities to the University through a series of one year renewable lease agreements. Title to the two office buildings will pass to the Foundation at the end of the lease period or the retirement of the bonds, whichever occurs first. During 2004, the 1994 bonds issued by the "Authority" were refunded to obtain savings in debt service and to obtain funds for improvements to the Rialto Theater. Accordingly, the "Authority" entered into a new loan agreement with TUFF and a new agreement with the Foundation as the guarantor of the bonds. The guarantee is expressly limited to the unrestricted income and unrestricted assets of the Foundation.

The terms of the long-term lease commitment between TUFF and the Foundation were modified to reflect the new interest rate of the bonds, the additional proceeds available for capital improvements, the additional bond financing related expenses and extension of the term of the lease through November 1, 2015. Pursuant to this transaction, the Foundation also formed Rialto Center, LLC, a single member LLC with the Foundation as the sole member, for the purpose of holding the related capital lease. The lease liability at June 30, 2007 was \$3,288,781.

Annual debt service requirements to maturity for capital lease obligations are as follows:

		Capital Leases
Year ending June 30:		
2008	1	\$1,215,523
2009	2	1,214,618
2010	3	1,212,585
2011	4	1,209,232
2012	5	1,208,651
2013 through 2017	6-10	5,178,977
2018 through 2022	11-15	1,424,043
Total minimum lease payments		12,663,629
Less: Interest		2,941,173
Principal Outstanding		\$9,722,456

### **Revenue Bonds Payable:**

#### **Student Recreation Center Bonds**

On October 15, 1998, \$33,430,000 of revenue bonds were issued by the Atlanta Development Authority (ADA) with the proceeds to be loaned to the Foundation for the purpose of financing the acquisition, construction, improvement and equipping of a student recreation center for the benefit of the University. The bonds are special limited obligation bonds of the ADA payable from funds received from the Foundation pursuant to a promissory note between the ADA and the Foundation. The Foundation leases the facilities to the Board of Regents for the use of the University. The Foundation's liability on the note is limited to its interest in the project and the rents and revenues from the project, including amounts received pursuant to the rental agreement with the Board of Regents. Payment of principal and interest on the bonds are insured by AMBAC Assurance Corporation. Principal payments are to be made annually to October 1, 2018. Interest is paid semi-annually also through 2018 at a rate specified in the revenue bonds ranging from 3.60% to 4.60%. The bond liability at June 30, 2007 was \$24,975,000.

#### **Piedmont Ellis Bonds**

On September 8, 2005, \$161,330,000 of tax-exempt and taxable revenue bonds were issued by the Atlanta Development Authority (ADA) on behalf of the Foundation with the proceeds to be used for the purpose of financing the acquisition, construction and equipping of certain land, buildings and personal property to be used as a student housing project. The project has approximately 1,984 beds, including community activity facilities, site amenities and parking for approximately 786 vehicles. There is a 22-month construction schedule for the project to be completed and open for occupancy in the fall semester of 2007. The real property upon which the project is located is owned by the Board of Regents and leased to the Foundation pursuant to a Ground Lease for a construction term of up to two years. Upon completion of the project, the Foundation will lease the facility to the Board of Regents on an annually-renewable basis for a

term of 33 years for the use and benefit of the University. Principal payments are to be made annually starting September 1, 2009 and ending September 1, 2036.

Interest is paid semi-annually through 2036 at a rate specified in the revenue bonds ranging from 3.875% to 5.0%. The principal outstanding on the bonds at June 30, 2007 was \$161,330,000 and the unamortized bond premium balance was \$5,984,710.

#### Panther Place Bonds

On May 31, 2007, \$58,385,000 of revenue bonds (tax-exempt of \$49,175,000 and taxable of \$9,210,000) were issued by the Atlanta Development Authority (ADA) on behalf of the Foundation with the proceeds used to finance the costs of acquiring land, buildings, improvements, machinery, fixtures, furnishings, equipment, and other real and personal property to be used for office space. SunTrust Bank, as tenant may remain in the building for up to five years. Upon expiration of the lease or early termination by SunTrust Bank, the Foundation will lease the property to the Board of Regents of the University System of Georgia on an annually renewable basis. Interest to bond holders is paid monthly by AMBAC Financial Services, LLC (AFS) in accordance with the terms of the interest rate swap agreement. The Foundation is to begin making semi-annual interest payments on January 1, 2008 at a rate of 4.289% on tax-exempt bonds and 5.409% on taxable bonds. The taxable bonds will be refinanced in the year 2012. Principal payments are to be made annually starting July 1, 2008 and ending July 2037. The bond liability at June 30, 2007 was \$58,385,000.

Annual debt service requirements to maturity for revenue bonds payable are as follows:

		Bonds Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$1,615,000	\$11,457,887	\$13,072,887
2009	2	1,680,000	11,385,338	13,065,338
2010	3	3,210,000	11,253,066	14,463,066
2011	4	3,655,000	11,092,476	14,747,476
2012	5	12,900,000	10,878,877	23,778,877
2013 through 2017	6-10	29,625,000	48,654,999	78,279,999
2018 through 2022	11-15	34,755,000	40,916,429	75,671,429
2023 through 2027	16-20	38,140,000	32,459,073	70,599,073
2028 through 2032	21-25	48,915,000	21,760,144	70,675,144
2033 through 2037	26-30	62,335,000	8,149,836	70,484,836
2038 through 2042	31-35	7,860,000		7,860,000
		244,690,000	208,008,125	452,698,125
Bond Premium/(Discount)		5,984,710		5,984,710
Total Bonds Payable		\$250,674,710	\$208,008,125	\$458,682,835

#### **Georgia State University Research Foundation, Inc.**

Georgia State University Research Foundation, Inc. (Research Foundation) is a legally separate, tax-exempt component unit of Georgia State University (University) and was established to contribute to the scientific, literary, educational, and charitable functions of the University in securing gifts, contributions, and grants from individuals, private organizations, and public agencies, and in obtaining contracts with such individuals or entities for the performance of sponsored research, development, or other programs by the various colleges, schools,

departments or other units of the University. Most of the research grants awarded to the Research Foundation are subcontracted to the University, which is responsible for the fiscal administration of the grants.

The ten member board of the Research Foundation is self-perpetuating and consists of faculty and administrators of the University. Because the resources held by the Research Foundation can only be used by or for the benefit of the University, the Research Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Research Foundation is considered a special-purpose government entity engaged only in business-type activities and is required to follow all applicable GASB pronouncements. The Research Foundation's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Research Foundation paid to the University \$50,337,959 in grant revenue and \$586,622 for support of research activities. Complete financial statements for the Research Foundation can be obtained from the office of the Georgia State University Research Foundation, Inc., Alumni Hall, 30 Courtland Street, Suite 219, Atlanta, GA 30303.

### ***Deposits and Investments for Component Units:***

#### **Deposits:**

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Research Foundation's deposits may not be recovered. 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 Authority of the United States government, which are fully guaranteed by the United States government, both as to principal and interest and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.
6. Insurance of accounts provided by the Federal Deposit Insurance Corporation and the Federal Savings and Loan Insurance Corporation.

At June 30, 2007, the Research Foundation's carrying amount of deposits was \$7,942,259 and the bank balance was \$8,585,047. Of the bank balance, \$100,000 was covered by FDIC

insurance, and \$6,480,416 was collateralized by the State of Georgia pledging pool which thereby guarantees collateralization of any uninsured bank deposit balances. The remaining uncollateralized balance of \$2,004,631 consists of cash equivalents held by investment custodians.

### **Investments:**

The Research Foundation's investments as of June 30, 2007 are presented below. All investments are presented by investment type and debt securities are presented by maturity.

	Fair Value	Investment Maturity
		1-5 Years
Investment type		
Debt Securities		
Mutual Bond Fund	\$657,022	\$657,022
	<u>\$657,022</u>	<u>\$657,022</u>
Other Investments		
Bond/Fixed Income Mutual Funds	720,614	
Equity Securities - Domestic	1,892,427	
Equity Securities - International	965,715	
Real Estate Investment Fund	<u>227,363</u>	
	<u>\$4,463,141</u>	

### 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 Research Foundation's policy for managing interest rate risk is divided between short-term and long-term investments. Short-term investments will have a maximum maturity of eighteen months to five years depending on the type of investment. Long-term investments are managed using a planning timeline of five years or more and overall risk measurements rather than specific maturity limits.

### Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Research Foundation's investment policies are consistent with the investment policies of Georgia State University Foundation, Inc. The Research Foundation does not have a formal policy related to credit quality risk of investments.

The investments subject to credit quality risk are reflected below:

	Fair Value	AAA	AA	A	Baaa
Related Debt Investments					
Mutual Bond Fund	\$657,022	\$528,443	\$33,048	\$50,591	\$44,940
	<u>\$657,022</u>	<u>\$528,443</u>	<u>\$33,048</u>	<u>\$50,591</u>	<u>\$44,940</u>

### 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 Research Foundation will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Research Foundation does not have a formal policy for managing custodial credit risk for investments.

At June 30, 2007, \$4,463,141 of the Research Foundation's applicable investments were uninsured and held by the Research Foundation's counterparty in the Research Foundation's name.

### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Research Foundation's policy for managing concentration of credit risk is divided amongst investment type as follows:

Domestic equities	44%
International equities	7%
Bonds	16%
Real estate	11%
Alternative investments	22%

### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Research Foundation's investments are not exposed to foreign currency risk as securities denominated in currencies other than the U.S. dollar are not permissible by the Research Foundation's investment policy.

### ***Capital Assets for Component Units:***

The Research Foundation, Inc. had the following Capital Asset activity for the year ended June 30, 2007:

	<b>Beginning Balances 7/1/2006</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance 6/30/2007</b>
Capital Assets, Not Being Depreciated:				
Land (and other assets)	\$1,643,991	\$0	\$1	\$1,643,990
Total Capital Assets Not Being Depreciated	1,643,991	0	1	1,643,990
Capital Assets, Being Depreciated:				
Building and Building Improvements	3,894,651		(52,559)	3,947,210
Facilities and Other Improvements	359,744		52,558	307,186
Total Assets Being Depreciated	4,254,395	0	(1)	4,254,396
Less: Accumulated Depreciation				
Buildings	490,577	90,323	(14,813)	595,713
Facilities and Other improvements	291,303	1,377	14,813	277,867
Total Accumulated Depreciation	781,880	91,700	0	873,580
Total Capital Assets, Being Depreciated, Net	3,472,515	(91,700)	(1)	3,380,816
Capital Assets, net	\$5,116,506	(\$91,700)	\$0	\$5,024,806

## **Medical College of Georgia**

### **MCG Health, Inc.**

MCG Health, Inc. (Company) is a legally, separate tax-exempt component unit of Medical College of Georgia (College). The Company is organized to further the health sciences, patient care, research, and education mission of the Medical College of Georgia Hospitals and Clinics (Hospital). The Hospital, which is owned by the Board of Regents of the University System of Georgia (Regents), consists of a 632 licensed bed acute care hospital and related outpatient care facilities principally located in Augusta, Georgia. Because of the special relationship with the College, the Company is considered a component unit and is discretely presented in the College's financial statements.

The Company utilizes the accrual basis of accounting using the economic resources measurement focus. Pursuant to, and as permitted by GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the Company has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements. The Company's fiscal year is July 1 through June 30.

Complete financial statements for the Company can be obtained from the Administrative Office at 1120 15th Street, Augusta, Georgia 30912.

### ***Deposits and Investments***

#### **Deposits:**

At June 30, 2007, \$42,721,729 of MCG Health, Inc.'s deposits were uninsured, uncollateralized, or collateralized by securities held by the pledging institution or by its trust department or agent in other than the Company's name.

#### **Investments:**

At June 30, 2007, MCG Health, Inc. 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 with Board of Regents policy. All investments are consistent with donor intent, Board of Regents policy and applicable federal and state laws.

A summary of investments follows:



	Fair Value	Investment Maturity			
		Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Investment type					
Debt Securities					
U.S. Treasuries	\$21,319,958		\$21,319,958		
U.S. Agencies					
Explicitly Guaranteed	372,968				\$372,968
Implicitly Guaranteed	24,815,383	\$1,940,555	18,902,215	\$366,067	3,606,546
Corporate Debt	25,493,459	2,374,081	22,980,283	139,095	
Mortgage Backed Securities (Commercial)	19,360,524		7,173,281	2,865,087	9,322,156
	<u>\$91,362,292</u>	<u>\$4,314,636</u>	<u>\$70,375,737</u>	<u>\$3,370,249</u>	<u>\$13,301,670</u>
Other Investments					
Equity Securities - Domestic	25,103,846				
Equity Securities - International	762,537				
Joint Venture	<u>968,004</u>				
	<u>\$118,196,679</u>				

### 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. MCG Health, Inc. does not have a formal policy for managing interest rate risk.

### 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 Company will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Company does not have a formal policy for managing custodial credit risk for investments. As of June 30, 2007, none of the Company's investments are subject to Custodial Credit Risk.

### Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Company's policy for managing credit quality risk is as follows: The Company's assets may be invested only in investment grade bonds rated AA (or equivalent) or better. The Company's assets may be invested only in commercial paper rated A1 (or equivalent) or better. Fixed income maturity restrictions are as follows: Maximum maturity for any single security is five years, and weighted average portfolio maturity may not exceed 3 years. Securities comprising money market funds must be rated investment grade by Standard and Poor's or Moody's.

The investments subject to credit quality risk at June 30, 2007 are rated as follows:

	Fair Value	AAA	AA	A	Unrated
Related Debt Investments					
U. S. Agencies - Implicitly Guaranteed	\$24,815,383	\$24,815,383			
Corporate Debt	25,493,459	1,936,715	\$10,144,562	\$12,915,012	\$497,170
Mortgage Backed Securities (Commercial)	19,360,524	19,261,595	98,929		
	<u>\$69,669,366</u>	<u>\$46,013,693</u>	<u>\$10,243,491</u>	<u>\$12,915,012</u>	<u>\$497,170</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. Except for U.S. Government and agency obligations, each fixed income investment manager's portfolio should contain no more than 5% of any single issue, at cost. Individual U.S. Treasury securities may represent up to 30% of the total investment portfolio, while the total allocation of U.S. Treasury notes and bonds may represent up to 100% of the Company's aggregate bond position.

As of June 30, 2007, the following MCG Health, Inc.'s applicable investments exceed 5% of its total investment balance:

Federal National Mortgage Association	8%
Federal Home Loan Mortgage	7%
Federal Home Loan Bank	6%

### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Company does not have a policy for managing exposure to foreign currency risk.

MCG Health, Inc. holds investments totaling \$762,537, or 0.6% in International equity securities. Foreign currency risk is considered negligible related to this holding in comparison to total investments.

### ***Capital Assets for Component Units:***

MCG Health, Inc.'s capital asset activity for the year ending June 30, 2007 was as follows:

	<b>Beg.Bal. 7/1/2006</b>	<b>Additions</b>	<b>Reductions</b>	<b>End.Bal. 6/30/2007</b>
Capital Assets, Not Being Depreciated:				
Land (and other assets)	\$4,744,278	\$2,394,276	\$0	\$7,138,554
Construction Work-in-Progress	7,538,283	15,710,806	12,556,448	10,692,641
Total Capital Assets Not Being Depreciated	12,282,561	18,105,082	12,556,448	17,831,195
Capital Assets, Being Depreciated:				
Building and Building Improvements	3,637,147	758,787	459,812	3,936,122
Facilities and Other Improvements	16,085,995	5,090,969	29,355	21,147,609
Equipment	117,932,694	11,437,985	5,280,593	124,090,086
Capital Leases	13,741,700	4,188,664		17,930,364
Total Assets Being Depreciated	151,397,536	21,476,405	5,769,760	167,104,181
Less: Accumulated Depreciation				
Buildings	197,822	195,530		393,352
Facilities and Other improvements	4,892,687	2,862,528	2,348	7,752,867
Equipment	90,494,736	10,818,160	5,064,676	96,248,220
Capital Leases	2,976,519	3,053,672		6,030,191
Total Accumulated Depreciation	98,561,764	16,929,890	5,067,024	110,424,630
Total Capital Assets, Being Depreciated, Net	52,835,772	4,546,515	702,736	56,679,551
Capital Assets, net	\$65,118,333	\$22,651,597	\$13,259,184	\$74,510,746

### ***Long-term Liabilities for Component Units:***

MCG Health, Inc. is the lessee of certain equipment under noncancellable leases expiring in various years through 2012. Interest rates range from 3.35% to 6.98%. Other Long-Term Liabilities represent the self-insured portion of professional liability risks. Accrued professional liability costs are determined actuarially.

Changes in long-term liabilities for the fiscal year ended June 30, 2007 are shown below:

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Amounts due within One Year
Compensated Absences	\$9,731,260	\$16,373,352	\$14,913,809	\$11,190,803	\$11,190,803
Capital Lease Obligations	8,632,486	5,823,145	2,782,677	11,672,954	3,058,375
Other Long Term Liabilities	8,555,000	1,065,111	322,111	9,298,000	2,324,000
Total Long Term Liabilities	<u>\$26,918,746</u>	<u>\$23,261,608</u>	<u>\$18,018,597</u>	<u>\$32,161,757</u>	<u>\$16,573,178</u>

Annual debt service requirements to maturity for capital lease obligations are as follows:

		Capital Leases
Year ending June 30:		
2008	1	\$3,625,829
2009	2	3,510,877
2010	3	3,179,482
2011	4	1,787,403
2012	5	880,491
Total minimum lease payments		<u>12,984,082</u>
Less: Interest		<u>1,311,128</u>
Principal Outstanding		<u>\$11,672,954</u>

### **Medical College of Georgia Foundation, Inc.**

Medical College of Georgia Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of Medical College of Georgia (College). The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The Foundation functions as an independent corporation governed by its articles of incorporation, by-laws and its Board of Directors. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources and income that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

The Foundation is a private nonprofit organization that reports on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis, revenue and the related assets are recognized when collected rather than when earned and expenses are generally recognized when paid rather than when incurred. Consequently, contributions receivable from donors, investment income receivables, accounts payable to vendors and accrued expenses are not included in the consolidated financial statements. The modified cash basis reports were

reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Foundation distributed \$7.8 million to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Administrative Office at 919 15th Street, FI-1036, Augusta, GA 30912.

### ***Investments for Component Units:***

Investments are comprised of the following amounts at June 30, 2007:

	Cost	Fair Value
Cash held by investment organization	\$1,203,990	\$1,203,990
Certificates of Deposit	350,000	350,000
Fixed Income	19,376,797	18,832,585
Domestic Equity Securities	40,629,438	54,534,342
International Equity Securities	15,472,255	24,717,794
Real Estate	6,020,425	6,598,729
Alternative Strategies	18,539,210	27,514,987
	<hr/>	<hr/>
Total Investments	<u>\$101,592,115</u>	<u>\$133,752,427</u>

### ***Capital Assets for Component Units:***

Medical College of Georgia Foundation, Inc. held the following Capital Assets as of June 30, 2007:

	<u>June 30, 2007</u>
Capital Assets not being Depreciated:	
Land and other Assets	\$1,170,420
Total Capital Assets not being Depreciated	<hr/> 1,170,420
Capital Assets being Depreciated:	
Buildings and Improvements	2,636,908
Machinery and Equipment	360,234
Total Capital Assets being Depreciated	<hr/> 2,997,142
Less Total Accumulated Depreciation	<hr/> 2,209,997
Total Capital Assets being Depreciated, Net	<hr/> 787,145
Capital Assets, Net	<u><hr/>\$1,957,565</u>

### ***Long-term Liabilities for Component Units:***

At June 30, 2007, Medical College of Georgia Foundation's long-term liabilities consisted of a \$2,342,658 liability due under a split-interest agreement.

### **The Medical College of Georgia Physicians Practice Group Foundation**

The Medical College of Georgia Physicians Practice Group Foundation (PPG) is a legally separate, tax-exempt component unit of Medical College of Georgia (College). PPG acts primarily as a non-profit organization for the purpose of enhancing the clinical, research, and

educational missions of the College and billing and collecting for medical services provided to patients. Revenues are obtained primarily from physician fees charged to patients at Medical College of Georgia Hospital and Clinics, which is operated by MCG Health, Inc. PPG Properties, LLC is a limited liability company formed in 2001 by PPG to manage real estate rental properties. PPG Alternative Collections, LLC is a limited liability company formed in 2003 by PPG to bill and collect for anesthesia services provided to patients. Georgia Esoteric and Molecular Labs, LLC was formed in 2004 by PPG to operate a specialized pathology laboratory with genetic or molecular testing capabilities. MCG-PPG Cancer Research Center, LLC was formed in 2004 by PPG to construct, own and operate a portion of a building to house a cancer research center on the campus of MCG. PPG is the sole partner and has sole voting control of each LLC. Because PPG's purpose is to support the clinical, research, and educational missions of the College, it is considered a component unit of the College and is discretely presented in the College's financial statements.

PPG is a private non-profit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations with the exceptions as noted below. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. PPG's consolidated financial statements have been prepared substantially on the basis of cash receipts and cash disbursements with the exception of the following: interest earned on investments, salary supplements due to the College, incentive compensation, and retirement plan contribution expense are accounted for using the accrual method of accounting. Additionally, four-year scholarships funded for College students are expensed in the year awarded, and property and equipment are capitalized and depreciated.

Other adjustments required under accounting principles generally accepted in the United States of America for the accrual basis of accounting have not been reflected in the accompanying financial statements, including the equity method of accounting for PPG's investments in a joint venture. The equity method of accounting requires that the carrying value of investments meeting certain criteria be adjusted to reflect the investor's share of the investee's income and losses with the income or losses included in the statement of activities.

The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The PPG's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the PPG distributed \$53.9 million to the College for salaries and departmental support. Complete financial statements for the PPG can be obtained from the Administrative Office at 1499 Walton Way, Suite 1400, Augusta, Georgia 30901.

#### ***Investments for Component Units:***

PPG invests in mutual funds, equity securities and debt securities, which are measured at fair value. For investments other than common stock and mutual funds, classification between current and non-current is determined based upon individual investment maturity dates. Investments in common stock and mutual funds are actively traded and classified as current. Investment income or loss (including realized gains and losses, interest and dividends) is included in the nonoperating revenue section of the accompanying Statement of Revenues, Expenses and Changes in Net Assets.

Investments are comprised of the following amounts at June 30, 2007:

	Cost	Fair Value
Government and Agency Securities	\$8,344,708	\$8,188,780
Corporate Bonds	7,838,567	7,647,138
Mortgage Backed Securities	4,805,874	4,765,934
Equity Securities	9,900,549	14,853,755
Mutual Funds	6,992,651	7,976,023
Joint Ventures/Partnerships	585,000	585,000
Total Investments	<u>\$38,467,349</u>	<u>\$44,016,630</u>

### ***Capital Assets for Component Units:***

PPG held the following Capital Assets as of June 30, 2007:

	June 30, 2007
Capital Assets not being Depreciated:	
Land and other Assets	<u>\$3,198,307</u>
Total Capital Assets not being Depreciated	3,198,307
Capital Assets being Depreciated:	
Buildings and Improvements	2,324,603
Machinery and Equipment	<u>6,015,472</u>
Total Capital Assets being Depreciated	8,340,075
Less Total Accumulated Depreciation	<u>5,339,362</u>
Total Capital Assets being Depreciated, Net	<u>3,000,713</u>
Capital Assets, Net	<u><u>\$6,199,020</u></u>

### ***Long-Term Liabilities for Component Units:***

Changes in long-term liabilities for component units for the fiscal year ended June 30, 2007 are shown below:

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Amounts due within One Year
Notes and Loans Payable	\$33,349,307	\$0	\$660,244	\$32,689,063	\$670,000
Other Long Term Liabilities	<u>505,990</u>	<u>52,895</u>		<u>558,885</u>	
Total Long Term Liabilities	<u><u>\$33,855,297</u></u>	<u><u>\$52,895</u></u>	<u><u>\$660,244</u></u>	<u><u>\$33,247,948</u></u>	<u><u>\$670,000</u></u>

### **Notes and Loans Payable:**

During 2004, the MCG-PPG Cancer Research Center, LLC (CRC) entered into a loan agreement with the Development Authority of Richmond County (the Authority), whereby the Authority issued bonds in the aggregate amount of \$32,870,000 plus a premium of \$498,784 and lent the proceeds thereof to CRC for the purpose of providing funds to finance the cost of construction of a portion of a cancer research center building on the campus of MCG. The loan agreement provides for semi-annual interest payments at interest rates ranging from 2.5 percent to 5.0

percent. Principal payments are due annually beginning December 2006 and continuing through December 2034. The outstanding principal balance of the loan payable as of June 30, 2007 was \$32,220,000. The loan is secured by certain personal property constituting a portion of the building recorded as Leases Receivable and Deferred Revenue in the Statement of Net Assets.

Annual debt service requirements to maturity for Notes and Loans payable are as follows:

		Notes and Loans Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$670,000	\$1,400,184	\$2,070,184
2009	2	685,000	1,384,150	2,069,150
2010	3	705,000	1,365,798	2,070,798
2011	4	725,000	1,344,953	2,069,953
2012	5	745,000	1,321,829	2,066,829
2013 through 2017	6-10	4,095,000	6,187,715	10,282,715
2018 through 2022	11-15	4,920,000	5,284,473	10,204,473
2023 through 2027	16-20	6,160,000	4,023,968	10,183,968
2028 through 2032	21-25	7,825,000	2,356,725	10,181,725
2033 through 2037	26-30	5,690,000	421,511	6,111,511
		32,220,000	25,091,306	57,311,306
Premium/(Discount)		469,063		469,063
		<u>\$32,689,063</u>	<u>\$25,091,306</u>	<u>\$57,780,369</u>

PPG administers a deferred compensation plan for various current and former MCG faculty members. Deferred Compensation is reported in Other Long Term Liabilities in the Statement of Net Assets and represents the accounts held on behalf of these members in the amount of \$558,885 at June 30, 2007.

