



THE UNIVERSITY SYSTEM OF GEORGIA

ANNUAL FINANCIAL REPORT



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FY2009

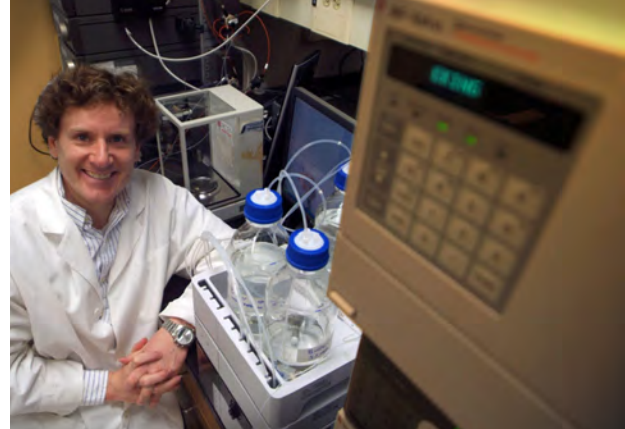


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INTRODUCTORY SECTION



OFFICE OF FISCAL AFFAIRS
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ATLANTA, GEORGIA 30334
404-656-2232

March 5, 2010

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

Dear Chancellor Davis:


We are pleased to present to you the Annual Financial Report for the Board of Regents of the University System of Georgia for the year ended June 30, 2009. The report provides financial information about the University System of Georgia's operations during the year and presents its financial position at the end of the fiscal year.

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

State law, federal guidelines, bond covenants and the by-laws of the Board of Regents require that the accounting and financial records of the University System of Georgia be audited each year. The Georgia Department of Audits and Accounts has performed the audit for fiscal 2009 and has issued an unqualified opinion, the most favorable outcome of the audit process. The State Auditor's report is located at the beginning of the financial section.

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

Respectfully submitted,



Usha Ramachandran
Vice Chancellor for Fiscal Affairs and Treasurer
Board of Regents of the University System of Georgia

Members of the Fiscal Year 2009 Board of Regents

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

The Board oversees 35 colleges and universities: four research universities, two regional universities, 13 state universities, eight state colleges, and eight two-year colleges. These institutions enroll more than 283,000 students and employ over 40,000 faculty and staff to provide teaching and related services to students and the communities in which they are located.



(seated left to right) Donald M. Leebern Jr., Doreen Stiles Poitevint, Chancellor Erroll B. Davis Jr. (ex-officio), Richard L. Tucker (chair), Robert F. Hatcher (vice chair), James A. Bishop, Allan Vigil, (standing left to right) Mansfield Jennings Jr., Benjamin Tarbutton III, Kessel D. Stelling, Jr., James R. Jolly, William H. NeSmith, Jr., Willis J. Potts Jr., Hugh A. Carter Jr., William H. Cleveland, M.D., Wanda Yancey Rodwell, Kenneth Bernard Jr., Elridge W. McMillan, and Felton Jenkins.

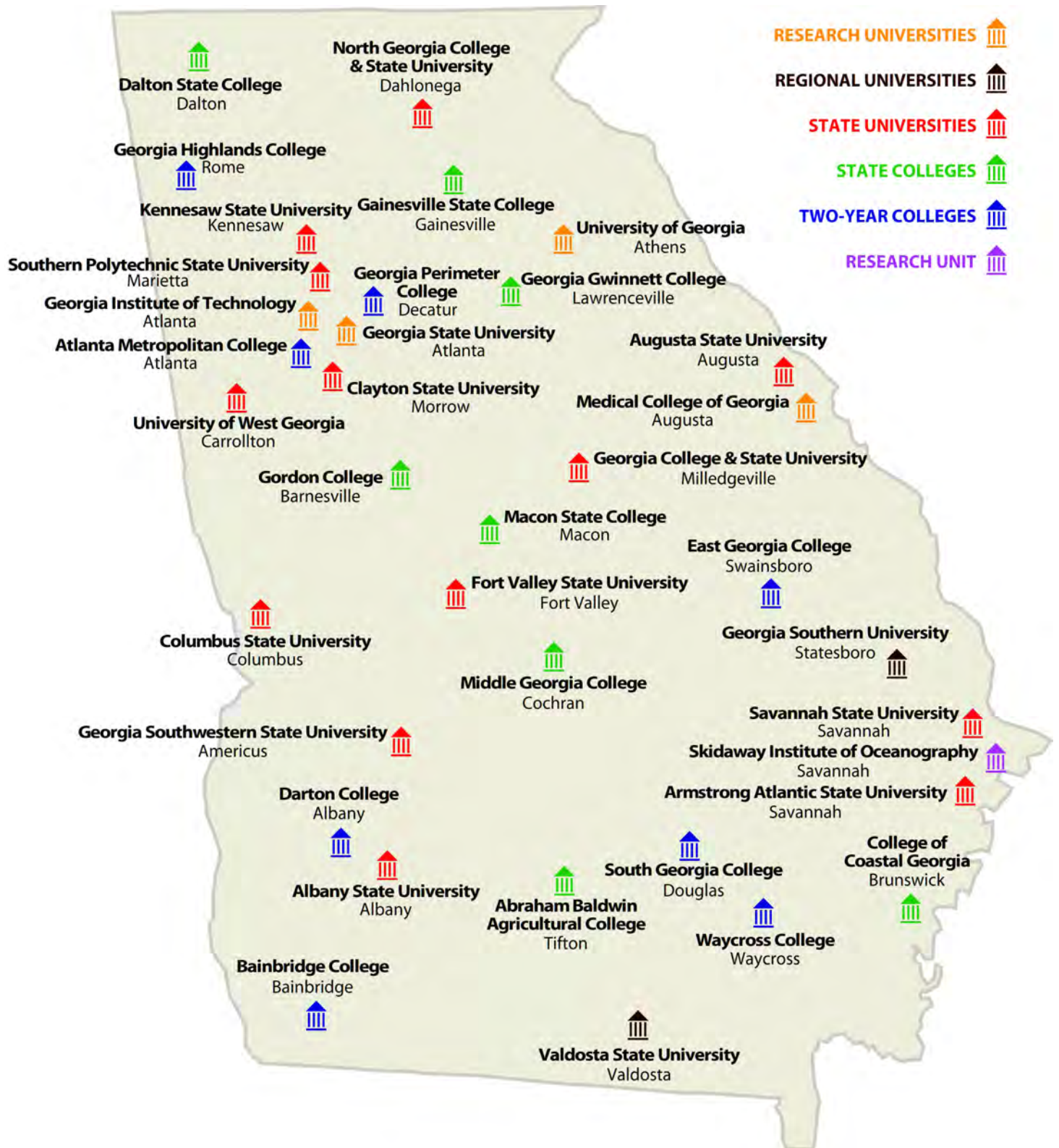
University System of Georgia Strategic Plan

In 2007, the Board of Regents approved a new strategic plan for the University System of Georgia (USG) comprising six goals that focus on building the System's capacity to meet the needs of the state and transform the lives of future generations of Georgians.

- 1** **STRATEGIC GOAL ONE** – Renew excellence in undergraduate education to meet students' 21st century educational needs.
- 2** **STRATEGIC GOAL TWO** – Create enrollment capacity in the University System to meet the needs of 100,000 additional students by 2020.
- 3** **STRATEGIC GOAL THREE** – Increase the USG's participation in research and economic development to the benefit of a global Georgia. Enhance and encourage the creation of new knowledge and basic research across all disciplines.
- 4** **STRATEGIC GOAL FOUR** – Strengthen the USG's partnerships with the state's other education agencies.
- 5** **STRATEGIC GOAL FIVE** – Maintain affordability so that money is not a barrier to participation in the benefits of higher education.
- 6** **STRATEGIC GOAL SIX** – Increase efficiency, working as a System.

For more information on the University System of Georgia Strategic Plan, please visit: www.usg.edu/strategicplan.

Institutions of the University System of Georgia



FINANCIAL SECTION





DEPARTMENT OF AUDITS AND ACCOUNTS

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

Russell W. Hinton
STATE AUDITOR
(404) 656-2174

March 5, 2010

Honorable Sonny Perdue, Governor
Members of the General Assembly of Georgia
Members of the Board of Regents of the
University System of Georgia
and
Honorable Erroll B. Davis, Jr., Chancellor

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

Ladies and Gentlemen:

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the University System of Georgia, an organizational unit of the State of Georgia, as of and for the year ended June 30, 2009 which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University System of Georgia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University System of Georgia's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.


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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate remaining fund information of the University System of Georgia as of June 30, 2009, and the respective changes in financial position, and where applicable cash flows, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a part of the basic financial statements but is required supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the University System of Georgia taken as a whole. The accompanying Introductory and Supplementary Information Sections, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, except for the portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Russell W. Hinton", with a stylized flourish at the end.

Russell W. Hinton, CPA, CGFM
State Auditor

RWH:ca

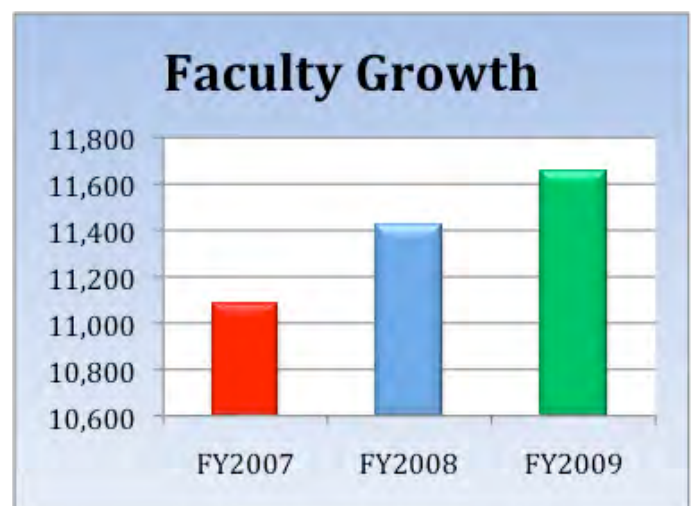
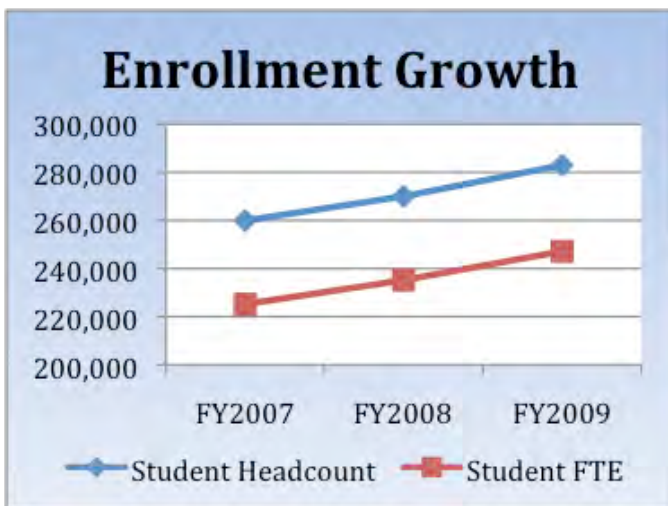
MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

This discussion and analysis is intended to provide a summary of the financial position of the University System of Georgia for the fiscal year ending June 30, 2009. It should allow the user to review how the University System utilized its resources in pursuit of its primary goals of instruction, research and public service.

The Board of Regents and Chancellor Erroll B. Davis, Jr. are charged with the leadership of the thirty-five institutions of the University System of Georgia. The University System continues to thrive, as is demonstrated by the following statistics:

	Faculty	Student Headcount	Student FTE
FY2009	11,654	282,978	247,168
FY2008	11,422	270,022	235,186
FY2007	11,082	259,945	225,197



State Resources

The General Appropriations Act of 2009, as amended, appropriated a total of \$2,046,306,207 to the University System of Georgia. In addition, House Bill 990 appropriated \$16,205,466 from Tobacco funds. In June 2009, \$39,829,809 was withheld from the total appropriated amount by the Office of the Treasury, effectively reducing the University System of Georgia's fiscal 2009 State budget to \$2,022,681,864. The amounts were as follows:

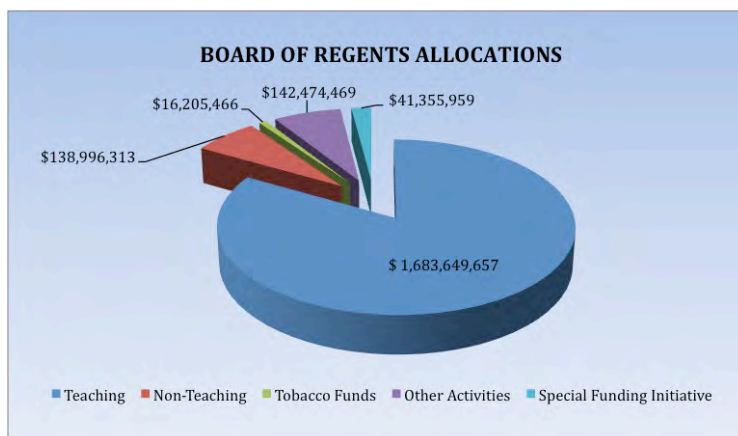
The following table presents the State Appropriations available to the USG from the General Appropriations Act of 2009:

STATE APPROPRIATIONS AVAILABLE – GENERAL APPROPRIATIONS ACT OF 2009	
House Bill 990	
General State Funds	\$2,278,680,052
Tobacco Funds	21,837,799
House Bill 118	
General State Funds	(232,373,845)
Tobacco Funds	(5,632,333)
<i>Total State Appropriations Available Per Appropriations Act</i>	<i>\$2,062,511,673</i>
Less: Appropriations Withheld	(39,829,809)
<i>Net State Appropriations Available to the USG</i>	<i>\$2,022,681,864</i>

The following table presents FY2009 allocations by the Board of Regents to the USG institutions:

ALLOCATIONS BY BOARD OF REGENTS	
Education and General	
Teaching	\$1,737,664,962
Non-Teaching	139,140,596
Tobacco Funds	16,205,466
Other Activities	
Regents Central Office	\$6,922,215
Rental Payments-GA Military College	2,592,868
GA Public Telecommunications Commission	15,863,299
Public Libraries	36,701,461
Research Consortium	26,235,038
Total Other Activities	88,314,881
Special Initiative Funding	41,355,959
<i>Total Education and General</i>	<i>\$2,022,681,864</i>
TOTAL ALLOCATIONS BY BOARD OF REGENTS	\$2,022,681,864

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



Overview of Financial Statements and Analysis

The University System of Georgia is pleased to present its consolidated financial statements for fiscal year 2009. These statements contain information from the thirty-five institutions of the University System of Georgia, the Skidaway Institute of Oceanography and the University System Office. Each institution has prepared a separate financial statement that is available on compact disc.

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

Two fiduciary fund statements also are included with the financial statements noted above: the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets. These statements provide information regarding the Board of Regents Retiree Health Benefit Fund, which was established in fiscal 2008.

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

Finally, the Supplemental Information section includes selected information by institution. This section also includes information on affiliated organizations that have been deemed significant to their respective institutions.

This discussion and analysis of the University System of Georgia's consolidated financial statements provide an overview of its financial activities for the fiscal year. Further information is provided by comparative data for fiscal 2009 and 2008.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities and net assets of the University System of Georgia as of June 30, 2009. 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 a fiscal snapshot of the University System. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the services are provided and expenses and liabilities are recognized when others provide the service to the University System, regardless of when cash is exchanged.

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

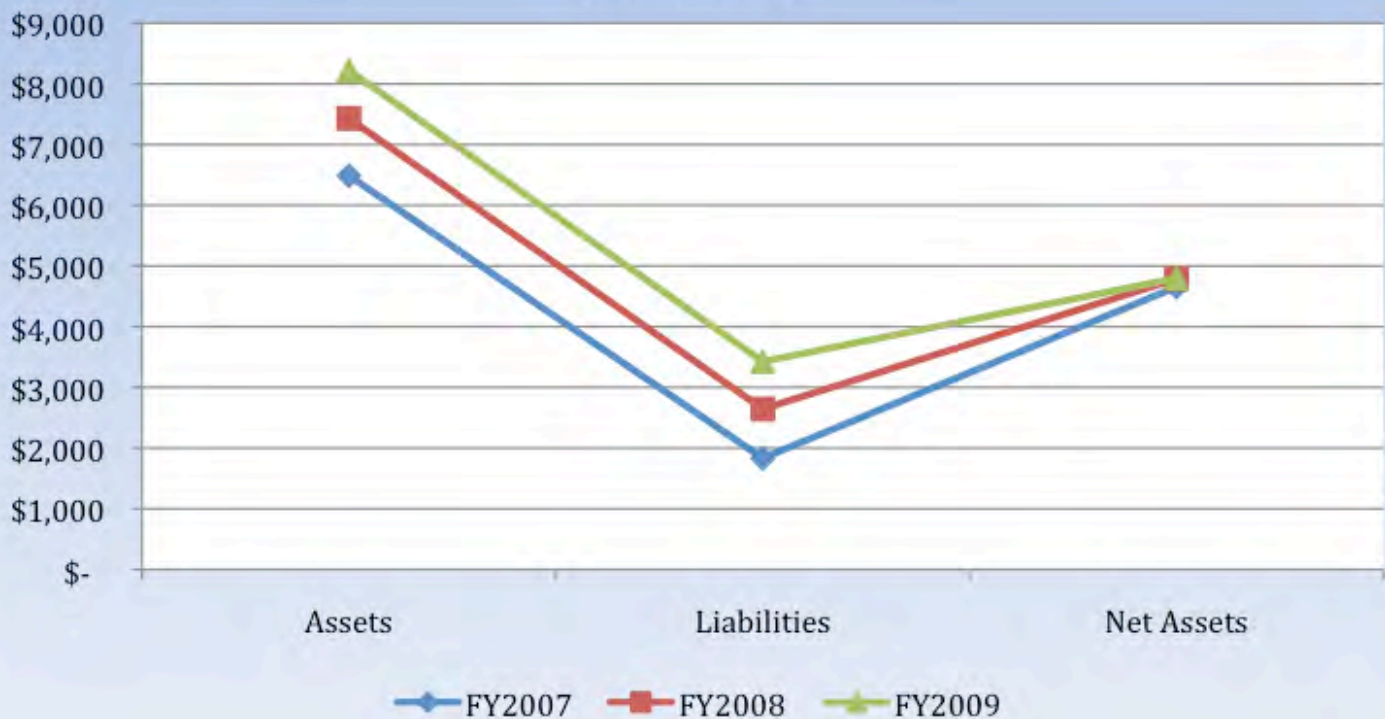
Current assets include resources that are available to support the current operations of the University System and include categories such as cash, cash equivalents, accounts receivable and inventory on hand. Noncurrent assets include capital and certain investments. Other assets include noncurrent assets such as endowment corpus, short term investments and notes receivable. Total assets as of June 30, 2009 were \$8.225 billion as compared to \$7.432 billion as of June 30, 2008 for an increase of \$793 million, or 10.7%. Current assets as of June 30, 2009 decreased by \$37 million, while capital assets increased \$804 million and Other non-current assets increased by \$26 million.