### **Medical College of Georgia Research Institute, Inc.**

Medical College of Georgia Research Institute, Inc. (Institute) is a legally separate, tax-exempt component unit of Medical College of Georgia (College). The Institute was established in 1980 to contribute to the educational, research and service functions of the College in obtaining contracts from individuals, industrial or other private organizations, government or other public agencies for the performance of sponsored research, development or other programs by the various departments or other units of the College. All research contracts awarded to the Institute are subcontracted to the College, which is responsible for the fiscal administration of the research projects. Although the College does not control the timing or amount of activity, all grant awards are subcontracted and managed by the College. Because of the special relationship, the Institute is considered a component unit of the College and is discretely presented in the College's financial statements.

The Institute's financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB"), in order to be consistent with the accounting principles followed by its primary government, the Medical College of Georgia. The Institute's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Institute subcontracted approximately \$51.2 million of research projects to the College. Complete financial statements for the Institute can be obtained from the Medical College of Georgia's Division of Sponsored Program Administration at Medical College of Georgia, Augusta, Georgia 30912.

### ***Deposits and Investments***

As of June 30, 2007, \$7,515,374 of the Institute's bank balance was exposed to custodial credit risk. Of that amount, \$200,000 was insured by Federal depository insurance and \$7,315,374 was uninsured and uncollateralized.

The Institute had no investments as of June 30, 2007.

### ***Capital Assets for Component Units:***

The Institute's Capital Asset activity for the year ending June 30, 2007 was as follows:

	<b>Beginning Balances 7/1/2006</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance 6/30/2007</b>
Capital Assets, Being Depreciated:				
Equipment	\$28,676	\$0	\$0	\$28,676
Total Assets Being Depreciated	28,676	0	0	28,676
Less: Accumulated Depreciation				
Equipment	6,213	5,735		11,948
Total Accumulated Depreciation	6,213	5,735	0	11,948
Total Capital Assets, Being Depreciated, Net	22,463	(5,735)	0	16,728
Capital Assets, net	\$22,463	(\$5,735)	\$0	\$16,728

### **Medical College of Georgia Dental Foundation**

Medical College of Georgia Dental Foundation (Foundation) is a legally separate, tax-exempt component unit of Medical College of Georgia (College). The objectives and purposes of the Dental Foundation are to acquire and administer funds and property which are derived from fees charged for services rendered in the practice of dentistry at the School of Dentistry at the Medical College of Georgia by members of the faculty, residents and hygienists of the School of Dentistry. Dental Foundation funds are used to maintain and improve the high standard of instruction at the Medical College of Georgia Dental School for advanced study by members of the School's student body and faculty and for research in the dental health field. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income is used in direct support of Medical College of Georgia. Because of this, the Foundation is considered to be a component unit of the College and is discretely presented in the College's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue



recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is from March 1, 2006 through February 28, 2007. Because the Foundation's year end differs from that of the College, amounts due to or due from the two entities are not consistent in this report.

During the year ended February 28, 2007, the Foundation distributed \$1.2 million to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Administrative Office of Medical College of Georgia, School of Dentistry, AD 1104, Augusta, Georgia 30912.

### ***Investments for Component Units:***

Investments are stated at fair value and are comprised of the following amounts at February 28, 2007:

	Cost	Fair Value
Unit Investment Trust	\$50,522	\$54,747
Annuities	200,000	254,541
Closed End Funds	100,000	100,050
Other Investments	220,000	215,260
Government Bonds	57,030	52,125
Domestic Equities	1,928,982	2,112,704
Total Investments	<u>\$2,556,534</u>	<u>\$2,789,427</u>

## **University of Georgia**

### **The University of Georgia Foundation**

The University of Georgia Foundation (the "Foundation") is a legally separate, tax-exempt component unit of The University of Georgia (the "University"). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The thirty-six member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Foundation distributed \$20,115,391 to and on behalf of the University for both restricted and unrestricted purposes. Complete financial statements for

the Foundation can be obtained from the Foundation Office at 394 South Milledge Avenue, Athens, GA 30602 or from the Foundation's website at [www.ugafoundation.org](http://www.ugafoundation.org).

***Investments for Component Units:***

Investments in trust funds and securities with an established market value are carried at market value. The market values for investments are estimated based on quoted market prices for those or similar investments where a market price is available or an amount determined by external investment managers if quoted market prices are not available. Investments in real estate and securities without an established market value are carried at the lower of estimated market value at the date of gift or current market value as estimated by management of the Foundation. Realized gains and losses are computed using the specific identification method.

Temporary investments have an original maturity of greater than three months and represent operating funds in excess of immediate cash requirements. The Board of Trustees of the Real Estate Foundation has designated certain temporary investment balances to fund future obligations. As of June 30, 2007, the temporary investment amount included \$1,276,600 reserved for debt service.

As of June 30, 2007, the long-term investment pool consists of investments in domestic and international equities (72.6%), fixed income instruments (9.8%), private equity investments (4.9%), real estate funds (4.6%), hedge funds (7.2%), timber, gas & oil (0.5%), and deposits (0.4%) that are held by outside investment managers.

Fair value for financial reporting purposes is based on quoted market prices or an amount determined by external investment managers if quoted market prices are not available. Management reviews and evaluates fair value provided by the external investment managers as well as the valuation methods and assessments used in determining the fair value of such investments. Such estimated fair values (amounting to \$410,993,738 for investments with estimated fair values based on quoted market prices and \$169,695,610 for investments with estimated fair values provided by external investment managers at June 30, 2007) may differ from the ultimate realizable value of the investments, and these differences may be material.

Net realized and unrealized gain on investments include \$64,702,427 for investments with estimated fair values based on quoted market prices and \$26,483,392 for investments with estimated fair values provided by external investment managers at June 30, 2007.

Investments are comprised of the following amounts at June 30, 2007:

	Cost	Fair Value
Cash held by investment organization	\$38,875,694	\$38,875,694
Government and Agency Securities	2,245,109	2,224,690
Corporate Bonds	1,003,145	979,788
Equity Securities	3,963,772	4,666,421
Mutual Funds	1,174,007	1,359,535
Split-Interest Investments	14,678,914	17,149,724
Real Estate	19,092,161	19,092,161
Investment Pools	359,604,977	555,330,588
Total Investments	<u>\$440,637,779</u>	<u>\$639,678,601</u>

### ***Capital Assets for Component Units:***

The University of Georgia Foundation holds the following Capital Assets as of June 30, 2007:

	June 30, 2007
Capital Assets not being Depreciated:	
Land and other Assets	\$21,492,929
Construction in Progress	307,415
Total Capital Assets not being Depreciated	<u>21,800,344</u>
Capital Assets being Depreciated:	
Buildings and Improvements	176,180,268
Machinery and Equipment	1,023,245
Total Capital Assets being Depreciated	<u>177,203,513</u>
Less Total Accumulated Depreciation	<u>19,225,553</u>
Total Capital Assets being Depreciated, Net	<u>157,977,960</u>
Capital Assets, Net	<u>\$179,778,304</u>

### ***Long-Term Liabilities for Component Units:***

Changes in long-term liabilities for the University of Georgia Foundation for the fiscal year ended June 30, 2007 are shown below:

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Amounts due within One Year
Compensated Absences	\$26,883	\$2,612	\$0	\$29,495	\$29,495
Liabilities under split-interest agreement	11,291,219	1,838,582	1,443,639	11,686,162	539,149
Capital Lease Obligations	0			0	
Notes and Loans Payable	14,350,346	8,598,269	2,257,082	20,691,533	10,628,504
Revenue/Mortgage Bonds Payable	190,515,024		14,847,226	175,667,798	3,485,000
Total Long Term Liabilities	<u>\$216,183,472</u>	<u>\$10,439,463</u>	<u>\$18,547,947</u>	<u>\$208,074,988</u>	<u>\$14,682,148</u>

**Notes and Loans Payable:****\$50,000,000 Revolving Credit Agreement**

During 2002, the Real Estate Foundation established a \$50 million revolving credit agreement with a bank. The agreement expires on November 30, 2007. The revolving credit agreement provides for borrowings or letters of credit at the Real Estate Foundation's option. Credit available under the revolving credit agreement is reduced by outstanding borrowings and outstanding letters of credit. At June 30, 2007, amounts outstanding or issued under this agreement included borrowings of \$10,499,210 and letters of credit and bank reserves of \$8,373,507, resulting in \$31,127,283 available as borrowing capacity under this line. Borrowings under the revolving credit agreement bear interest at the bank's 30-day London InterBank Offered Rate ("LIBOR") plus 32.5 basis points (or 0.325%). At June 30, 2007, the rates applicable to the borrowings were 5.645%.

On July 1, 2005, the cooperative organization agreement between the Foundation and the Board of Regents ended which constituted a termination event under the revolving credit agreement that provided the bank with certain rights after a 90-day forbearance period. Those termination event rights include (1) the ability to require that the Real Estate Foundation prepay a portion of the outstanding loans which are not directly and fully supported by a lease agreement with the Board of Regents and (2) the ability to decline to make any further loans or to issue further letters of credit to the Real Estate Foundation.

In September 2005, the Real Estate Foundation entered into a forbearance agreement where the bank agreed not to call any borrowings or letters of credit and to continue to make loans under certain conditions. On July 1, 2007, effective with the transfer of sole membership of the Real Estate Foundation, the previous termination event was nullified rendering the forbearance agreement obsolete.

All borrowings under this revolving credit agreement are subject to a guarantee requirement except for those borrowings for projects supported by a rental or license agreement with the Board of Regents or the University. As of June 30, 2007, the borrowings subject to this guarantee requirement were \$34,995. The Foundation had guaranteed these obligations of the Real Estate Foundation through June 30, 2007. As of July 1, 2007, the Research Foundation has guaranteed these obligations under this revolving credit agreement.

During 2006, the Real Estate Foundation entered into an interest rate cap agreement effectively limiting the interest rate on the revolving credit agreement to a 6% fixed rate until December 1, 2010. The Real Estate Foundation paid a premium of \$122,000 in connection with this agreement. The fair value of the interest rate cap as of June 30, 2007 is \$42,981 and has been recorded as an asset in accordance with SFAS No. 133. The Real Estate Foundation recorded a loss of \$81,116 on the fair value of the derivative for the year ended June 30, 2007 as an adjustment to interest expense.

**\$9,800,000 Credit Agreement**

During 2007, the Foundation established a \$9.8 million revolving credit agreement with a bank. The agreement expires in August 2008. The revolving credit agreement provides for borrowings or letters of credit at the Foundation's option. Credit available under the revolving credit agreement is reduced by outstanding borrowings and outstanding letters of credit. As of June 30, 2007, the amount outstanding or issued under this agreement is \$8,083,918, resulting in

\$1,716,082 available as borrowing capacity under this line. Borrowings under the revolving credit agreement bear interest at the bank's adjusted LIBOR rate plus 32.5 basis points (or 0.325%). At June 30, 2007, the rate applicable to the borrowings was 5.65%.

### **\$1,800,000 Note Payable**

During 2000, the Foundation signed a \$1.8 million promissory note agreement with a bank, which expires on December 31, 2019. At June 30, 2007, \$1,090,250 was outstanding under this agreement. Interest is charged at a fixed rate of 7.13%. Principal payments in the amount of \$22,250 are payable quarterly.

### **\$1,117,865 Note Payable**

During 2002, the Foundation signed an \$880,000 promissory loan agreement with a bank, which was amended during 2005 to increase the borrowed amount to \$1,117,865. This agreement expires on May 1, 2012. As of June 30, 2007, \$1,018,155 was outstanding under this agreement. Interest is charged at the bank's 30 day LIBOR rate plus 45 basis points (or 0.45%), or 5.77% at June 30, 2007. Principal and interest are payable monthly.

The Foundation has an outstanding interest rate swap agreement effectively changing the interest rate exposure on the \$1,117,865 note payable from variable to a 5.75% fixed rate over the term of the note payable. As of June 30, 2007, the fair value of the termination benefit of the interest rate swap was \$5,024 and was recorded as an asset in accordance with SFAS No. 133. The Foundation recorded a loss of \$9,464 for the year ended June 30, 2007 as an adjustment to interest expense.

Annual debt service requirements to maturity for Notes and Loans payable are as follows:

		Notes and Loans Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$10,628,504	\$831,755	\$11,460,259
2009	2	8,219,361	200,149	8,419,510
2010	3	138,185	114,938	253,123
2011	4	141,088	105,688	246,776
2012	5	919,145	92,531	1,011,676
2013 through 2017	6-10	445,000	154,677	599,677
2018 through 2022	11-15	200,250	17,847	218,097
		<u>\$20,691,533</u>	<u>\$1,517,585</u>	<u>\$22,209,118</u>

### **Revenue Bonds Payable:**

#### **\$25,620,000 Bond Issue**

In 2001, the Development Authority of the Unified Government of Athens — Clarke County, Georgia (the "Development Authority") issued Revenue Bonds (UGA Real Estate Foundation, Inc. Project), Series 2001 (the "2001 Bonds") and entered into an agreement (the "2001 Loan Agreement") to loan \$25,620,000 to the Real Estate Foundation. The 2001 Bonds are secured by a letter of credit issued on behalf of the Real Estate Foundation in favor of the Development Authority under the Real Estate Foundation's \$50 million credit agreement discussed above. During 2002, the Real Estate Foundation used the proceeds of this loan to fund purchases and improvements of certain properties.

Borrowings under the 2001 Loan Agreement bear interest payable monthly at a formula rate adjusted each week (3.74% at June 30, 2007). The loan matures in 2031, subject to certain early repayment provisions. During the year ended June 30, 2007, principal payments of \$11,395,000 were made. At June 30, 2007, the balance of this obligation was \$8,425,000.

During 2005, the Real Estate Foundation entered into an interest rate cap agreement effectively limiting the interest rate on a portion of the 2001 Loan Agreement to a 3.5% fixed rate until November 30, 2007. The Real Estate Foundation paid a premium of \$91,000 in connection with this agreement. The fair value of the interest rate cap as of June 30, 2007 was \$15,495, and has been recorded as an asset in accordance with SFAS No. 133. The Real Estate Foundation recorded a loss of \$87,011 on the fair value of the derivative for the year ended June 30, 2007 as an adjustment to interest expense.

### **\$39,155,000 Bond Issue**

In 2002, the Development Authority issued Educational Facilities Revenue Bonds (UGAREF CCRC Building, LLC Project), Series 2002 (the “CCRC Bonds”) and entered into an agreement (the “CCRC Loan Agreement”) to loan \$39,155,000 to UGAREF CCRC Building, LLC (a single-member limited liability company owned by the Real Estate Foundation) (the “CCRC Entity”). Payment of principal and interest under the CCRC Bonds is insured by a financial guaranty insurance policy and secured by certain real property constituting the facility and by the CCRC Entity’s interest in certain rents and leases derived from the facility. The CCRC Entity used the proceeds of this loan to fund construction of the facility which was completed in October 2003.

Borrowings under the CCRC Loan Agreement bear interest payable semi-annually on December 15 and June 15 at fixed rates ranging from 2.5% to 5% depending on the schedule of bond maturities. Principal payments are due on December 15 starting in 2004 and continuing through 2032. During the year ended June 30, 2007, principal payments of \$780,000 were made. At June 30, 2007, the balance of this obligation was \$36,989,507.

### **\$99,860,000 Bond Issue**

In 2002, the Housing Authority of the City of Athens, Georgia, issued Student Housing Lease Revenue Bonds (UGAREF East Campus Housing, LLC Project), Series 2002 (the “Housing Bonds”) and entered into an agreement (the “Housing Loan Agreement”) to loan \$99,860,000 to UGAREF East Campus Housing, LLC (a single-member limited liability company owned by the Real Estate Foundation) (the “Housing Entity”). Payment of principal and interest under the Housing Bonds is insured by a financial guaranty insurance policy and secured by certain real property constituting the facilities and by the Housing Entity’s interest in certain rents and leases derived from the facilities. The Housing Entity used the proceeds of this loan to fund construction of certain real estate projects which were completed in July 2004.

Borrowings under the Housing Loan Agreement bear interest payable semi-annually on December 1 and June 1 at fixed rates ranging from 3% to 5.25% depending on the schedule of bond maturities. Principal payments are due on December 1 starting in 2005 and continuing through 2033. During the year ended June 30, 2007 principal payments of \$1,875,000 were made. At June 30, 2007, the balance of this obligation was \$97,558,764.

### **\$8,215,000 Bond Issue**

In 2003, the Oconee County Industrial Development Authority issued Revenue Bonds (UGAREF Gainesville Campus, LLC Project), Series 2003 (the “Gainesville Campus Bonds”) and entered into an agreement (the “Gainesville Campus Loan Agreement”) to loan \$8,215,000 to UGAREF Gainesville Campus, LLC (a single-member limited liability company owned by the Real Estate Foundation) (the “Gainesville Campus Entity”). Payment of principal and interest under the Gainesville Campus Bonds is insured by a financial guaranty insurance policy and secured by certain real property constituting the land and educational facility and by the Gainesville Campus Entity’s interest in certain rents and leases derived from the land and educational facility. During 2003, the Gainesville Campus Entity used the proceeds of this loan to fund the acquisition of the land and educational facility.

Borrowings under the Gainesville Campus Loan Agreement bear interest payable semi-annually on December 15 and June 15 at fixed rates ranging from 2.2% to 4.375% depending on the schedule of bond maturities. Principal payments are due on December 15 starting in 2003 and continuing through 2027. During the year ended June 30, 2007, principal payments of \$250,000 were made. At June 30, 2007, the balance of this obligation was \$7,325,511.

### **\$25,970,000 Bond Issue**

In 2004, the Development Authority issued \$25,545,000 of Educational Facilities Revenue Bonds (UGAREF Coverdell Building, LLC Project), Series 2004A, and \$425,000 of Educational Facilities Taxable Revenue Bonds (UGAREF Coverdell Building, LLC Project), Series 2004B (collectively, the “Coverdell Bonds”). The Development Authority entered into an agreement (the “Coverdell Loan Agreement”) to loan \$25,970,000 to UGAREF Coverdell Building, LLC (a single member limited liability company owned by the Real Estate Foundation) (the “Coverdell Entity”). Payment of principal and interest under the Coverdell Bonds is insured by a financial guaranty insurance policy and secured by certain real property constituting a portion of the facility and by the Coverdell Entity’s interest in certain rents and leases derived from a portion of the facility. During the year ended June 30, 2007, the Coverdell Entity used the proceeds of this loan to fund construction of a portion of the facility.

Borrowings under the Coverdell Loan Agreement bear interest payable semi-annually on December 15 and June 15 at fixed rates ranging from 2.5% to 5% depending on the schedule of bond maturities. Principal payments are due on December 15 starting in 2006 and continuing through 2034. During the year ended June 30, 2007, a principal payment of \$460,000 was made to pay off the \$425,000 Series 2004B bonds and reduce the outstanding Series 2004A bonds by \$35,000. At June 30, 2007, the balance of this obligation was \$25,369,016.

Annual debt service requirements to maturity for Bonds Payable are as follows:

		Bonds Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$3,485,000	\$8,051,316	\$11,536,316
2009	2	3,595,000	7,990,243	11,585,243
2010	3	3,695,000	7,870,527	11,565,527
2011	4	3,825,000	7,735,415	11,560,415
2012	5	3,970,000	7,591,118	11,561,118
2013 through 2017	6-10	22,160,000	35,373,004	57,533,004
2018 through 2022	11-15	27,970,000	29,405,582	57,375,582
2023 through 2027	16-20	35,985,000	21,503,293	57,488,293
2028 through 2032	21-25	51,735,000	11,416,115	63,151,115
2033 through 2037	26-30	17,830,000	964,951	18,794,951
		174,250,000	137,901,564	312,151,564
Bond Premium/(Discount)		1,417,798		1,417,798
		<u>\$175,667,798</u>	<u>\$137,901,564</u>	<u>\$313,569,362</u>

The bonds payable, credit agreements, and notes payable require the Foundation and Real Estate Foundation to meet certain covenants. At June 30, 2007 the Foundation and Real Estate Foundation were in compliance with all covenants.

In 2008, the Real Estate Foundation plans to issue \$59 million in bonds at a fixed rate to finance the expansion of a campus facility. During the year ended June 30, 2007, the Real Estate Foundation entered into an interest rate hedge agreement at no cost locking in the then current interest rate on this future borrowing. The fair value of the interest rate hedge as of June 30, 2007, was \$2,046,793 and has been recorded as an asset in accordance with SFAS No. 133. The Real Estate Foundation recorded a gain of \$2,046,793 on the fair value of the derivative for the year ended June 30, 2007, as an adjustment to interest expense.

### **The University of Georgia Athletic Association, Inc.**

The University of Georgia Athletic Association, Inc. (the Athletic Association) is a legally separate, tax-exempt component unit of The University of Georgia (the University). The Association was organized in 1938 as a not-for-profit corporation to promote intercollegiate athletic sports representing the University. The twenty-member board of directors consists of faculty, staff, students, and alumni of the University. Although the University does not control the timing or amount of receipts from the Association, the majority of resources or income thereon that the Association holds and invests are restricted to the athletic activities of the University. Because these restricted resources held by the Athletic Association can only be used by or for the benefit of the University and their management role is significant to the accomplishment of the University's mission, the Athletic Association is considered a component unit of the University and is discretely presented in the University's financial statements.

For financial reporting purposes, the Athletic Association is considered a special purpose government agency engaged only in business type activities, as defined by GASB Statement 34. The Association's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Athletic Association made payments to the University for services such as food services, parking services, health services, tuition, gas, electricity, security, and golf course maintenance. These payments totaled \$25,899,753 and were recognized as expenses of the Athletic Association.



Capital assets net of accumulated depreciation of \$187 million are included in the financial statements of the Athletic Association. These capital assets, excluding moveable equipment and construction work in progress, are also included in the University's report. Complete financial statements for the Association can be obtained from the Treasurer's office at 456 East Broad Street, Athens, GA 30602.

***Deposits for Component Units:***

Funds belonging to the State of Georgia cannot be placed in a depository paying interest longer than ten days without the depository providing a surety bond to the State. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the Official Code of Georgia Annotated Section 50-17-59:

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

As authorized in the Official Code of Georgia Annotated Section 50-17-53, the State Depository Board has adopted policies which allow agencies of the State of Georgia the option of exempting demand deposits from the collateral requirements.

At June 30, 2007, the book-carrying amount of the Athletic Association's deposits, including noncurrent cash and cash equivalents, was \$72,965,193 and the bank balance was \$73,819,887.

The Athletic Association's bank balance is classified as follows at June 30, 2007:

Amount insured by the FDIC and FSLIC	\$ 333,000
Collateralized with securities held in the Athletic Association's name	64,624,866
Uncollateralized	<u>8,862,021</u>
	<u>\$73,819,887</u>

### ***Capital Assets for Component Units:***

The University of Georgia Athletic Association, Inc. had the following Capital Assets activity for the year ended June 30, 2007:

	<b>Beginning Balances 7/1/2006</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance 6/30/2007</b>
Capital Assets, Not Being Depreciated:				
Construction Work-in-Progress	\$8,955,870	\$20,537,490	\$0	\$29,493,360
Total Capital Assets Not Being Depreciated	8,955,870	20,537,490	0	29,493,360
Capital Assets, Being Depreciated:				
Building and Building Improvements	176,253,763	581,000		176,834,763
Facilities and Other Improvements	19,283,369	192,692		19,476,061
Equipment	7,303,241	618,714	1,042,668	6,879,287
Total Assets Being Depreciated	202,840,373	1,392,406	1,042,668	203,190,111
Less: Accumulated Depreciation				
Buildings	31,840,446	3,178,443		35,018,889
Facilities and Other improvements	5,538,900	835,670		6,374,570
Equipment	3,938,540	1,235,776	909,562	4,264,754
Total Accumulated Depreciation	41,317,886	5,249,889	909,562	45,658,213
Total Capital Assets, Being Depreciated, Net	161,522,487	(3,857,483)	133,106	157,531,898
Capital Assets, net	\$170,478,357	\$16,680,007	\$133,106	\$187,025,258

### ***Long-term Liabilities for Component Units:***

Changes in long-term liabilities for the Athletic Association for the fiscal year ended June 30, 2007 are shown below:

	<b>Beginning Balance July 1, 2006</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2007</b>	<b>Amounts due within One Year</b>
Notes and Loans Payable-Primary Government	\$2,650,400	\$0	\$313,972	\$2,336,428	\$333,394
Notes and Loans Payable	167,401		80,288	87,113	87,113
Revenue/Mortgage Bonds Payable	99,515,000		1,955,000	97,560,000	2,090,000
Other Long Term Liabilities	3,250,438		496,161	2,754,277	500,000
Total Long Term Liabilities	\$105,583,239	\$0	\$2,845,421	\$102,737,818	\$3,010,507

### **Notes Payable-Due to Primary Government:**

Under an agreement with The University of Georgia, the Athletic Association assumed the responsibility for a portion of the funding for the construction of the Ramsey Student Center for Physical Activities. In fiscal 1996, the Athletic Association recorded as property approximately \$7,800,000, representing the Athletic Association's share of the Ramsey Center based on estimated usage as defined in the agreement. The Athletic Association paid cash of \$2,858,928, and subsequently recorded a liability of \$4,941,072 at June 30, 1996, representing the remaining principal balance of the obligation. This balance is reported as the note payable to the University of Georgia above and has an outstanding principal balance at June 30, 2007 of \$2,336,428. The principal balance due within one year, \$333,394, is reflected in Due to Primary Government - Current Liabilities. The Association made payments of principal and interest of \$477,917 during

the year June 30, 2007, and will make an equal payment in each succeeding year through 2013. The interest rate associated with this liability is 6.19%.

### **Notes Payable:**

At June 30, 2007, the Athletic Association had an \$87,113 remaining liability for a vendor note payable. The 1998 note was payable over 10 years in annual payments of \$94,518 through 2008. The implicit interest rate is 8.5% and the note is secured by a first priority purchase money security interest on equipment with a net book value of \$1,011,626.