Current liabilities include those items that are expected to become due within the following fiscal year. They include accounts payable, salaries and wages payable and the current portion of capital leases. Noncurrent liabilities include the noncurrent portion of lease purchases for capital items and compensated absences. Total liabilities increased by \$780 million from \$2.644 billion at June 30, 2008 to \$3.424 billion on June 30, 2009.

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the University System's equity in property, plant and equipment owned by the institution. The next asset category is restricted net assets, which is further reported in two components, non-expendable and expendable. Restricted, non-expendable net assets consist solely of the University System's permanent endowment funds and are only available for investment purposes. Restricted, expendable net assets are available for expenditure by the institution; however, they must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets, which are available to the University System for any lawful purpose.

The University System of Georgia's financial position at June 30, 2009 is very strong, with total assets of \$8.2 billion, total liabilities of \$3.4 billion, and net assets of \$4.8 billion. These amounts are illustrated on the following page.

Statement of Net Assets (in millions)



Assets – Increase of \$793 Million

Total assets of the University System of Georgia were approximately \$793 million more than those reported for fiscal 2008. A review of the Statement of Net Assets will reveal that the increase primarily was due to an increase of \$804 million in Capital Assets, net of accumulated depreciation.

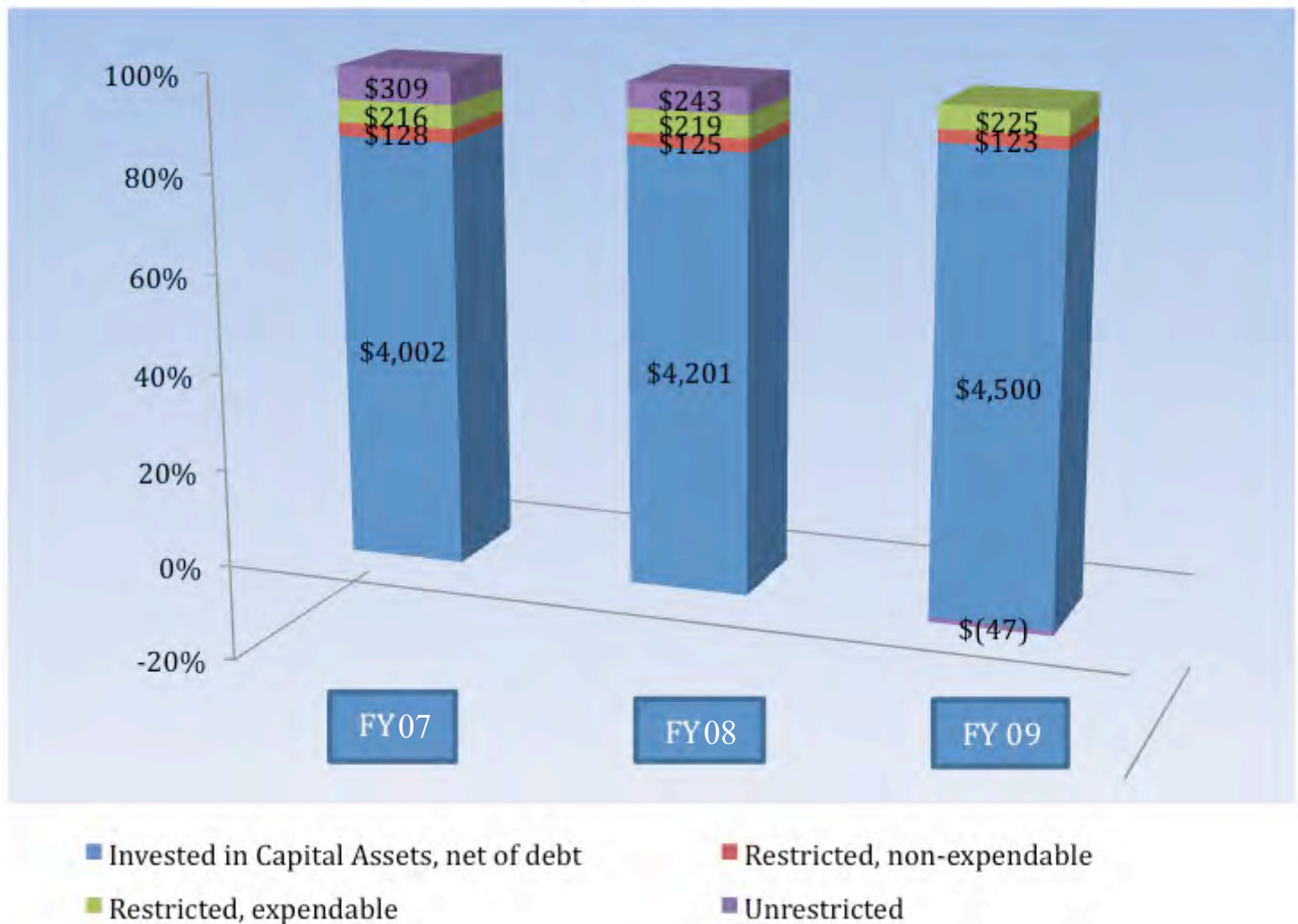
Liabilities – Increase of \$780 Million

Total liabilities for fiscal 2009 were approximately \$780 million more than those reported for fiscal 2008. The primary components of this increase were increases of \$445 million in lease purchase obligations and \$279 million in the net Other Post-Employment Benefit (OPEB) obligation for fiscal 2009.

Net Assets – Increase of \$13 million

The combination of the increase in total assets of \$793 million and the increase in total liabilities of \$780 million yielded a net increase in total net assets of \$13 million, or 0.3%. The increase in total net assets primarily consists of a higher amount in the Invested in Capital Assets, net of related debt category totaling \$360 million, which was partially offset by net decreases of \$347 million in the Restricted and Unrestricted Net Asset Categories.

Net Assets (in millions)



The change in Unrestricted Net Assets from a positive \$243 million in fiscal 2008 to a negative (\$47) million in fiscal 2009 is a direct result of the OPEB reporting requirements that became effective in fiscal 2008 for the University System of Georgia. If the \$279 million OPEB expense adjustment were removed, the Unrestricted Net Assets decrease is only \$12 million. This adjusted decrease is primarily due to State budget reductions, resulting in a strategic use of institutional reserves during fiscal 2009.

The following table summarizes the University System of Georgia's assets, liabilities and net assets as of June 30, 2009 and June 30, 2008.

Condensed Statement of Net Assets (in millions)	June 30, 2009	June 30, 2008	% Change
<i>Assets:</i>			
Current Assets	\$1,298	\$1,335	(2.8)
Capital Assets, net	6,724	5,920	13.6
Other Assets	203	177	14.7
<i>Total Assets</i>	<i>8,225</i>	<i>7,432</i>	<i>10.7</i>
<i>Liabilities:</i>			
Current Liabilities	714	656	8.8
Non-current Liabilities	2,710	1,988	36.3
<i>Total Liabilities</i>	<i>3,424</i>	<i>2,644</i>	<i>29.5</i>
<i>Net Assets:</i>			
Invested in Capital Assets, net of debt	4,486	4,127	8.7
Restricted, Non-Expendable	123	125	(1.6)
Restricted, Expendable	225	219	2.7
Capital Projects	14	74	(81.1)
Unrestricted	(47)	243	(119.3)
<i>Total Net Assets</i>	<i>\$4,801</i>	<i>\$4,788</i>	<i>0.3</i>

Statement of Revenue, Expenses, and Changes in Net Assets

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

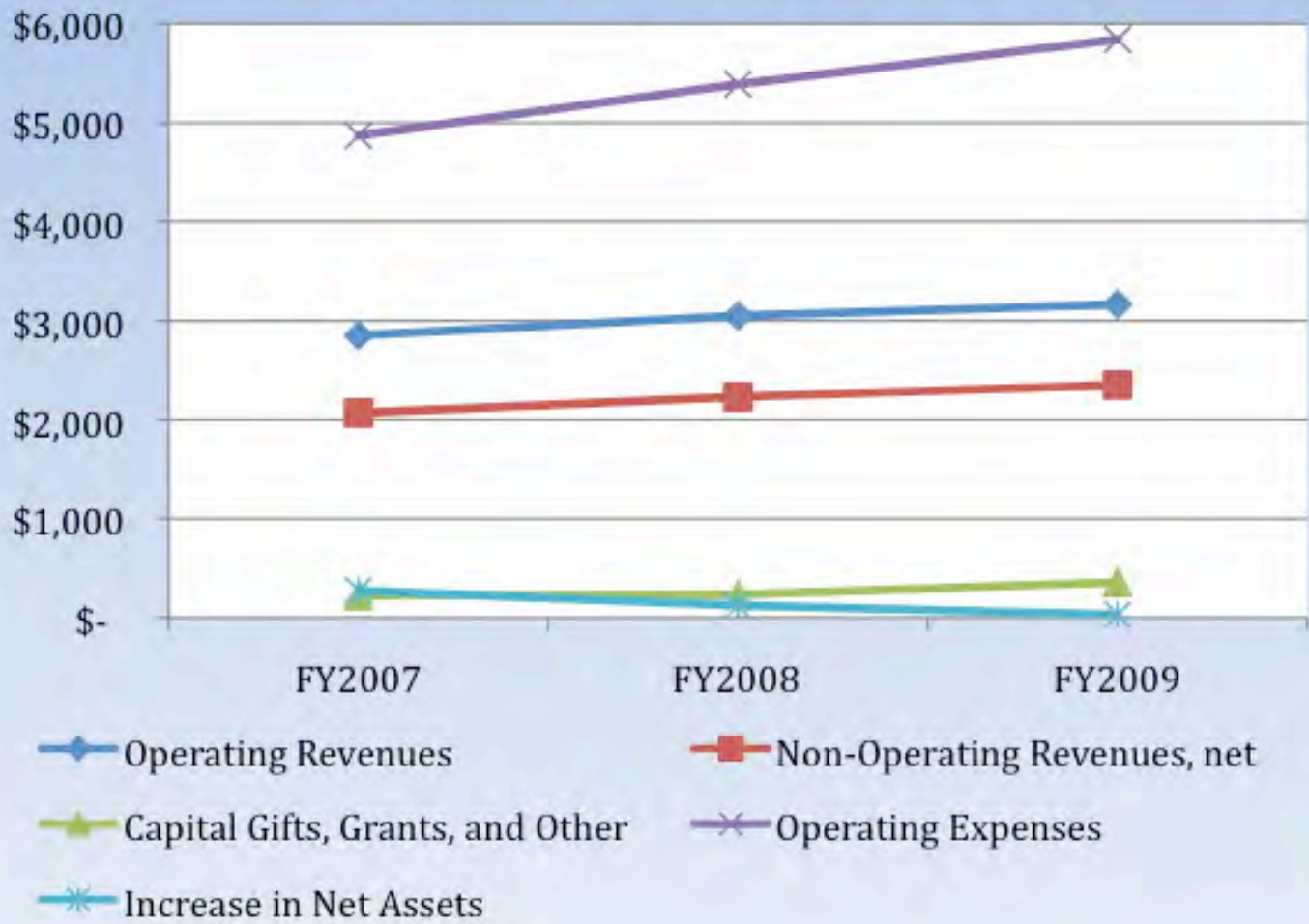
Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of the statement is to present the revenues received by the University System institutions, both operating and non-operating,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

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the institutions. Operating expenses are those expense paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institutions. Non-operating revenues are revenues received for which goods and services are not provided. For example, state appropriations are non-operating because they are provided by the Legislature to the University System of Georgia without the Legislature directly receiving commensurate goods or services for those revenues. State capital grants and gifts and other capital grants and gifts are considered neither operating nor non-operating revenues and are reported after "Income before other revenues, expenses, gains or losses."

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

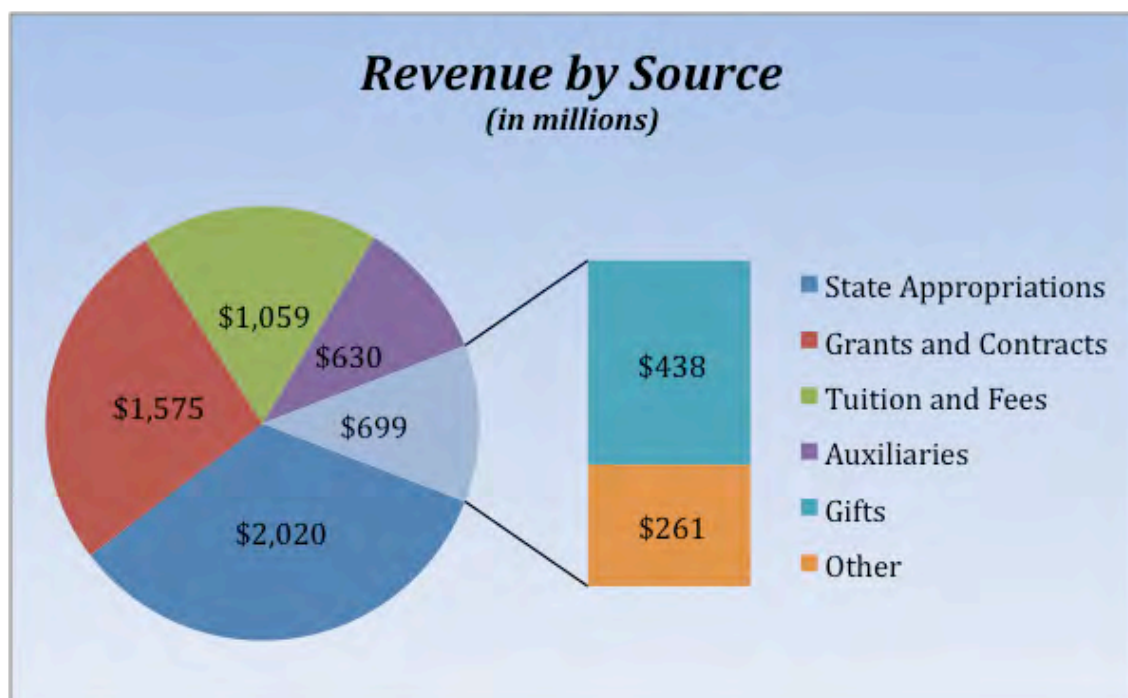
Condensed Statement of Revenues, Expenses and Changes in Net Assets (in millions)	June 30, 2009	June 30, 2008
Operating Revenues	\$3,165	\$3,050
Operating Expenses	5,843	5,390
Operating Loss	(2,678)	(2,340)
Non-operating Revenues and Expenses	2,351	2,231
Income (Loss) before other revenues, expenses, gains, losses or other items	(327)	(109)
Other revenues, expenses, gains, losses and special items	357	234
Increase in Net Assets	30	125
Net Assets at beginning of year, as originally reported	4,788	4,655
Prior Year Adjustments	(17)	8
Net Assets at beginning of year, restated	4,771	4,663
Net Assets at end of year	\$4,801	\$4,788

Statement of Revenues, Expenses and Changes in Net Assets (in millions)



Revenues

A chart depicting revenue by source (State Appropriations, Grants and Contracts, Tuition and Fees, Auxiliaries, Gifts, and Other Sources) is provided below:



State appropriations decreased \$120 million (6%) in fiscal 2009 due to the economic downturn in Georgia and throughout the United States. This decrease was partially mitigated by an award of Federal Stimulus Stabilization Funds of \$17 million.