Annual debt service requirements to maturity for Notes and Loans payable are as follows:

		Notes and Loans Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$420,507	\$151,928	\$572,435
2009	2	354,016	123,901	477,917
2010	3	375,915	102,002	477,917
2011	4	399,167	78,750	477,917
2012	5	423,858	54,059	477,917
2013 through 2017	6-10	450,078	27,839	477,917
		<u>\$2,423,541</u>	<u>\$538,479</u>	<u>\$2,962,020</u>

### **Revenue Bonds Payable:**

On September 27, 2001, the Development Authority of Athens-Clarke County, Georgia (the Authority) issued \$34 million in Revenue Bonds (UGA Athletic Association, Inc. Project), Series 2001 (the Bonds) and entered into an agreement (the Loan Agreement) to loan \$34 million to the Athletic Association. The Bonds are secured by a letter of credit issued by SunTrust Bank in favor of the Authority. The letter of credit expires on January 15, 2008, and must be renewed annually. Under the Loan Agreement, the Athletic Association is required to use the proceeds of such loan to fund improvements of certain properties as specified in the Loan Agreement. Borrowings under the Loan Agreement bear interest payable monthly at a formula rate adjusted daily (3.89% on June 30, 2007). The loan matures in 2031, subject to certain early repayment provisions. At June 30, 2007, the balance of this obligation was \$33,100,000.

On August 28, 2003, the Development Authority of Athens-Clarke County, Georgia (the Authority) issued \$36 million in Revenue Bonds (UGA Athletic Association, Inc. Project), Series 2003 (the Bonds) and entered into an agreement (the Loan Agreement) to loan \$36 million to the Athletic Association. The Bonds are secured by a letter of credit issued by Bank of America, NA in favor of the Authority that expires on August 28, 2007, and must be renewed annually. Under the Loan Agreement, the Athletic Association is required to use the proceeds of such loan to fund improvements of certain properties as specified in the Loan Agreement. Borrowings under the Loan Agreement bear interest payable monthly at a formula rate adjusted daily (3.90% on June 30, 2007). The loan matures in 2033, subject to certain early repayment provisions. On March 7, 2005, the Association redeemed \$16 million of these bonds. The remaining obligation at June 30, 2007 was \$18,765,000.

On January 27, 2005, the Development Authority of Athens-Clarke County, Georgia (the Authority) issued \$17.47 million in Revenue Bonds (UGA Athletic Association, Inc. Project), Series 2005 (the Bonds) and entered into an agreement (the Loan Agreement) to loan \$17.47

million to the Athletic Association. The Bonds are secured by a letter of credit issued by Bank of America, NA in favor of the Authority that expires on January 27, 2008 and must be renewed annually. Under the Loan Agreement, the Athletic Association is required to use the proceeds of such loan to fund improvements of certain properties as specified in the Loan Agreement. Borrowings under the Loan Agreement bear interest payable monthly at a formula rate adjusted daily (5.32% on June 30, 2007). The loan matures in 2021 and requires yearly principal reductions. At June 30, 2007, the balance of this obligation was \$16,195,000.

On August 25, 2005, the Development Authority of Athens-Clarke County, Georgia (the Authority) issued \$30 million in Revenue Bonds (UGA Athletic Association, Inc. Project), Series 2005B (the Bonds) and entered into an agreement (the Loan Agreement) to loan \$30 million to the Athletic Association. The Bonds are secured by a letter of credit issued by Bank of America, NA in favor of the Authority. The letter of credit expires August 24, 2007, and must be renewed annually. Under the Loan Agreement, the Athletic Association is required to use the proceeds of such loan to fund improvements of certain properties as specified in the Loan Agreement. Borrowings under the Loan Agreement bear interest payable monthly at a formula rate adjusted daily (3.90% on June 30, 2007). The loan matures in 2035, subject to certain early repayment provisions. The June 30, 2007 remaining obligation for these revenue bonds was \$29,500,000.

### **Interest Rate Swap Agreements**

The Athletic Association is a party to interest rate swap agreements that are not recorded in the financial statements. Following are disclosure of key aspects of the agreements.

Objective and Terms - As a means of interest rate management, the Athletic Association entered into three separate interest rate swap transactions with Bank of America, N.A. (the "Counterparty") relating to its variable rate tax-exempt Series 2001 Bonds, tax-exempt Series 2003 Bonds, taxable Series 2005 Bonds and tax-exempt Series 2005B Bonds. Pursuant to an ISDA Master Agreement and Schedule to ISDA Master Agreement each dated as of January 27, 2005 between the Athletic Association and the Counterparty and three Confirmations, the Athletic Association has agreed to pay to the Counterparty a fixed rate of interest in an amount equal to: (1) 3.49% per annum multiplied by a notional amount which is equal to the principal amount of the Series 2001 Bonds until September 2021; (2) 3.38% per annum multiplied by a notional amount which is equal to the principal amount of the Series 2003 Bonds until August 2033; (3) 5.05% per annum multiplied by a notional amount which is equal to the principal amount of the Series 2005 Bonds until July 2021; and (4) 3.483% per annum multiplied by the notional amount which is equal to the principal amount of the Series 2005B Bonds until August 2033.

In return, the Counterparty has agreed to pay to the Athletic Association a floating rate of interest in an amount equal to: (1) 67% of LIBOR multiplied by a notional amount which is equal to the principal amount of the Series 2001 Bonds until September 2021; (2) 67% of LIBOR multiplied by a notional amount which is equal to the principal amount of the Series 2003 Bonds until August 2033; (3) LIBOR multiplied by a notional amount which is equal to the principal amount of the Series 2005 Bonds until July 2021; and (4) 67% of LIBOR multiplied by the notional amount which is equal to the principal amount of the Series 2005B Bonds until July 2035.

Fair Value – The Athletic Association will be exposed to variable rates if the counterparty to a swap defaults or if a swap is terminated. A termination of the swap agreement may also result in the Athletic Association's making or receiving a termination payment

As of June 30, 2007, the fair value of the interest rate swap agreement on the 2001 Series Bonds was \$848,751, indicating the amount that the counterparty would be required to pay the Athletic Association to terminate the swap agreement.

As of June 30, 2007, the fair value of the interest rate swap agreement on the 2003 Series Bonds was \$620,162, indicating the amount that the counterparty would be required to pay the Athletic Association to terminate the swap agreement.

As of June 30, 2007, the fair value of the interest rate swap agreement on the 2005A Series Bonds was \$418,172, indicating the amount that the counterparty would be required to pay the Athletic Association to terminate the swap agreement.

As of June 30, 2007, the fair value of the interest rate swap agreement on the 2005B series Bonds was \$817,093, indicating the amount that the counterparty would be required to pay the Athletic Association to terminate the swap agreement.

Swap Payments and Associated Debt – As of June 30, 2007, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Year	Variable Rate Bonds		Interest Rate	
Ending	Principal	Interest	Swaps, Net	Total
2008	\$ 2,090,000	\$ 3,936,996	\$ (389,629)	\$ 5,637,367
2009	2,140,000	3,840,259	(381,464)	5,598,795
2010	2,195,000	3,741,022	(373,099)	5,562,923
2011	2,245,000	3,639,551	(364,545)	5,520,006
2012	2,295,000	3,535,775	(355,814)	5,474,961
2013-2017	12,380,000	16,028,390	(1,640,024)	26,768,366
2018-2022	13,990,000	13,020,594	(1,386,855)	25,623,739
2023-2027	9,080,000	10,683,880	(1,154,744)	18,609,136
2028-2032	43,480,000	7,690,918	(818,470)	50,352,448
2033-2037	7,665,000	396,614	(43,617)	8,017,997
Total	\$ 97,560,000	\$ 66,513,999	\$ (6,908,261)	\$ 157,165,738

Credit Risk – As of June 30, 2007, the fair value of the swaps represents the Athletic Association's credit exposure to the Counterparty. Should the Counterparty fail to perform in accordance with the terms of the swap agreements, the Athletic Association faces a possible loss equivalent to \$6.9 million less the cumulative fair value of \$2.7 million. As of June 30, 2007, the Counterparty was rated AAA by Moody's and AA+ by S&P.

Basis Risk – The swaps expose the Athletic Association to basis risk. The interest rate on the Series 2001 Bonds, the Series 2003 Bond and the Series 2005B Bonds is a tax-exempt interest rate while the LIBOR basis on the variable rate receipt on the interest rate swap agreements is taxable. Tax-exempt interest rates can change without a corresponding change in the 30 day LIBOR rate due to factors affecting the tax-exempt market which do not have a similar effect on

the taxable market. The Athletic Association will be exposed to basis risk under the swaps to the extent that the interest rates on the tax-exempt bonds trades at greater than 67% of LIBOR for extended periods of time. The Athletic Association would also be exposed to tax risk stemming from changes in the marginal income tax rates or those caused by a reduction or elimination in the benefits of tax exemption for municipal bonds.

**Termination Risk** – The interest rate swap agreement uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Athletic Association or the Counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable rate bonds would no longer carry a synthetically fixed interest rate. Also, if at the time of termination, the swap has a negative fair value, then the Athletic Association would be liable to the Counterparty for a payment equal to the swap's fair value.

### **The Arch Foundation for the University of Georgia, Inc.**

The Arch Foundation for the University of Georgia, Inc. (Arch Foundation) is a legally separate, tax-exempt component unit of The University of Georgia (University). The Arch Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The thirty-one member board of the Arch Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Arch Foundation, the majority of resources or income thereon that the Arch Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Arch Foundation can only be used by, or for the benefit of the University, the Arch Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Arch Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Arch Foundation's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Arch Foundation distributed \$3,708,541 to or on behalf of the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the External Affairs Office of Financial Services at 394 S. Milledge Avenue, Athens, GA 30602 or from the Foundation's website at [www.uga.edu/archfoundation](http://www.uga.edu/archfoundation).

### ***Investments for Component Units:***

Investments are comprised of the following amounts at June 30, 2007:

	Cost	Fair Value
Equity Securities	\$34,554	\$34,554
Joint Ventures/Partnerships	630,000	630,000
Investment Pools	17,864,126	19,116,597
Total Investments	<u>\$18,528,680</u>	<u>\$19,781,151</u>

### **University of Georgia Research Foundation, Inc.**

The University of Georgia Research Foundation, Inc. (the Research Foundation) is a legally separate, tax-exempt component unit of The University of Georgia (the University). The Research Foundation serves to enhance the research mission of the University by securing sponsored research funding and by providing funding of special research initiatives. All University intellectual property developed through these research programs are managed by the Research Foundation. The eighteen-member board of directors consists of designated University personnel, appointees of several University constituent groups, and individuals selected by the Research Foundation itself. Although the University does not control the timing or amount of receipts from the Research Foundation, all sponsored research awards are subcontracted to the University and other resources and related income are restricted to benefit the research mission of the University. Consequently, the Research Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Research Foundation is considered a special-purpose government entity engaged only in business-type activities and is required to follow all applicable GASB pronouncements. The Research Foundation's fiscal year is July 1 through June 30.

During fiscal year 2007, the Research Foundation transferred approximately \$120 million in sponsored research to the University and shows a net payable to the University at June 30 related to this activity. Complete financial statements for the Research Foundation can be obtained from the Treasurer's office at 456 East Broad Street, Athens, GA 30602.

### ***Deposits and Investments for Component Units:***

#### **Deposits:**

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Research Foundation's deposits may not be recovered. The Research Foundation does not have a deposit policy for custodial credit risk.

At June 30, 2007, the book value of the Research Foundation's deposits was \$9,800,115. The bank and investment account balances at June 30, 2007 were \$10,317,911 of which \$10,217,911 was uninsured. Of these uninsured deposits, \$10,217,000 were collateralized with securities held by the financial institution, by its trust department or agency, but not in the Research Foundation's name and \$911 were uncollateralized.

#### **Investments:**

The Research Foundation maintains both short-term and long-term investment policies. Both establish primary and secondary objectives, specify allowable investments, set target investment mix, and provide investment guidelines.

The Research Foundation's investments as of June 30, 2007 are presented below. All investments are presented by investment type and debt securities are presented by maturity.

Investment type	Fair Value	Investment Maturity			
		Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Debt Securities					
U.S. Treasuries	\$1,155,456	\$0	\$337,846	\$659,875	\$157,735
U.S. Agencies					
Explicitly Guaranteed	1,846,778				1,846,778
Implicitly Guaranteed	5,071,194	347,659	2,472,179	1,935,062	316,294
Certificates of Deposit	1,180,167	1,180,167			
Corporate Debt	15,769,776	14,024,284	1,526,778	218,714	
Mortgage Backed Securities (Commercial)	1,980,065	1,945,652			34,413
	<u>\$27,003,436</u>	<u>\$17,497,762</u>	<u>\$4,336,803</u>	<u>\$2,813,651</u>	<u>\$2,355,220</u>
Other Investments					
Bond/Fixed Income Mutual Funds					
Equity Mutual Funds	4,357,875				
Equity Securities - Domestic	5,861,132				
Equity Securities - International	1,581,459				
Managed Futures/Hedge Funds	<u>1,969,664</u>				
	<u>\$40,773,566</u>				

### 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 Research Foundation's policy for managing interest rate risk is divided between short-term and long-term investments. Short-term investments will have a maximum maturity of eighteen months to five years depending on the type of investment. Long-term investments are managed using a planning timeline of five years or more and overall risk measurements rather than specific maturity limits.

### 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 Research Foundation will not be able to recover the value of the investment or collateral securities that are in possession of an outside party. The Research Foundation does not have a formal policy for managing custodial credit risk for investments.

At June 30, 2007, \$34,446,027 of the Research Foundation's applicable investments were uninsured and held by the investment's counterparty in the Research Foundation'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 Research Foundation's investment policies specify that fixed income securities be of investment grade. The short-term investment policy specifies that corporate bonds be rated BBB (Standard & Poor's) or Baa (Moody's) or higher; the long-term policy requires a BBB (Standard & Poor's) or Baa3 (Moody's) rating or higher. The investment policy also requires that securities that drop below investment grade should be sold at the manager's discretion; in the event that a rating falls below investment grade, the manager will contact the financial advisor and advise them of the proposed strategy for disposition of the security.



The Research Foundation's investments as of June 30, 2007 are presented below. All investments are presented by investment type and fixed income securities are presented by credit quality ratings.

	<u>Fair Value</u>	<u>U.S. Agencies - Implicitly Guaranteed</u>	<u>Certificates of Deposit</u>	<u>Corporate Debt</u>
Related Debt Investments				
Standard & Poor's Quality Ratings				
A+	350,563			350,563
A	657,095			657,095
A-	306,442			306,442
BBB+	7,732,839			7,732,839
BBB	2,138,510			2,138,510
BBB-	1,945,927			1,945,927
BB-	1,392,146			1,392,146
Moody's Quality Ratings				
Aaa	790,292	674,732		115,560
Aa1	70,033			70,033
Aa2	65,686			65,686
Aa3	215,983			215,983
A1	321,460			321,460
A2	1,562,498		1,180,167	382,331
A3	1,981,044			1,981,044
Baaa3	20,288			20,288
Ba3	53,934			53,934
UNRATED	4,396,462	4,396,462		
	<u>\$24,001,202</u>	<u>\$5,071,194</u>	<u>\$1,180,167</u>	<u>\$17,749,841</u>

### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Research Foundation's policy for managing concentration of credit risk is divided between short-term and long-term investments. For short-term investments, maximum percentages are set for cash and cash equivalents at 15%, asset backed securities at 50% and corporate bonds at 90%, while U.S. Treasuries, U.S. Agencies debt, and certificates of deposit may comprise 100% for the short-term investments. For long-term investment, equities comprise 40-80%, bonds 20-60% and alternative investments can range 0-20%.

As of June 30, 2007, investments in a single issuer where those investments exceed 5% of total investments were as follows:

Federal National Mortgage Association	7%
Core Investment Grade Bond Trust	5%
Government National Mortgage Association	5%

### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Research Foundation's investments are not exposed to foreign currency risk as securities denominated in currencies other than the U.S. dollar are not permissible by the Research Foundation's investment policy.

### ***Capital Assets for Component Units:***

The Research Foundation had Capital Assets activity as follows for the year ended June 30, 2007:

	<b>Beginning Balances 7/1/2006</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance 6/30/2007</b>
Capital Assets, Not Being Depreciated:				
Land (and other assets)	\$110,000	\$0	\$0	\$110,000
Total Capital Assets Not Being Depreciated	110,000	0	0	110,000
Capital Assets, Being Depreciated:				
Building and Building Improvements	1,142,307			1,142,307
Total Assets Being Depreciated	1,142,307	0	0	1,142,307
Less: Accumulated Depreciation				
Buildings	691,231	46,082		737,313
Total Accumulated Depreciation	691,231	46,082	0	737,313
Total Capital Assets, Being Depreciated, Net	451,076	(46,082)	0	404,994
Capital Assets, net	<u>\$561,076</u>	<u>(\$46,082)</u>	<u>\$0</u>	<u>\$514,994</u>

### **Georgia Southern University**

#### **Georgia Southern University Foundation, Inc.**

Georgia Southern University Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of Georgia Southern University (University). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Foundation distributed \$3,347,366 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Administrative Office at P.O. Box 8040, Statesboro, GA 30460.

### ***Investments for Component Units:***

Georgia Southern University Foundation, Inc. holds endowment and other investments of approximately \$42.1 million. The corpus of the endowment portion is nonexpendable, but the earnings on the investment may be expended as restricted by donors. Georgia Southern University Foundation, Inc., in conjunction with the donors, has established a spending plan whereby 5% of the three year moving average of the endowment fair market value may be used for academic scholarships. The remaining earnings are set aside as a reserve.

Investments are comprised of the following amounts at June 30, 2007:

	<u>Cost</u>	<u>Fair Value</u>
Money Market Accounts	\$552,679	\$552,679
Certificates of Deposit	58,314	58,314
Mutual Funds	37,461,321	41,353,051
Real Estate	<u>158,900</u>	<u>158,900</u>
Total Investments	<u><u>\$38,231,214</u></u>	<u><u>\$42,122,944</u></u>

### ***Capital Assets for Component Units***

Georgia Southern University Foundation, Inc. holds the following Capital Assets as of June 30, 2007:

	<u>June 30, 2007</u>
Capital Assets not being Depreciated:	
Land and other Assets	<u>\$395,860</u>
Total Capital Assets not being Depreciated	395,860
Capital Assets being Depreciated:	
Buildings and Improvements	<u>50,000</u>
Total Capital Assets being Depreciated	50,000
Less Total Accumulated Depreciation	<u>26,111</u>
Total Capital Assets being Depreciated, Net	<u>23,889</u>
Capital Assets, Net	<u><u>\$419,749</u></u>

### ***Long-Term Liabilities for Component Units***

Georgia Southern Foundation, Inc. had \$148,460 in Liabilities Under Split-interest Agreements as of June 30, 2007.

### **Georgia Southern University Housing Foundation, Inc.**

Georgia Southern University Housing Foundation, Inc. and Subsidiaries (GSUHF) is a legally separate, tax-exempt component unit of Georgia Southern University (University). GSUHF acts primarily as an organization to issue bonds where the funds are utilized to construct student housing and other university facilities that are available to the University in support of its programs. The board of the GSUHF is self-perpetuating and consists of employees and friends

of the University. Because this organization's purpose is for the benefit of the University, GSUHF is considered a component unit of the University and is discretely presented in the University's financial statements.

GSUHF is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. GSUHF's fiscal year is July 1 through June 30.

Complete financial statements for GSUHF can be obtained from Dabbs, Hickman, Hill and Cannon, LLP, P.O. Box 727, Statesboro, GA 30459.

### ***Long-Term Liabilities for Component Units***

Changes in long-term liabilities for the Housing Foundation for the fiscal year ended June 30, 2007 are shown below:

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Amounts due within One Year
Revenue/Mortgage Bonds Payable	\$114,280,000	\$0	\$1,829,173	\$112,450,827	\$2,685,000
Total Long Term Liabilities	<u>\$114,280,000</u>	<u>\$0</u>	<u>\$1,829,173</u>	<u>\$112,450,827</u>	<u>\$2,685,000</u>

Georgia Southern University Housing Foundation One, LLC has a bond obligation to Wachovia Bank for the construction of the student housing facilities, funded by the proceeds of the bond issuance. The Development Authority of Bulloch County issued \$38,180,000 of Student Housing Lease Revenue Bonds, Series 2002. The bonds were issued in \$5,000 denominations, and consist of \$22,930,000 Serial Bonds, maturing annually through 2022; \$5,000,000 Term I Bonds, due August 1, 2028; and \$10,250,000 Term II Bonds, due August 1, 2028. Principal payments are due annually and interest payments are due semi-annually on January 25 and July 25 in the amounts so as to enable Wachovia Bank to pay on or before the dates due the debt service on the bonds and any amounts required to be deposited to the Debt Service Reserve Fund and the Replacement Fund, both created pursuant to the provisions of the Indenture. Pursuant to the loan agreement, the Foundation grants a pledge and assignment of and grants a lien upon and security interest in the loan agreement, the deed, and the development agreement in favor of Wachovia Bank, as security for the payment of the bonds. Principal payments are due every July 25th, commencing in 2004. Interest payments are due every January and July 25th, commencing in 2003. Interest rates vary from 3% to 5% over the obligation term. The balance of the bond obligation was \$35,990,000 as of June 30, 2007.

Georgia Southern University Housing Foundation Two, LLC has a bond obligation to BB&T for the construction of the student housing facilities, funded by the proceeds of the bond issuance. The Development Authority of Bulloch County issued \$35,900,000 of Student Housing Lease Revenue Bonds, Series 2004. The bonds were issued in \$5,000 denominations, and consist of \$19,375,000 Serial Bonds, maturing annually through 2024; \$4,035,000 Term I Bonds, due

August 1, 2019; \$5,885,000 Term II Bonds, due August 1, 2027; and \$6,605,000 Term III Bonds, due August 1, 2030. Principal payments are due annually and interest payments are due semi-annually on February 1 and August 1 in the amounts so as to enable BB&T to pay on or before the dates due the debt service on the bonds and any amounts required to be deposited to the Debt Service Reserve Fund and the Replacement Fund, both created pursuant to the provisions of the Indenture. Pursuant to the loan agreement, the Foundation grants a pledge and assignment of and grants a lien upon and security interest in the loan agreement, the deed, and the development agreement in favor of BB&T, as security for the payment of the bonds. Principal payments are due every August 1st, commencing in 2005. Interest payments are due every February and August 1st commencing on August 1, 2004. Interest rates vary from 2.75% to 5.25% over the obligation term. The balance of the bond obligation was \$34,925,000 as of June 30, 2007.

Georgia Southern University Housing Foundation Three, LLC has a bond obligation to BB&T for the construction of the recreation facilities, funded by the proceeds of the bond issuance. The Development Authority of Bulloch County issued \$40,540,000 of Student Housing Lease Revenue Bonds, Series 2005A (tax-exempt) and 2005B (non-exempt). The bonds were issued in \$5,000 denominations, and consist of \$13,235,000 Serial 2005A Bonds, maturing annually through 2021; \$9,800,000 Term I 2005A Bonds, due August 1, 2026; \$7,135,000 Term II 2005A Bonds, due August 1, 2029; \$5,360,000 Term III 2005A Bonds, due August 1, 2031; and \$5,010,000 Serial 2005B Bonds, maturing annually through 2012. Principal payments are due annually and interest payments are due semi-annually, on February 1 and August 1 in the amounts so as to enable BB&T to pay on or before the dates due the debt service on the bonds and any amounts required to be deposited to the Debt Service Reserve Fund and the Replacement Fund, both created pursuant to the provisions of the Indenture. Pursuant to the loan agreement, the Foundation grants a pledge and assignment of and grants a lien upon and security interest in the loan agreement, the deed, and the development agreement in favor of BB&T, as security for the payment of the bonds. Principal payments are due every August 1st, commencing in 2008. Interest payments are due every February and August 1st, commencing on August 1, 2005. Interest rates vary from 3.5% to 5.25% over the obligation term. The balance of the bond obligation was \$40,540,000 as of June 30, 2007.

The Foundation will incur a bond obligation for the construction of student housing facilities. It is anticipated that the Development Authority of Bulloch County will issue approximately \$62,725,000 of Student Housing Lease Revenue Bonds. The details of the bond issue and construction are currently in the planning stages as of the date of this report.

Annual debt service requirements to maturity for revenue bonds payable are as follows:

		Bonds Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$2,685,000	\$5,191,104	\$7,876,104
2009	2	2,840,000	5,116,823	7,956,823
2010	3	3,000,000	5,014,733	8,014,733
2011	4	3,170,000	4,899,705	8,069,705
2012	5	3,275,000	4,771,489	8,046,489
2013 through 2017	6-10	18,460,000	21,716,921	40,176,921
2018 through 2022	11-15	22,870,000	17,231,571	40,101,571
2023 through 2027	16-20	29,060,000	10,962,079	40,022,079
2028 through 2032	21-25	26,095,000	2,872,500	28,967,500
		111,455,000	77,776,925	189,231,925
Bond Premium/(Discount)		995,827		995,827
Total Bonds Payable		\$112,450,827	\$77,776,925	\$190,227,752

### **Southern Boosters, Inc.**

Southern Boosters, Inc. is a legally separate, tax-exempt component unit of Georgia Southern University (University). The fifty-two member board of Southern Boosters is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Southern Boosters, the majority of resources or income thereon that Southern Boosters holds and invests is restricted to the athletic activities of the University by the donors. Because these restricted resources held by Southern Boosters can only be used by, or for the benefit of, the University and their management role is significant to the accomplishment of the University's mission, Southern Boosters is considered a component unit of the University and is discretely presented in the University's financial statements.

Southern Boosters, Inc. is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. Southern Boosters, Inc. fiscal year is July 1 through June 30.

During the year ended June 30, 2007, Southern Boosters, Inc. distributed \$500,000 to the University for athletic scholarship support and approximately \$401,176 for the support of other University programs.

Complete financial statements for Southern Boosters, Inc. can be obtained from the Administrative Office at P.O. Box 811501, Statesboro, GA 30460.

### ***Capital Assets for Component Units***

Southern Boosters, Inc. has the following Capital Assets as of June 30, 2007:

	<u>June 30, 2007</u>
Capital Assets not being Depreciated:	
Land and other Assets	\$80,301
Construction in Progress	<u>897,738</u>
Total Capital Assets not being Depreciated	978,039
Capital Assets being Depreciated:	
Buildings and Improvements	324,687
Machinery and Equipment	<u>95,585</u>
Total Capital Assets being Depreciated	420,272
Less Total Accumulated Depreciation	<u>121,353</u>
Total Capital Assets being Depreciated, Net	<u>298,919</u>
Capital Assets, Net	<u><u>\$1,276,958</u></u>

### ***Long-Term Liabilities for Component Units***

Southern Boosters, Inc. has a Note Payable to Sea Island Bank, payable in annual installments of \$35,220 including interest at a variable rate (8.25% at June 30, 2007), through September 14, 2013, unsecured. The original note amount was \$279,000 and the principal balance outstanding on the note at June 30, 2007 was \$211,992.

Southern Boosters, Inc. obtained new financing in 2006 with a Note Payable to Park Avenue Bank. Interest is payable in quarterly installments at a variable rate (8.25% at June 30, 2007) and the note matures on January 15, 2009. This debt is secured by the Golf Practice facility. The outstanding principal balance was \$366,810 at June 30, 2007.

Changes in long-term liabilities for Southern Boosters, Inc. for the fiscal year ended June 30, 2007 are shown below:

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Amounts due within One Year
Notes and Loans Payable	<u>\$630,304</u>	<u>\$0</u>	<u>\$51,502</u>	<u>\$578,802</u>	<u>\$25,391</u>
Total Long Term Liabilities	<u><u>\$630,304</u></u>	<u><u>\$0</u></u>	<u><u>\$51,502</u></u>	<u><u>\$578,802</u></u>	<u><u>\$25,391</u></u>

Annual requirements to maturity for notes payable are as follows:

		Notes and Loans Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$25,391	\$47,829	\$73,220
2009	2	378,550	32,073	410,623
2010	3	20,794	14,426	35,220
2011	4	22,510	12,710	35,220
2012	5	24,367	10,853	35,220
2013 through 2017	6-10	<u>107,190</u>	<u>11,080</u>	<u>118,270</u>
Total Notes and Loans Payable		<u><u>\$578,802</u></u>	<u><u>\$128,971</u></u>	<u><u>\$707,773</u></u>

### **Georgia Southern University Research and Service Foundation, Inc.**

Georgia Southern University Research and Service Foundation, Inc. (the Research Foundation) is a legally separate, tax-exempt component unit of Georgia Southern University (University). The Research Foundation serves to enhance the research mission of the University by securing sponsored research funding and by providing funding of special research initiatives. All University intellectual property developed through these research programs are managed by the Research Foundation. The six-member board of the Foundation consists of designated University personnel, appointees of several University constituent groups, and individuals selected by the Research Foundation itself. Although the University does not control the timing or amount of receipts from the Research Foundation, all sponsored research awards are subcontracted to the University and other resources and related income are restricted to benefit the research mission of the University. Consequently, the Research Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is July 1 through June 30.

During fiscal year 2007, the Research Foundation transferred \$5,469,335 in sponsored research to the University. Complete financial statements for the Research Foundation can be obtained from the Administrative Office at P.O. Box 8005, Statesboro, GA 30460.

### **Valdosta State University**

#### **Valdosta State University Foundation, Inc.**

Valdosta State University Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of Valdosta State University (University). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The thirty-one member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is January 1 through December 31. Because the University's fiscal year end is June 30, the amounts reported as due to or due from the related entities do not agree.



During the year ended December 31, 2006, the Foundation distributed \$1,976,418 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Administrative Office at 102 Georgia Avenue, Valdosta, Georgia 31698.

***Investments for Component Units:***

Valdosta State University Foundation, Inc. holds endowment and other investments in the amount of \$19.6 million. The \$18.6 million corpus of the endowment is nonexpendable, but the earnings on the investment may be expended as restricted by the donors. Valdosta State University Foundation, Inc., in conjunction with the donors, has established a spending plan whereby 3% of the earnings may be used per the donor's stipulation. The remainder of the earnings are set aside as a reserve.

Investments are comprised of the following amounts at December 31, 2006:

	Cost	Fair Value
Money Market Accounts	\$392,247	\$392,247
Equity Securities	2,595,234	2,997,292
Mutual Funds	11,410,120	15,524,904
Split Interest Investments	682,898	682,898
Total Investments	<u>\$15,080,499</u>	<u>\$19,597,341</u>

***Capital Assets for Component Units:***

The Foundation holds the following Capital Assets as of December 31, 2006:

	December 31, 2006
Capital Assets not being Depreciated:	
Land and other Assets	\$3,166,925
Total Capital Assets not being Depreciated	<u>3,166,925</u>
Capital Assets being Depreciated:	
Buildings and Improvements	34,680,154
Machinery and Equipment	25,939
Total Capital Assets being Depreciated	<u>34,706,093</u>
Less Total Accumulated Depreciation	<u>2,756,008</u>
Total Capital Assets being Depreciated, Net	<u>31,950,085</u>
Capital Assets, Net	<u>\$35,117,010</u>

***Long-term Liabilities for Component Units:***

Changes in long-term debt for Valdosta State Foundation, Inc. for the fiscal year ended December 31, 2006 are shown below:

	Beginning Balance January 1, 2006	Additions	Reductions	Ending Balance December 31, 2006	Amounts due within One Year
Liabilities under split interest agreement	\$0	\$430,303	\$35,355	\$394,948	\$0
Capital Lease Obligations	0	21,175		21,175	6,352
Notes and Loans Payable	1,263,581	121,082	40,743	1,343,920	1,040,109
Revenue/Mortgage Bonds Payable	38,490,518		369,782	38,120,736	404,424
Other Long Term Liabilities	0	596		596	
Total Long Term Liabilities	<u>\$39,754,099</u>	<u>\$573,156</u>	<u>\$445,880</u>	<u>\$39,881,375</u>	<u>\$1,450,885</u>

### Capital Lease Obligations:

During the year, the Foundation leased a vehicle from Ford Credit under a capital lease through April 11, 2010. The balance of this obligation as of December 31, 2006 is \$21,175.

Annual debt service requirements to maturity for capital lease obligations are as follows:

		Capital Leases
Year ending December 31:		
2007	1	\$7,014
2008	2	7,012
2009	3	7,012
2010	4	<u>2,779</u>
Total minimum lease payments		23,817
Less: Interest		<u>2,642</u>
Principal Outstanding		<u>\$21,175</u>

### Notes and Loans Payable:

The Foundation incurred a Note payable to a local financial institution to assist with updating University Athletic facilities. The Foundation has reported this transaction as a receivable from the University and as a liability. Since the University retains ownership of the facility, the University has recorded a capital asset and liability. The balance of this obligation was \$165,581 as of December 31, 2006.

In April 2005, the Foundation entered into a loan with a local financial institution to purchase property contiguous to the University. The interest rate is variable and is based on prime. The maturity date is March 2008 and the balance of the obligation at December 31, 2006 is \$182,663.

The Foundation has two lines of credit and a short-term note payable with a total outstanding principal balance of \$995,676 as of December 31, 2006.

Annual debt service requirements to maturity for Notes and Loans payable are as follows:

		Notes and Loans Payable		
		Principal	Interest	Total
Year ending December 31:				
2007	1	\$1,040,109	\$14,634	\$1,054,743
2008	2	220,863	6,504	227,367
2009	3	43,565	2,583	46,148
2010	4	<u>39,383</u>	<u>687</u>	<u>40,070</u>
Total Notes and Loans Payable		<u>\$1,343,920</u>	<u>\$24,408</u>	<u>\$1,368,328</u>

**Revenue Bonds Payable:**

Valdosta State University Foundation, Inc. issued Bonds to finance the acquisition of facilities for Valdosta State University. The bonds mature serially and are collateralized by real estate. The interest rates for the 95 and 98 bonds are 4.8% and 5.0%, respectively. These Bonds are represented as Property and Equipment and a Bond Payable on the Foundation's financial statement. Since the University leases the property from the Foundation, the University has accounted for this transaction as a capital lease and related Lease Obligation. The balance of this obligation was \$2,248,621 as of December 31, 2006.

In June 2004, the Valdosta Housing Authority issued Series 2004 Student Housing Revenue Bonds and loaned the proceeds to VSU Foundation Real Estate I, LLC (a subsidiary). The bonds, serial and term, are secured by pledges of gross receipts from student housing at Valdosta State University. The bonds bear interest at rates ranging from 3.25% to 5.25%. Interest is due semi-annually and principal is due annually. The balance of the obligation at December 31, 2006 is \$35,872,115.

Annual debt service requirements to maturity for bonds payable are as follows:

		Bonds Payable		
		Principal	Interest	Total
Year ending December 31:				
2007	1	\$404,424	\$1,716,230	\$2,120,654
2008	2	1,022,783	1,716,230	2,739,013
2009	3	1,126,917	1,694,905	2,821,822
2010	4	1,151,074	1,668,455	2,819,529
2011	5	1,115,055	1,640,805	2,755,860
2012 through 2016	6-10	6,273,367	7,545,963	13,819,330
2017 through 2022	11-16	9,327,344	6,085,335	15,412,679
2023 through 2027	17-21	10,196,120	3,964,675	14,160,795
2028 through 2032	22-26	7,481,120	9,716,120	17,197,240
2033 through 2037	27-31	22,532		22,532
Total Bonds Payable		<u>\$38,120,736</u>	<u>\$35,748,718</u>	<u>\$73,869,454</u>

**Albany State University****Albany State University Foundation, Inc.**

Albany State University Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of Albany State University (University). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The seven-member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Foundation follows GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis- for State and Local Governments, GASB Statement 35, Basic Financial Statements – Management's Discussion and Analysis – for Public Colleges and

Universities, GASB Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and local Governments: Omnibus – an amendment of GASB Statements No. 21 and No. 34, and GASB Statement No. 38, Certain Financial Statement Note Disclosures. The Foundation’s fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Foundation distributed \$0 to the University. Complete financial statements for the Foundation can be obtained from the Administrative Office at 504 College Drive, Albany, GA 31705.

***Prior Period Adjustment:***

A prior period adjustment in the amount of (\$903,266) was made to restate the prior year’s Repurchase Agreement balance and corresponding accrued interest. The adjustment had the effect of reducing Beginning Net Assets for the fiscal year that ended June 30, 2007.

***Deposits and Investments for Component Units:***

**Deposits:**

As of June 30, 2007, the carrying amount of the Foundation’s bank deposits was \$1,366,018 and the respective bank balances totaled \$1,429,626. Of the total bank balance, \$211,346 was insured through the Federal Deposit Insurance Corporation (FDIC). The remaining \$1,218,280 was collateralized with pooled securities held by the financial institutions’ trust departments, but not in the Foundation’s name.

**Investments:**

Investments as of June 30, 2007 are summarized as follows:

	Fair Value	Investment Maturity	
		Less Than 1 Year	1-5 Years
Investment type			
Certificates of Deposit	\$1,030,578		\$1,030,578
General Obligation Bonds	695,276		695,276
Money Market Mutual Fund	133,537	\$133,537	
Repurchase Agreements	4,880,608	4,880,608	
	<u>\$6,739,999</u>	<u>\$5,014,145</u>	<u>\$1,725,854</u>

***Capital Assets for Component Units:***

The Foundation had the following Capital Asset activity for the year ended June 30, 2007:

	<b>Beginning Balances 7/1/2006</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance 6/30/2007</b>
Capital Assets, Not Being Depreciated:				
Construction Work-in-Progress	\$25,244,504	\$0	\$25,244,504	\$0
Total Capital Assets Not Being Depreciated	25,244,504	0	25,244,504	0
Capital Assets, Being Depreciated:				
Facilities and Other Improvements	7,773,248	29,305,356		37,078,604
Equipment	24,340			24,340
Total Assets Being Depreciated	7,797,588	29,305,356	0	37,102,944
Less: Accumulated Depreciation				
Facilities and Other improvements	291,497	520,699		812,196
Equipment	5,246	3,497		8,743
Total Accumulated Depreciation	296,743	524,196	0	820,939
Total Capital Assets, Being Depreciated, Net	7,500,845	28,781,160	0	36,282,005
Capital Assets, net	<u>\$32,745,349</u>	<u>\$28,781,160</u>	<u>\$25,244,504</u>	<u>\$36,282,005</u>

### ***Long-term Liabilities for Component Units:***

The Foundation had the following activity in long-term liabilities for the year ended June 30, 2007:

	<b>Beginning Balance July 1, 2006</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2007</b>	<b>Amounts due within One Year</b>
Notes and Loans Payable	\$2,392,978	\$0	\$82,901	\$2,310,077	\$2,270,134
Revenue/Mortgage Bonds Payable	34,978,805		23,529	34,955,276	225,000
Total Long Term Liabilities	<u>\$37,371,783</u>	<u>\$0</u>	<u>\$106,430</u>	<u>\$37,265,353</u>	<u>\$2,495,134</u>

### **Notes and Loans Payable:**

Albany State Foundation, Inc. entered into an installment loan with SunTrust Bank to finance the construction of the Albany Municipal Coliseum facility at Albany State University. On May 7, 2004, Albany State University Foundation, Inc. entered into a loan agreement with SunTrust Bank for the purpose of completing the Albany Municipal Coliseum construction project. The multi-advance loan is in the amount of \$2,181,889. The accrued interest is payable on the 1st day of each August beginning August 1, 2005, at a rate equal to the LIBOR index plus 2.5% per annum. The total principal payment will be due at maturity on August 1, 2007. The outstanding loan balance as of June 30, 2007 is \$2,181,889.

On October 29, 2003, Albany State University Foundation, Inc. entered into a loan agreement with SunTrust Bank for the purpose of purchasing a scoreboard for the Albany Municipal Coliseum. The term loan is in the amount of \$332,092, with 12 interest only payments, at a rate of 4.130% per annum, beginning December 1, 2003. Beginning December 1, 2004, 47 monthly payments in the amount of \$7,526 are due with final payment due on November 1, 2008. The outstanding loan balance as of June 30, 2007 is \$128,188.

Annual debt service requirements to maturity for Albany Municipal Coliseum installment loans with SunTrust Bank are as follows:

		Notes and Loans Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$2,270,134	\$105,816	\$2,375,950
2009	2	39,943	799	40,742
Total Notes and Loans Payable		<u>\$2,310,077</u>	<u>\$106,615</u>	<u>\$2,416,692</u>

### **Revenue Bonds Payable:**

On July 1, 2005, the Foundation issued \$33,110,000 Albany-Dougherty Inner City Authority Revenue Bonds, Series 2005A and \$1,210,000 Albany-Dougherty City Authority Taxable Revenue Bonds, Series 2005B. The Bonds were issued for the purpose of financing and refinancing in whole or in part, the cost of the acquisition, construction and equipping of certain land, buildings and personal property, known as Albany State University Student Housing Project. These bonds are carried as liabilities of Albany State Real Estate Foundation, LLC, a single member Limited Liability Company.

Annual debt service requirements to maturity for Student Housing revenue bonds payable are as follows:

		Bonds Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$225,000	\$1,576,737	\$1,801,737
2009	2	230,000	1,567,175	1,797,175
2010	3	240,000	1,557,400	1,797,400
2011	4	250,000	1,516,898	1,766,898
2012 through 2016	5-9	3,025,000	7,456,523	10,481,523
2017 through 2021	10-14	5,335,000	6,692,925	12,027,925
2022 through 2026	15-19	7,815,000	5,277,905	13,092,905
2027 through 2031	20-24	9,975,000	3,190,144	13,165,144
2032 through 2034	25-29	7,225,000	820,931	8,045,931
		<u>34,320,000</u>	<u>29,656,638</u>	<u>63,976,638</u>
Bond Premium/(Discount)		<u>635,276</u>		<u>635,276</u>
Total Revenue Bonds Payable		<u>\$34,955,276</u>	<u>\$29,656,638</u>	<u>\$64,611,914</u>

### **Armstrong Atlantic State University**

#### **Armstrong Atlantic State University Foundation, Inc.**

Armstrong Atlantic State University Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of Armstrong Atlantic State University (University). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The seven-member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is January 1 through December 31.

During the year ended December 31, 2006, the Foundation distributed \$468,795 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Administrative Office at Armstrong Atlantic State University, 11935 Abercorn Street, Savannah, GA 31419.

### ***Investments for Component Units:***

Armstrong Atlantic State University Foundation, Inc. holds endowment and other investments in the amount of \$5.7 million. The corpus of the endowment portion is nonexpendable, but the earnings on the investment may be expended as restricted by the donors.

Investments are comprised of the following amounts at December 31, 2006:

	Cost	Fair Value
Money Market Accounts	\$167,312	\$167,312
Government and Agency Securities	1,714,999	1,703,258
Corporate Bonds	386,417	384,437
Equity Securities	2,316,585	3,464,274
Mutual Funds	14,000	14,000
	<hr/>	<hr/>
Total Investments	<u>\$4,599,313</u>	<u>\$5,733,281</u>

### **Armstrong Atlantic State University Educational Properties Foundation, Inc.**

AASU Educational Properties Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of Armstrong Atlantic State University (University). The Foundation purchases buildings and leases them to the University for housing, recreation, etc. The five-member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the real estate activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is January 1 through December 31.

The Foundation holds real estate assets, the purchase and improvement of which have been financed through bond issuance. The corresponding capital leases and associated long-term debt are included in the University's report. Complete financial statements for the Foundation may be obtained from the Administrative Office at Armstrong Atlantic State University, 11935 Abercorn Street, Savannah, GA 31419.

### ***Capital Assets for Component Units:***

The Foundation held the following Capital Assets as of December 31, 2006:

Capital Assets not being Depreciated:	
Land and other Assets	\$475,561
Construction in Progress	466,436
Total Capital Assets not being Depreciated	941,997
Capital Assets being Depreciated:	
Buildings and Improvements	35,770,028
Machinery and Equipment	2,635,460
Total Capital Assets being Depreciated	38,405,488
Less Total Accumulated Depreciation	4,325,995
Total Capital Assets being Depreciated, Net	34,079,493
Capital Assets, Net	\$35,021,490

### ***Long-term Liabilities for Component Units:***

Changes in long-term liabilities for the Foundation for the fiscal year ended December 31, 2006 are shown below:

	Beginning Balance January 1, 2006	Additions	Reductions	Ending Balance December 31, 2006	Amounts due within One Year
Notes and Loans Payable	\$0	\$618,000	\$0	\$618,000	\$21,188
Revenue/Mortgage Bonds Payable	43,799,420	0	977,623	42,821,797	930,000
Total Long Term Liabilities	\$43,799,420	\$618,000	\$977,623	\$43,439,797	\$951,188

### **Notes and Loans Payable:**

On November 15, 2006, the AASU Women's Field House, LLC obtained a promissory note payable with Wachovia Bank, N.A. to provide financing for the construction of the field house in the amount of \$618,000. Interest is payable monthly from the date of the note until and including February 1, 2007, at the rate of 7.20%. As of March 1, 2007, the note is payable in equal monthly installments of principal and interest in an amount necessary to amortize the principal amount outstanding over a 173 month term, with all unpaid principal and accrued interest due on June 1, 2021. The note is collateralized by a deed to secure debt and an assignment of rents. In addition, the note is guaranteed by Armstrong Atlantic State University Foundation, Inc. The balance outstanding at December 31, 2006 is \$618,000.

Annual debt service requirements to maturity for Notes and Loans payable are as follows:



		Notes and Loans Payable		
		Principal	Interest	Total
Year ending December 31:				
2007	1	\$21,188	\$36,514	\$57,702
2008	2	27,157	42,086	69,243
2009	3	29,178	40,065	69,243
2010	4	31,350	37,893	69,243
2011	5	33,683	35,560	69,243
Thereafter	6-15	475,444	149,313	624,757
		<u>\$618,000</u>	<u>\$341,431</u>	<u>\$959,431</u>

### Revenue Bonds Payable:

Student Housing Bonds are issued by the AASU Educational Properties Foundation to finance student housing on University property. The bonds, serial and term, are secured by pledges of gross receipts from student housing at Armstrong Atlantic State University. The interest rate is between 3.00% and 5.00%.

Resident Instruction Bonds are issued by the AASU Educational Properties Foundation to finance professional, continuing education and recreational facilities at Armstrong Atlantic State University. The bonds, serial and term, are secured by pledges of gross receipts from rents and leases. The interest rate is between 3.25% and 5.00%.

### Debt Service Obligations:

Annual debt service requirements to maturity for revenue bonds payable are as follows:

		Bonds Payable		
		Principal	Interest	Total
Year ending December 31:				
2007	1	\$930,000	\$1,857,502	\$2,787,502
2008	2	970,000	14,824,214	15,794,214
2009	3	980,000	1,788,914	2,768,914
2010	4	1,015,000	1,757,065	2,772,065
2011	5	1,050,000	1,720,802	2,770,802
2012 through 2016	6-10	5,845,000	7,987,695	13,832,695
2017 through 2021	11-15	7,085,000	6,733,170	13,818,170
2022 through 2026	16-20	8,720,000	5,029,922	13,749,922
2027 through 2031	21-25	11,555,000	2,630,690	14,185,690
2032 through 2036	26-30	3,985,000	433,225	4,418,225
		<u>42,135,000</u>	<u>44,763,199</u>	<u>86,898,199</u>
Bond Premium, net		<u>686,797</u>		<u>686,797</u>
		<u>\$42,821,797</u>	<u>\$44,763,199</u>	<u>\$87,584,996</u>

## **Augusta State University**

### **Augusta State University Foundation, Inc.**

Augusta State University Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of Augusta State University (University). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The Foundation is the single member of the following three limited liability companies: 1) ASU Jaguar Student Housing I, LLC which is a limited liability company organized for the purpose of constructing and holding an apartment complex for the benefit of students attending Augusta State University; 2) ASU Jaguar Student Center, LLC which is a limited liability company organized for the purpose of constructing and holding the student center property located on the campus of the University for the benefit of its students; and 3) ASU Jaguar Ventures, LLC which is a limited liability company organized for the purpose of constructing a golf course clubhouse. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Foundation distributed \$2,036,068 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Administrative Office at 2500 Walton Way, Augusta, GA 30904.

### ***Investments for Component Units:***

Investments are comprised of the following amounts at June 30, 2007:

	<u>Cost</u>	<u>Fair Value</u>
Government and Agency Securities	\$4,074,011	\$4,045,997
Corporate Stocks and Bonds	9,822,746	11,155,531
Mutual Funds	2,814,926	2,938,217
Investment Pools	<u>1,060,747</u>	<u>1,114,937</u>
Total Investments	<u>\$17,772,430</u>	<u>\$19,254,682</u>

### ***Long-term Liabilities for Component Units:***

Changes in long-term liabilities for Augusta State University Foundation, Inc. for the fiscal year ended June 30, 2007 are shown below:

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Amounts due within One Year
Notes and Loans Payable	\$1,544,695	\$0	\$142,812	\$1,401,883	\$142,000
Revenue/Mortgage Bonds Payable	30,852,518		85,000	30,767,518	255,000
Total Long Term Liabilities	<u>\$32,397,213</u>	<u>\$0</u>	<u>\$227,812</u>	<u>\$32,169,401</u>	<u>\$397,000</u>

### Notes and Loans Payable:

On April 23, 2003, the Foundation entered into a construction loan in the amount of \$1,250,000 and increased the loan to \$1,600,000 on November 10, 2003. The loan had principal outstanding in the amount of \$1,401,883 at June 30, 2007. The loan was for real estate improvements at the Forest Hills Golf Club for the benefit of the Augusta State University Athletic Association, a related party. This note carries a variable interest rate of LIBOR plus 1.20% (6.5593% at June 30, 2007). Interest payments are due monthly. In August 2006, the loan converted to a term loan with quarterly payments of principal and interest. This loan will mature May 24, 2011. The loan is secured by the Foundation's investment account with Georgia Bank & Trust which had a fair market value of \$2,912,688 at June 30, 2007. Interest expense on this loan for the year ending June 30, 2007 was \$108,757.

Annual debt service requirements to maturity for the construction loan are as follows:

		Notes and Loans Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$142,000	\$82,846	\$224,846
2009	2	142,000	90,650	232,650
2010	3	142,000	81,111	223,111
2011	4	975,883	71,572	1,047,455
Total Notes and Loans Payable		<u>\$1,401,883</u>	<u>\$326,179</u>	<u>\$1,728,062</u>

### Revenue Bonds Payable:

ASU Jaguar Student Housing I, LLC had the following revenue bonds payable at June 30, 2007:

\$19,515,000 ASU Jaguar Student Housing I, LLC, Revenue Bonds, Series 2004, dated August 1, 2004, due in annual installments of \$85,000 to \$1,445,000, due through February 1, 2035, interest at 4.375% to 5.375%. Interest incurred on the bonds totaled \$1,009,587 during the year ending June 30, 2007. The bonds are secured by a deed on the University Village Apartments and repayment responsibility of the bonds lies solely with the ASU Jaguar Student Housing I, LLC. The outstanding principal amount of the bonds as of June 30, 2007 is \$19,430,000.

ASU Jaguar Student Center, LLC had the following revenue bonds payable at June 30, 2007:

\$11,145,000 ASU Jaguar Student Center, LLC, Educational Facilities Revenue Bonds, Series 2005, dated February 1, 2005, due in annual installments of \$170,000 to \$705,000, due through July 1, 2034, interest at 3.25% to 5%. Interest incurred during the year ending June 30, 2007 totaled \$503,864. Interest capitalized to construction in progress totaled \$95,174 for the year ending June 30, 2007. The outstanding principal amount of the bonds as of June 30, 2007, including unamortized bond premium is \$11,337,518.