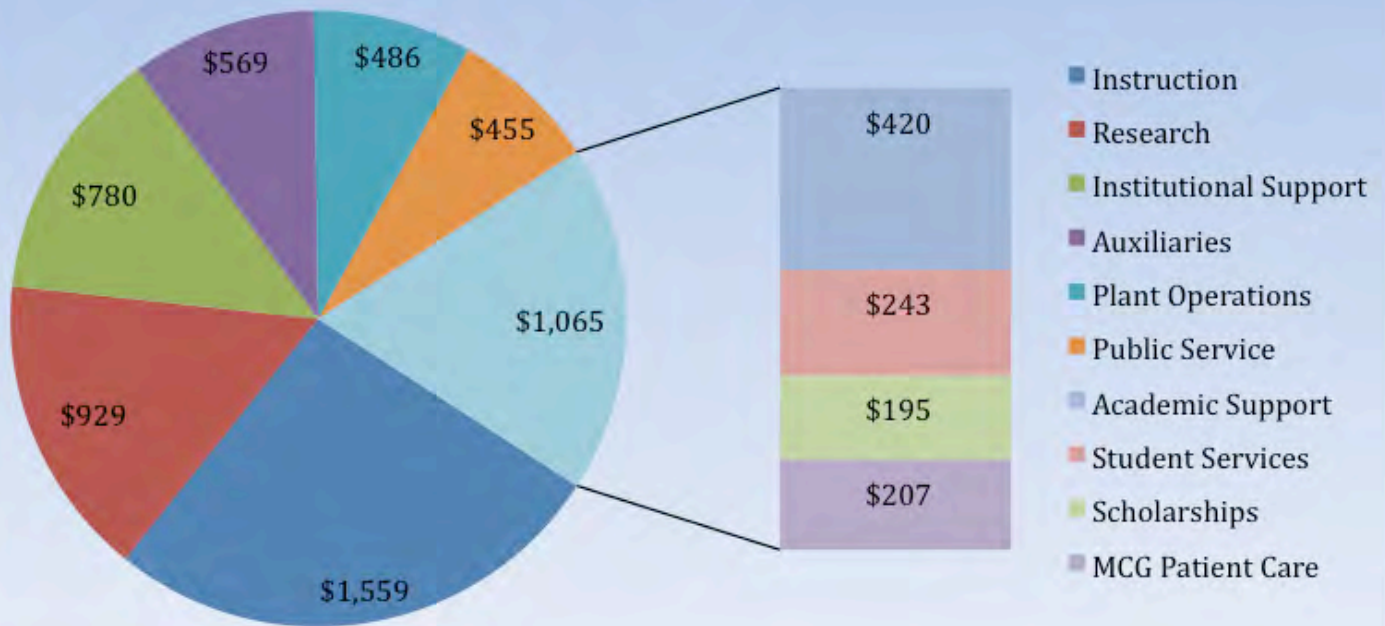
Grants and contracts revenue increased \$140 million (10%) in fiscal 2009. This increase is largely attributable to increased Pell grant revenues. Federal Stimulus grant revenue accounts for \$0.3 million in grant revenue in 2009; however, there is currently more than \$600 million in grants for which applications have been made by nineteen University System of Georgia institutions for FY2010.

Tuition and fee revenues increased \$124 million (13%) in fiscal 2009 when compared with fiscal 2008. Increased enrollment accounts for approximately \$48 million, or 5%. The balance of the increase in tuition and fee revenues is attributable to tuition and fee increases, including a mandatory “institutional fee” that was initiated during fiscal 2009 to partially meet the funding gap created by the reduction in State appropriations.

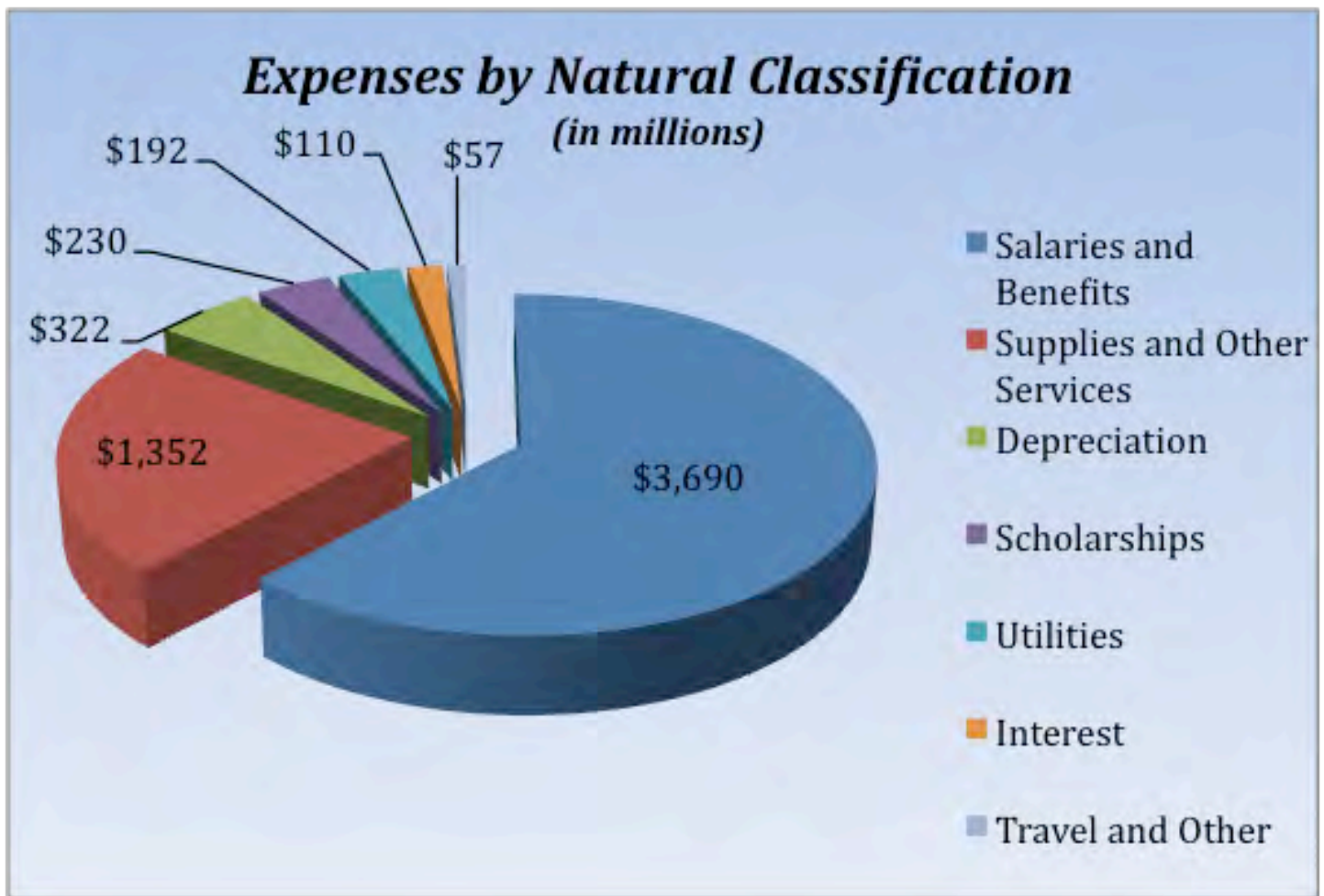
Auxiliary operations increased by 12% in both fiscal 2009 and fiscal 2008. The greatest component of this increase is attributable to Housing, which increased \$26 million. Other notable increases include Food Services (\$12 million); Transportation and Parking (\$9 million); and Intercollegiate Athletics (\$9 million).

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

Expenses by Functional Classification (in millions)



Total expenses were \$5,842 million in fiscal 2009, an increase of 8% over the fiscal 2008. These increases are primarily attributable to the following functional classifications: Instruction (\$130 million); Research (\$94 million); and Auxiliaries (\$71 million).



As noted above, total expenses increased 9% or \$476 million in fiscal 2009 when compared with fiscal 2008. The increases were substantially due to increased salaries and benefits (\$310 million) associated with increased enrollment in the University System of Georgia institutions, increased supplies and services expense (\$52 million), increased depreciation expense (\$45 million), increased scholarships (\$40 million), increased utilities expense (\$13 million). These increases were partially offset by a decrease in travel expense (\$8 million).

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 is concerned with operating cash flows and reflects the net cash used by the various operating activities of the University System. The second section is related to cash flows from non-capital financing activities. This section reflects the cash received and spent for capital financing purposes. The third section summarizes cash flows from capital and related financing activities and contains cash used for the acquisition and construction of capital and related items. The fourth section is comprised of the cash flows from investing activities and includes the purchases, proceeds and interest received from investing activities. The fifth, and final, section reconciles the net cash used to the operating income or loss as reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

Condensed Statement of Cash Flows for the Years Ended June 30, 2009 and 2008 (in millions)		
	June 30, 2009	June 30, 2008
Cash Provided (Used) by:		
Operating Activities	(\$2,025)	(\$1,912)
Non-Capital Financing Activities	2,447	2,315
Capital and Related Financing Activities	(464)	(398)
Investing Activities	37	35
<i>Net Change in Cash</i>	<i>(5)</i>	<i>40</i>
Cash, Beginning of Year	765	725
<i>Cash, End of Year</i>	<i>\$760</i>	<i>\$765</i>

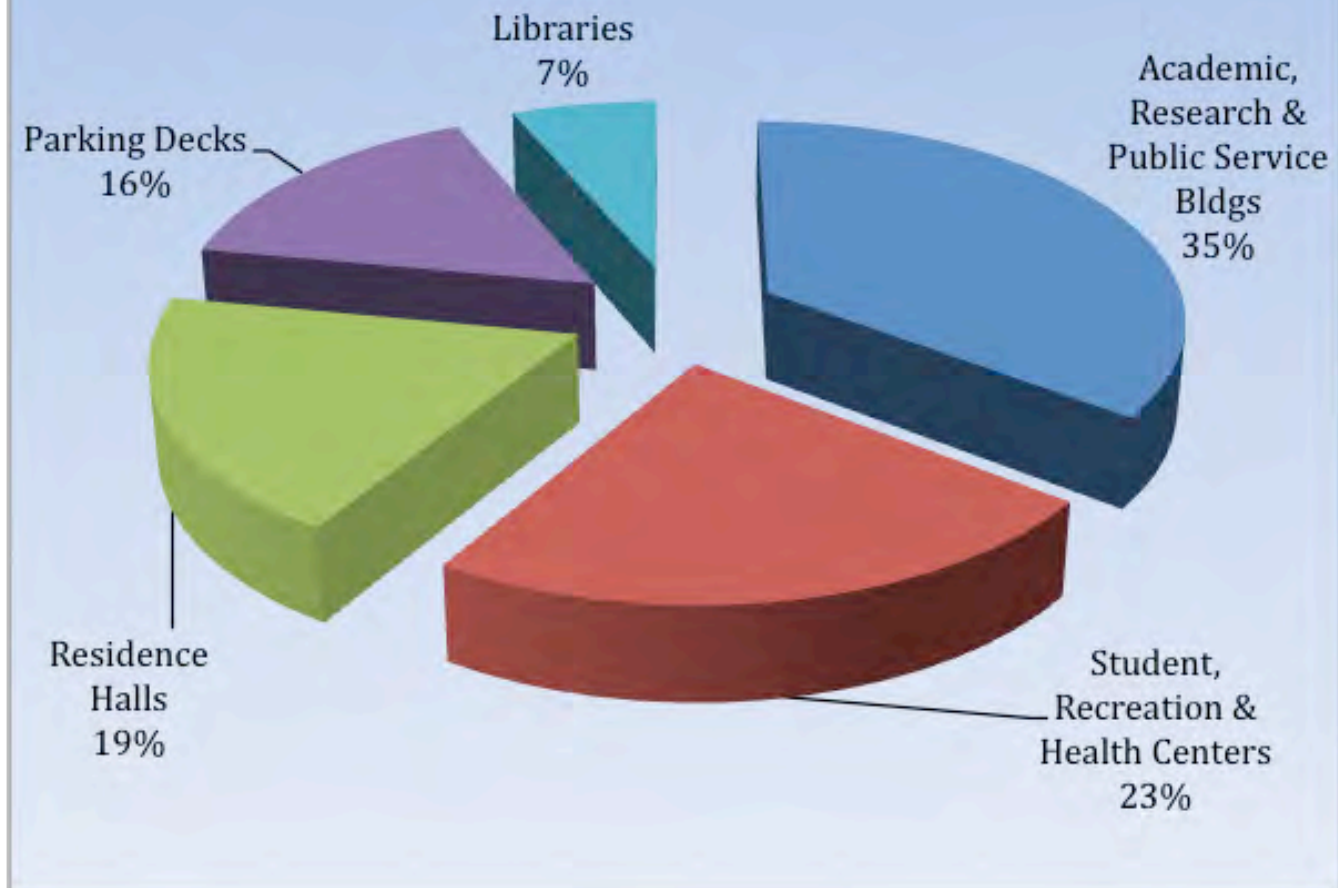
Capital Assets

Capital Assets, net of accumulated depreciation at June 30, 2009 and June 30, 2008, were as follows:

Capital Assets (net of accumulated depreciation) (in millions)	2009	2008	Inc (Dec)	% Change
<i>Capital Assets:</i>				
Land	\$228	\$197	\$31	15.7%
Construction in Progress	212	302	(90)	(29.8%)
Infrastructure, Facilities and Improvements	347	321	26	8.1%
Buildings and Improvements	4,179	3,738	441	11.8%
Equipment	355	325	30	9.2%
Capital Leases	1,195	839	356	42.4%
Library and other collections	208	198	10	5.1%
<i>Capital Assets, net of accumulated depreciation</i>	<i>\$6,724</i>	<i>\$5,920</i>	<i>\$804</i>	<i>13.6%</i>

The University System of Georgia added \$1.1 billion in capital assets, net during fiscal 2009, primarily in the Buildings and Capital Lease categories. The spending includes classroom buildings, libraries, student services, housing, parking, recreation centers, health services and other facilities necessary to support the mission of the University System of Georgia.

FY09 Major Capital Asset Additions



Long-Term Debt and Liabilities

The University System of Georgia had long-term debt and liabilities in FY 2009 of \$2.9 billion, excluding related party liabilities and deferred revenue. Non-current liabilities included lease purchase obligations of \$2.2 billion, compensated absences of \$173 million, net OPEB obligation of \$437 million, US DOE Settlement of \$548 thousand, notes and loans payable of \$2.2 million, and other non-current liabilities of \$1 million. Of these amounts, \$153 million was reflected as current liabilities at June 30, 2009.

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

Retiree Health Benefit Fund

In fiscal 2008, the University System Office established and became custodian of the Board of Regents Retiree Health Benefit Fund. This fund was authorized pursuant to the Official Code of Georgia Annotated Section 47-21-21 for the purpose of accumulating funds necessary to meet employer costs of retiree post-employee health insurance benefits.

The University System of Georgia implemented GASB Statements No. 43, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans, and No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions in fiscal 2008. Statement No. 45 requires reporting entities with single-employer OPEB plans to record an annual OPEB obligation for any unfunded annual OPEB cost, as defined in the statement. As a result of this requirement, the University System of Georgia carries a Net OPEB Obligation liability of \$437 million as of June 30, 2009. The Board of Regents is actively evaluating options to reduce this growing liability.

For additional information concerning the Retiree Health Benefit Fund, please refer to notes 1 and 14 in the Notes to the Financial Statements.

Affiliated Organizations

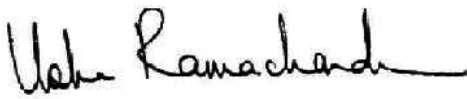
System-wide, there were seventeen affiliated organizations that met one or more criteria for component units of the State of Georgia in compliance with GASB Statement No. 39. These organizations are reported in the supplementary information section and also are reported in the State Comprehensive Annual Financial Report (CAFR) as discretely presented component units for fiscal 2009.

Economic Outlook

Fiscal 2009 has been particularly challenging in light of the global economic recession, and the Board, Chancellor, faculty, staff and students of the University System have met these challenges with energy, creativity and grace. The significant decrease in fiscal 2009 in State revenues resulted in a consequent significant decrease in State appropriations awarded to the University System. Although the University System of Georgia did receive formula fund increases related to enrollment growth, the fiscal 2009 overall budget was \$127.7 million less than the fiscal 2008 budget.

The Board of Regents and the thirty-five institutions of the University System of Georgia have managed the reductions in State appropriations through a number of cost-saving and efficiency measures. The employees of the University System of Georgia now are paying more for health insurance, will not receive pay raises and will take furlough days. University System of Georgia students were assessed a special fee to sustain excellence in the classroom. Other actions necessitated by budget reductions include increased class size, decreased class availability, reductions in hours at campus libraries and laboratories, and fewer staff to assist with advising and financial aid.

The Chancellor and the Board of Regents continue to be proactive in ensuring that all of the institutions that comprise the University System of Georgia continue to thrive despite significantly difficult economic conditions. During fiscal 2009, University System of Georgia institutions granted nearly 50,000 degrees, the recipients of which will be essential to the State's prosperity in future years. Enrollment growth is expected to continue in fiscal 2010 and beyond, which demonstrates the essential role of the University System in creating an educated workforce for the State of Georgia.