Annual debt service requirements to maturity for Student Housing and Educational Facilities revenue bonds payable are as follows:

		Bonds Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$255,000	\$1,511,442	\$1,766,442
2009	2	260,000	1,500,987	1,760,987
2010	3	330,000	1,489,487	1,819,487
2011	4	395,000	1,476,049	1,871,049
2012	5	465,000	1,459,549	1,924,549
2013 through 2017	6-10	3,125,000	6,955,794	10,080,794
2018 through 2022	11-15	4,630,000	6,138,037	10,768,037
2023 through 2027	16-20	6,580,000	4,795,013	11,375,013
2028 through 2032	21-25	8,390,000	2,932,113	11,322,113
2033 through 2037	26-30	6,145,000	645,725	6,790,725
		<u>30,575,000</u>	<u>28,904,196</u>	<u>59,479,196</u>
Bond Premium/(Discount)		192,518		192,518
Total Bonds Payable		<u>\$30,767,518</u>	<u>\$28,904,196</u>	<u>\$59,671,714</u>

### **Augusta State University Athletic Association**

Augusta State University Athletic Association (the Athletic Association) is a legally separate, tax-exempt component unit of Augusta State University (University). The Athletic Association promotes the educational, athletic, and physical education programs of the University. The Athletic Association leases Forest Hills Golf Club (the Club), an 18-hole golf course, from the Board of Regents of the University System of Georgia for a nominal fee. The Athletic Association in turn has entered into a management agreement with the Augusta Golf Association, Inc. (the AGA) to manage, operate and maintain Forest Hills Golf Club. The income of the Athletic Association is solely derived from the revenues of the Golf Club and interest income. Because these restricted resources held by the Athletic Association can only be used by, or for the benefit of the University and their management role is significant to the accomplishment of the University's mission, the Athletic Association is considered a component unit of the University and is discretely presented in the University's financial statements.

The Athletic Association is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Athletic Association's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Athletic Association disbursed \$0 funds to the University.

Completed financial statements for the Athletic Association can be obtained from the Administrative Office at 2500 Walton Way, Augusta, Georgia 30904-2200.

### ***Capital Assets for Component Units:***

The Athletic Association held the following Capital Assets as of June 30, 2007:

	<u>June 30, 2007</u>
Capital Assets being Depreciated:	
Buildings and Improvements	\$3,416,691
Machinery and Equipment	<u>930,804</u>
Total Capital Assets being Depreciated	4,347,495
Less Total Accumulated Depreciation	<u>2,437,532</u>
Total Capital Assets being Depreciated, Net	<u>1,909,963</u>
Capital Assets, Net	<u><u>\$1,909,963</u></u>

### ***Long-term Liabilities for Component Units:***

Changes in long-term liabilities for the Athletic Association for the fiscal year ended June 30, 2007 are shown below:

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Amounts due within One Year
Capital Lease Obligations	\$73,814	\$0	\$26,061	\$47,753	\$17,430
Notes and Loans Payable	<u>1,574,723</u>		<u>8,456</u>	<u>1,566,267</u>	<u>293,158</u>
Total Long Term Liabilities	<u><u>\$1,648,537</u></u>	<u><u>\$0</u></u>	<u><u>\$34,517</u></u>	<u><u>\$1,614,020</u></u>	<u><u>\$310,588</u></u>

### **Capital Lease Obligations:**

The Athletic Association leases golf course equipment under capital leases that expire in July 2007, October 2007 and April 2010. The terms of the leases require monthly payments totaling \$2,521.

Future minimum lease payments are:

	<u>Capital Leases</u>
Year ending June 30:	
2008                   1	\$20,490
2009                   2	17,832
2010                   3	<u>14,860</u>
Total minimum lease payments	53,182
Less: Interest	<u>5,429</u>
Principal Outstanding	<u><u>\$47,753</u></u>

### **Notes and Loans Payable:**

The Athletic Association holds a note payable to First Bank dated September 22, 2005 in the original amount of \$35,961, with an interest rate of 8%. The note is payable in monthly installments of \$879 through September 20, 2009 and is secured by equipment. The outstanding principal balance of the note is \$21,572 as of June 30, 2007.

The Athletic Association holds a note payable to Augusta State University Foundation, Inc., a related party, dated May 24, 2005 in the original amount of \$1,544,695, secured by first priority

security interest. The note is payable in quarterly installments of interest only through May 2006, then in consecutive quarterly payments equal to \$35,500, plus accrued interest at the LIBOR rate plus 1.2%, commencing on August 24, 2006, and continuing on the same day each third month thereafter, with the total remaining balance due May 24, 2011. The outstanding principal balance of the note is \$1,544,695 as of June 30, 2007.

Annual debt service requirements to maturity for Notes and Loans payable are as follows:

		Notes and Loans Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$293,158	\$181,223	\$474,381
2009	2	151,918	77,066	228,984
2010	3	144,496	67,476	211,972
2011	4	976,695	382,156	1,358,851
Total Notes and Loans Payable		<u>\$1,566,267</u>	<u>\$707,921</u>	<u>\$2,274,188</u>

## **Clayton State University**

### **The Walter & Emilie Spivey Foundation**

The Walter & Emilie Spivey Foundation (Foundation) is a legally separate, tax-exempt component unit of Clayton State University (University). The Foundation provides music scholarships and sponsors programming in Spivey Hall, the University's world class music performance hall. The six-member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the real estate activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The foundation's fiscal year is January 1 through December 31. Amounts reported due to or due from the University do not agree because of the different fiscal year ends.

During the year ended December 31, 2006, the Foundation distributed \$467,397 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Administrative Office at Clayton State University, 2000 Clayton State Blvd, Morrow, Georgia, 30260.

### ***Investments for Component Units:***

The Walter and Emilie Spivey Foundation holds investments in the amount of \$7.5 million. Investments consist of marketable securities within an investment pool and real property.

Investments are comprised of the following amounts at December 31, 2006:

	Cost	Fair Value
Real Estate	\$137,518	\$137,518
Investment Pools		
Suntrust Investment Pool	7,341,500	7,341,500
Total Investments	<u>\$7,479,018</u>	<u>\$7,479,018</u>

***Capital Assets for Component Units:***

The Walter & Emilie Spivey Foundation held the following Capital Assets as of December 31, 2006:

	<u>December 31, 2006</u>
Capital Assets not being Depreciated:	
Land and other Assets	<u>\$139,882</u>
Total Capital Assets not being Depreciated	139,882
Capital Assets being Depreciated:	
Machinery and Equipment	<u>15,384</u>
Total Capital Assets being Depreciated	15,384
Less Total Accumulated Depreciation	<u>7,691</u>
Total Capital Assets being Depreciated, Net	<u>7,693</u>
Capital Assets, Net	<u><u>\$147,575</u></u>

**Clayton State University Foundation, Inc.**

Clayton State University Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of Clayton State University (University). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The twenty-eight member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The foundation's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Foundation distributed \$335,312 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can

be obtained from the Administrative Office at Clayton State University Foundation, Inc., Alumni Affairs Office, Harry Downs Continuing Education Building, 2000 Clayton State Blvd, Morrow, Georgia, 30260.

***Investments for Component Units:***

Clayton State University Foundation, Inc. holds endowment and other investments in the amount of \$4.5 million. The corpus of the endowment portion is nonexpendable, but the earnings on the investment may be expended as restricted by the donors.

Investments are comprised of the following amounts at June 30, 2007:

	Cost	Fair Value
Real Estate	\$1,836,498	\$1,836,498
Investment Pools		
BOR Short Term Fund	169,580	169,795
Total Return Fund	2,365,657	2,496,407
	<hr/>	<hr/>
Total Investments	<u>\$4,371,735</u>	<u>\$4,502,700</u>

***Capital Assets for Component Units:***

Clayton State University Foundation, Inc. held \$788,405 in Construction Work In Progress as of June 30, 2007.

**Columbus State University**

**Columbus State University Foundation, Inc.**

Columbus State University Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of Columbus State University (University). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The fifty-seven member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements.

The Foundation's fiscal year is August 1 through July 31. The amount due to Columbus State University of \$5,594,853, results primarily from funds that are designated for payment on the construction of the RiverPark Campus. It is the intent of the Foundation that the facility be



transferred to the University upon completion. The Due from Component Unit amount on the University's Statement of Net Assets does not agree due to the difference in fiscal year ends.

During the year ended July 31, 2006, the Foundation distributed \$973,154 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Columbus State University Foundation, Inc. at 4225 University Avenue, Columbus, Georgia 31907.

### ***Investments for Component Units:***

Columbus State University Foundation, Inc. holds endowment and other investments in the amount of \$25,260,039. The corpus of the endowment portion is nonexpendable, but the earnings on the investment may be expended as restricted by the donors. Columbus State University Foundation, Inc., in conjunction with the donors, has established a spending plan of 5% of a trailing three-year average of the endowment's total asset value, with the understanding that this spending rate plus inflation will not normally exceed total return from investments. This trailing three-year average shall be set back six months from the time of current-year calculations for the purpose of spending, with the three year average being that of either calendar or fiscal year periods according to the requirements of the budgetary process.

Investments are comprised of the following amounts at July 31, 2006:

	Cost	Fair Value
Certificates of Deposit	\$27,007	\$27,007
Government and Agency Securities	3,128,278	3,062,991
Corporate Bonds	3,112,639	2,736,966
Equity Securities	11,480,590	12,722,824
Fixed Income Fund	426,178	424,898
Investment Pool	6,102,992	6,285,353
Total Investments	<u>\$24,277,684</u>	<u>\$25,260,039</u>

### ***Long-term Liabilities for Component Units:***

Changes in long-term liabilities for the Foundation for the fiscal year ended July 31, 2006 are shown below:

	Beginning Balance August 1, 2005	Additions	Reductions	Ending Balance July 31, 2006	Amounts due within One Year
Liabilities under split interest agreement	<u>\$0</u>	<u>\$1,292,153</u>	<u>\$0</u>	<u>\$1,292,153</u>	<u>\$110,245</u>
Total Long Term Liabilities	<u>\$0</u>	<u>\$1,292,153</u>	<u>\$0</u>	<u>\$1,292,153</u>	<u>\$110,245</u>

### **Foundation Properties, Inc.**

Foundation Properties, Inc. is a legally separate, tax-exempt component unit of Columbus State University (University). Foundation Properties, Inc. constructs auxiliary buildings and facilities for use by the University and then leases the completed buildings to the Board of Regents of the University System of Georgia. The eleven-member board of Foundation Properties, Inc. is self-

perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from Foundation Properties, Inc., the majority of resources or income thereon that Foundation Properties, Inc. holds and invests is restricted to the real estate activities of the University by the donors. Because these restricted resources held by Foundation Properties, Inc. can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

Foundation Properties, Inc. is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements.

The fiscal year of Foundation Properties, Inc. is August 1 through July 31. This financial statement represents activity for the year ended July 31, 2006. The amount due to Columbus State University of \$23,559,301 results primarily from funds that have been transferred from the Foundation which are designated for payments on the construction of the RiverPark Campus. It is the intent of Foundation Properties that the facility be transferred to the University upon completion. There is no corresponding due from amount on the University's Statement of Net Assets due to the difference in fiscal year ends.

During the year ended July 31, 2006, Foundation Properties, Inc. distributed \$669,715 to the University. Complete financial statements for Foundation Properties, Inc. can be obtained from Foundation Properties, Inc. at 4225 University Avenue, Columbus, Georgia 31907.

### ***Investments for Component Units:***

Foundation Properties, Inc. holds investments as of July 31, 2006 in the amount of \$6,068,326. Investments consist of marketable securities and bonds as follows:

	Cost	Fair Value
Government and Agency Securities	\$952,977	\$925,977
Corporate Bonds	1,018,120	995,726
Equity Securities	3,607,892	4,146,623
Total Investments	<u>\$5,578,989</u>	<u>\$6,068,326</u>

### ***Capital Assets for Component Units:***

Foundation Properties, Inc. held the following Capital Assets as of July 31, 2006:

**July 31, 2006**

Capital Assets not being Depreciated:	
Land and other Assets	\$10,608,141
Construction in Progress	58,348,660
Total Capital Assets not being Depreciated	68,956,801
Capital Assets being Depreciated:	
Buildings and Improvements	49,452,091
Machinery and Equipment	1,651,341
Total Capital Assets being Depreciated	51,103,432
Less Total Accumulated Depreciation	6,319,857
Total Capital Assets being Depreciated, Net	44,783,575
Capital Assets, Net	\$113,740,376

***Long-term Liabilities for Component Units:***

Student Housing Bonds are issued by the Foundation Properties, Inc. to finance student housing on university property. The bonds, serial and term, are secured by pledges of gross receipts from student housing at Columbus State University.

Educational Programming Bonds are issued by Foundation Properties, Inc. to finance the purchase of the One Arsenal Property to be incorporated with the future development of the RiverPark Campus, as well as the construction of the Cunningham Conference Center.

Parking Facility Revenue Bonds are issued by Foundation Properties, Inc. to finance parking facilities on university property. The bonds, serial and term, are secured by pledges of gross receipts from parking deck fees at Columbus State University.

Changes in long-term liabilities for component units for the fiscal year ended July 31, 2006 are shown below:

	Beginning Balance August 1, 2005	Additions	Reductions	Ending Balance July 31, 2006	Amounts due within One Year
Revenue/Mortgage Bonds Payable	\$42,342,700	\$40,655,000	\$12,225,894	\$70,771,806	\$1,146,806
Total Long Term Liabilities	\$42,342,700	\$40,655,000	\$12,225,894	\$70,771,806	\$1,146,806

**Debt Service Obligations:**

Annual debt service requirements to maturity for Student Housing, Educational Programming and Parking Facility revenue bonds payable are as follows:

		Bonds Payable		
		Principal	Interest	Total
Year ending July 31:				
2007	1	\$1,146,806	\$2,925,054	\$4,071,860
2008	2	1,515,000	3,001,847	4,516,847
2009	3	12,480,000	2,904,404	15,384,404
2010	4	1,315,000	2,391,797	3,706,797
2011	5	36,055,001	2,333,951	38,388,952
2012 through 2016	6-10	18,259,999	787,287	19,047,286
		<u>\$70,771,806</u>	<u>\$14,344,340</u>	<u>\$85,116,146</u>

### **Columbus State University Athletic Fund, Inc.**

Columbus State University Athletic Fund, Inc. (Athletic Fund) is a legally separate, tax-exempt component unit of Columbus State University (University). The Athletic Fund supports athletic endeavors of the institution. These endeavors include but are not limited to student services and student financial aid. The thirty-three member board of the Athletic Fund is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Athletic Fund, the majority of resources or income thereon that the Athletic Fund holds and invests are restricted to the athletic activities of the University by the donors. Because these restricted resources held by the Athletic Fund can only be used by, or for the benefit of the University and their management role is significant to the accomplishment of the University's mission, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Athletic Fund is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The fiscal year of the Athletic Fund is August 1 through July 31. This financial statement represents activity for the year ended July 31, 2006.

During the year ended July 31, 2006 the Athletic Fund distributed \$32,545 to the University for both restricted and unrestricted purposes. Complete financial statements for the Athletic Fund can be obtained from Columbus State University Athletic Fund, Inc. at 4225 University Avenue, Columbus, Georgia 31907.

Due to the difference in fiscal year ending dates between Columbus State University and the Athletic Fund, the amount due to Columbus State University of \$31,102 is not reflected as a receivable on the University's Statement of Net Assets. This amount was received by the University before its year end of June 30, 2007.

### ***Investments for Component Units:***

Columbus State University Athletic Fund, Inc. holds endowment and other investments in the amount of \$1,646,844. The corpus of the endowment portion is nonexpendable, but the earnings on the investment may be expended as restricted by the donors. Columbus State University Athletic Fund, Inc., in conjunction with the donors, has established a spending plan of 5% of a trailing three-year average of the endowment's total asset value, with the understanding that this

spending rate plus inflation will not normally exceed total return from investments. This trailing three-year average shall be set back six months from the time of current-year calculations for the purposes of spending, with the three year average being that of either calendar or fiscal year periods according to the requirements of the budgetary process.

Investments are comprised of the following amounts at July 31, 2006:

	<u>Cost</u>	<u>Fair Value</u>
Equity Securities	<u>\$1,246,139</u>	<u>\$1,646,844</u>
Total Investments	<u><u>\$1,246,139</u></u>	<u><u>\$1,646,844</u></u>

### **Columbus State University Alumni Association, Inc.**

Columbus State University Alumni Association, Inc. (Association) is a legally separate, tax-exempt component unit of Columbus State University (University). The Association seeks to promote the mission of the University through mutually beneficial relations between the University and its alumni. The twenty-member board of the Association is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Association, the majority of resources or income thereon that the Association holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Association can only be used by or for the benefit of the University and their management role is significant to the accomplishment of the University's mission, the Association is considered a component unit of the University and is discretely presented in the University's financial statements.

The Association is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The fiscal year of the Association is August 1 through July 31. This financial statement represents activity for the year ended July 31, 2006.

Due to the difference in fiscal year ending dates between Columbus State University and the Association, the amount due from Columbus State University of \$23,507 is not reflected as a payable on the University's Statement of Net Assets. This amount was paid by the University before its year end of June 30, 2007.

During the year ended July 31, 2006, the Association distributed \$17,484 to the University for both restricted and unrestricted purposes. Complete financial statements for the Association can be obtained from Columbus State University Alumni Association, Inc. at 4225 University Avenue, Columbus, Georgia 31907.

### ***Investments for Component Units:***

Columbus State University Alumni Association, Inc. holds endowment and other investments in the amount of \$128,377. The corpus of the endowment portion is nonexpendable, but the earnings on the investment may be expended as restricted by the donors. Columbus State

University Alumni Association, Inc. in conjunction with the donors, has established a spending plan of 5% of the trailing three-year average of the endowment's total asset value, with the understanding that this spending rate plus inflation will not normally exceed total return from investments. This trailing three-year average shall be set back six months from the time of current-year calculations for the purposes of spending, with the three year average being that of either calendar or fiscal year periods according to the requirements of the budgetary process.

Investments are comprised of the following amounts at July 31, 2006:

	<u>Cost</u>	<u>Fair Value</u>
Certificates of Deposit	\$81,586	\$81,586
Equity Mutual Funds	70,123	46,791
Total Investments	<u>\$151,709</u>	<u>\$128,377</u>

### ***Capital Assets for Component Units:***

Columbus State University Alumni Association, Inc. held Capital Assets as of July 31, 2006 as follows:

	<u>July 31, 2006</u>
Capital Assets being Depreciated:	
Buildings and Improvements	\$9,900
Machinery and Equipment	400
Total Capital Assets being Depreciated	<u>10,300</u>
Less Total Accumulated Depreciation	<u>7,156</u>
Total Capital Assets being Depreciated, Net	<u>3,144</u>
Capital Assets, Net	<u>\$3,144</u>

### **Fort Valley State University**

#### **Fort Valley State University Foundation, Inc.**

Fort Valley State University Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of Fort Valley State University (University). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Foundation distributed \$1,179,871 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Administrative Office at 1005 State University Drive, Fort Valley, GA 31030 or from the Foundation's website at [www.FVSU.edu](http://www.FVSU.edu).

***Investments for Component Units:***

Fort Valley State University Foundation, Inc. holds endowment and other investments in the amount of \$5.8 million, excluding investments limited to use (bond proceeds). The \$2.6 million corpus of the endowment portion is nonexpendable, but the earnings on the investment may be expended as restricted by the donors.

Investments are comprised of the following amounts at June 30, 2007:

	Cost	Fair Value
Money Market Accounts	\$558,782	\$558,782
Certificates of Deposit	797,234	797,234
Government and Agency Securities	276,523	275,633
Corporate Bonds	88,929	86,143
Equity Securities	649,584	786,237
Mutual Funds	3,148,611	3,345,887
Total Investments	<u>\$5,519,663</u>	<u>\$5,849,916</u>

***Capital Assets for Component Units:***

Fort Valley State University Foundation, Inc. holds the following capital asset amounts at June 30, 2007:

	June 30, 2007
Capital Assets not being Depreciated:	
Land and other Assets	\$153,815
Construction in Progress	34,200,540
Total Capital Assets not being Depreciated	<u>34,354,355</u>
Capital Assets being Depreciated:	
Buildings and Improvements	1,065,982
Machinery and Equipment	18,042
Total Capital Assets being Depreciated	<u>1,084,024</u>
Less Total Accumulated Depreciation	<u>237,789</u>
Total Capital Assets being Depreciated, Net	<u>846,235</u>
Capital Assets, Net	<u>\$35,200,590</u>

***Long-term Liabilities for Component Units:***

Changes in long-term liabilities for the fiscal year ended June 30, 2007 are shown below:

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Amounts due within One Year
Notes and Loans Payable	\$1,562,133	\$83,250	\$168,068	\$1,477,315	\$316,399
Revenue/Mortgage Bonds Payable	43,254,894	0	0	43,254,894	0
Total Long Term Liabilities	<u>\$44,817,027</u>	<u>\$83,250</u>	<u>\$168,068</u>	<u>\$44,732,209</u>	<u>\$316,399</u>

### Notes and Loans Payable:

Notes Payable consists of three loans:

- 1) Unsecured bank loan with interest at 8 percent that is due June 20, 2008. The outstanding principal balance at June 30, 2007 was \$254,395.
- 2) Note Payable to the Department of Agriculture, Rural Business-Cooperative Services of \$1,000,000, due in annual installments of \$42,450, with interest of 1% through December 2027, collateralized by real and personal property, including mortgage loans. The outstanding principal balance at June 30, 2007 was \$800,367.
- 3) Note Payable to the Department of Agriculture, Rural Business-Cooperative Services of \$396,438 with interest of 1%, through August 2031, collateralized by real and personal property including mortgage loans. Annual installments began August 2005 and the unadvanced amount at June 30, 2007 was \$270,312. The outstanding principal balance at June 30, 2007 was \$422,553.

Annual debt service requirements to maturity for Notes and Loans payable are as follows:

Notes and Loans Payable				
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$316,399	\$32,637	\$349,036
2009	2	62,626	11,663	74,289
2010	3	63,255	11,034	74,289
2011	4	63,891	10,398	74,289
2012	5	64,532	9,756	74,288
2013 through 2017	6-10	332,518	38,924	371,442
2018 through 2022	11-15	327,796	21,784	349,580
2023 through 2027	16-20	203,934	8,316	212,250
2028 through 2032	21-25	42,364	426	42,790
		<u>\$1,477,315</u>	<u>\$144,938</u>	<u>\$1,622,253</u>

### Revenue Bonds Payable:

On June 1, 2006, Fort Valley State University Foundation Property, LLC entered into a loan agreement with the Development Authority of Peach County (the Authority) whereby the Authority would issue certain bonds (June 29, 2006) totaling \$44,060,000 and loan the entire proceeds to the LLC. As part of the loan agreement, the LLC agreed to use the bond proceeds to finance (i) the construction, equipping and installation of certain buildings and personal property to be used as student housing facilities, related parking, a student amenities building, relocation of an existing softball field and infrastructure improvements located on the Fort Valley State University campus, (ii) establish a debt service reserve fund for the Series 2006 Bonds, (iii) fund capitalized interest for the Series 2006 Bonds and (iv) pay cost of issuance of the Series 2006



Bonds, including the insurance policy premium. The principal and interest are payable solely from and secured by a lien upon certain interest in real property and certain assignments of rental income originating from a rental agreement between the LLC and Board of Regents of the University System of Georgia. The rental agreement is for an initial one-year term (annual renewals for thirty years) and will commence following the issuance of a certificate of occupancy estimated in August 2007. The bonds are subject to certain optional and extraordinary mandatory redemption provisions. Additionally, the trust indenture requires the maintenance of certain deposits with a trustee, which are reported in Noncurrent Cash. The serial bonds have various annual maturities with the final payment scheduled for June 1, 2026. The bond discount is amortized on the effective interest rate of the bonds.

Annual debt service requirements to maturity for revenue bonds payable are as follows:

		Bonds Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$0	\$1,987,394	\$1,987,394
2009	2	70,000	1,987,394	2,057,394
2010	3	130,000	1,984,594	2,114,594
2011	4	195,000	1,979,394	2,174,394
2012	5	260,000	1,971,594	2,231,594
2013 through 2017	6-10	1,965,000	9,675,770	11,640,770
2018 through 2022	11-15	4,175,000	9,112,164	13,287,164
2023 through 2027	16-20	6,695,000	7,979,626	14,674,626
2028 through 2032	21-25	10,685,000	6,106,025	16,791,025
2033 through 2037	26-30	19,885,000	3,146,100	23,031,100
		44,060,000	45,930,055	89,990,055
Bond Premium/(Discount)		(805,106)		(805,106)
		<u>\$43,254,894</u>	<u>\$45,930,055</u>	<u>\$89,184,949</u>

## **Georgia College & State University**

### **Georgia College & State University Foundation, Inc.**

Georgia College & State University Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of Georgia College & State University (University). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The thirty-eight member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB

presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Foundation distributed \$1,156,729 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Administrative Office at Campus Box 96, 100 E. Greene Street, Suite 200, Milledgeville, GA 31061.

### ***Prior Period Adjustment***

In prior years, the Foundation recognized a lease as an operating lease instead of a direct financing lease. During the year ended June 30, 2007, the Foundation retroactively changed its method of accounting to record this lease as a direct financing lease, in accordance with generally accepted accounting principles. This change had the effect of decreasing the beginning balance in unrestricted net assets by (\$265,817).

### ***Investments for Component Units:***

Georgia College & State University Foundation, Inc. holds endowment and other investments in the amount of \$13.4 million. The \$10.2 million corpus of the endowment portion is nonexpendable, but the earnings on the investment may be expended as restricted by the donors. Georgia College & State University Foundation, Inc., in conjunction with the donors, has established a spending plan whereby 5% of the calendar year-end market value of the investment based on a rolling 3 year average can be spent. 95% is to be spent based on donor intent and 5% is to be spent as an administrative fee.

Investments are comprised of the following amounts at June 30, 2007:

	Cost	Fair Value
Money Market Accounts	\$610,895	\$610,895
Corporate Bonds	3,147,285	3,099,257
Equity Securities	6,927,075	8,566,509
Real Estate	1,088,000	1,139,197
	<u>11,773,255</u>	<u>13,415,858</u>
Total Investments	<u><u>\$11,773,255</u></u>	<u><u>\$13,415,858</u></u>

### ***Capital Assets for Component Units:***

Georgia College & State University Foundation, Inc. holds the following Capital Assets as of June 30, 2007:

	<b>June 30, 2007</b>
Capital Assets not being Depreciated:	
Land and other Assets	\$372,188
Construction in Progress	42,560
Total Capital Assets not being Depreciated	414,748
Capital Assets being Depreciated:	
Buildings and Improvements	2,822,585
Machinery and Equipment	45,379
Total Capital Assets being Depreciated	2,867,964
Less Total Accumulated Depreciation	16,652
Total Capital Assets being Depreciated, Net	2,851,312
Capital Assets, Net	\$3,266,060

### ***Long-term Liabilities for Component Units:***

Changes in long-term liabilities for Georgia College & State University Foundation, Inc. for the fiscal year ended June 30, 2007 are shown below:

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Amounts due within One Year
Liabilities under split interest agreement	\$0	\$63,373	\$16,721	\$46,652	\$0
Notes and Loans Payable	450,000	2,837,623	616,666	2,670,957	0
Revenue/Mortgage Bonds Payable	96,057,000	102,666,601	89,275,000	109,448,601	275,000
Total Long Term Liabilities	\$96,507,000	\$105,567,597	\$89,908,387	\$112,166,210	\$275,000

### **Notes and Loans Payable:**

During the year ending June 30, 2007, the Foundation purchased space in an office building in Macon, Georgia to house the Macon Campus of the University. A line of credit to a financial institution was taken out for the purchase and related renovation. The line requires monthly interest payments at LIBOR plus 1.88% (7.20% at June 30, 2007). The line is due October 2009 and is collateralized by certain real property and an assignment of certain rents. The balance on the line of credit at June 30, 2007 is \$2,670,957.

Annual debt service requirements to maturity for Notes and Loans payable are as follows:

		Notes and Loans Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$0	\$192,309	\$192,309
2009	2	2,670,957	56,090	2,727,047
Total Notes and Loans Payable		\$2,670,957	\$248,399	\$2,919,356

### **Revenue Bonds Payable:**

On December 1, 2003, Property II, LLC entered into a loan agreement with the Development Authority of the City of Milledgeville and Baldwin County whereby the Authority would issue certain bonds totaling \$7,840,000 and loan the entire proceeds to Property II, LLC. As part of the loan agreement, Property II, LLC agreed to use the proceeds to construct and equip a student center and a parking lot located on the campus of the University, to establish a debt service reserve, to establish certain amounts for capitalized interest and to pay the cost of issuance of the

bonds. The principal and interest are payable solely from and secured by a lien upon certain interest in real property and certain assignments of rental income originating from rental agreements between Property II, LLC and the Board of Regents. The rental agreements are annual arrangements and commence following the issuance of a certificate of occupancy. The bonds are subject to certain optional and extraordinary mandatory redemption provisions. The serial bonds have various maturities with the final payment scheduled for September 1, 2022. The balance of the bonds at June 30, 2007 was \$7,310,529, net of unamortized premium of \$10,529.

On July 14, 2004, Property III, LLC entered into a loan agreement with the Development Authority of the City of Milledgeville and Baldwin County whereby the Authority would issue certain bonds totaling \$89,000,000 and loan the entire proceeds to Property III, LLC. As part of the loan agreement, Property III, LLC agreed to use the proceeds to refund and redeem \$55,875,000 in outstanding principal of Property I, LLC, to complete certain uncompleted projects of Property I, LLC, to establish a debt service reserve, to establish certain amounts for capitalized interest and to pay the cost of issuance of the bonds. The principal and interest are payable solely from and secured by a lien upon certain leasehold deeds to secure debt and certain pledged revenues and assignments of rents and leases. The bonds are subject to certain optional and extraordinary mandatory redemption provisions. The serial bonds have various maturities with the final payment scheduled for September 1, 2015. During the year ending June 30, 2007, the 2004 bonds were refunded. The refunding was undertaken to reduce total future debt service payments. The transaction resulted in a net estimated present value economic gain of \$2,117,581.

On June 15, 2007, Property V, LLC entered into a loan agreement with the Development Authority of the City of Milledgeville and Baldwin County whereby the Authority would issue certain bonds totaling \$102,470,000 and loan the entire proceeds to Property V, LLC. As part of the loan agreement, Property V, LLC agreed to use the proceeds to refund and redeem \$89,000,000 in outstanding principal of Property III, LLC, to perform capital renovations, improvements and acquisitions, to establish a debt service reserve, to establish certain amounts for capitalized interest and to pay the cost of issuance of the bonds. The principal and interest are payable solely from and secured by a lien upon certain leasehold deeds to secure debt and certain pledged revenues and assignments of rents and leases. The bonds are subject to certain optional and extraordinary mandatory redemption provisions. The serial bonds have various maturities with the final payment scheduled for October 1, 2033. The balance of the bonds at June 30, 2007 was \$102,138,072, net of unamortized discount of \$331,928.

In connection with the 2007 series bonds, the Foundation entered into an interest rate swap transaction to convert its variable rate bond obligation to fixed rates. The resulting cost of funds is lower than it would have been had fixed rate borrowings been issued directly. The level of fixed rate debt resulting from the effective interest rate swap is 100% of the total bond debt of the 2007 series. A liability from interest rate swap transactions of \$644,572 has been recorded as of June 30, 2007 and is reported as Other Current Liabilities on the Statement of Net Assets. The amount was recorded based on calculated mathematical approximations of market values using certain assumptions regarding past, present, and future market conditions.

Annual debt service requirements to maturity for Bonds Payable are as follows:

		Bonds Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$275,000	\$5,096,071	\$5,371,071
2009	2	455,000	5,099,033	5,554,033
2010	3	590,000	5,075,932	5,665,932
2011	4	760,000	5,044,978	5,804,978
2012	5	945,000	5,006,223	5,951,223
2013 through 2017	6-10	7,975,000	24,100,664	32,075,664
2018 through 2022	11-15	14,980,000	21,438,117	36,418,117
2023 through 2027	16-20	24,100,000	16,777,363	40,877,363
2028 through 2032	21-25	34,650,000	9,861,594	44,511,594
2033 through 2037	26-30	25,040,000	1,066,300	26,106,300
		109,770,000	98,566,275	208,336,275
Bond Premium/(Discount)		(321,399)		(321,399)
Total Bonds Payable		<u>\$109,448,601</u>	<u>\$98,566,275</u>	<u>\$208,014,876</u>

### **Georgia College & State University Alumni Association, Inc.**

Georgia College & State University Alumni Association, Inc. (Alumni Association) is a legally separate, tax-exempt component unit of Georgia College & State University (University). The Alumni Association acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The thirty-eight member board of the Alumni Association is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Alumni Association, the majority of resources or income thereon that the Alumni Association holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Alumni Association can only be used by, or for the benefit of the University, the Alumni Association is considered a component unit of the University and is discretely presented in the University's financial statements.

The Alumni Association is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Alumni Association's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Alumni Association distributed \$157,645 to the University for both restricted and unrestricted purposes. Complete financial statements for the Alumni Association can be obtained from the Administrative Office at Campus Box 96, 100 E. Greene Street, Suite 200, Milledgeville, GA 31061.

### ***Investments for Component Units:***

The Alumni Association investments are comprised of the following amounts at June 30, 2007:

	Cost	Fair Value
Money Market Accounts	\$8,357	\$8,357
Corporate Bonds	1,354,966	1,333,729
Equity Securities	3,114,238	3,893,814
Mutual Funds	555,000	582,722
Real Estate	3,500	3,500
Total Investments	<u>\$5,036,061</u>	<u>\$5,822,122</u>

### ***Capital Assets for Component Units:***

Georgia College & State University Alumni Association, Inc. holds the following Capital Assets as of June 30, 2007:

	June 30, 2007
Capital Assets not being Depreciated:	
Land and other Assets	\$24,000
Total Capital Assets not being Depreciated	<u>24,000</u>
Capital Assets being Depreciated:	
Buildings and Improvements	227,692
Machinery and Equipment	110,600
Total Capital Assets being Depreciated	<u>338,292</u>
Less Total Accumulated Depreciation	<u>275,428</u>
Total Capital Assets being Depreciated, Net	<u>62,864</u>
Capital Assets, Net	<u>\$86,864</u>

### **Georgia Southwestern State University**

#### **Georgia Southwestern Foundation, Inc.**

The Georgia Southwestern Foundation, Inc (Foundation) is a legally separate, tax-exempt component unit of Georgia Southwestern State University (University). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The thirty-six member board of the Foundation is self-perpetuating and consists of graduates and friends of the University, and members of the local community. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Foundation distributed \$1,464,621 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Georgia Southwestern State University Business Office, 800 Georgia Southwestern State University Drive, Americus, GA 31709.

***Prior Year Adjustment:***

A prior year adjustment was necessary to correct the prior year's ending net assets amount \$25,721,427. The prior year's numbers were not finalized as of the FY2006 Annual Financial Report date. The net effect of the change was to increase beginning net assets by \$556,681.

***Investments for Component Units:***

Georgia Southwestern Foundation holds endowment and other investments in the amount of \$26 million. The \$8.6 million corpus of the endowment is nonexpendable, but the earnings on the investment may be expended as restricted by the donors. Georgia Southwestern Foundation, in conjunction with the donors, has established a spending plan whereby 6% of the earnings may be used for academic scholarships or other related academic purposes as outlined by the donor. The remaining of the earnings are set aside as a reserve.

Investments are comprised of the following amounts at June 30, 2007:

	<u>Cost</u>	<u>Fair Value</u>
Money Market Accounts	\$712,544	\$712,544
Certificates of Deposit	1,421,133	1,421,133
Government and Agency Securities	903,779	847,536
Corporate Bonds	4,196,644	4,034,641
Equity Securities	<u>15,436,559</u>	<u>19,011,659</u>
 Total Investments	 <u><u>\$22,670,659</u></u>	 <u><u>\$26,027,513</u></u>

***Capital Assets for Component Units:***

Georgia Southwestern Foundation, Inc. holds the following Capital Assets as of June 30, 2007:

Capital Assets not being Depreciated:	
Land and other Assets	\$941,953
Construction in Progress	<u>25,159</u>
Total Capital Assets not being Depreciated	967,112
Capital Assets being Depreciated:	
Buildings and Improvements	22,277,181
Machinery and Equipment	<u>1,073,100</u>
Total Capital Assets being Depreciated	23,350,281
Less Total Accumulated Depreciation	<u>701,886</u>
Total Capital Assets being Depreciated, Net	<u><u>22,648,395</u></u>
Capital Assets, Net	<u><u>\$23,615,507</u></u>

### ***Long-term Liabilities for Component Units:***

The Americus-Sumter Payroll Department Authority ("PDA") issued \$27,365,000 of its Revenue Bonds (GSW Foundation Housing, LLC Student Housing Project), Series 2005 ("the Bonds"). The proceeds of the sale of the Bonds have been loaned to the GSW Foundation Housing, LLC pursuant to the terms and provision of a Loan Agreement and Assignment of Gross Revenues and Certain Agreements and Accounts, dated November 1, 2005, between the PDA and the Company. The proceeds are being used to construct 2 student housing buildings and parking facilities for use by the University.

The bonds mature in the year 2037 and have interest rates ranging from 4% to 5.125%.

Long-term liability activity for the year ended June 30, 2007 is as follows:

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Amounts due within One Year
Revenue/Mortgage Bonds Payable	\$27,233,914	\$0	\$0	\$27,233,914	\$250,000
Total Long Term Liabilities	\$27,233,914	\$0	\$0	\$27,233,914	\$250,000

### **Debt Service Obligations:**

Annual debt service requirements to maturity for revenue bonds payable are as follows:

		Bonds Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$250,000	\$1,284,108	\$1,534,108
2009	2	65,000	1,274,108	1,339,108
2010	3	105,000	1,271,508	1,376,508
2011	4	145,000	1,267,307	1,412,307
2012	5	190,000	1,261,507	1,451,507
2013 through 2017	6-10	1,720,000	6,147,237	7,867,237
2018 through 2022	11-15	3,375,000	5,641,719	9,016,719
2023 through 2027	16-20	4,990,000	4,723,669	9,713,669
2028 through 2032	21-25	6,265,000	3,455,037	9,720,037
2033 through 2037	26-30	10,260,000	1,731,744	11,991,744
		27,365,000	28,057,944	55,422,944
Bond Premium/(Discount)		(131,086)		(131,086)
		\$27,233,914	\$28,057,944	\$55,291,858

### **Georgia Southwestern Research and Development Corporation, Inc.**

Georgia Southwestern Research and Development Corporation, Inc. (the Research Foundation) is a legally separate, tax-exempt component unit of Georgia Southwestern State University (University). The Research Foundation serves to enhance the research mission of the University by securing sponsored research funding and by providing funding of special research initiatives. The fourteen member board of the Foundation consists of designated University personnel, appointees of several University constituent groups, and individuals selected by the Research Foundation itself. Although the University does not control the timing or amount of receipts from the Research Foundation, all sponsored research awards are subcontracted to the University and other resources and related income are restricted to benefit the research mission of the



University. Consequently, the Research Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is August 1 through July 31; however, it ceased operations on March 31, 2007. The financial statements presented in this report are as of March 31, 2007 and for the period August 1, 2006 through March 31, 2007.

Complete financial statements for the Research Foundation can be obtained from the Georgia Southwestern State University at 800 Georgia Southwestern State University Drive, Americus, GA 31709.

### **Kennesaw State University**

#### **Kennesaw State University Foundation, Inc.**

The Kennesaw State University Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of Kennesaw State University (University). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The Foundation also constructs buildings and facilities for use by the University and then leases the completed buildings to the institution. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Foundation distributed \$4,125,711 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Administrative Office at 1000 Chastain Road, Mailbox 910, Kennesaw, GA 30144 or from the Foundation's website at [www.kennesaw.edu/foundation](http://www.kennesaw.edu/foundation).

#### ***Investments for Component Units:***

Kennesaw State University Foundation, Inc. holds endowment and other investments in the amount of \$25.7 million. The \$12.4 million corpus of the endowment portion is nonexpendable, but the earnings on the investment may be expended as restricted by the donors. The Foundation, in conjunction with the donors, has established a spending plan whereby 4% of the

scholarship balance, in excess of \$400, may be used for academic scholarships. The remaining 96% of the balance is set aside as a reserve.

Investments are comprised of the following amounts at June 30, 2007:

	Cost	Fair Value
Mutual Funds	\$22,588,020	\$25,681,236
Total Investments	\$22,588,020	\$25,681,236

***Capital Assets for Component Units:***

Kennesaw State University Foundation, Inc. holds the following Capital Assets as of June 30, 2007:

	June 30, 2007
Capital Assets not being Depreciated:	
Land and other Assets	\$8,880,890
Construction in Progress	2,236,436
Total Capital Assets not being Depreciated	11,117,326
Capital Assets being Depreciated:	
Buildings and Improvements	104,420,856
Machinery and Equipment	3,459,588
Total Capital Assets being Depreciated	107,880,444
Less Total Accumulated Depreciation	14,317,705
Total Capital Assets being Depreciated, Net	93,562,739
Capital Assets, Net	\$104,680,065

***Long-term Debt for Component Units:***

Changes in long-term liabilities for the Foundation for the fiscal year ended June 30, 2007 are shown below:

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Amounts due within One Year
Liabilities under split interest agreement	\$243,896	\$0	\$20,012	\$223,884	\$35,232
Notes and Loans Payable	133,157	2,220,615	133,157	2,220,615	2,220,615
Revenue/Mortgage Bonds Payable	185,644,104		3,853,937	181,790,167	4,230,000
Total Long Term Liabilities	\$186,021,157	\$2,220,615	\$4,007,106	\$184,234,666	\$6,485,847

**Notes and Loans Payable:**

Notes Payable of \$2,220,615 represents an unsecured line of credit with a financial institution to provide interim financing for new student housing construction. The line of credit bears interest at the 30 day LIBOR plus 1% (6.32% at June 30, 2007) and matures September 2007.

Annual debt service requirements to maturity for Notes and Loans payable are as follows:

		Notes and Loans Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$2,220,615	\$29,238	\$2,249,853
Total Notes and Loans Payable		<u>\$2,220,615</u>	<u>\$29,238</u>	<u>\$2,249,853</u>

### Revenue Bonds Payable:

Student Housing Revenue Bonds are issued by the Kennesaw State University Foundation to finance student housing on university property. The bonds mature at term and are secured by pledges of gross receipts from student housing at Kennesaw State University. The interest rate is variable.

Parking Facility Revenue Bonds are issued by the Kennesaw State University Foundation to finance parking facilities on university property. The bonds mature at term and are secured by pledges of gross receipts from parking deck rents at Kennesaw State University. The interest rate is variable.

University Facilities Revenue Bonds are issued by the Kennesaw State University Foundation to finance the purchase of teaching and administrative facilities. The bonds mature serially and are serviced by a pledge of gross receipts of rents from facilities financed by the bonds. The interest rate is variable.

Lenders have provided three letters of credit to secure the bonds. The obligations of the Foundation to repay the amounts are secured by a deed to secure debt, an assignment of rents and leases, and by a security agreement which encumbers the Foundation's interest in the projects and its revenues.

Annual debt service requirements to maturity for Student Housing, Parking and Teaching and Administrative bonds payable are as follows:

		Bonds Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$4,230,000	\$7,823,319	\$12,053,319
2009	2	4,400,000	7,686,589	12,086,589
2010	3	4,585,000	7,537,474	12,122,474
2011	4	4,765,000	7,392,476	12,157,476
2012	5	4,945,000	7,250,866	12,195,866
2013 through 2017	6-10	27,620,000	33,652,454	61,272,454
2018 through 2022	11-15	30,550,000	27,594,022	58,144,022
2023 through 2027	16-20	35,740,000	19,624,125	55,364,125
2028 through 2032	21-25	30,515,000	11,123,731	41,638,731
2033 through 2037	26-30	30,495,000	3,872,276	34,367,276
		<u>177,845,000</u>	<u>133,557,332</u>	<u>311,402,332</u>
Bond Premium/(Discount)		<u>3,945,167</u>		<u>3,945,167</u>
Total Bonds Payable		<u>\$181,790,167</u>	<u>\$133,557,332</u>	<u>\$315,347,499</u>

## **North Georgia College & State University**

### **North Georgia College & State University Foundation, Inc.**

North Georgia College & State University Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of North Georgia College & State University (University). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The twenty-five member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Foundation distributed \$1,685,181 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Administrative Office at 70 Alumni Drive, Dahlonega, GA 30533 or from the Foundation's website at [www.ngcsu.edu](http://www.ngcsu.edu).

### ***Investments for Component Units:***

North Georgia College & State University Foundation, Inc. holds endowment and other investments in the amount of \$26,863,108. The \$22.1 million corpus of the endowment portion is nonexpendable, but the earnings on the investment may be expended as restricted by the donors. North Georgia College & State University Foundation, in conjunction with the donors, has established a spending plan which distributes 5% of the endowment fund balance each year for the operating purposes stated for each fund.

Investments are comprised of the following amounts at June 30, 2007:

	<u>Cost</u>	<u>Fair Value</u>
Money Market Accounts	\$683,128	\$683,128
Government and Agency Securities	4,155,001	4,171,926
Equity Securities	2,266	6,061
Mutual Funds	17,192,980	20,361,965
Real Estate	<u>1,640,027</u>	<u>1,640,027</u>
Total Investments	<u><u>\$23,673,402</u></u>	<u><u>\$26,863,108</u></u>

### ***Capital Assets for Component Units:***

North Georgia College & State University Foundation, Inc. holds the following Capital Assets as of June 30, 2007:

	<u>June 30, 2007</u>
Capital Assets not being Depreciated:	
Construction in Progress	<u>\$3,718,551</u>
Total Capital Assets not being Depreciated	<u>3,718,551</u>
Capital Assets, Net	<u><u>\$3,718,551</u></u>

### ***Long-Term Liabilities for Component Units:***

Changes in long-term liabilities for the year ended June 30, 2007 are as follows:

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Amounts due within One Year
Liabilities under split interest agreement	\$24,940	\$0	\$2,275	\$22,665	\$2,500
Notes and Loans Payable	0	300,873		300,873	
Revenue/Mortgage Bonds Payable	<u>10,700,000</u>	<u>46,979,761</u>	<u>10,700,000</u>	<u>46,979,761</u>	<u>555,000</u>
Total Long Term Liabilities	<u><u>\$10,724,940</u></u>	<u><u>\$47,280,634</u></u>	<u><u>\$10,702,275</u></u>	<u><u>\$47,303,299</u></u>	<u><u>\$557,500</u></u>

### **Notes and Loans Payable:**

The \$300,873 Notes and Loans Payable balance at June 30, 2007 represents the outstanding borrowings under a \$1,200,000 line of credit with a financial institution to purchase real estate. The interest rate charge is the financial institution's prime rate (7.75% at June 30, 2007) less .50%. Payments of quarterly interest only are required through January 5, 2009, at which time the line of credit matures.

### **Revenue Bonds Payable:**

In September 2001, the Downtown Development Authority of the City of Dahlonega (the Authority) issued \$11.2 million in Revenue Bonds Series 2001A (the Bonds) to allow North Georgia Student Housing LLC, a subsidiary of the North Georgia College & State University Foundation, Inc., to construct Student Housing. On February 27, 2007, the Authority issued Bond Series 2007C in the amount of \$16,215,000 allowing North Georgia Student Housing to retire the 2001A bonds, to pay off an existing debt of \$1,158,000 on 110 acres of land it held for the future use of the University, to provide \$3,000,000 to build a road, sidewalks, walking trails and other infrastructure necessary for future campus development and to lower its cost of capital. The new bonds were issued at an average interest rate of 4.4%. The Series 2007C bonds will mature in 2028. An interest swap termination fee of \$508,000 was paid. The security for the Series 2007C bonds is a rental agreement with the University which will pass title to the University at the final maturity of the bonds. The balance on the bond liability on June 30, 2007 is \$16,215,000.

Also on February 27, 2007 the Authority issued \$29,330,000 in tax-exempt revenue bonds (Series 2007A) and \$940,000 in taxable revenue bonds (Series 2007B) and entered into an agreement to loan the proceeds to North Georgia Parking & Recreation Center, LLC, a

subsidiary of the North Georgia College & State University Foundation, Inc., to construct a new parking deck, a student recreation center and to purchase a 33,000 square foot office building adjacent to campus. The bonds are secured by rental agreements with the University and with BB&T for continuation of the banking business. The loan matures in 2037 and has an average maturity rate of 4.4% on the exempt bonds and 5.35% on the taxable. Upon the final maturity of the bonds, title of the property will transfer to the University. The bond liability at June 30, 2007 was \$30,270,000.

Annual debt service obligations to maturity for the revenue bonds payable are as follows:

		Bonds Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$555,000	\$880,673	\$1,435,673
2009	2	500,000	2,098,415	2,598,415
2010	3	545,000	2,078,915	2,623,915
2011	4	625,000	2,057,415	2,682,415
2012	5	705,000	2,035,130	2,740,130
2013 through 2017	6-10	4,680,000	9,536,441	14,216,441
2018 through 2022	11-15	7,220,000	8,198,462	15,418,462
2023 through 2027	16-20	10,915,000	6,477,724	17,392,724
2028 through 2032	21-25	9,800,000	3,818,825	13,618,825
2033 through 2037	26-30	8,835,000	1,771,794	10,606,794
2038 through 2042	31-35	2,105,000	109,575	2,214,575
		46,485,000	39,063,369	85,548,369
Bond Premium		494,761		494,761
		<u>\$46,979,761</u>	<u>\$39,063,369</u>	<u>\$86,043,130</u>

## **Southern Polytechnic State University**

### **Southern Polytechnic State University Foundation, Inc.**

Southern Polytechnic State University Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of Southern Polytechnic State University (University). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The forty member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The foundation's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Foundation distributed \$537,749 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Advancement Office, Southern Polytechnic State University, 1100 South Marietta Pkwy., Marietta, GA, 30060-2896.

***Investments for Component Units:***

Southern Polytechnic State University Foundation, Inc. holds endowment and other investments in the amount of \$8 million. The \$2 million corpus of the endowment portion is nonexpendable, but the earnings on the investment may be expended as restricted by the donors. The Foundation, in conjunction with the donors, has established a spending plan whereby 5% of the earnings may be used for academic scholarships. The remaining 95% of the earnings are set aside as a reserve.

Investments are comprised of the following amounts at June 30, 2007:

	Cost	Fair Value
Corporate Bonds	\$3,480,727	\$3,608,274
Equity Securities	2,302,121	2,579,495
Mutual Funds	1,827,458	1,827,458
Total Investments	<u>\$7,610,306</u>	<u>\$8,015,227</u>

***Long-Term Liabilities for Component Units:***

During the year ended June 30, 2004, SPSU Student Housing I, LLC, a subsidiary of the Foundation, arranged for the sale of \$35,690,000 Development Authority of the City of Marietta Georgia (the Issuer) Tax-Exempt Adjustment Mode Revenue Bonds (Student Housing Facilities Revenue Bonds) Series 2003 (the Bonds). The proceeds were loaned to SPSU Student Housing I, LLC to finance the development, purchase and construction of dormitory and apartment facilities and to pay certain costs of issuance of the bonds. The Issuer entered into a loan agreement with the SPSU Student Housing I, LLC dated December 1, 2003. The Bonds are secured by all property of the borrower. The Bonds interest ranges from 2.5 to 5.25 percent

Changes in long-term debt for the year ended June 30, 2007 are as follows:

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Amounts due within One Year
Revenue/Mortgage Bonds Payable	\$35,192,327	\$0	\$834,504	\$34,357,823	\$900,000
Other Long Term Liabilities	0	551,896		551,896	
Total Long Term Liabilities	<u>\$35,192,327</u>	<u>\$551,896</u>	<u>\$834,504</u>	<u>\$34,909,719</u>	<u>\$900,000</u>

**Debt Service Obligations:**

Annual debt service requirements to maturity for revenue bonds payable are as follows:

		Bonds Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$900,000	\$1,599,420	\$2,499,420
2009	2	970,000	1,576,020	2,546,020
2010	3	1,000,000	1,546,920	2,546,920
2011	4	1,030,000	1,515,920	2,545,920
2012	5	1,065,000	1,481,415	2,546,415
2013 through 2017	6-10	5,980,000	6,748,275	12,728,275
2018 through 2022	11-15	7,615,000	5,111,675	12,726,675
2023 through 2027	16-20	9,780,000	2,945,094	12,725,094
2028 through 2032	21-25	5,690,000	543,750	6,233,750
		34,030,000	23,068,489	57,098,489
Bond Premium/(Discount)		327,823		327,823
		<u>\$34,357,823</u>	<u>\$23,068,489</u>	<u>\$57,426,312</u>

### **University of West Georgia**

#### **University of West Georgia Foundation, Inc.**

University of West Georgia Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of University of West Georgia (University). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The Foundation board consists of approximately forty members and is made up of alumni and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is January 1, 2006 through December 31, 2006.