Usha Ramachandran
Vice Chancellor for Fiscal Affairs
University System of Georgia

University System of Georgia Statement of Net Assets June 30, 2009

ASSETS	
Current Assets	
Cash and Cash Equivalents	\$749,753,802
Short-term Investments	97,730,677
Accounts Receivable, net (note 3)	
Receivables - Federal Financial Assistance	90,692,016
Receivables - Other	259,313,060
Inventories (note 4)	25,087,845
Prepaid Items	75,459,442
Other Assets	57,220
Total Current Assets	<u>1,298,094,062</u>
Noncurrent Assets	
Noncurrent Cash (Externally Restricted)	10,401,533
Short-term Investments (Externally Restricted)	11,322,263
Investments (Externally Restricted)	24,747,759
Investments	107,122,924
Notes Receivable, net	47,941,869
Capital Assets, net (note 6)	6,724,015,636
Other Assets	1,273,102
Total Noncurrent Assets	<u>6,926,825,086</u>
TOTAL ASSETS	<u>8,224,919,148</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	137,941,419
Salaries Payable	20,942,230
Benefits Payable	22,099,867
Contracts Payable	15,855,765
Deposits	32,897,919
Deferred Revenue (note 7)	251,088,890
Other Liabilities	8,886,922
Deposits Held for Other Organizations	71,100,855
Lease Purchase Obligations	54,563,680
Compensated Absences	98,252,184
US DOE Settlement	246,408
Notes and Loans Payable	128,368
Total Current Liabilities	<u>714,004,507</u>
Noncurrent Liabilities (note 8)	
Lease Purchase Obligations	2,185,411,286
Deferred Revenue	8,702,473
Net OPEB Obligation	437,225,000
Compensated Absences	75,183,603
Other Liabilities	830,359
US DOE Settlement	301,372
Notes and Loans Payable	2,051,220
Total Noncurrent Liabilities	<u>2,709,705,313</u>
TOTAL LIABILITIES	<u>3,423,709,820</u>
NET ASSETS	
Invested in Capital Assets, net of related debt	4,486,462,577
Restricted for	
Nonexpendable	122,778,772
Expendable	225,438,329
Capital Projects	13,961,621
Unrestricted	(47,431,971)
TOTAL NET ASSETS	<u><u>\$4,801,209,328</u></u>

University System of Georgia

Statement of Revenues, Expenditures, and Changes in Net Assets

June 30, 2009

REVENUES

Operating Revenues	
Student Tuition and Fees (net of allowance for doubtful accounts)	\$1,350,222,103
Less: Scholarship Allowances	(291,602,423)
Federal Appropriations	17,643,764
Grants and Contracts	
Federal	557,801,157
Federal Stimulus	267,910
State	250,609,255
Other	432,003,515
Sales and Services	110,267,057
Rents and Royalties	3,197,071
Auxiliary Enterprises	
Residence Halls	221,929,577
Bookstore	81,898,280
Food Services	112,393,535
Parking/Transportation	61,721,879
Health Services	41,608,320
Intercollegiate Athletics	77,645,796
Other Organizations	32,463,736
Other Operating Revenues	104,495,784
Total Operating Revenues	<u>3,164,566,316</u>

EXPENSES

Operating Expenses	
Salaries:	
Faculty	1,132,208,313
Staff	1,588,667,475
Employee Benefits	968,843,690
Other Personal Services	8,474,439
Travel	48,461,636
Scholarships and Fellowships	230,473,115
Utilities	191,560,265
Supplies and Other Services	1,351,578,874
Depreciation	322,286,173
Total Operating Expenses	<u>5,842,553,980</u>
Operating Income (loss)	<u>(2,677,987,664)</u>

University System of Georgia

Statement of Revenues, Expenditures, and Changes in Net Assets continued

June 30, 2009

NONOPERATING REVENUES (EXPENSES)

State Appropriations	2,020,105,645
Federal Stimulus - Stabilization Funds	17,189,581
Grants and Contracts	
Federal	287,247,917
Federal Stimulus	8,264
State	2,785,495
Other	44,572,238
Gifts	79,952,157
Investment Income (endowments, auxiliary and other)	19,822,626
Interest Expense (capital assets)	(109,626,524)
Other Nonoperating Revenues (Expenses)	(10,877,978)
Net Nonoperating Revenues	<u>2,351,179,421</u>
Income before other revenues, expenses, gains, or loss	<u>(326,808,243)</u>
Capital Grants and Gifts	
Federal	735,573
State	316,717,491
Other	40,444,273
Loss on Bond Retirement	
Special Item - Capital Asset Transfer	(520,421)
Additions to Permanent Endowments	
Total Other Revenues and Special Items	<u>357,376,916</u>
Increase (Decrease) in Net Assets	<u>30,568,673</u>

NET ASSETS

Net Assets-beginning of year, as originally reported	4,788,337,228
Prior Year Adjustments	(17,696,573)
Net Assets-beginning of year, restated	<u>4,770,640,655</u>
Net Assets-End of Year	<u><u>\$4,801,209,328</u></u>

University System of Georgia

Statement of Cash Flows

June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees	\$1,091,207,034
Federal Appropriations	19,477,288
Grants and Contracts (Exchange)	1,212,675,700
Sales and Services of Educational Departments	105,544,395
Payments to Suppliers	(2,253,567,262)
Payments to Employees	(2,722,940,300)
Payments for Scholarships and Fellowships	(230,950,328)
Loans Issued to Students and Employees	(13,717,443)
Collection of Loans to Students and Employees	13,343,537
Auxiliary Enterprise Charges:	
Residence Halls	220,064,647
Bookstore	87,464,376
Food Services	119,088,385
Parking/Transportation	63,522,748
Health Services	41,830,230
Intercollegiate Athletics	77,666,194
Other Organizations	30,491,361
Other Receipts (payments)	113,907,198
Net Cash Provided (used) by Operating Activities	(2,024,892,240)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State Appropriations	2,020,105,645
Federal Stimulus - Stabilization Funds	17,189,581
Agency Funds Transactions	(13,951,485)
Gifts and Grants Received for Other Than Capital Purposes	409,177,582
Principal Paid on Installment Debt	(1,057,509)
Interest Paid on Installment Debt	(253,693)
Other Nonoperating Receipts	16,073,191
Net Cash Flows Provided by Non-capital Financing Activities	2,447,283,312

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Grants and Gifts Received	125,404,701
Proceeds from sale of Capital Assets	3,745,236
Purchases of Capital Assets	(434,403,886)
Principal Paid on Capital Debt and Leases	(53,021,002)
Interest Paid on Capital Debt and Leases	(105,444,116)
Net Cash used by Capital and Related Financing Activities	(463,719,067)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	61,283,378
Interest on Investments	38,347,454
Purchase of Investments	(62,798,052)
Net Cash Provided (used) by Investing Activities	36,832,780
Net Increase/Decrease in Cash	(4,495,215)
Cash and Cash Equivalents - Beginning of year	764,650,550
Cash and Cash Equivalents - End of Year	\$760,155,335

University System of Georgia

Statement of Cash Flows continued

June 30, 2009

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

Operating Income (loss)	(\$2,677,987,664)
Adjustments to Reconcile Net Income (loss) to Net Cash Provided (used) by Operating Activities	
Depreciation	322,286,173
Change in Assets and Liabilities:	
Receivables, net	(21,938,803)
Inventories	(2,105,442)
Other Assets	(225,575)
Prepaid items	3,305,348
Notes Receivable, Net	412,593
Accounts Payable	19,422,916
Deferred Revenue	39,151,644
Benefits Payable	725
Lease Purchase Obligations	60,621
Other Liabilities	7,952,947
Net OPEB Obligation	278,983,992
Compensated Absences	5,788,285
Net Cash Provided (used) by Operating Activities	<u><u>(\$2,024,892,240)</u></u>

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

Fixed assets acquired by incurring capital lease obligations	<u>\$430,153,067</u>
Non-capital items acquired by incurring capital lease obligations	<u>\$2,010,574</u>
Change in fair value of investments recognized as a component of interest income	<u>(\$18,545,370)</u>
Special Item - Altamaha Technical College Equipment Transfer	<u>(\$520,421)</u>
Change in accrued interest payable affecting interest paid	<u>(\$4,239,934)</u>
Gifts other than capital assets reducing proceeds of grants & gifts for other than capital assets	<u>(\$2,011,568)</u>
Gift of capital assets reducing proceeds of capital grants and gifts	<u>(\$231,673,500)</u>
Reduction in Capital Lease Obligation	<u>\$1,548,591</u>

University System of Georgia
Statement of Fiduciary Net Assets
Board of Regents Retiree Health Benefit Fund
June 30, 2009

ASSETS	
Cash and Cash Equivalents	\$7,245,899
Receivables	<u>9,947,431</u>
TOTAL ASSETS	<u>17,193,330</u>
LIABILITIES	
Benefits payable	<u>6,626,917</u>
TOTAL LIABILITIES	<u>6,626,917</u>
NET ASSETS	
Net assets held in trust for other postemployment benefits	<u><u>\$ 10,566,413.00</u></u>

University System of Georgia
Statement of Changes in Fiduciary Net Assets
Board of Regents Retiree Health Benefit Fund
June 30, 2009

ADDITIONS

Contributions	
Employer	\$68,115,966
Plan member	26,213,842
Total Contributions	<u>94,329,808</u>
Investment Income	
Net appreciation/(depreciation) in	
Interest/dividends	<u>252,985</u>
Total Additions	<u>94,582,793</u>

DEDUCTIONS

Benefits	77,081,618
Life Insurance Premium Expense	4,224,627
Administrative expense	3,000,389
Total Deductions	<u>84,306,634</u>

NET INCREASE/(DECREASE)	10,276,159
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**NET ASSETS HELD IN TRUST FOR
OTHER POST-EMPLOYMENT
BENEFITS**

Beginning of year	<u>290,254</u>
End of year	<u><u>\$10,566,413</u></u>

UNIVERSITY SYSTEM OF GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2009

Note 1. Summary of Significant Accounting Policies

Nature of Operations

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

Reporting Entity

The University System of Georgia, an organizational unit of the State of Georgia, is comprised of thirty-five (35) State supported member institutions of higher education in Georgia, the Skidaway Institute of Oceanography and the University System Office. The University System Office also is the custodian of a Fiduciary Fund for retiree health and life insurance benefits. The accompanying financial statements reflect the operations of the University System Office as a separate reporting entity and as custodian of the Board of Regents Retiree Health Benefit Fund.

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

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

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.

As a result of creating the Board of Regents Retiree Health Benefit Fund, the Board of Regents implemented the provisions of GASB Statement Nos. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions in fiscal 2008. The financial statements for the plan are presented directly after the University System of Georgia Enterprise Fund financial statements and include a Statement of Changes in Fiduciary Net Assets. See Note 14 - Post Employment Benefits Other Than Pension Benefits for additional information regarding this fund.

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, most institutions of the University System of Georgia 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 and fiduciary 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, 2009, GSFIC transferred capital additions valued at approximately \$249 million to the University System of Georgia. This includes projects completed during fiscal 2009 and additional expenditures for projects completed in prior years. This resulted in a cumulative total of capital additions transferred by GSFIC to the University System of approximately \$2.7 billion as of June 30, 2009.

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 \$167,586,877 as of July 1, 2008. For fiscal 2009, \$120,980,105 was earned in compensated absences and employees were paid \$115,131,195 for a net increase of \$5,848,910. The ending balance as of June 30, 2009 in accrued liability for compensated absences was \$173,435,787.

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, 2009</u>
Restricted - E&G and Other Organized Activities	\$130,739,851
Federal Loans	44,963,412
Institutional Loans	22,212,213
Term Endowments	3,957,760
Quasi-Endowments	22,573,922
Health Insurance Reserve	991,171
Total Restricted Expendable	<u><u>\$225,438,329</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.

	<u>June 30, 2009</u>
R & R Reserve	\$133,647,945
Reserve for Encumbrances	203,665,595
Reserve for Inventory	3,313,940
Other Unrestricted	<u>(388,059,451)</u>
Total Unrestricted Net Assets	<u><u>(\$47,431,971)</u></u>

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

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, investment income, and certain Federal and state financial aid grants.

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 \$4.3 million in allowances.

Special Items

Special Items reported in fiscal 2009:

College of Coastal Georgia - Capital Asset Transfer	<u>\$ (520,421)</u>
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College of Coastal Georgia transferred equipment to Altamaha Technical College effective June 1, 2009. The equipment was transferred at its historical cost of \$1,761,581 with an accumulated depreciation balance of \$1,241,160, for a net transfer of (\$520,421) as of June 1, 2009. 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.

Restatement of Prior Year Balances

The following institutions had restatements of prior year balances in fiscal 2009:

Prior Year Adjustments:

Georgia Institute of Technology	\$ (32,054,015)
University of Georgia	5,493,473
Georgia Southern University	6,303,765
Armstrong Atlantic State University	(639,004)
Georgia Southwestern State University	(2,319,321)
Georgia Perimeter College	(529,159)
University System Office	<u>6,047,688</u>
Total	<u>\$ (17,696,573)</u>

Georgia Institute of Technology

Georgia Institute of Technology has a restatement of prior year net assets decreasing beginning net assets by (\$32,054,015). During FY2009 the Institute initiated a project to better track cost and depreciation for Buildings, Facilities and Other Improvements (FOI) and Infrastructure using PeopleSoft Financials. During the review of cost and depreciation for these assets, the Institute recognized that the methodology being used to calculate asset cost and depreciation for non-research buildings did not follow BOR policy.

After a complete review of these assets, it was determined that Capital Assets had been overstated by \$28,791,989. To correctly reflect carrying values, the beginning balance for Capital Assets, Being Depreciated for Buildings was restated and reduced by \$21,059,336. The beginning balance for Accumulated Depreciation for Buildings and Building Improvements was restated and increased by \$6,595,239. The beginning balance for Accumulated Depreciation for Infrastructure was restated and increased by \$1,050,001. The beginning balance for Accumulated Depreciation for FOI was restated and increased by \$87,413. Net Assets – Invested in Capital Assets, Net of Related Debt, was decreased by (\$28,791,989).

In addition, Capital Assets Building and Building Improvements and Lease Purchase Obligations were understated due to an omission of capital leases in the amount of \$12,121,223 and \$15,383,249, respectively. The Institute restated Beginning Net Assets for this omission. The net effect of these restatements on Beginning Net Assets was (\$3,262,026).

University of Georgia

University of Georgia has a restatement of prior year net assets increasing beginning net assets by \$5,493,473. As a result of the adoption of GASB Statement No. 52, Land and Other Real Estate Held as Investments by Endowments, the University had real property held by endowments appraised to meet the reporting requirement of endowment held land and other real estate investments at fair value.

Georgia Southern University

Georgia Southern University has a restatement of prior year net assets increasing beginning net assets by \$6,303,765. During fiscal year 2009, the University determined that Paulsen Stadium, a fiscal year 2005 addition, was not recorded on the Capital Asset records. To correctly reflect carrying values, the beginning balance for Building was restated and increased by \$7,004,183. The beginning balance for accumulated depreciation on Building was restated and increased by \$700,418.

Armstrong Atlantic State University

Armstrong Atlantic State University has a restatement of prior year net assets decreasing beginning net assets by (\$639,004). The first decrease to net assets was due to a decrease in capital assets of (\$168,707) for electronic library media that did not meet the criteria for capitalization. The second decrease in net assets was due to an accumulated depreciation increase of (\$311,744) from the recalculation of prior period depreciation expense related to library collections. The final restatement was a (\$158,553) decrease in net assets related to the reversal of an accounts receivable correction entry done in a prior year.

Georgia Southwestern State University

Georgia Southwestern State University has a restatement of prior year net assets decreasing beginning net assets by (\$2,319,321). In fiscal 2009, the University determined that the Pines/Oaks Residence Halls rental agreement with the Georgia Southwestern Foundation met the criteria for capital lease treatment. This agreement commenced in fiscal 2007 and was accounted for as an operating lease through fiscal 2008. The lease treatment correction resulted in an increase to Capital Assets, net of \$23,481,899, an increase to Lease Purchase Obligations liability of \$25,801,220, resulting in a net decrease to Net Assets of (\$2,319,321) as of July 1, 2008.

Georgia Perimeter College

Georgia Perimeter College has a restatement of prior year net assets decreasing beginning net assets by (\$529,159). The adjustment was due to a capital lease that commenced in fiscal 2007 but was treated as an operating lease. Beginning Capital Assets, net increased by \$22,314,216, and beginning Lease Purchase Obligations increased by \$22,843,375 as a result of the correction in lease treatment.

University System Office

University System Office has a restatement of prior year net assets increasing beginning net assets by \$6,047,688. Expenditures totaling \$5,569,463 that were incurred during fiscal years 2007 and 2008 for the University System Office's upgrade of financial systems, met criteria for capitalization under the University System Office's capitalization policy and have been corrected through restatement of beginning net assets.

Accumulated Depreciation amounts totaling \$478,225 were adjusted in fiscal 2009 for equipment assets that had either been retired or sold in previous years.

Note 2. Deposits and Investments

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, 2009, the carrying values of deposits were \$340,088,694 and the bank balances were \$409,635,954. Of the University System's deposits, \$398,714,159 were uninsured. Of these uninsured deposits, \$167,175,880 were collateralized with securities held by the financial institution's trust department or agent in the University System's name, \$184,824,155 were collateralized with securities held by the financial institution, by its trust department or agency, but not in the University System's name and \$46,714,124 were uncollateralized.

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, 2009 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
Investment type					
<u>Debt Securities</u>					
U.S. Treasuries	\$31,663,917	\$226,150	\$18,284,991	\$10,995,048	\$2,157,728
U.S. Agencies - Explicitly Guaranteed	659,196	30,317	33,166	2,599	593,114
U.S. Agencies - Implicitly Guaranteed	197,904,424	32,829,418	35,547,927	7,676,427	121,850,652
Corporate Debt	2,401,891	119,861	1,318,128	960,746	3,156
General Obligation Bonds	1,069,245		130,580	938,665	
Municipal Obligation	5,000	5,000			
Mutual Bond Fund	28,013,476		23,178,171	4,835,305	
Repurchase Agreements	8,092,008	8,092,008			
	<u>\$269,809,157</u>	<u>\$41,302,754</u>	<u>\$78,492,963</u>	<u>\$25,408,790</u>	<u>\$124,604,650</u>
<u>Other Investments</u>					
Bond/Fixed Income Mutual Funds	4,417,315				
Equity Mutual Funds	64,935,351				
Equity Securities - Domestic	3,410,403				
Real Estate Held for Investment Purposes	6,075,938				
Real Estate Investment Fund	2,435,631				
Cash Surrender Value	9,209				
<u>Investment Pools</u>					
Office of Treasury and Fiscal Services					
Georgia Fund 1	303,958,357				
Georgia Extended Asset Pool	6,610,528				
	<u>\$661,661,889</u>				

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 41 days at June 30, 2009.