Investments carried as leases receivable are valued at \$53 million and the associated long-term debt of \$33.2 million are included in the financial statements of the Foundation. The corresponding buildings and associated capital leases are included in the University's report. Note 10 of this financial report provides information on related party leases.

During the year ended December 31, 2006, the Foundation distributed \$1,547,361 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Office of Development and Alumni Services at 1901 Maple Street, Carrollton, Georgia 30118.



***Prior Year Adjustment:***

A prior year adjustment was necessary to correct an error in the accounting of a capital lease. In the prior year, the lease was accounted for as an operating lease when it should have been treated as a capital lease. The net effect of the change was to increase beginning net assets by \$5,226,359.

***Investments for Component Units:***

University of West Georgia Foundation, Inc. holds endowment and other investments in the amount of \$20.6 million. The corpus of the endowment portion is nonexpendable, but the earnings on the investment may be expended as restricted by the donors. University of West Georgia Foundation, Inc. in conjunction with the donors, has established a spending plan whereby up to 5% of the adjusted corpus balance at year end may be used for academic scholarships. The remaining amount is retained in each endowment account.

The University of West Georgia Foundation, Inc. investments are comprised of the following amounts at December 31, 2006:

	<u>Cost</u>	<u>Fair Value</u>
Cash held by investment organization	\$615,982	\$615,982
Money Market Accounts	4,033,600	4,033,600
Stocks and Options	9,316,352	11,210,950
Certificates of Deposit	370,044	370,044
Fixed income securities	4,076,270	4,137,272
Managed Futures	251,669	254,822
	<u>          </u>	<u>          </u>
Total Investments	<u>\$18,663,917</u>	<u>\$20,622,670</u>

***Capital Assets for Component Units:***

The University of West Georgia Foundation, Inc. holds the following Capital Assets as of December 31, 2006:

	<u>December 31, 2006</u>
Capital Assets not being Depreciated:	
Land and other Assets	<u>\$2,589,218</u>
Total Capital Assets not being Depreciated	2,589,218
Capital Assets being Depreciated:	
Buildings and Improvements	<u>3,786,134</u>
Total Capital Assets being Depreciated	3,786,134
Less Total Accumulated Depreciation	<u>205,082</u>
Total Capital Assets being Depreciated, Net	<u>3,581,052</u>
Capital Assets, Net	<u>\$6,170,270</u>

### ***Long-term Liabilities for Component Units:***

Long-term liability activity for the Foundation for the year ended December 31, 2006 was as follows:

	Beginning Balance January 1, 2006	Additions	Reductions	Ending Balance December 31, 2006	Amounts due within One Year
Liabilities under split interest agreement	\$0	\$56,377	\$0	\$56,377	\$0
Notes and Loans Payable	5,700,000	395,000		6,095,000	5,700,000
Revenue/Mortgage Bonds Payable	33,563,924		374,743	33,189,181	839,743
Total Long Term Liabilities	<u>\$39,263,924</u>	<u>\$451,377</u>	<u>\$374,743</u>	<u>\$39,340,558</u>	<u>\$6,539,743</u>

### **Notes and Loans Payable:**

In October 2004, the Foundation obtained a mortgage collateralized by an apartment complex purchased by the Foundation. The principal amount of the loan is \$5,700,000.

The mortgage note payable is payable in monthly installments of interest computed at the rate of London Interbank Offered Rate (LIBOR) plus 1.2% per annum adjusted monthly as of the first business day of each month. At December 31, 2006 the rate was 6.54%. Principal is due on September 29, 2007.

In January 2006, the Foundation established a line of credit in order to purchase a piece of real estate which serves as collateral for the loan. The amount borrowed was \$395,000 and has a maturity date of December 6, 2008. Interest is computed based on the LIBOR rate plus 1.2% annum.

Annual debt service requirements to maturity for Notes and Loans payable are as follows:

		Notes and Loans Payable		
		Principal	Interest	Total
Year ending December 31:				
2007	1	\$5,700,000	\$305,418	\$6,005,418
2008	2	395,000	23,680	418,680
		<u>\$6,095,000</u>	<u>\$329,098</u>	<u>\$6,424,098</u>

### **Revenue Bonds Payable:**

Student Housing Revenue Bonds were issued by the University of West Georgia Foundation, Inc. to finance student housing on university property in the amount of \$33,215,000. The bonds, serial and term, are secured by pledges of gross receipts from student housing at University of West Georgia. The outstanding principal balance of the bonds at December 31, 2006 is \$33,189,181, which includes unamortized bond premiums of \$334,181.

Series 2004A bonds were issued on October 1, 2004 in the amount of \$19,175,000 to fund the Construction of Phase II. The bonds bear interest rates ranging from 3.0% to 5.0%.

Series 2004B bonds were issued on October 1, 2004 in the amount of \$180,000 to fund the Construction of Phase II. The bonds bear interest rates of 3.4%

Series 2005 bonds were issued on March 1, 2005 in the amount of \$13,860,000 as a result of refunding the Series 2003 bonds. These bonds funded the construction of Phase I, University Suites. The bonds bear interest rates ranging from 3.375 to 5.0%

Annual debt service requirements to maturity for revenue bonds payable are as follows:

		Bonds Payable		
		Principal	Interest	Total
Year ending December 31:				
2007	1	\$839,743	\$1,418,689	\$2,258,432
2008	2	884,743	1,391,369	2,276,112
2009	3	924,743	1,363,344	2,288,087
2010	4	1,014,743	1,328,819	2,343,562
2011	5	1,054,743	1,294,569	2,349,312
2012 through 2016	6-10	5,863,715	5,831,011	11,694,726
2017 through 2021	11-15	7,193,715	4,542,694	11,736,409
2022 through 2026	16-20	8,978,715	2,759,406	11,738,121
2027 through 2029	21-25	6,434,321	597,839	7,032,160
		<u>\$33,189,181</u>	<u>\$20,527,738</u>	<u>\$53,716,919</u>

#### **UWG Real Estate Foundation, Inc.**

UWG Real Estate Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of the University of West Georgia (University). The Foundation constructs research and auxiliary buildings and facilities for use by the University and then leases the completed buildings to the institution. The seven-member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the real estate activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is July 1 through June 30.

Investments carried as leases receivable are valued at \$56.6 million and the associated long-term debt of \$30.9 million are included in the financial statements of the Foundation. The corresponding buildings and associated capital leases are included in the University's report. Note 10 of this financial report provides information on related party leases. Complete financial statements for the Foundation can be obtained from the Treasurer, Office of Business and Finance, 1601 Maple Street, Carrollton, Georgia 30118

### ***Long-term Liabilities for Component Units:***

Resident Instruction Bonds are issued by the UWG Real Estate Foundation, Inc. to finance Student Center facilities at University of West Georgia. The bonds mature serially and are serviced by a pledge of a portion of student fee and appropriations formerly used for square footage support. The interest rate can fluctuate between 3 and 5.25% over the term of the bonds.

Changes in long-term liabilities for UWG Real Estate Foundation, Inc. for the fiscal year ended June 30, 2007 are shown below:

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Amounts due within One Year
Revenue/Mortgage Bonds Payable	\$30,930,376	\$0	\$7,476	\$30,922,900	\$367,476
Total Long Term Liabilities	<u>\$30,930,376</u>	<u>\$0</u>	<u>\$7,476</u>	<u>\$30,922,900</u>	<u>\$367,476</u>

### **Debt Service Obligations:**

Annual debt service requirements to maturity for revenue bonds payable are as follows:

		Bonds Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$367,476	\$1,422,120	\$1,789,596
2009	2	397,476	1,410,383	1,807,859
2010	3	432,476	1,395,545	1,828,021
2011	4	472,476	1,378,326	1,850,802
2012	5	512,476	1,360,770	1,873,246
2013 through 2017	6-10	3,217,380	6,486,557	9,703,937
2018 through 2022	11-15	4,632,380	5,710,008	10,342,388
2023 through 2027	16-20	6,747,380	4,320,288	11,067,668
2028 through 2032	21-25	8,637,380	2,345,164	10,982,544
2033 through 2037	26-30	5,506,000	391,876	5,897,876
		<u>30,922,900</u>	<u>26,221,037</u>	<u>57,143,937</u>

### **Abraham Baldwin Agricultural College**

#### **Abraham Baldwin Agricultural College Foundation, Inc.**

Abraham Baldwin Agricultural College Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of Abraham Baldwin Agricultural College (College). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the

College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Foundation distributed \$326,018 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Foundation Office at 2802 Moore Highway - ABAC 13, Tifton, GA 31793.

### ***Investments for Component Units:***

Investments are comprised of the following amounts at June 30, 2007:

	Cost	Fair Value
Government and Agency Securities	\$1,442,502	\$1,433,867
Corporate Bonds	688,805	656,075
Equity Securities	3,867,154	4,091,347
Mutual Funds	1,037,759	1,307,347
	<hr/>	<hr/>
Total Investments	<u>\$7,036,220</u>	<u>\$7,488,636</u>

### ***Capital Assets for Component Units:***

Abraham Baldwin Agricultural College Foundation, Inc. held the following Capital Assets as of June 30, 2007:

	<u>June 30, 2007</u>
Capital Assets not being Depreciated:	
Land and other Assets	\$2,080,799
Total Capital Assets not being Depreciated	<u>2,080,799</u>
Capital Assets being Depreciated:	
Buildings and Improvements	38,483,590
Machinery and Equipment	1,246,202
Total Capital Assets being Depreciated	<u>39,729,792</u>
Less Total Accumulated Depreciation	<u>3,505,318</u>
Total Capital Assets being Depreciated, Net	<u>36,224,474</u>
Capital Assets, Net	<u><u>\$38,305,273</u></u>

### ***Long-term Liabilities for Component Units:***

Changes in long-term liabilities for the Foundation for the fiscal year ended June 30, 2007 are shown below:

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Amounts due within One Year
Notes and Loans Payable	\$0	\$785,075	\$0	\$785,075	\$128,253
Revenue/Mortgage Bonds Payable	31,859,292	17,142,960	766,405	48,235,847	785,000
Other Long Term Liabilities	8,667		8,667	0	
Total Long Term Liabilities	<u>\$31,867,959</u>	<u>\$17,928,035</u>	<u>\$775,072</u>	<u>\$49,020,922</u>	<u>\$913,253</u>

#### **Notes and Loans Payable:**

On April 20, 2006 the Development Authority of Tift County issued a \$1,000,250 note payable in nine equal and consecutive annual installments of \$100,000 each and a final installment of unpaid principal and accrued interest on November 1, 2015. The interest rate is a variable rate at 65 percent of the Wall Street Journal Prime Rate (the "Index"). This Note is a general obligation of the Foundation and is partially secured by a Joint Resolution of the Tift County Hospital Authority, Abraham Baldwin Agricultural College Foundation, Inc. and the Tift County Development Authority, later ratified and adopted by the Development Authority of Tift County. The principal balance of these notes totaled \$717,046 at June 30, 2007.

The Foundation has a credit line of \$75,000 with South Georgia Banking Company which matures on January 15, 2008 and is renewable at maturity. The interest rate is variable based on the Wall Street Journal Prime Rate (the "Index"). Interest is payable at maturity. This credit line has an outstanding balance of \$68,029 at June 30, 2007.

Annual debt service requirements to maturity for Notes and Loans payable are as follows:

		Notes and Loans Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$128,253	\$42,816	\$171,069
2009	2	63,452	36,548	100,000
2010	3	66,853	33,147	100,000
2011	4	70,437	29,563	100,000
2012	5	74,588	25,412	100,000
2013 through 2017	6-10	381,492	55,311	436,803
Total Notes and Loans Payable		<u>\$785,075</u>	<u>\$222,797</u>	<u>\$1,007,872</u>

#### **Revenue Bonds Payable:**

First ABAC, L.L.C. has issued, through the Tift County Development Authority, \$31,615,000 in revenue bonds to finance student housing at the College. The bonds carry an interest rate ranging from 1.75% to 4.25%. The bonds are secured by pledges of gross revenues from the housing project and are covered by a financial guaranty insurance policy issued by AMBAC Assurance Corporation. The principal balance of these bonds at June 30, 2007 totals \$30,205,000. The bonds were issued at a premium of \$1,049,632, which is being amortized over the life of the bonds. The accumulated amortization to date is \$160,453.

Second ABAC, L.L.C. has issued, through the Tift County Development Authority, \$17,075,000 in revenue bonds to finance student housing at the College. The bonds carry an interest rate ranging from 4.0% to 5.0%. The bonds are secured by pledges of gross revenues from the housing project and are covered by a financial guaranty insurance policy issued by CFIG Assurance North America, Inc. The principal balance of these bonds at June 30, 2007 totals \$17,075,000. The bonds were issued at a premium of \$67,960, which is being amortized over the life of the bonds. The accumulated amortization to date is \$1,292.

Annual debt service requirements to maturity for Student Housing revenue bonds payable are as follows:

		Bonds Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$785,000	\$2,057,781	\$2,842,781
2009	2	925,000	2,035,993	2,960,993
2010	3	980,000	2,010,043	2,990,043
2011	4	990,000	1,982,081	2,972,081
2012	5	1,040,000	1,947,293	2,987,293
2013 through 2017	6-10	6,190,000	9,140,521	15,330,521
2018 through 2022	11-15	8,305,000	7,643,774	15,948,774
2023 through 2027	16-20	11,385,000	5,271,296	16,656,296
2028 through 2032	21-25	10,125,000	2,499,860	12,624,860
2033 through 2037	26-30	5,320,000	1,000,500	6,320,500
2038 through 2042	31-35	1,235,000	30,875	1,265,875
		47,280,000	35,620,017	82,900,017
Bond Premium/(Discount)		955,847		955,847
		<u>\$48,235,847</u>	<u>\$35,620,017</u>	<u>\$83,855,864</u>

## **Dalton State College**

### **Dalton State College Foundation, Inc.**

The Dalton State College Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of Dalton State College (College). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The seven-member board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is April 1 through March 31. Amounts reported due to or due from the College do not agree because of these different fiscal year-ends.

During the year ended March 31, 2007, the Foundation distributed \$1,330,217 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Fiscal Affairs Office at 650 College Drive, Dalton, GA 30720.

***Investments for Component Units:***

Dalton State College Foundation holds endowment and other investments in the amount of \$12.47 million. The \$8.6 million corpus of the endowment portion is nonexpendable, but the earnings on the investment may be expended as restricted by the donors.

Investments are comprised of the following amounts at March 31, 2007

	Cost	Fair Value
Cash held by investment organization	\$19,277	\$19,277
Certificates of Deposit	387,867	402,696
Corporate Bonds	2,882,166	2,895,684
Equity Securities	9,127,108	9,154,253
Total Investments	<u>\$12,416,418</u>	<u>\$12,471,910</u>

***Capital Assets for Component Units:***

	March 31, 2007
Capital Assets not being Depreciated:	
Land and other Assets	<u>\$2,037,963</u>
Total Capital Assets not being Depreciated	2,037,963
Capital Assets being Depreciated:	
Buildings and Improvements	2,948,671
Machinery and Equipment	<u>5,527</u>
Total Capital Assets being Depreciated	2,954,198
Less Total Accumulated Depreciation	<u>113,630</u>
Total Capital Assets being Depreciated, Net	<u>2,840,568</u>
Capital Assets, Net	<u>\$4,878,531</u>

***Long-term Liabilities for Component Units:***

Long-term liability activity for the year ended March 31, 2007 was as follows:

	Beginning Balance April 1, 2006	Additions	Reductions	Ending Balance March 31, 2007	Amounts due within One Year
Notes and Loans Payable	<u>\$2,470,407</u>	<u>\$0</u>	<u>\$45,462</u>	<u>\$2,424,945</u>	<u>\$47,717</u>
Total Long Term Liabilities	<u>\$2,470,407</u>	<u>\$0</u>	<u>\$45,462</u>	<u>\$2,424,945</u>	<u>\$47,717</u>



In September 30, 2006 Dalton State College Foundation, Inc. assumed an outstanding note payable dated February 2, 2005 related to the purchase of the Wood Valley Apartment complex. The principal balance of the note at the time of assumption was \$2,475,000 and accrues interest at an annual rate of 5.54%. Interest only was payable for the first twelve months and beginning on March 11, 2006 principle and interest is payable in monthly installments of \$15,258. The note matures on March 11, 2015 with a final payment due at that time of \$1,969,256.

Annual debt service requirements to maturity for Notes and Loans payable are as follows:

		Notes and Loans Payable		
		Principal	Interest	Total
Year ending March 31:				
2008	1	\$47,717	\$135,380	\$183,097
2009	2	50,833	132,263	183,096
2010	3	53,763	129,333	183,096
2011	4	56,862	126,234	183,096
2012 through 2015	5-8	2,215,770	485,869	2,701,639
Total Notes and Loans Payable		<u>\$2,424,945</u>	<u>\$1,009,079</u>	<u>\$3,434,024</u>

### **Gainesville State College**

#### **Gainesville State College Foundation, Inc.**

Gainesville State College Foundation, Inc. is a legally separate, tax-exempt component unit of Gainesville State College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The seven-member board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is January 1 to December 31.

During the year ended December 31, 2006, the Foundation distributed \$479,068 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Administrative Office at 3820 Mundy Mill Road, Oakwood, GA.

#### ***Investments for Component Units:***

Gainesville State College Foundation, Inc. holds endowment and other investments in the amount of \$11.8 million. Investment income has been reported as an increase in unrestricted net assets unless the donor placed restrictions on the income's use. If the income is restricted, it is

reported as an increase in restricted expendable or restricted nonexpendable net assets, depending on the nature of the restrictions.

Investments are comprised of the following amounts at December 31, 2006:

	Cost	Fair Value
Cash held by investment organization	\$944,800	\$981,607
Money Market Accounts	1,022,742	1,022,742
Certificates of Deposit	1,001,039	1,015,112
Equity Securities	1,665,101	1,918,644
Mutual Funds	6,343,078	6,830,627
Total Investments	<u>\$10,976,760</u>	<u>\$11,768,732</u>

### ***Capital Assets for Component Units:***

Gainesville State College Foundation holds \$8,400 in Land capital assets as of December 31, 2006.

### **Gordon College**

#### **Gordon College Foundation, Inc.**

Gordon College Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of Gordon College (College). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The forty-four member board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is January 1 through December 31.

During the year ended December 31, 2006, the Foundation distributed \$53,520 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Administrative Office at 419 College Drive, Barnesville, GA 30204.

### ***Investments for Component Units:***

Gordon College Foundation, Inc. holds non-real estate investments in the amount of \$5.3 million. The Foundation also holds investments in real property valued at \$688,000.

Investments are comprised of the following amounts at December 31, 2006:

	Cost	Fair Value
Government and Agency Securities	\$1,115,204	\$1,138,314
Equity Securities	8,280	8,280
Mutual Funds	3,000,524	4,172,042
Real Estate	688,000	688,000
Total Investments	<u>\$4,812,008</u>	<u>\$6,006,636</u>

***Capital Assets for Component Units:***

The following represents Gordon College Foundation, Inc.'s Capital Assets as of December 31, 2006:

	December 31, 2006
Capital Assets being Depreciated:	
Buildings and Improvements	\$12,649,270
Machinery and Equipment	582,676
Total Capital Assets being Depreciated	<u>13,231,946</u>
Less Total Accumulated Depreciation	<u>523,731</u>
Total Capital Assets being Depreciated, Net	<u>12,708,215</u>
Capital Assets, Net	<u>\$12,708,215</u>

***Long-term Liabilities for Component Units:***

Long-term liability activity for the year ended December 31, 2006 was as follows:

	Beginning Balance January 1, 2006	Additions	Reductions	Ending Balance December 31, 2006	Amounts due within One Year
Liabilities under split interest agreement	\$0	\$57,249	\$0	\$57,249	\$10,486
Notes and Loans Payable	357,904		357,904	0	
Revenue/Mortgage Bonds Payable	<u>16,135,000</u>		<u>1,035,446</u>	<u>15,099,554</u>	<u>405,000</u>
Total Long Term Liabilities	<u>\$16,492,904</u>	<u>\$57,249</u>	<u>\$1,393,350</u>	<u>\$15,156,803</u>	<u>\$415,486</u>

On August 1, 2004, the Barnesville-Lamar County Industrial Development Authority (the "Authority") issued certain bonds totaling \$16,135,000. Proceeds on the sale of the bonds were loaned to Gordon College Properties Foundations, LLC whose sole member is Gordon College Foundation, Inc. Proceeds of the Series 2004 Bonds were used by Gordon College Properties, LLC to finance or reimburse, in whole or in part, the cost of the construction and equipping of a new student housing complex containing approximately 459 beds, including related parking for approximately 597 vehicles and road and pedestrian walkway improvements (the Project) located on the campus of Gordon College, a unit of the University System of Georgia; fund capitalized interest on the Series 2004 Bonds; fund a debt service reserve fund for the Series 2004 bonds; and pay costs of issuance of the Series 2004 Bonds. The real property upon which

the Project is located is owned by the Board of Regents of the University System and will be leased by the Board of Regents to the Properties, LLC pursuant to a Ground Lease. Pursuant to a Rental Agreement, the Properties, LLC will rent the projects, on an annually renewable basis, to the Board of Regents for use by the College. The Board of Regents will make monthly fixed rental payments for the use and occupancy of the Project, in amounts that the Properties, LLC estimates will be sufficient to pay, among other things, debt service on the Series 2004 Bonds. Interest rates on the bonds range from 3% - 5%. The balance owed on the bonds at December 31, 2006 was \$15,099,554.

Annual debt service requirements to maturity for Gordon Commons' Student Housing bonds payable are as follows:

		Bonds Payable		
		Principal	Interest	Total
Year ending December 31:				
2007	1	\$405,000	\$709,700	\$1,114,700
2008	2	415,000	697,550	1,112,550
2009	3	430,000	685,100	1,115,100
2010	4	440,000	671,125	1,111,125
2011	5	455,000	656,825	1,111,825
2012 through 2016	6-10	2,550,000	3,012,538	5,562,538
2017 through 2021	11-15	3,140,000	2,427,963	5,567,963
2022 through 2026	16-20	3,965,000	1,599,750	5,564,750
2027 through 2031	21-25	3,945,000	505,250	4,450,250
		15,745,000	10,965,801	26,710,801
Bond Discount		(645,446)		(645,446)
		<u>\$15,099,554</u>	<u>\$10,965,801</u>	<u>\$26,065,355</u>

## **Macon State College**

### **Macon State College Foundation, Inc.**

Macon State College Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of Macon State College (College). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The twenty-four member board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Foundation distributed \$512,879 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Development and Alumni Affairs Office at 100 College Station Drive, Macon, GA 31206 or from the College's website at <http://www.maconstate.edu/foundation/>.

***Investments for Component Units:***

Macon State College Foundation, Inc. holds endowment and other investments in the amount of \$7,673,396. The \$7,066,742 corpus of the endowment portion is nonexpendable, but the earnings on the investment may be expended as restricted by the donors. Macon State College Foundation, in conjunction with the donors, has established a spending plan whereby 4-6% of the three-year rolling average may be expended. The remaining percentage stays intact.

Investments are comprised of the following amounts at June 30, 2007:

	Cost	Fair Value
Suntrust Diversified Fund	\$7,016,676	\$7,673,396
Total Investments	\$7,016,676	\$7,673,396

**Middle Georgia College**

**Middle Georgia College Foundation, Inc.**

Middle Georgia College Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of Middle Georgia College (College). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Foundation distributed \$44,518 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Office of Fiscal Affairs at 1100 Second Street, Cochran, GA 31014.

### ***Investments for Component Units:***

Investments are comprised of the following amounts at June 30, 2007:

	<u>Cost</u>	<u>Fair Value</u>
Money Market Accounts	\$48,574	\$48,574
Certificates of Deposit	350,000	350,000
Government and Agency Securities	15,000	14,967
Equity Securities	574,992	599,349
Mutual Funds	<u>193,034</u>	<u>185,506</u>
Total Investments	<u><u>\$1,181,600</u></u>	<u><u>\$1,198,396</u></u>

### ***Capital Assets for Component Units:***

Middle Georgia College Foundation, Inc. holds Capital Assets as of June 30, 2007 as follows:

	<u>June 30, 2007</u>
Capital Assets not being Depreciated:	
Land and other Assets	\$79,482
Construction in Progress	<u>10,944,093</u>
Total Capital Assets not being Depreciated	<u>11,023,575</u>
Capital Assets, Net	<u><u>\$11,023,575</u></u>

### ***Long-term Liabilities for Component Units:***

On November 1, 2005, the Bleckley-Cochran Development Authority (the "Authority") issued certain bonds totaling \$26,850,000. Proceeds of the sale of the bonds will be loaned to MGC Real Estate Foundation, LLC whose sole member is Middle Georgia College Foundation, Inc. Final maturity is scheduled for July 1, 2036.

Proceeds of the Series 2005 Bonds will be used by the MGC Real Estate Foundation, LLC to finance or reimburse, in whole or in part, the cost of construction and equipping of three new residence halls containing approximately 704 beds including related parking (the "Project") located on the campus of Middle Georgia College. The interest rates are as follows: Series 2005 A, 3.5-3.75%; Series 2005A, 5.0%; Series 2005A, 4.125-4.625%; Series 2005B, 5.25%.

The balance of this obligation at June 30, 2007 is \$26,850,000.

Changes in long-term liabilities for the Foundation for the fiscal year ended June 30, 2007 are shown below:

	<u>Beginning Balance July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2007</u>	<u>Amounts due within One Year</u>
Revenue/Mortgage Bonds Payable	<u>\$26,850,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$26,850,000</u>	<u>\$0</u>
Total Long Term Liabilities	<u><u>\$26,850,000</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$26,850,000</u></u>	<u><u>\$0</u></u>

**Debt Service Obligations:**

Annual debt service requirements to maturity for revenue bonds payable are as follows:

		Bonds Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$0	\$1,292,460	\$1,292,460
2009	2	0	1,292,460	1,292,460
2010	3	40,000	1,292,460	1,332,460
2011	4	80,000	1,290,360	1,370,360
2012	5	120,000	1,287,560	1,407,560
2013 through 2017	6-10	1,320,000	6,317,902	7,637,902
2018 through 2022	11-15	2,875,000	5,898,444	8,773,444
2023 through 2027	16-20	5,105,000	5,011,595	10,116,595
2028 through 2032	21-25	7,625,000	3,545,219	11,170,219
2033 through 2037	26-30	9,685,000	1,499,745	11,184,745
Total		<u>\$26,850,000</u>	<u>\$28,728,205</u>	<u>\$55,578,205</u>

**Bainbridge College****Bainbridge College Foundation**

Bainbridge College Foundation (Foundation) is a legally separate, tax-exempt component unit of Bainbridge College (College). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The seven-member board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is November 1 through October 31. The Foundation reported activity through June 30, 2006 in Bainbridge College's FY2006 Annual Financial Report. This statement represents activity for the period July 1, 2006 through October 31, 2006.

During the period July 1, 2006 through October 31, 2006, the Foundation distributed \$759 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Administrative Office at 2500 E. Shotwell Street, Bainbridge, GA 39819.

### ***Investments for Component Units:***

Bainbridge College Foundation holds endowment investments in the amount of \$107,693. The corpus of the endowment is nonexpendable, but the earnings on the investment may be expended as restricted by the donors. Bainbridge College Foundation, in conjunction with the donors, has established a spending plan whereby 50% of the earnings may be used for academic scholarships. The remaining 50% of the earnings are set aside as a reserve.

Investments are comprised of the following amounts at October 31, 2006:

	<u>Cost</u>	<u>Fair Value</u>
Certificates of Deposit	<u>\$107,693</u>	<u>\$107,693</u>
Total Investments	<u><u>\$107,693</u></u>	<u><u>\$107,693</u></u>

### **Coastal Georgia Community College**

#### **Coastal Georgia Community College Foundation, Inc.**

Coastal Georgia Community College Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of Coastal Georgia Community College (College). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The seven-member board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is January 1 through December 31.

During the year ended December 31, 2006, the Foundation distributed \$656,559 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Administrative Office at 3700 Altama Avenue, Brunswick, GA 31520.

### ***Investments for Component Units:***

Coastal Georgia Community College Foundation, Inc. holds endowments and other investments in the amount of \$7.5 million. The \$4.3 million corpus of the endowment portion is nonexpendable, but the earnings of the investment may be expended as restricted by the donors.



Coastal Georgia Community College Foundation, Inc. investments are comprised of the following amounts at December 31, 2006:

	<u>Cost</u>	<u>Fair Value</u>
Certificates of Deposit	\$1,787,000	\$1,764,075
Corporate Bonds	1,935,073	2,192,554
Equity Securities	4,636	5,730
Mutual Funds	<u>2,984,429</u>	<u>3,520,311</u>
Total Investments	<u>\$6,711,138</u>	<u>\$7,482,670</u>

### **Darton College**

#### **Darton College Foundation, Inc.**

Darton College Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of Darton College (College). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The board of trustees of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Foundation distributed \$324,681 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Treasurer at 2400 Gillionville Road, Albany, GA 31707.

#### ***Investments for Component Units:***

Darton College Foundation holds endowment and other investments in the amount of \$1.7 million. The corpus of the endowment is nonexpendable, and the earnings on the investment may be expended as directed by the board of trustees. The majority of the earnings on the endowment funds are spent on scholarships for students.

Investments are comprised of the following amounts at June 30, 2007:

	Cost	Fair Value
Cash held by investment organization	\$27,791	\$27,791
Certificates of Deposit	562,944	562,944
Corporate Bonds	612,057	597,264
Equity Securities	453,078	491,115
Total Investments	<u>\$1,655,870</u>	<u>\$1,679,114</u>

### ***Capital Assets for Component Units:***

Darton College Foundation, Inc. held the following capital assets as of June 30, 2007:

	June 30, 2007
Capital Assets not being Depreciated:	
Land and other Assets	\$308,826
Construction in Progress	<u>235,382</u>
Total Capital Assets not being Depreciated	544,208
Capital Assets being Depreciated:	
Buildings and Improvements	<u>123,324</u>
Total Capital Assets being Depreciated	123,324
Less Total Accumulated Depreciation	<u>7,201</u>
Total Capital Assets being Depreciated, Net	<u>116,123</u>
Capital Assets, Net	<u>\$660,331</u>

### **East Georgia College**

#### **East Georgia College Foundation, Inc.**

East Georgia College Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of East Georgia College (College). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The forty-four member board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Foundation distributed \$42,838 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Office of the Vice President for Fiscal Affairs at 131 College Circle, Swainsboro, GA 30401.

***Investments for Component Units:***

East Georgia College holds investments in the amount of \$918,313, and those investments are classified as either temporarily restricted or unrestricted. Typically, the net assets of the restricted funds are not expended and earnings on the investments may be expended as restricted by the donors. Some of the restricted net assets are defined as fully expendable by the donor for the purposed specified by the donor.

Investments are comprised of the following amounts at June 30, 2007:

	Cost	Fair Value
Money Market Accounts	\$5,805	\$5,805
Equity Securities	41,779	41,779
Investment Pools:		
BOR Short Term Fund	39,631	39,232
BOR Balanced Income Fund	219,738	199,116
Diversified Fund	589,286	632,380
Total Investments	<u>\$896,240</u>	<u>\$918,313</u>

***Capital Assets for Component Units:***

East Georgia College Foundation, Inc. held the following Capital Assets at June 30, 2007:

	June 30, 2007
Capital Assets not being Depreciated:	
Land and other Assets	<u>\$168,600</u>
Total Capital Assets not being Depreciated	<u>168,600</u>
Capital Assets, Net	<u>\$168,600</u>

**Georgia Highlands College**

**Georgia Highlands College Foundation, Inc.**

Georgia Highlands College Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of Georgia Highlands College (College). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is

considered a component unit of the College and is discretely presented in the College's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Foundation distributed \$305,961 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Administrative Office at 3175 Cedartown Highway S.E., Rome, GA 30162.

### ***Investments for Component Units:***

Georgia Highlands College Foundation, Inc. holds endowment and other investments in the amount of \$752,755. The corpus of the endowment is nonexpendable, but the earnings on the investment may be expended as restricted by the donors.

Investments are comprised of the following amounts at June 30, 2007:

	<u>Cost</u>	<u>Fair Value</u>
Equity Securities	\$621,392	\$709,122
Mutual Funds	<u>38,574</u>	<u>43,633</u>
Total Investments	<u><u>\$659,966</u></u>	<u><u>\$752,755</u></u>

### **Georgia Perimeter College**

#### **Georgia Perimeter College Foundation, Inc.**

Georgia Perimeter College Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of Georgia Perimeter College (College). The Foundation is a nonprofit entity comprised of a volunteer group entrusted with the oversight for private fund raising to benefit Georgia Perimeter College. The Foundation provides volunteer leadership to the college's development and fund raising programs. In addition, the board monitors the administration of the assets of the Foundation, resulting in a broadening of opportunities for learning by students and a continued investment in faculty and staff. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

The Foundation is a private nonprofit organization that has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Reporting for Not-for-Profit Organizations*.

As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is January 1 through December 31.

During the year ended December 31, 2006, the Foundation distributed \$609,179 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Administrative Office at 3251 Panthersville Rd, Decatur, GA 30034.

***Investments for Component Units:***

Georgia Perimeter College Foundation, Inc. holds endowment and other investments in the amount of \$992,993. Investments are comprised of the following amounts at December 31, 2006:

	Cost	Fair Value
Cash held by investment organization	\$78,272	\$78,272
Certificates of Deposit	513,000	516,797
Government and Agency Securities	40,000	39,661
Corporate Bonds	75,000	75,054
Equity Securities	266,004	283,209
Total Investments	<u>\$972,276</u>	<u>\$992,993</u>

***Capital Assets for Component Units:***

Georgia Perimeter College Foundation, Inc. holds the following Capital Assets as of December 31, 2006:

	<u>December 31, 2006</u>
Capital Assets not being Depreciated:	
Land and other Assets	\$3,000,000
Construction in Progress	13,334,171
Total Capital Assets not being Depreciated	<u>16,334,171</u>
Capital Assets, Net	<u>\$16,334,171</u>

***Long-term Liabilities for Component Units:***

On December 29, 2005, the Newton County Industrial Revenue Authority effected a revenue bond issue "Series 2005" in the amount of \$22,695,000. These proceeds will fund the building project, which is expected to be completed by July 1, 2007. Rental payments from the Board of Regents of the University System of Georgia will be used to amortize this bonded indebtedness. The repayment of this debt is due in annual installments ranging from \$430,000 to \$1,400,000 through 2035 at 4.6% per annum.

An additional bond issuance (Series 2005) was also effected on December 29, 2005 for the same purpose as the aforementioned issuance. The amount of this issuance was \$2,550,000. This bond issuance was transacted separately because of different security (secured by Newton County through an intergovernmental contract). This was packaged as a single bond that was

sold directly to Wachovia Bank. Consequently, the amortization of this issuance is similar to a conventional loan as opposed to a standard bond issue. The repayment of this debt is due in monthly installments of \$20,472 through January, 2021 at 5.15% per annum.

The Foundation's LLC received a gift of real estate during the years ended December 31, 2005 and 2006. The gift, a tract/parcel of land in Newton County, Georgia, was donated by Mt. Pleasant, LLC for the purpose of the construction of the new Georgia Perimeter College campus in Newton County. The land has been capitalized on the Foundation's books and is included in the asset section of the Statement of Net Assets.

Changes in long-term liabilities for component units for the fiscal year ended December 31, 2006 are shown below:

	Beginning Balance January 1, 2006	Additions	Reductions	Ending Balance December 31, 2006	Amounts due within One Year
Revenue/Mortgage Bonds Payable	\$0	\$25,245,000	\$0	\$25,245,000	\$104,499
Total Long Term Liabilities	\$0	\$25,245,000	\$0	\$25,245,000	\$104,499

### Debt Service Obligations:

Annual debt service requirements to maturity for revenue bonds payable are as follows:

	Principal	Bonds Payable Interest	Total
Year ending December 31:			
2007	\$104,499	\$1,162,610	\$1,267,109
2008	550,841	1,166,739	1,717,580
2009	576,962	1,143,419	1,720,381
2010	599,095	1,118,286	1,717,381
2011	626,266	1,092,514	1,718,780
2012 through 2016	3,552,771	5,033,832	8,586,603
2017 through 2021	4,464,566	4,142,665	8,607,231
2022 through 2026	4,240,000	3,123,575	7,363,575
2027 through 2031	5,315,000	2,051,400	7,366,400
2032 through 2036	5,215,000	674,750	5,889,750
	\$25,245,000	\$20,709,790	\$45,954,790

### South Georgia College

#### South Georgia College Foundation, Inc.

South Georgia College Foundation, Inc. is a chartered not for profit corporation. The Foundation was created for the express purpose of serving the interests of the College in carrying out its programs and activities including the solicitation, receipt and investment of gifts, donations, and grants. The Foundation is a legal entity separate from the College.

On July 26, 2006, South Georgia College Foundation, Inc. formed its wholly owned subsidiary, SGC Real Estate Foundation, LLC. SGC Real Estate Foundation, LLC was created for a project that includes the design, construction and equipping of new student housing facilities and other improvements related thereto including parking and other amenities for the benefit of the

students of South Georgia College. SGC Real Estate Foundation, LLC has borrowed the funds necessary to construct the project and was in the process of constructing the project at June 30, 2007. SGC Real Estate Foundation, LLC has also entered into a ground lease and rental agreement with the Board of Regents of the University System of Georgia for the rent and use of the premises.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Foundation distributed \$169,887 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the office of the Vice President for Business Affairs, South Georgia College, 100 West College Park Drive, Douglas, GA 31533.

### ***Investments for Component Units:***

South Georgia College Foundation, Inc. holds investments in the amount of \$2.9 million. The \$2.2 million corpus of the endowment portion is nonexpendable, but the earnings on the investment may be expended as restricted by the donors. South Georgia College Foundation, Inc., in conjunction with the donors, has established a spending plan whereby 100% of the earnings may be used for academic scholarships.

Investments are comprised of the following amounts at June 30, 2007:

	Cost	Fair Value
Cash held by investment organization	\$77,419	\$77,419
Certificates of Deposit	30,500	30,500
Equity Securities	56,769	61,945
Mutual Funds	31,829	37,272
Real Estate	13,500	13,500
Investment Pools:		
BOR Balanced Income Fund	89,510	88,541
Total Return Fund & Holding Fund	2,336,456	2,564,902
 Total Investments	 \$2,635,983	 \$2,874,079

### ***Capital Assets for Component Units:***

South Georgia College Foundation, Inc. holds the following capital assets as of June 30, 2007:

	<u>June 30, 2007</u>
Capital Assets not being Depreciated:	
Construction in Progress	<u>\$8,214,375</u>
Capital Assets, Net	<u><u>\$8,214,375</u></u>

### ***Long-term Liabilities for Component Units:***

Long-term liability activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2007</u>	<u>Amounts due within One Year</u>
Revenue/Mortgage Bonds Payable	<u>\$0</u>	<u>\$15,801,289</u>	<u>\$0</u>	<u>\$15,801,289</u>	<u>\$0</u>
Total Long Term Liabilities	<u><u>\$0</u></u>	<u><u>\$15,801,289</u></u>	<u><u>\$0</u></u>	<u><u>\$15,801,289</u></u>	<u><u>\$0</u></u>

On December 14, 2006, the Atkinson County - Coffee County Joint Development Authority (the "Authority") issued certain bonds totaling \$15,395,000. Proceeds of the sale of the bonds will be loaned to SGC Real Estate Foundation, LLC whose sole member is South Georgia College Foundation, Inc.

Proceeds of the Series 2006 Bonds will be used by SGC Real Estate Foundation, LLC to finance or reimburse, in whole or in part, the cost of construction and equipping of a new student housing complex containing approximately 252 beds including related parking and the acquisition and renovation of the property known as the "Clower Center" all located on the campus of South Georgia College, a unit of the University System of Georgia; fund capitalized interest on the Series 2006 Bonds; fund a debt service reserve fund for the Series 2006 Bonds; and pay costs of issuance of the Series 2006 Bonds. Interest rates on the bonds range from 4% to 6%.

The real property upon which the Project is located is owned by the Board of Regents of the University System of Georgia and is leased by the Board of Regents to SGC Real Estate Foundation, LLC pursuant to a Ground Lease. Pursuant to the commencement of a Rental Agreement upon completion of the project, SGC Real Estate Foundation, LLC will rent the Project, on an annually-renewable basis, to the Board of Regents for use by the College. The Board of Regents will make monthly fixed rental payments for the use and occupancy of the Project, in amounts that SGC Real Estate Foundation, LLC estimates will be sufficient to pay, among other things, the debt service on the Series 2006 Bonds.



Annual debt service requirements to maturity for Student Housing revenue bonds payable are as follows:

		Bonds Payable		
		Principal	Interest	Total
Year ending June 30:				
2008	1	\$0	\$730,625	\$730,625
2009	2	50,000	730,625	780,625
2010	3	75,000	728,625	803,625
2011	4	100,000	725,625	825,625
2012	5	125,000	721,625	846,625
2013 through 2017	6-10	1,060,000	3,504,275	4,564,275
2018 through 2022	11-15	1,855,000	3,196,575	5,051,575
2023 through 2027	16-20	2,790,000	2,664,125	5,454,125
2028 through 2032	21-25	3,995,000	1,847,625	5,842,625
2033 through 2037	26-30	5,345,000	743,650	6,088,650
		15,395,000	15,593,375	30,988,375
Bond Premium		406,289		406,289
		<u>\$15,801,289</u>	<u>\$15,593,375</u>	<u>\$31,394,664</u>

## **Waycross College**

### **Waycross College Foundation, Inc.**

Waycross College Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of Waycross College (College). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The twenty-one member board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The Foundation's fiscal year is July 1 through June 30.

During the year ended June 30, 2007, the Foundation distributed \$85,555 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Foundation Office at 2001 South Georgia Parkway, Waycross, GA 31503.

### ***Investments for Component Units:***

Waycross College Foundation holds endowment and other investments in the amount of \$1.5 million. The \$1.4 million corpus of the endowment portion is nonexpendable, but the earnings on the investment may be expended as restricted by the donors. Waycross College Foundation,

Inc., in conjunction with the donors, has established a spending plan whereby dividends and interest earned on the corpus may be used for academic scholarships. The realized gains are set aside as a reserve.

Investments are comprised of the following amounts at June 30, 2007:

	<u>Cost</u>	<u>Fair Value</u>
Certificates of Deposit	\$14,000	\$14,000
Investment Pools:		
BOR Short-Term Fund	30,321	29,789
Total Diversified Fund	<u>1,330,112</u>	<u>1,464,939</u>
 Total Investments	 <u><u>\$1,374,433</u></u>	 <u><u>\$1,508,728</u></u>

***Capital Assets for Component Units:***

Capital Assets are comprised of the following at June 30, 2007:

	<u>June 30, 2007</u>
Capital Assets being Depreciated:	
Machinery and Equipment	<u>\$1,740</u>
Total Capital Assets being Depreciated	<u>1,740</u>
Less Total Accumulated Depreciation	<u>1,740</u>
Total Capital Assets being Depreciated, Net	<u>0</u>
Capital Assets, Net	<u><u>\$0</u></u>

***Balance Sheet (Non-GAAP Basis)***

**UNIVERSITY SYSTEM OF GEORGIA  
CONSOLIDATED BALANCE SHEET (NON-GAAP BASIS)  
BUDGET FUND  
June 30, 2007**

**ASSETS**

Cash and Cash Equivalents	\$341,226,714.10
Investments	36,849,730.70
Accounts Receivable	
Federal Financial Assistance	62,370,471.34
Other	153,807,986.42
Margin Allocation	9,696,195.00
Prepaid Expenditures	37,970,532.23
Inventories	4,014,805.70
Other Assets	66,824.12
	<hr/>
Total Assets	\$646,003,259.61

**LIABILITIES AND FUND EQUITY**

Liabilities	
Cash Overdraft	\$2,091,267.51
Contracts Payable	11,874.16
Grants Payable	1,677.00
Accrued Payroll	12,996,511.97
Accounts Payable	211,445,756.92
Benefits Payable	320,323.78
Deferred Revenue	163,285,786.82
Funds Held for Others	17,790,142.07
Other Liabilities	5,704,522.67
	<hr/>
Total Liabilities	\$413,647,862.90
Fund Balances	
Reserved	
Capital Outlay	\$30,257,359.91
Department Sales and Services	16,083,848.46
Indirect Cost Recoveries	49,515,237.87
Technology Fees	8,906,160.51
Restricted/Sponsored Funds	101,631,908.17
Uncollectible Accounts Receivable	10,186,001.82
Inventories	3,082,602.36
Carry-Over "Per State Accounting Office"	3,551,735.24
Early Retirement Program	7,172,101.53
Unreserved	
Surplus	1,968,148.72
Tobacco Settlement Funds	292.12
	<hr/>
Total Fund Balances	\$232,355,396.71
	<hr/>
Total Liabilities and Fund Balances	\$646,003,259.61

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.

## *Budget Comparison and Surplus Analysis Report (Non-GAAP Basis)*

### UNIVERSITY SYSTEM OF GEORGIA CONSOLIDATED BUDGET COMPARISON AND SURPLUS ANALYSIS REPORT (NON-GAAP BASIS) BUDGET FUND Year Ended June 30, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
<b><u>REVENUES</u></b>				
State Appropriations				
State General Funds	\$1,917,240,948	\$1,917,562,898	\$1,917,562,898.00	\$0.00
Tobacco Funds	15,732,554	15,732,554	15,732,554.00	0.00
Non-State Funds				
Research Funds	1,595,296,985	1,667,356,532	1,291,406,055.98	(375,950,476.02)
Agency Funds	1,154,687,977	1,561,012,311	1,484,479,762.05	(76,532,548.95)
Total Revenue	<u>\$4,682,958,464</u>	<u>\$5,161,664,295</u>	<u>\$4,709,181,270.03</u>	<u>(\$452,483,024.97)</u>
<b><u>EXPENDITURES</u></b>				
Advanced Technology Development Center/EDI	\$27,447,215	\$28,697,215	\$27,980,921.29	\$716,293.71
Agricultural Experiment Station	72,948,126	78,258,188	76,085,751.98	2,172,436.02
Athens Tifton Vet Labs	4,737,054	6,237,054	5,418,667.01	818,386.99
Cooperative Extension Service	56,648,411	65,445,620	62,559,056.23	2,886,563.77
Forestry Cooperative Extension	659,442	1,121,275	945,228.65	176,046.35
Forestry Research	3,134,341	6,261,341	6,446,832.34	(185,491.34)
Georgia Military College	2,660,060	2,660,060	2,660,060.00	0.00
Georgia Public Telecommunications	31,247,434	31,247,434	17,023,143.00	14,224,291.00
Georgia Radiation Therapy Center	3,625,810	3,625,810	0.00	3,625,810.00
Georgia Tech Research Institute	130,466,440	138,720,640	134,899,475.96	3,821,164.04
MCG Hospitals and Clinics	32,272,644	32,272,644	32,272,644.00	0.00
Marine Institute	1,711,549	1,759,290	1,372,806.65	386,483.35
Marine Resources Extension Center	2,713,007	3,865,007	3,759,806.12	105,200.88
Office of Minority Business	860,161	860,161	858,710.40	1,450.60
Payments to Georgia Cancer Coalition	9,982,554	9,982,554	9,982,261.88	292.12
Public Libraries	40,477,906	46,409,673	45,493,454.78	916,218.22
Regents Central Office	7,984,377	8,100,801	7,946,485.71	154,315.29
Research Consortium	26,400,251	26,925,251	26,909,343.96	15,907.04
Skidaway Institute of Oceanography	7,292,073	7,292,073	6,952,564.75	339,508.25
Special Funding Initiative	32,417,559	32,417,559	32,288,469.85	129,089.15
Student Education Enrichment Program	308,315	308,315	308,315.00	0.00
Teaching	4,176,524,431	4,613,946,753	4,153,748,725.34	460,198,027.66
Veterinary Medicine Experiment Station	3,249,577	3,249,577	3,249,577.00	0.00
Veterinary Medicine Teaching Hospital	7,189,727	12,000,000	10,162,081.72	1,837,918.28
Total Expenditures	<u>\$4,682,958,464</u>	<u>\$5,161,664,295</u>	<u>\$4,669,324,383.62</u>	<u>\$492,339,911.38</u>
Excess of Funds Available over Expenditures			<u>\$39,856,886.41</u>	
<b><u>FUND BALANCE JULY 1</u></b>				
Reserved			184,724,593.39	
Unreserved			1,482,141.24	
<b><u>ADJUSTMENTS</u></b>				
Prior Year Payables/Expenditures			1,887,318.82	
Prior Year Receivables/Revenues			(1,662,261.39)	
Increase (Decrease) in Inventories			33,212.31	
Unreserved Fund Balance (Surplus) Returned to Office of Treasury & Fiscal Services			(549,203.98)	
Year Ended June 30, 2005			(580,151.09)	
Year Ended June 30, 2006			(352,786.18)	
Mandatory Transfers			8,215,785.30	
Non-Mandatory Transfers			1,368,519.36	
			<u>(2,068,657.48)</u>	
<b><u>FUND BALANCE JUNE 30</u></b>			<u>\$232,355,396.71</u>	

***Budget Comparison and Surplus Analysis Report (Non-GAAP Basis), continued***

**UNIVERSITY SYSTEM OF GEORGIA  
CONSOLIDATED BUDGET COMPARISON AND SURPLUS ANALYSIS REPORT (NON-GAAP BASIS)  
BUDGET FUND  
Year Ended June 30, 2007**

**SUMMARY OF FUND BALANCE**

Reserved	
Capital Outlay	\$30,257,359.91
Department Sales & Services	16,083,848.46
Indirect Cost Recovery	49,515,237.87
Technology Fees	8,906,160.51
Restricted/Sponsored Funds	101,631,908.17
Uncollectible Accounts Receivable	10,186,001.82
Inventories	3,082,602.36
Carry -Over "Per State Accounting Office"	3,551,735.24
Early Retirement Program	<u>7,172,101.53</u>
 Total Reserved	 \$ 230,386,955.87
 Unreserved	
Surplus	<u>1,968,440.84</u>
 Total Fund Balance	 \$ <u><u>232,355,396.71</u></u>

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a comprehensive basis of accounting other than generally accepted accounting principles.



BOARD OF REGENTS OF  
THE UNIVERSITY SYSTEM OF GEORGIA  
270 Washington Street, SW., Atlanta, Georgia 30334  
(404) 656-2237