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 \$2.04 at June 30, 2009. 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, 2009 was .97 years.

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

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

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

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

Short Term Fund

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

Legal Fund

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

Balanced Income Fund

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

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

Total Return Fund

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

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

Diversified Fund

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

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

- 1. 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.
- 2. 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.
- 3. Venture Capital/Private Equity/Post Venture Capital** – This asset class is the riskiest and most volatile permitted investment opportunity. This asset should be considered as an additional diversification investment strategy due to the low correlation with stock and bonds.

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

Condensed financial information for the investment pool follows:

<u>Regents Investment Pool</u> <u>Statement of Net Assets</u> <u>June 30, 2009</u>		<u>Regents Investment Pool</u> <u>Statement of Changes in Net Assets</u> <u>For the Fiscal Year Ended June 30, 2009</u>	
<u>Assets</u>		<u>Additions</u>	
Investments	\$ 169,216,147	Pool Participant Deposits	\$ 60,895,765
Accrued Interest/Receivables	<u>(62,162)</u>	Investment Income	
Net Assets	\$ <u>169,153,985</u>	Interest	6,835,724
		Fair Value Decreases	(12,916,445)
		Less: Investment Expense	<u>(393,363)</u>
		Total Additions	\$ <u>54,421,681</u>
<u>Distribution of Net Assets</u>		<u>Deductions</u>	
External Participant Account Balance	\$ 11,270,651	Pool Participant Withdrawals	\$ <u>(84,188,444)</u>
Internal Participant Account Balance	<u>157,883,334</u>	Net Decrease	\$ (29,766,762)
	\$ <u>169,153,985</u>		
		<u>Net Assets</u>	
		July 1, 2008	\$ <u>198,920,747</u>
		June 30, 2009	\$ <u>169,153,985</u>

Investment Risks:

Interest Rate Risk

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

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

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the University System of Georgia will not be able to recover the value of the investment or collateral securities that are in

the possession of an outside party. The University System of Georgia's policy for managing custodial credit risk for investments is:

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

At June 30, 2009, \$241,290,162 of the University System of Georgia's applicable investments were uninsured and held by the investment's counterparty in the University System's name, and \$3,572,209 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 of Georgia's policy for managing credit quality risk is contained in the investment policy guidelines for the various pooled investment funds:

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

The University System investments subject to credit quality risk follow:

	Fair Value	AAA	AA	A	BAA	Unrated
Related Debt Investments						
U. S. Agencies	\$197,904,424	\$4,352,744	\$0	\$0	\$0	\$193,551,680
Corporate Debt	2,401,891	89,770	547,003	1,355,173	395,406	14,539
General Obligation Bonds	1,069,245	1,069,245				
Municipal Obligation	5,000	5,000				
Mutual Bond Fund	28,013,476		719,740			27,293,736
Repurchase Agreements - Underlying						
U. S. Agency Securities	8,092,008					8,092,008
	<u>\$237,486,044</u>	<u>\$5,516,759</u>	<u>\$1,266,743</u>	<u>\$1,355,173</u>	<u>\$395,406</u>	<u>\$228,951,963</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 of Georgia's policy for managing concentration of credit risk is to diversify investments to the extent that any single issuer shall be limited to 5% of the market value in a particular investment fund. The following U.S. Agency investments exceeded 5% of the total reported investment amount as of June 30, 2009:

<u>Investment:</u>	<u>Amount</u>	<u>% of Total</u>
Federal National Mortgage Association	\$154,260,776	23%
Federal Home Loan Mortgage Corporation	\$ 41,015,346	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.

At June 30, 2009, \$359,683, or less than 0.05% of total investments, was invested in international equity mutual funds.

Note 3. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2009:

Student Tuition and Fees	\$29,927,896
Auxiliary Enterprises and Other Operating Activities	13,936,219
Federal Financial Assistance	90,692,016
Georgia State Financing and Investment Commission	12,024,061
Due from Component Units	111,794,995
Other	107,951,497
Sub Total	<u>366,326,684</u>
Less: Allowance for Doubtful Accounts	<u>(16,321,608)</u>
Net Accounts Receivable	<u><u>\$350,005,076</u></u>

Note 4. Inventories

Inventories consisted of the following at June 30, 2009:

	<u>June 30, 2009</u>
Bookstore	\$15,776,146
Food Services	2,227,202
Physical Plant	3,924,481
Other	3,160,016
Total	<u>\$25,087,845</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, 2009. 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, 2009 the allowance for uncollectible loans was \$2,768,656.

Note 6. Capital Assets

The following are changes in capital assets for the year ended June 30, 2009:

	Restated Beg. Bal July 1, 2008	Special Item Transfer	Additions	Reductions	End. Bal. June 30, 2009
Capital Assets, Not Being Depreciated:					
Land	\$196,964,848	\$0	\$31,120,193	\$100,053	\$227,984,988
Capitalized Collections	33,541,687		5,903,086	19,174	39,425,599
Construction Work-in-Progress	302,259,644		175,448,317	265,259,437	212,448,524
Total Capital Assets Not Being Depreciated	532,766,179	0	212,471,596	265,378,664	479,859,111
Capital Assets, Being Depreciated:					
Infrastructure	223,344,707		12,345,601	876,316	234,813,992
Building and Building Improvements	5,266,769,831		601,102,556	29,408,074	5,838,464,313
Facilities and Other Improvements	244,461,428		28,886,504	428,271	272,919,661
Equipment	1,081,919,198	(1,761,581)	123,957,196	72,766,162	1,131,348,651
Capital Leases	975,980,296		362,349,700	1,214,732	1,337,115,264
Library Collections	660,074,913		34,379,624	1,968,043	692,486,494
Capitalized Collections	1,467,776		43,562		1,511,338
Total Assets Being Depreciated	8,454,018,149	(1,761,581)	1,163,064,743	106,661,598	9,508,659,713
Less: Accumulated Depreciation					
Infrastructure	61,264,875		6,896,207	183,568	67,977,514
Buildings	1,538,165,265		141,214,666	19,706,890	1,659,673,041
Facilities and Other improvements	86,434,478		7,034,636	324,177	93,144,937
Equipment	751,078,999	(1,241,160)	86,066,814	59,800,522	776,104,131
Capital Leases	91,551,190		50,710,909	460,966	141,801,133
Library Collections	496,801,327		30,329,115	1,835,346	525,295,096
Capitalized Collections	474,540		33,826	1,030	507,336
Total Accumulated Depreciation	3,025,770,674	(1,241,160)	322,286,173	82,312,499	3,264,503,188
Total Capital Assets, Being Depreciated, Net	5,428,247,475	(520,421)	840,778,570	24,349,099	6,244,156,525
Capital Assets, net	<u>\$5,961,013,654</u>	<u>(\$520,421)</u>	<u>\$1,053,250,166</u>	<u>\$289,727,763</u>	<u>\$6,724,015,636</u>

Note 7. Deferred Revenue

Deferred revenue (current) consisted of the following at June 30, 2009:

	June 30, 2009
Prepaid Tuition and Fees	\$152,925,761
Research	44,395,049
Other Deferred Revenue	53,768,080
Totals	<u>\$251,088,890</u>

Note 8. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2009 was as follows:

	Restated Beg. Bal July 1, 2008	Additions	Reductions	End. Bal. June 30, 2009	Current Portion
Leases					
Lease Obligations	\$1,858,733,231	\$436,403,575	\$55,161,840	\$2,239,974,966	\$54,563,680
Other Liabilities					
Compensated Absences	167,586,877	120,980,105	115,131,195	173,435,787	98,252,184
Net OPEB Obligation	158,241,008	278,983,992		437,225,000	
US DOE Settlement (Fort Valley)	746,126		198,346	547,780	246,408
Notes & Loans	2,446,504		266,916	2,179,588	128,368
Other Liabilities	0	958,692		958,692	128,333
Total	329,020,515	400,922,789	115,596,457	614,346,847	98,755,293
Total Long Term Obligations	\$2,187,753,746	\$837,326,364	\$170,758,297	\$2,854,321,813	\$153,318,973

Note 9. Significant Commitments

The University System of Georgia had significant unearned, outstanding, construction or renovation contracts executed in the amount of \$106,787,693 as of June 30, 2009.

In addition, certain institutions executed rental agreements for student housing and/or other facilities during fiscal 2009; however, these agreements will not commence until fiscal 2010 or later. The rental agreements are long-term in nature, with annually renewable lease terms. The projects and the present value of the minimum lease payments over the life of the rental agreements can be seen below:

<u>Institution</u>	<u>Commitment Amount</u>	<u>Project</u>
Valdosta State University	\$ 30,400,000	Student Housing
Georgia College & State University	8,264,570	Bookstore and Theater
Kennesaw State University	23,000,000	Dining Hall
University of West Georgia	46,000,000	Greek Village and Athletic Complex
Dalton State College	7,000,000	Parking Deck
Gainesville State College	5,368,000	Parking Deck
Georgia Gwinnett College	89,000,000	Student Housing
Middle Georgia College	49,461,998	Student Housing
Darton College	18,000,000	Student Center
Georgia Perimeter College	15,800,000	Student Learning Center and International Center
South Georgia College	14,411,000	Student Housing
Total	<u>\$ 306,705,568</u>	

Georgia State University entered into a lease agreement, which is not reflected in the schedule above, with Panther Place, LLC in May 2007, for a complex of buildings collectively known as “25 Park Place”. The lease agreement commences the day after the lease agreement between Panther Place, LLC, and SunTrust Bank has been terminated but no later than May 31, 2012. After the termination of the SunTrust lease and the University’s lease has commenced, the University will have the exclusive right, privilege, and option of renewing or extending the agreement at the expiration of the initial one year term on a year-to-year basis for consecutive one-year periods until June 30, 2037.

The amounts above 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 \$2.2 billion in capital lease liability as of June 30, 2009. Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between fiscal 2010 and 2039. Expenditures for fiscal year 2009 were \$164,788,364 of which \$109,626,524 represented interest. Total principal reductions on capital leases were \$55,161,840 for the fiscal year ended June 30, 2009. Of the \$109,626,524 in interest expenditures, approximately \$4,239,934 was added to outstanding principal during fiscal 2009. Interest rates range from 1.64 percent to 15.4 percent.

The following is a summary of the carrying values of assets held under capital lease at June 30, 2009:

Land	\$26,484,993
Infrastructure	53,171,540
Buildings	87,188,533
Facilities	2,235,179,007
Equipment	934,713
Subtotal	<u>2,402,958,786</u>
Less: Accumulated Depreciation	<u>(247,833,950)</u>
Total Assets Held Under Capital Lease	<u><u>\$2,155,124,836</u></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.

Capital lease additions during fiscal 2009 are summarized below:

<u>Institution</u>	<u>Project</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Lease Expiration</u>
Georgia State University	Rialto Center	\$ 4,215,000	6.73%	2015
University of Georgia	Tate Center Parking Deck	13,400,000	8.71%	2037
University of Georgia	Tate Center Expansion	39,333,995	7.33%	2038
Georgia Southern University	University Villas Housing	13,360,301	5.26%	2038
Valdosta State University	Hopper Hall - Housing	27,484,345	4.55%	2039
Valdosta State University	Oak Street Parking Deck	24,869,880	4.65%	2039
Valdosta State University	Sustella Parking Deck	21,468,631	4.65%	2039
Valdosta State University	Student Health Center	12,221,729	4.65%	2039
Valdosta State University	Athletic Field House	5,994,383	4.55%	2029
Clayton State University	Residence Hall	24,911,748	4.83%	2038
Clayton State University	Student Recreation Center	21,037,011	4.83%	2038
Fort Valley State University	Wildcat Commons Phase II	19,603,070	4.85%	2038
Kennesaw State University	Center Parking Deck	32,625,518	5.94%	2038
Kennesaw State University	Classroom space	1,637,679	9.00%	2039
North Georgia College and State University	Recreation Center/Parking Deck	26,001,722	5.02%	2037
Savannah State University	University Commons Housing	24,586,826	4.66%	2033
University of West Georgia	Parking Lots 1 and 2	5,080,193	5.20%	2039
Gainesville State College	Athens Center	7,660,088	4.00%	2027
Georgia Gwinnett College	Student Recreation Center	6,244,691	4.68%	2032
Georgia Gwinnett College	Student Success Building	7,817,549	4.68%	2032
Gordon College	Village II Housing	18,890,190	4.71%	2038
Middle Georgia College	Regents Residence Hall	13,718,412	5.08%	2038
Georgia Perimeter College	Dunwoody Parking Deck	8,436,012	4.81%	2035
Georgia Perimeter College	Clarkston Parking Deck	8,281,580	4.81%	2035
Georgia Perimeter College	Clarkston Student Success Center	6,015,435	4.81%	2035
Georgia Perimeter College	Dunwoody Student Success Center	9,358,859	4.81%	2035
Georgia Perimeter College	Decatur Student Success Center	9,002,865	4.81%	2035
Various - 3rd Party Leases	Equipment, furniture and fixtures	23,145,863		
Total		<u>\$ 436,403,575</u>		

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 2010 through 2033. 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 2009 was \$33,980,083.

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, 2009, are as follows:

Year Ending June 30, 2009:	Year	<u>Capital Leases</u>	<u>Operating Leases</u>
2010	1	\$170,264,173	\$29,342,719
2011	2	169,984,896	10,655,669
2012	3	165,320,498	10,223,297
2013	4	164,985,675	9,794,336
2014	5	169,180,303	4,303,710
2015 through 2019	6-10	835,309,783	12,916,689
2020 through 2024	11-15	831,753,308	11,294,659
2025 through 2029	16-20	825,486,117	9,161,131
2030 through 2034	21-25	605,092,350	2,440,023
2035 through 2039	26-30	235,149,069	
Total minimum lease payments		<u>4,172,526,172</u>	<u>\$100,132,233</u>
Less: Interest		(1,862,634,434)	
Less: Executory costs		(69,916,772)	
Principal Outstanding		<u>\$2,239,974,966</u>	

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 2009, 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>
2009	100%	\$128,072,380
2008	100%	\$122,832,156
2007	100%	\$115,443,652

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. Employees hired on or after July 1, 1982, but prior to January 1, 2009 are "new plan" members subject to the modified plan provisions. Effective January 1, 2009, newly hired State employees, as well as rehired State employees who did not maintain eligibility for the "old" or "new" plan, are members of the Georgia State Employees' Pension and Savings Plan (GSEPS). ERS members hired prior to January 1, 2009 also have the option to change their membership to the GSEPS plan.

Under 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, 2009 for employees covered by ERS was \$6,568,751. The University System of Georgia's total payroll for all employees was \$2,720,875,788.

For the year ended June 30, 2009 under the old plan, member contributions consist of 4% of annual compensation up to \$4,200 plus 6% of annual compensation in excess of \$4,200. Of these member contributions, the employee pays the first 1.25% and the University System of Georgia pays the remainder on behalf of the employee.

Under the new plan and GSEPS, member contributions consist solely of 1.25% 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, 2009, 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.

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>
2009	100%	\$687,652
2008	100%	\$602,995
2007	100%	\$485,973

Actuarial and Trend Information

Actuarial and historical trend information is presented in the ERS June 30, 2009 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 2009, the employer contribution was 8.15% for the first six months and 9.24% 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 \$78,703,816 (8.15% or 9.24%) and \$45,379,385 (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 2009 amounted to \$7,059,600, 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. 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, a fully insured HSA/High Deductible PPO healthcare plan and two fully insured HMO healthcare plan options are also offered to System employees.

Express Scripts was the administrator of the Board of Regents' prescription drug plan through December 31, 2008. Effective January 1, 2009, the prescription drug plan is administered through Medco Health Solutions. Pharmacy drug claims are processed in accordance with guidelines established for the Board of Regents' Prescription Drug Benefit Program. Generally, claims are submitted by participating pharmacies directly to Medco Health Solutions for verification, processing and payment. Medco Health Solutions 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 employees and retirees for the fiscal years ended June 30, 2009 and June 30, 2008 is shown below:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Employees:		
Unpaid Claims and Claim Adjustments (Prior Year IBNR)	\$ 24,048,856	\$ 27,147,291
Incurred Claims and Claim Adjustments Expenses - Provisions for Insured Events of the Current Year	224,198,948	204,892,976
Payments - Claims and Claim Adjustments Attributable To Insured Events of the Current Year and Prior Years	<u>226,420,237</u>	<u>207,991,411</u>
Unpaid Claims and Claim Adjustments (Current Year IBNR)	<u>\$ 21,827,567</u>	<u>\$ 24,048,856</u>
Retirees:		
Unpaid Claims and Claim Adjustments (Prior Year IBNR)	\$ 6,702,660	\$ -
Incurred Claims and Claim Adjustments Expenses - Provisions for Insured Events of the Current Year	71,406,830	90,144,273
Payments - Claims and Claim Adjustments Attributable To Insured Events of the Current Year and Prior Years	<u>71,482,573</u>	<u>83,441,613</u>
Unpaid Claims and Claim Adjustments (Current Year IBNR)	<u>\$ 6,626,917</u>	<u>\$ 6,702,660</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 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.

The University System of Georgia implemented GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations in fiscal 2009. This statement requires recognition of pollution remediation liabilities (if estimable) when a specified obligating event occurs, as defined in the Statement.

After a system-wide review, five institutions with the University System of Georgia had conditions or projects in progress that met one of the five obligating events.

Georgia Institute of Technology recorded a liability and expense in the amount of \$21,507 for asbestos abatement projects in the Boggs Chemistry and Weber Space Science & Technology buildings. The liability was determined using the Expected Cash Flow Measurement Technique, which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. The Institute does not anticipate any significant changes to the expected remediation outlay. There are no expected recoveries that have reduced the liability.

Medical College of Georgia recorded a liability and expense in the amount of \$189,590 related to built-up roof and floor tile mastic abatement as part of the demolition of Gilbert Manor. As of June 30, 2009, \$53,600 of the project abatement costs remain. The College does not anticipate any significant changes to the expected remediation outlay. Funds for this project were provided by the City of Augusta.

The University of Georgia recorded a liability and expense in the amount of \$958,692 for pollution remediation at the Milledge Avenue landfill site. The liability was determined using a five year budget estimate provided by environmental engineers and consultants. The University of Georgia does not anticipate any significant changes to the expected remediation outlay. There are no expected recoveries that have reduced the liability.

Augusta State University has been notified as a potential responsible party for pollution remediation related to a Superfund site located in North Carolina. Other alleged customers of the facility, dating back 30 plus years, have also been notified as potential responsible parties. To date, the University has not been named in any legal action pursuant to this case. As of June 30, 2009, Augusta State University cannot reasonably estimate a liability for this pollution remediation obligation.

Middle Georgia College recorded a liability and expense in the amount of \$91,998 for asbestos abatement in twelve small residential buildings at the Dublin Campus in preparation for the demolition of the buildings. The liability also covers the removal of materials containing asbestos that are located in a wooded area on the Cochran campus. The liability was determined using the Expected Cash Flow Measurement Technique, which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. The College does not anticipate any significant changes to the expected remediation outlay. There are no expected recoveries that have reduced the liability.

Pollution remediation liability activity in fiscal 2009 was as follows:

	Beg. Bal July 1, 2008	Additions	Reductions	End. Bal. June 30, 2009	Current Portion
Pollution Remediation Obligation	\$0	\$1,261,787	\$135,990	\$1,125,797	\$295,439

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, 2009.

Note 14. Post-Employment Benefits Other Than Pension Benefits

Plan Description

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

Pursuant to the general powers conferred by the 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 who 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.

Membership of the plan consisted of the following at June 30, 2009:

	<u>June 30, 2009</u>
Retirees and beneficiaries receiving benefits	18,433
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>34,973</u>
Total	<u><u>53,406</u></u>

Summary of Significant Accounting Policies

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

Funding Policy

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

Organizational units of the Board of Regents of the University System of Georgia pay the employer portion for group insurance for eligible retirees. The employer portion of health insurance for its eligible retirees is based on rates that are established annually by the Board of Regents for the upcoming plan year. For the 2009 plan year, the employer rate was approximately 70-75% of the total health insurance cost for eligible retirees and the retiree rate was approximately 25-30%. 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 retiree.

For fiscal year 2009, the University System of Georgia contributed \$68,115,966 to the plan, including \$63,678,100 for current premiums or claims and an additional \$4,437,866 to pre-fund benefits. Plan members receiving benefits contributed \$26,213,842 for current premiums or claims.

Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the University System’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University System’s net OPEB obligation to the Retiree Health Benefit Fund (dollar amounts in millions):

The University System’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the Retiree Health Benefit Plan for fiscal years 2008 and 2009 were as follows (dollar amounts in millions):

	June 30, 2009
Annual required contribution	<u>\$ 349.5</u>
Interest on net OPEB obligation	7.1
Adjustment to annual required contribution	<u>(9.5)</u>
Annual OPEB cost (expense)	347.1
Less: Contributions made	<u>(68.1)</u>
Increase in net OPEB obligation	279.0
Net OPEB obligation - beginning of year	<u>158.2</u>
Net OPEB obligation - end of year	<u><u>\$ 437.2</u></u>

Schedule of Employer Contributions

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost	Net OPEB Obligation
2008	\$ 224.9	29.7%	\$ 158.2
2009	\$ 347.1	19.6%	\$ 437.2

Funded Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets a	Actuarial Accrued Liability (AAL) Projected Unit Credit b	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll c	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2007	\$0	\$1,985,200,000	\$1,985,200,000	0.0%	\$2,201,804,000	90.2%
7/1/2008	\$290,000	\$3,258,200,000	\$3,257,910,000	0.0%	\$2,372,385,000	137.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2008
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar, Closed, 30-year
Asset Valuation method	Market Value of Assets
Remaining amortization period	29 years
Actuarial assumptions	
investment rate of return*	4.50%
Healthcare cost trend rate *	9.00%
Ultimate trend rate	5.50%
Year of Ultimate trend rate	2014
*Includes an inflation assumption of 2.5%	

Please note that the Investment Rate of Return percentage can change.

Note 15. Natural Classifications with Functional Classifications

The System's operating expenses by functional classification for fiscal-year 2009 are shown below:

	Functional Classification FY2009				
	Instruction	Research	Public Service	Academic Support	Student Services
<u>Natural Classification</u>					
Faculty	\$779,018,944	\$263,272,824	\$65,263,486	\$17,450,889	\$1,409,786
Staff	269,131,744	248,076,717	146,722,560	197,500,247	128,711,902
Benefits	349,252,608	149,928,898	76,262,299	78,268,548	45,747,535
Personal Services	461,807	60,154	549,797	69,129	117,560
Travel	13,340,833	18,707,567	5,575,061	3,760,720	2,099,335
Scholarships and Fellowships	9,393,215	3,243,317	1,130,362	277,518	3,406,323
Utilities	7,817,807	3,561,351	19,613,754	3,328,423	2,347,270
Supplies and Others Services	74,088,029	191,562,821	132,775,114	73,271,430	51,717,445
Depreciation	56,007,895	50,511,397	6,621,643	46,073,011	7,783,565
Total Expenses	<u>\$1,558,512,882</u>	<u>\$928,925,046</u>	<u>\$454,514,076</u>	<u>\$419,999,915</u>	<u>\$243,340,721</u>

	Functional Classification FY2009					
	Plant			MCG only		
	Institutional Support	Operations & Maintenance	Scholarships & Fellowships	Auxiliary Enterprises	Patient Care	Total Expenses
<u>Natural Classification</u>						
Faculty	\$2,350,654	\$110,834	\$0	\$1,285,628	\$2,045,268	\$1,132,208,313
Staff	251,029,636	149,936,543	5,325	127,984,762	69,568,039	1,588,667,475
Benefits	135,947,271	62,672,781	55,097	43,929,914	26,778,739	968,843,690
Personal Services	6,661,398	(9,287,621)	384,392	9,457,823		8,474,439
Travel	2,843,445	(295,591)		2,134,498	295,768	48,461,636
Scholarships and Fellowships	1,324,805		194,627,276	17,070,299		230,473,115
Utilities	8,554,877	116,131,301		29,830,124	375,358	191,560,265
Supplies and Others Services	339,649,943	108,650,621	56,324	270,963,423	108,843,724	1,351,578,874
Depreciation	31,336,779	57,991,590		65,960,293		322,286,173
Total Expenses	<u>\$779,698,808</u>	<u>\$485,910,458</u>	<u>\$195,128,414</u>	<u>\$568,616,764</u>	<u>\$207,906,896</u>	<u>\$5,842,553,980</u>

Note 16. Affiliated Organizations

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

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

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

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

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

Component Units of the State of Georgia	Fiscal Year End	Reporting Basis
Georgia Tech Foundation, Inc.	June 30, 2009	FASB
Georgia Tech Athletic Association	June 30, 2009	GASB
Georgia Tech Research Corporation	June 30, 2009	GASB
Georgia Tech Facilities, Inc.	June 30, 2009	FASB
Georgia State University Foundation, Inc.	June 30, 2009	FASB
Georgia State University Research Foundation, Inc.	June 30, 2009	GASB
MCG Health, Inc.	June 30, 2009	GASB
Medical College of Georgia Foundation, Inc.	June 30, 2009	FASB
Medical College of Georgia Physicians Practice Group Foundation	June 30, 2009	FASB
University of Georgia Foundation	June 30, 2009	FASB
University of Georgia Athletic Association, Inc.	June 30, 2009	GASB
University of Georgia Research Foundation, Inc.	June 30, 2009	GASB
Georgia Southern University Housing Foundation, Inc.	June 30, 2009	FASB
VSU Auxiliary Services Real Estate Foundation, Inc.	December 31, 2008	FASB
Kennesaw State University Foundation, Inc.	June 30, 2009	FASB
Georgia College and State University Foundation, Inc.	June 30, 2009	FASB
University System of Georgia Foundation, Inc.	June 30, 2009	GASB

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS



University System of Georgia
Condensed Statement of Net Assets by Institution
June 30, 2009

Institution	Assets				
	Current Assets	Noncurrent Cash/ Investments	Capital Assets	Other Assets	Total Assets
Georgia Institute of Technology	\$161,709,166	\$51,010,130	\$1,522,343,569	\$10,063,403	\$1,745,126,268
Georgia State University	214,839,864	876,492	508,000,409	5,767,369	729,484,134
Medical College of Georgia	84,050,413	72,836,747	303,320,801	3,616,656	463,824,617
University of Georgia	290,998,689	52,599,180	1,283,187,469	11,825,193	1,638,610,531
Georgia Southern University	45,758,509	2,475,023	386,212,441	3,014,987	437,460,960
Valdosta State University	18,822,641	11,264,752	228,370,152	32,229	258,489,774
Albany State University	8,598,584	-	128,118,007	363,104	137,079,695
Armstrong Atlantic State University	14,941,959	2,150,558	104,062,078	11,654	121,166,249
Augusta State University	12,354,758	344,323	105,381,388	524,129	118,604,598
Clayton State University	9,194,434	832,475	101,911,756	25,654	111,964,319
Columbus State University	18,411,560	2,252,221	132,047,459	983,228	153,694,468
Fort Valley State University	6,232,926	39,165	113,315,120	1,989,343	121,576,554
Georgia College & State University	17,126,563	4,478,861	148,571,433	3,027,733	173,204,590
Georgia Southwestern State Univ.	8,989,195	505,164	66,743,224	718,981	76,956,564
Kennesaw State University	58,848,439	3,597,221	230,161,935	449,417	293,057,012
North Georgia College & State Univ.	11,854,479	2,434,629	122,355,059	1,156,719	137,800,886
Savannah State University	10,299,690	3,249,135	117,804,061	837,844	132,190,730
Southern Polytechnic State Univ.	11,806,725	2,443,217	82,960,853	181,144	97,391,939
University of West Georgia	34,851,548	213,086	164,874,137	1,969,960	201,908,731
Abraham Baldwin Agricultural Coll.	5,848,007	-	77,376,544	350,820	83,575,371
College of Coastal Georgia	2,765,478	75,032	33,466,876	2,478	36,309,864
Dalton State College	5,219,686	-	25,163,349	-	30,383,035
Gainesville State College	10,069,442	-	39,814,153	-	49,883,595
Georgia Gwinnett College	6,499,719	-	72,193,169	-	78,692,888
Gordon College	10,170,398	-	63,358,427	10,533	73,539,358
Macon State College	12,184,963	947,827	72,664,253	-	85,797,043
Middle Georgia College	10,130,991	867,912	109,266,022	114,335	120,379,260
Atlanta Metropolitan College	4,348,218	-	12,567,663	-	16,915,881
Bainbridge College	8,331,666	555,104	26,546,852	-	35,433,622
Darton College	7,579,019	-	35,284,244	-	42,863,263
East Georgia College	3,938,119	-	16,886,150	-	20,824,269
Georgia Highlands College	5,038,440	25,875	39,427,166	-	44,491,481
Georgia Perimeter College	32,224,694	1,042,965	149,149,561	5,715	182,422,935
South Georgia College	955,285	153,798	28,697,698	49,273	29,856,054
Waycross College	1,572,084	240,278	8,280,163	-	10,092,525
Skidaway Institute of Oceanography	883,907	-	10,255,985	-	11,139,892
University System Office	208,812,406	7,115,126	53,876,010	2,123,070	271,926,612
Elimination/Consolidation Entries	(78,168,602)	(71,031,817)	-	-	(149,200,419)
Total	\$1,298,094,062	\$153,594,479	\$6,724,015,636	\$49,214,971	\$8,224,919,148

University System of Georgia
Condensed Statement of Net Assets by Institution continued
June 30, 2009

Institution	Liabilities		
	Current Liabilities	Noncurrent Liabilities	Total Liabilities
Georgia Institute of Technology	\$121,907,458	\$538,766,435	\$660,673,893
Georgia State University	71,826,272	235,974,093	307,800,365
Medical College of Georgia	98,337,499	40,870,401	139,207,900
University of Georgia	136,093,374	213,967,431	350,060,805
Georgia Southern University	27,661,938	125,920,234	153,582,172
Valdosta State University	12,752,974	129,601,395	142,354,369
Albany State University	2,814,624	35,886,430	38,701,054
Armstrong Atlantic State University	13,024,099	47,394,504	60,418,603
Augusta State University	7,293,849	32,343,919	39,637,768
Clayton State University	3,594,807	47,356,249	50,951,056
Columbus State University	11,162,476	61,324,214	72,486,690
Fort Valley State University	6,091,378	65,169,672	71,261,050
Georgia College & State University	11,445,915	100,990,865	112,436,780
Georgia Southwestern State Univ.	4,895,902	26,085,420	30,981,322
Kennesaw State University	40,927,615	96,033,325	136,960,940
North Georgia College & State Univ.	6,651,222	43,729,892	50,381,114
Savannah State University	5,290,558	54,067,540	59,358,098
Southern Polytechnic State Univ.	8,193,813	29,958,920	38,152,733
University of West Georgia	18,648,407	66,698,941	85,347,348
Abraham Baldwin Agricultural Coll.	3,212,652	49,789,948	53,002,600
College of Coastal Georgia	1,842,523	174,036	2,016,559
Dalton State College	1,824,890	238,095	2,062,985
Gainesville State College	3,161,740	7,686,985	10,848,725
Georgia Gwinnett College	3,341,937	41,868,985	45,210,922
Gordon College	3,237,327	34,021,598	37,258,925
Macon State College	5,510,184	1,082,872	6,593,056
Middle Georgia College	2,730,827	41,823,836	44,554,663
Atlanta Metropolitan College	1,643,456	312,549	1,956,005
Bainbridge College	3,401,646	160,602	3,562,248
Darton College	3,465,193	989,206	4,454,399
East Georgia College	2,223,333	205,996	2,429,329
Georgia Highlands College	2,810,321	358,017	3,168,338
Georgia Perimeter College	19,510,995	65,460,269	84,971,264
South Georgia College	777,969	16,594,736	17,372,705
Waycross College	509,493	88,894	598,387
Skidaway Institute of Oceanography	733,721	148,612	882,333
University System Office	194,652,539	19,335,197	213,987,736
Elimination/Consolidation Entries	(149,200,419)	437,225,000	288,024,581
Total	\$714,004,507	\$2,709,705,313	\$3,423,709,820

University System of Georgia
Condensed Statement of Net Assets by Institution continued
June 30, 2009

Institution	Net Assets				
	Invested in Capital Assets	Restricted Unexpendable	Restricted Expendable	Unrestricted	Total Net Assets
Georgia Institute of Technology	\$985,906,294	\$44,328,287	\$35,099,598	\$19,118,196	\$1,084,452,375
Georgia State University	271,694,955	38,302	24,200,819	125,749,693	421,683,769
Medical College of Georgia	275,452,016	1,354,437	64,491,936	(16,681,672)	324,616,717
University of Georgia	1,081,946,523	52,823,876	68,921,374	84,857,953	1,288,549,726
Georgia Southern University	258,520,020	2,465,814	3,453,215	19,439,739	283,878,788
Valdosta State University	98,201,513	1,675,874	3,241,854	13,016,164	116,135,405
Albany State University	94,228,845	-	386,284	3,763,512	98,378,641
Armstrong Atlantic State University	55,614,799	1,844,574	(160,983)	3,449,256	60,747,646
Augusta State University	73,484,684	14,000	1,799,588	3,668,558	78,966,830
Clayton State University	55,417,069	832,475	777,833	3,985,886	61,013,263
Columbus State University	69,865,098	1,626,391	2,792,109	6,924,180	81,207,778
Fort Valley State University	49,738,689	68,099	2,030,823	(1,522,107)	50,315,504
Georgia College & State University	52,087,854	3,069,036	4,786,679	824,241	60,767,810
Georgia Southwestern State Univ.	40,991,549	312,068	1,259,925	3,411,700	45,975,242
Kennesaw State University	133,914,319	630,783	2,470,384	19,080,586	156,096,072
North Georgia College & State Univ.	79,280,436	2,461,984	1,781,653	3,895,699	87,419,772
Savannah State University	64,235,126	3,240,577	1,058,761	4,298,168	72,832,632
Southern Polytechnic State Univ.	52,567,921	1,437,397	1,286,920	3,946,968	59,239,206
University of West Georgia	98,762,720	-	2,430,805	\$15,367,858	116,561,383
Abraham Baldwin Agricultural Coll.	26,894,038	-	685,013	2,993,720	30,572,771
College of Coastal Georgia	33,466,876	68,879	27,822	729,728	34,293,305
Dalton State College	25,163,349	-	1,961	3,154,740	28,320,050
Gainesville State College	32,290,172	-	-	6,744,698	39,034,870
Georgia Gwinnett College	30,726,362	-	-	2,755,604	33,481,966
Gordon College	29,054,253	-	11,208	7,214,972	36,280,433
Macon State College	72,664,253	-	1,513,030	5,026,704	79,203,987
Middle Georgia College	68,708,621	-	1,317,453	5,798,523	75,824,597
Atlanta Metropolitan College	12,567,663	-	-	2,392,213	14,959,876
Bainbridge College	26,546,852	490,523	(391,728)	5,225,727	31,871,374
Darton College	34,972,619	-	-	3,436,245	38,408,864
East Georgia College	16,817,123	37,100	125,638	1,415,079	18,394,940
Georgia Highlands College	39,427,166	25,877	31,672	1,838,428	41,323,143
Georgia Perimeter College	84,864,069	31,338	1,451,238	11,105,026	97,451,671
South Georgia College	12,210,239	153,798	116,986	2,326	12,483,349
Waycross College	8,280,163	135,240	36,823	1,041,912	9,494,138
Skidaway Institute of Oceanography	10,128,588	-	-	128,971	10,257,559
University System Office	29,769,741	3,612,043	12,363,257	12,193,835	57,938,876
Elimination/Consolidation Entries	-	-	-	(437,225,000)	(437,225,000)
Total	\$4,486,462,577	\$122,778,772	\$239,399,950	(\$47,431,971)	\$4,801,209,328

University System of Georgia

Condensed Statement of Revenues, Expenses, and Changes in Net Assets by Institution June 30, 2009

Institution	Operating					
	Revenues				Expenses	Operating Loss
	Tuition & Fees, Net	Grants & Contracts	Auxiliaries	Other		
Georgia Institute of Technology	\$151,714,908	\$517,828,642	\$99,065,680	\$25,645,184	(\$1,023,922,247)	(\$229,667,833)
Georgia State University	144,151,911	59,744,553	45,045,113	16,217,121	(509,386,445)	(244,227,747)
Medical College of Georgia	29,208,716	377,512,986	7,524,623	9,566,672	(590,828,196)	(167,015,199)
University of Georgia	223,234,237	208,567,115	138,090,042	57,673,805	(1,126,444,295)	(498,879,096)
Georgia Southern University	60,620,438	5,974,286	52,004,590	3,990,620	(234,830,352)	(112,240,418)
Valdosta State University	37,423,940	4,046,932	34,699,747	1,338,419	(142,420,167)	(64,911,129)
Albany State University	10,269,722	8,862,989	10,684,901	718,505	(62,741,655)	(32,205,538)
Armstrong Atlantic State University	21,290,260	5,015,313	13,651,772	853,614	(77,319,499)	(36,508,540)
Augusta State University	20,756,566	155,243	7,956,061	1,108,298	(68,417,770)	(38,441,602)
Clayton State University	18,171,895	2,786,261	9,587,346	2,500,111	(68,856,366)	(35,810,753)
Columbus State University	23,671,204	783,202	7,121,300	2,919,607	(82,741,742)	(48,246,429)
Fort Valley State University	5,840,807	12,118,137	14,705,489	4,152,913	(65,109,279)	(28,291,933)
Georgia College & State University	28,441,570	595,391	22,792,501	1,852,355	(94,803,241)	(41,121,424)
Georgia Southwestern State Univ.	6,957,868	2,780,368	7,563,839	282,052	(35,873,050)	(18,288,923)
Kennesaw State University	77,584,870	3,771,743	28,426,869	6,682,198	(217,532,038)	(101,066,358)
North Georgia College & State Univ.	16,640,758	49,750	15,574,830	2,138,779	(70,977,047)	(36,572,930)
Savannah State University	6,244,937	7,923,152	15,936,003	236,405	(63,560,440)	(33,219,943)
Southern Polytechnic State Univ.	18,756,815	1,067,878	8,843,003	872,198	(56,123,158)	(26,583,264)
University of West Georgia	35,203,826	2,878,947	28,430,132	1,587,623	(121,664,137)	(53,563,609)
Abraham Baldwin Agricultural Coll.	4,002,467	2,370,152	13,835,180	603,407	(38,006,781)	(17,195,575)
College of Coastal Georgia	3,781,858	40,327	1,556,591	329,426	(24,776,970)	(19,068,768)
Dalton State College	7,076,471	4,275,709	2,814,366	478,560	(35,066,086)	(20,420,980)
Gainesville State College	15,450,145	147,512	4,617,482	963,847	(45,145,437)	(23,966,451)
Georgia Gwinnett College	4,043,459	12,763	667,733	205,919	(33,147,845)	(28,217,971)
Gordon College	4,525,935	30,682	9,345,037	184,195	(33,233,818)	(19,147,969)
Macon State College	10,601,003	519,642	3,751,556	766,027	(58,129,711)	(42,491,483)
Middle Georgia College	4,124,862	557,280	10,462,446	380,272	(41,014,096)	(25,489,236)
Atlanta Metropolitan College	3,364,243	1,704,019	1,753,853	78,693	(20,852,303)	(13,951,495)
Bainbridge College	3,018,428	2,284,741	376,800	355,139	(21,258,004)	(15,222,896)
Darton College	8,095,964	1,646,227	2,324,528	412,331	(36,798,756)	(24,319,706)
East Georgia College	2,557,360	2,295	83,265	57,335	(14,295,597)	(11,595,342)
Georgia Highlands College	7,673,208	105,286	464,425	307,360	(27,810,303)	(19,260,024)
Georgia Perimeter College	41,850,462	2,898,371	5,981,189	1,783,799	(145,908,347)	(93,394,526)
South Georgia College	1,251,919	11,103	3,395,038	282,986	(18,630,463)	(13,689,417)
Waycross College	1,016,648	7,140	559,073	12,917	(7,738,393)	(6,142,615)
Skidaway Institute of Oceanography	-	3,739,801	44,233	415,855	(7,402,665)	(3,202,776)
University System Office	-	9,692,035	-	265,296,022	(430,351,831)	(155,363,774)
Elimination/Consolidation Entries	-	(11,826,136)	(75,513)	(177,646,893)	(89,435,450)	(278,983,992)
Total	\$1,058,619,680	\$1,240,681,837	\$629,661,123	\$235,603,676	(\$5,842,553,980)	(\$2,677,987,664)

University System of Georgia
Condensed Statement of Revenues, Expenses, and Changes in
Net Assets by Institution continued
June 30, 2009

Institution	Non-Operating		
	State Appropriations	Other Revenues/ (Expenses)	Interest Expense
Georgia Institute of Technology	\$254,937,701	\$81,938,824	(\$27,718,947)
Georgia State University	215,005,880	54,465,362	(13,279,335)
Medical College of Georgia	148,868,144	25,422,253	(1,941,539)
University of Georgia	445,084,744	128,900,009	(12,078,104)
Georgia Southern University	87,533,949	53,132,392	(6,330,504)
Valdosta State University	50,303,199	18,258,162	(6,065,080)
Albany State University	21,748,450	10,293,530	(1,605,591)
Armstrong Atlantic State University	31,437,611	9,985,369	(2,831,702)
Augusta State University	27,502,034	12,956,826	(1,615,891)
Clayton State University	24,771,034	12,365,258	(2,074,576)
Columbus State University	35,442,788	16,969,151	(374,153)
Fort Valley State University	21,469,244	10,553,862	(2,239,002)
Georgia College & State University	32,078,732	14,302,092	(4,739,086)
Georgia Southwestern State Univ.	12,336,204	4,607,836	(1,240,804)
Kennesaw State University	80,673,865	25,271,998	(5,543,060)
North Georgia College & State Univ.	24,893,499	30,914,279	(1,515,427)
Savannah State University	18,894,240	25,238,062	(2,352,336)
Southern Polytechnic State Univ.	21,566,784	9,994,003	(1,544,810)
University of West Georgia	46,454,033	51,408,240	(3,094,036)
Abraham Baldwin Agricultural Coll.	13,841,492	6,444,713	(2,312,676)
College of Coastal Georgia	11,203,848	10,681,817	-
Dalton State College	13,780,765	7,665,677	-
Gainesville State College	19,233,320	10,251,575	(151,892)
Georgia Gwinnett College	26,321,255	3,197,794	(1,829,507)
Gordon College	11,869,449	9,660,276	(1,449,911)
Macon State College	26,812,211	31,281,856	-
Middle Georgia College	16,917,895	10,518,734	(1,872,507)
Atlanta Metropolitan College	8,070,581	5,556,107	-
Bainbridge College	9,052,389	23,031,674	-
Darton College	15,261,612	9,887,705	(22,344)
East Georgia College	6,425,155	6,262,334	(10,838)
Georgia Highlands College	14,140,400	6,294,194	-
Georgia Perimeter College	59,016,730	29,374,930	(1,851,624)
South Georgia College	7,520,906	5,118,478	(741,206)
Waycross College	4,064,437	2,074,646	-
Skidaway Institute of Oceanography	2,487,210	4,757,580	(14,399)
University System Office	153,083,855	19,039,618	(1,185,637)
Elimination/Consolidation Entries	-	-	-
Total	\$2,020,105,645	\$798,077,216	(\$109,626,524)

University System of Georgia
Condensed Statement of Revenues, Expenses, and Changes in
Net Assets by Institution continued
June 30, 2009

Institution	Net Assets				
	Increase/ (Decrease) in Net Assets	Net Assets - Beginning of Year	Prior Year Adjustments	Net Assets - Beginning of Year Restated	Net Assets - End of Year
Georgia Institute of Technology	\$79,489,745	\$1,037,016,645	(\$32,054,015)	\$1,004,962,630	\$1,084,452,375
Georgia State University	11,964,160	409,719,609	-	409,719,609	421,683,769
Medical College of Georgia	5,333,659	319,283,058	-	319,283,058	324,616,717
University of Georgia	63,027,553	1,220,028,700	5,493,473	1,225,522,173	1,288,549,726
Georgia Southern University	22,095,419	255,479,604	6,303,765	261,783,369	283,878,788
Valdosta State University	(2,414,848)	118,550,253	-	118,550,253	116,135,405
Albany State University	(1,769,149)	100,147,790	-	100,147,790	98,378,641
Armstrong Atlantic State University	2,082,738	59,303,912	(639,004)	58,664,908	60,747,646
Augusta State University	401,367	78,565,463	-	78,565,463	78,966,830
Clayton State University	(749,037)	61,762,300	-	61,762,300	61,013,263
Columbus State University	3,791,357	77,416,421	-	77,416,421	81,207,778
Fort Valley State University	1,492,171	48,823,333	-	48,823,333	50,315,504
Georgia College & State University	520,314	60,247,496	-	60,247,496	60,767,810
Georgia Southwestern State Univ.	(2,585,687)	50,880,250	(2,319,321)	48,560,929	45,975,242
Kennesaw State University	(663,555)	156,759,627	-	156,759,627	156,096,072
North Georgia College & State Univ.	17,719,421	69,700,351	-	69,700,351	87,419,772
Savannah State University	8,560,023	64,272,609	-	64,272,609	72,832,632
Southern Polytechnic State Univ.	3,432,713	55,806,493	-	55,806,493	59,239,206
University of West Georgia	41,204,628	75,356,755	-	75,356,755	116,561,383
Abraham Baldwin Agricultural Coll.	777,954	29,794,817	-	29,794,817	30,572,771
College of Coastal Georgia	2,816,897	31,476,408	-	31,476,408	34,293,305
Dalton State College	1,025,462	27,294,588	-	27,294,588	28,320,050
Gainesville State College	5,366,552	33,668,318	-	33,668,318	39,034,870
Georgia Gwinnett College	(528,429)	34,010,395	-	34,010,395	33,481,966
Gordon College	931,845	35,348,588	-	35,348,588	36,280,433
Macon State College	15,602,584	63,601,403	-	63,601,403	79,203,987
Middle Georgia College	74,886	75,749,711	-	75,749,711	75,824,597
Atlanta Metropolitan College	(324,807)	15,284,683	-	15,284,683	14,959,876
Bainbridge College	16,861,167	15,010,207	-	15,010,207	31,871,374
Darton College	807,267	37,601,597	-	37,601,597	38,408,864
East Georgia College	1,081,309	17,313,631	-	17,313,631	18,394,940
Georgia Highlands College	1,174,570	40,148,573	-	40,148,573	41,323,143
Georgia Perimeter College	(6,854,490)	104,835,320	(529,159)	104,306,161	97,451,671
South Georgia College	(1,791,239)	14,274,588	-	14,274,588	12,483,349
Waycross College	(3,532)	9,497,670	-	9,497,670	9,494,138
Skidaway Institute of Oceanography	4,027,615	6,229,944	-	6,229,944	10,257,559
University System Office	15,574,062	36,317,126	6,047,688	42,364,814	57,938,876
Elimination/Consolidation Entries	(278,983,992)	(158,241,008)	-	(158,241,008)	(437,225,000)
Total	\$30,568,673	\$4,788,337,228	(\$17,696,573)	\$4,770,640,655	\$4,801,209,328

University System of Georgia
Condensed Statement of Net Assets - Affiliated Organizations (Unaudited)
June 30, 2009

Affiliated Organizations	Assets				
	Current Assets	Investments	Capital Assets	Other Assets	Total Assets
Georgia Tech Foundation, Inc.	\$27,454,306	\$1,192,812,752	\$37,218,804	\$58,811,389	\$1,316,297,251
Georgia Tech Athletic Association	17,962,416	13,508,828	98,872,371	76,900,818	207,244,433
Georgia Tech Research Corporation	139,780,280	123,791	1,441,239	-	141,345,310
Georgia Advanced Technology Ventures, Inc.	3,254,219	2,155,328	115,646,915	4,379,032	125,435,494
Georgia Tech Alumni Association	533,061	-	346,122	-	879,183
Georgia Tech Facilities, Inc.	31,927,000	243,930,000	3,940,000	16,669,000	296,466,000
Georgia State University Foundation, Inc.	26,575,939	295,641,603	61,276,753	11,377,031	394,871,326
Georgia State University Research Foundation, Inc.	78,802,665	4,976,134	42,139,002	1,150,679	127,068,480
MCG Health, Inc.	160,668,549	181,459,896	120,160,002	2,297,096	464,585,543
Medical College of Georgia Foundation, Inc.	14,221,806	98,754,335	1,839,031	492,616	115,307,788
Medical College of Georgia Physicians Practice Group Foundation	48,080,700	47,805,426	10,356,672	1,226,480	107,469,278
Medical College of Georgia Research Institute, Inc.	10,051,000	-	5,258	-	10,056,258
Medical College of Georgia Dental Foundation	2,878,840	2,332,848	-	-	5,211,688
University of Georgia Foundation	47,438,346	426,601,498	13,529,037	15,584,725	503,153,606
University of Georgia Athletic Assoc., Inc.	94,333,296	1,676,302	186,769,711	1,183,814	283,963,123
Arch Foundation for the University of Georgia, Inc.	47,014,200	32,728,574	-	17,131,066	96,873,840
University of Georgia Research Foundation, Inc.	82,109,979	268,747,662	58,982,635	5,859,727	415,700,003
Georgia Southern University Foundation, Inc.	33,719,039	1,090,500	416,416	1,787,191	37,013,146
Georgia Southern University Housing Foundation, Inc.	5,261,945	198,427,351	-	286,697	203,975,993
Georgia Southern University Athletic Foundation, Inc.	2,299,264	-	1,615,478	497,239	4,411,981
Georgia Southern University Research and Service Foundation, Inc.	2,774,852	-	-	-	2,774,852
Valdosta State University Foundation, Inc.	2,343,863	26,575,595	36,465,185	1,786,444	67,171,087
VSU Auxiliary Services Real Estate Foundation, Inc.	416,446	67,781,832	93,146,292	3,782,754	165,127,324
Albany State University Foundation, Inc.	23,080	7,991,812	27,552,654	1,067,566	36,635,112
Armstrong Atlantic State University Foundation, Inc.	1,069,947	5,252,055	-	-	6,322,002
AASU Educational Properties Foundation, Inc.	3,767,241	47,989,521	4,148,949	1,298,768	57,204,479
Augusta State University Foundation, Inc.	5,224,856	49,219,513	-	1,628,329	56,072,698
Augusta State University Athletic Association	497,379	-	1,678,157	-	2,175,536
(Clayton State University) Walter & Emilie Spivey Foundation	147,720	4,950,611	141,420	10,082	5,249,833
Clayton State University Foundation, Inc.	2,357,799	44,911,186	-	2,139,164	49,408,149
Columbus State University Foundation, Inc.	6,877,157	41,229,991	-	7,839,712	55,946,860
(Columbus State University) Foundation Properties, Inc.	1,841,573	2,573,713	102,050,137	4,316,974	110,782,397
Columbus State University Athletic Fund, Inc.	107,481	1,567,128	-	-	1,674,609
Columbus State University Alumni Association, Inc.	118,386	170,517	-	-	288,903
Fort Valley State University Foundation, Inc.	4,098,660	45,046,168	17,828,253	2,328,987	69,302,068
Georgia College & State University Alumni Association, Inc.	294,665	4,746,035	26,761	4,500	5,071,961
Georgia College and State University Foundation, Inc.	1,630,070	115,191,120	4,249,002	2,239,575	123,309,767
Georgia Southwestern Foundation, Inc.	8,520,988	43,660,130	9,195,115	1,358,294	62,734,527
Kennesaw State University Foundation, Inc.	13,908,264	152,065,770	169,473,775	13,133,138	348,580,947
North Georgia College & State University Foundation, Inc.	3,413,015	76,956,206	4,536,987	1,197,637	86,103,845
Southern Polytechnic State University Foundation, Inc.	4,286,602	34,284,732	-	546,425	39,117,759
University of West Georgia Foundation, Inc.	3,331,126	65,129,500	7,165,809	2,261,538	77,887,973
UWG Real Estate Foundation, Inc.	4,284,432	40,596,228	15,849,188	1,386,827	62,116,675
Abraham Baldwin Agricultural College Foundation, Inc.	3,155,656	15,095,040	39,394,990	2,469,463	60,115,149
College of Coastal Georgia Foundation, Inc.	6,037,943	1,609,891	-	679,405	8,327,239
Dalton State College Foundation, Inc.	4,462,263	10,416,568	5,140,009	7,008,563	27,027,403
Gainesville State College Foundation, Inc.	1,905,344	16,504,460	-	275,683	18,685,487
Gordon College Foundation, Inc.	3,233,763	40,045,225	19,722	-	43,298,710
Macon State College Foundation, Inc.	418,977	6,008,417	-	103,137	6,530,531
Middle Georgia College Foundation, Inc.	1,277,786	55,365,138	15,653,192	1,783,879	74,079,995
Bainbridge College Foundation	483,797	-	-	-	483,797
Darton College Foundation, Inc.	323,443	908,201	6,961,161	112,768	8,305,573
East Georgia College Foundation, Inc.	146,869	1,011,057	182,518	-	1,340,444
Georgia Highlands College Foundation, Inc.	877,092	529,384	-	865,245	2,271,721
Georgia Perimeter College Foundation, Inc.	1,352,153	5,051,356	67,132,576	1,394,078	74,930,163
South Georgia College Foundation, Inc.	1,299,833	16,092,449	340,195	214,084	17,946,561
Waycross College Foundation, Inc.	121,331	1,193,468	-	-	1,314,799
University System of Georgia Foundation, Inc.	4,822,057	50,403,550	56,404,875	4,094,312	115,724,794
Total	\$975,620,759	\$4,110,896,395	\$1,439,292,368	\$282,961,931	\$6,808,771,453

University System of Georgia
Condensed Statement of Net Assets - Affiliated Organizations (Unaudited) continued
June 30, 2009

Affiliated Organizations	Liabilities		
	Liabilities	Liabilities	Total Liabilities
Georgia Tech Foundation, Inc.	\$47,509,626	\$377,611,625	\$425,121,251
Georgia Tech Athletic Association	15,974,525	123,536,330	139,510,855
Georgia Tech Research Corporation	104,923,917	-	104,923,917
Georgia Advanced Technology Ventures, Inc.	8,353,615	107,380,361	115,733,976
Georgia Tech Alumni Association	717,502	-	717,502
Georgia Tech Facilities, Inc.	21,704,000	285,410,000	307,114,000
Georgia State University Foundation, Inc.	8,906,569	265,543,988	274,450,557
Georgia State University Research Foundation, Inc.	19,199,694	91,062,139	110,261,833
MCG Health, Inc.	64,259,627	154,396,510	218,656,137
Medical College of Georgia Foundation, Inc.	-	1,922,075	1,922,075
Medical College of Georgia Physicians Practice Group Foundation	5,509,320	31,005,089	36,514,409
Medical College of Georgia Research Institute, Inc.	5,223,294	-	5,223,294
Medical College of Georgia Dental Foundation	5,549,466	-	5,549,466
University of Georgia Foundation	5,977,424	19,583,865	25,561,289
University of Georgia Athletic Assoc., Inc.	28,740,107	93,591,916	122,332,023
Arch Foundation for the University of Georgia, Inc.	1,304,198	-	1,304,198
University of Georgia Research Foundation, Inc.	85,258,039	258,198,542	343,456,581
Georgia Southern University Foundation, Inc.	720,090	-	720,090
Georgia Southern University Housing Foundation, Inc.	12,635,569	186,207,625	198,843,194
Georgia Southern University Athletic Foundation, Inc.	773,892	463,117	1,237,009
Georgia Southern University Research and Service Foundation, Inc.	2,146,508	-	2,146,508
Valdosta State University Foundation, Inc.	3,822,823	41,530,552	45,353,375
VSU Auxiliary Services Real Estate Foundation, Inc.	9,744,898	156,930,461	166,675,359
Albany State University Foundation, Inc.	1,119,391	34,453,219	35,572,610
Armstrong Atlantic State University Foundation, Inc.	38,537	-	38,537
AASU Educational Properties Foundation, Inc.	3,316,516	42,871,969	46,188,485
Augusta State University Foundation, Inc.	1,165,579	30,869,217	32,034,796
Augusta State University Athletic Association	882,493	976,695	1,859,188
(Clayton State University) Walter & Emilie Spivey Foundation	-	-	-
Clayton State University Foundation, Inc.	1,628,108	42,043,346	43,671,454
Columbus State University Foundation, Inc.	855,119	3,624,949	4,480,068
(Columbus State University) Foundation Properties, Inc.	30,261,854	66,765,839	97,027,693
Columbus State University Athletic Fund, Inc.	184,697	298,685	483,382
Columbus State University Alumni Association, Inc.	8,548	4,940	13,488
Fort Valley State University Foundation, Inc.	1,873,131	62,527,331	64,400,462
Georgia College & State University Alumni Association, Inc.	14,631	-	14,631
Georgia College and State University Foundation, Inc.	15,641,358	108,188,060	123,829,418
Georgia Southwestern Foundation, Inc.	1,979,003	40,159,162	42,138,165
Kennesaw State University Foundation, Inc.	19,298,118	307,497,031	326,795,149
North Georgia College & State University Foundation, Inc.	3,678,056	50,529,163	54,207,219
Southern Polytechnic State University Foundation, Inc.	1,454,831	32,166,150	33,620,981
University of West Georgia Foundation, Inc.	3,942,418	57,016,167	60,958,585
UWG Real Estate Foundation, Inc.	1,204,052	56,167,507	57,371,559
Abraham Baldwin Agricultural College Foundation, Inc.	2,412,114	45,954,089	48,366,203
College of Coastal Georgia Foundation, Inc.	-	-	-
Dalton State College Foundation, Inc.	362,101	2,401,013	2,763,114
Gainesville State College Foundation, Inc.	260,000	6,635,000	6,895,000
Gordon College Foundation, Inc.	1,169,342	35,293,484	36,462,826
Macon State College Foundation, Inc.	312,854	-	312,854
Middle Georgia College Foundation, Inc.	3,783,544	63,150,000	66,933,544
Bainbridge College Foundation	-	-	-
Darton College Foundation, Inc.	4,944,866	450,000	5,394,866
East Georgia College Foundation, Inc.	25,494	-	25,494
Georgia Highlands College Foundation, Inc.	250	-	250
Georgia Perimeter College Foundation, Inc.	12,943,909	54,740,000	67,683,909
South Georgia College Foundation, Inc.	135,885	15,649,128	15,785,013
Waycross College Foundation, Inc.	7,351	-	7,351
University System of Georgia Foundation, Inc.	11,070,672	99,855,000	110,925,672
Total	\$584,929,525	\$3,454,661,339	\$4,039,590,864

University System of Georgia
Condensed Statement of Net Assets - Affiliated Organizations (Unaudited) continued
June 30, 2009

Affiliated Organizations	Net Assets				
	Capital Assets	Unexpendable	Expendable	Unrestricted	Total Net Assets
Georgia Tech Foundation, Inc.	(\$35,987)	\$390,179,505	\$455,122,807	\$45,909,675	\$891,176,000
Georgia Tech Athletic Association	(8,341,451)	26,328,048	55,782,091	(6,035,110)	67,733,578
Georgia Tech Research Corporation	1,441,239	-	-	34,980,154	36,421,393
Georgia Advanced Technology Ventures, Inc.	8,209,817	-	3,680,630	(2,188,929)	9,701,518
Georgia Tech Alumni Association	346,122	-	-	(184,441)	161,681
Georgia Tech Facilities, Inc.	(25,637,000)	-	9,139,000	5,850,000	(10,648,000)
Georgia State University Foundation, Inc.	(2,902,053)	56,971,938	42,193,916	24,156,968	120,420,769
Georgia State University Research Foundation, Inc.	12,405,525	2,000,000	666,905	1,734,217	16,806,647
MCG Health, Inc.	60,312,158	-	1,071,253	184,545,995	245,929,406
Medical College of Georgia Foundation, Inc.	1,839,031	83,824,554	17,632,105	10,090,023	113,385,713
Medical College of Georgia Physicians Practice Group Foundation	10,356,672	-	-	60,598,197	70,954,869
Medical College of Georgia Research Institute, Inc.	5,258	-	170,183	4,657,523	4,832,964
Medical College of Georgia Dental Foundation	-	-	116,558	(454,336)	(337,778)
University of Georgia Foundation	6,532,288	296,713,968	173,407,836	938,225	477,592,317
University of Georgia Athletic Assoc., Inc.	93,466,996	-	-	68,164,104	161,631,100
Arch Foundation for the University of Georgia, Inc.	-	37,870,123	58,807,022	(1,107,503)	95,569,642
University of Georgia Research Foundation, Inc.	11,293,625	-	2,804,419	58,145,378	72,243,422
Georgia Southern University Foundation, Inc.	416,416	30,727,920	5,756,493	(607,773)	36,293,056
Georgia Southern University Housing Foundation, Inc.	10,014,867	-	7,126,846	(12,008,914)	5,132,799
Georgia Southern University Athletic Foundation, Inc.	1,275,190	-	1,679,660	220,122	3,174,972
Georgia Southern University Research and Service Foundation, Inc.	-	-	-	628,344	628,344
Valdosta State University Foundation, Inc.	5,742,726	14,484,308	2,416,852	(826,174)	21,817,712
VSU Auxiliary Services Real Estate Foundation, Inc.	7,780,417	-	-	(9,328,452)	(1,548,035)
Albany State University Foundation, Inc.	(6,069,287)	-	6,432,500	699,289	1,062,502
Armstrong Atlantic State University Foundation, Inc.	-	4,539,332	1,913,489	(169,356)	6,283,465
AASU Educational Properties Foundation, Inc.	11,419,060	-	-	(403,066)	11,015,994
Augusta State University Foundation, Inc.	-	14,830,309	8,452,229	755,364	24,037,902
Augusta State University Athletic Association	111,632	-	126,129	78,587	316,348
(Clayton State University) Walter & Emilie Spivey Foundation	141,420	-	-	5,108,413	5,249,833
Clayton State University Foundation, Inc.	1,380,087	2,143,894	2,429,992	(217,278)	5,736,695
Columbus State University Foundation, Inc.	-	27,842,518	20,076,015	3,548,259	51,466,792
(Columbus State University) Foundation Properties, Inc.	31,423,380	-	-	(17,668,676)	13,754,704
Columbus State University Athletic Fund, Inc.	-	1,345,583	303,745	(458,101)	1,191,227
Columbus State University Alumni Association, Inc.	-	62,242	-	213,173	275,415
Fort Valley State University Foundation, Inc.	1,592,872	3,031,698	2,136,526	(1,859,490)	4,901,606
Georgia College & State University Alumni Association, Inc.	26,761	4,369,358	646,718	14,493	5,057,330
Georgia College and State University Foundation, Inc.	(3,333,589)	10,873,771	3,004,406	(11,064,239)	(519,651)
Georgia Southwestern Foundation, Inc.	(3,258,021)	10,358,168	3,134,909	10,361,306	20,596,362
Kennesaw State University Foundation, Inc.	(5,264,080)	22,419,518	10,470,676	(5,840,316)	21,785,798
North Georgia College & State University Foundation, Inc.	6,905,957	22,972,738	3,698,435	(1,680,504)	31,896,626
Southern Polytechnic State University Foundation, Inc.	-	2,227,208	1,784,959	1,484,611	5,496,778
University of West Georgia Foundation, Inc.	2,620,659	9,558,816	6,447,306	(1,697,393)	16,929,388
UWG Real Estate Foundation, Inc.	2,691,554	-	-	2,053,562	4,745,116
Abraham Baldwin Agricultural College Foundation, Inc.	2,198,431	6,120,302	1,767,630	1,662,583	11,748,946
College of Coastal Georgia Foundation, Inc.	-	5,248,411	1,392,788	1,686,040	8,327,239
Dalton State College Foundation, Inc.	2,813,614	9,574,810	1,731,067	10,144,798	24,264,289
Gainesville State College Foundation, Inc.	-	3,375,023	6,927,316	1,488,148	11,790,487
Gordon College Foundation, Inc.	997,826	1,963,632	3,501,420	373,006	6,835,884
Macon State College Foundation, Inc.	-	6,306,082	565,873	(654,278)	6,217,677
Middle Georgia College Foundation, Inc.	9,513,813	788,164	487,240	(3,642,766)	7,146,451
Bainbridge College Foundation	-	483,797	-	-	483,797
Darton College Foundation, Inc.	1,566,295	897,795	1,974,060	(1,527,443)	2,910,707
East Georgia College Foundation, Inc.	182,518	-	1,005,196	127,236	1,314,950
Georgia Highlands College Foundation, Inc.	-	1,268,511	948,884	54,076	2,271,471
Georgia Perimeter College Foundation, Inc.	17,963,275	799,281	-	(11,516,302)	7,246,254
South Georgia College Foundation, Inc.	(267,429)	1,953,042	175,973	299,962	2,161,548
Waycross College Foundation, Inc.	-	1,071,499	119,839	116,110	1,307,448
University System of Georgia Foundation, Inc.	174,786	-	1,501,946	3,122,390	4,799,122
Total	\$270,053,390	\$1,115,525,866	\$930,731,842	\$452,869,491	\$2,769,180,589

University System of Georgia
Condensed Statement of Revenues, Expenses and Changes in Net Assets - Affiliated Organizations
(Unaudited)
June 30, 2009

Affiliated Organizations	Operating						Non-Operating	
	Revenues				Expenses	Operating Profit/ (Loss)	Revenues	Expenses
	Grants and Contracts	Rents and Royalties	Net Patient Revenue	Other				
Georgia Tech Foundation, Inc.	\$0	\$16,769,314	\$0	\$36,424,800	(\$94,004,409)	(\$40,810,295)	(\$258,963,270)	(\$16,591,592)
Georgia Tech Athletic Association	-	8,941,117	-	49,835,987	(50,057,775)	8,719,329	(14,786,116)	(5,964,571)
Georgia Tech Research Corporation	412,449,990	7,000,994	-	301,967	(421,039,712)	(1,286,761)	130,797	-
Georgia Advanced Technology Ventures, Inc.	36,009	13,171,795	-	1,831,698	(10,796,329)	4,243,173	11,807	(7,370,851)
Georgia Tech Alumni Association	-	804,480	-	5,672,628	(6,586,385)	(109,277)	-	-
Georgia Tech Facilities, Inc.	-	11,277,000	-	117,000	(2,069,000)	9,325,000	751,000	(14,438,000)
Georgia State University Foundation, Inc.	-	21,916,683	-	12,922,547	(18,582,805)	16,256,425	(23,223,482)	(13,105,212)
Georgia State University Research Foundation, Inc.	50,251,189	-	-	-	(52,262,390)	(2,011,201)	(273,638)	-
MCG Health, Inc.	-	439,444	384,596,805	4,173,194	(411,952,061)	(22,742,618)	42,463,701	(20,376,159)
Medical College of Georgia Foundation, Inc.	-	423,599	-	2,499,413	(7,894,727)	(4,971,715)	(26,821,341)	-
Medical College of Georgia Physicians Practice Group Foundation	-	1,962,363	97,126,688	-	(88,282,110)	10,806,941	(5,780,723)	(1,383,437)
Medical College of Georgia Research Institute, Inc.	58,235,101	360,016	-	20,292	(58,468,672)	146,737	149,048	(1,500,000)
Medical College of Georgia Dental Foundation	246,732	-	7,828,054	-	(7,768,927)	305,859	(1,004,666)	-
University of Georgia Foundation	-	1,428,868	-	10,420,292	(25,105,911)	(13,256,751)	(128,865,087)	(1,272,878)
University of Georgia Athletic Assoc., Inc.	-	-	-	80,270,942	(68,660,357)	11,610,585	(415,108)	(3,767,409)
Arch Foundation for the University of Georgia, Inc.	-	-	-	27,325,801	(10,581,787)	16,744,014	(213,280)	-
University of Georgia Research Foundation, Inc.	124,577,255	47,867,925	-	1,276,032	(154,965,817)	18,755,395	(2,604,841)	(8,822,296)
Georgia Southern University Foundation, Inc.	-	257,130	-	2,161,198	(4,932,829)	(2,514,501)	(6,740,802)	(19,717)
Georgia Southern University Housing Foundation, Inc.	-	6,233,650	-	220,000	(1,681,887)	4,771,763	54,486	(5,005,877)
Georgia Southern University Athletic Foundation, Inc.	-	176,000	-	1,631,276	(2,288,737)	(481,461)	43,366	(23,255)
Georgia Southern University Research and Service Foundation, Inc.	4,397,605	2,285	-	-	(4,273,778)	126,112	32,544	-
Valdosta State University Foundation, Inc.	-	3,481,515	-	2,463,224	(3,790,212)	2,154,527	(5,002,581)	(2,595,214)
VSU Auxiliary Services Real Estate Foundation, Inc.	-	574,076	-	-	(675,471)	(101,395)	-	(1,446,640)
Albany State University Foundation, Inc.	-	2,090,127	-	767,247	(1,775,133)	1,082,241	(219,959)	(6,468,892)
Armstrong Atlantic State University Foundation, Inc.	-	-	-	1,824,963	(1,931,757)	(106,794)	(1,381,968)	-
AASU Educational Properties Foundation, Inc.	-	1,388,192	-	-	(1,709,884)	(321,692)	2,318,458	(2,088,862)
Augusta State University Foundation, Inc.	-	1,935,935	-	(162,038)	(3,375,843)	(1,601,946)	(2,321,637)	(1,557,884)
Augusta State University Athletic Association	-	10,977	-	1,267,550	(1,234,550)	43,977	8,292	(56,906)
(Clayton State University) Walter & Emilie Spivey Foundation	-	-	-	2,000	(644,438)	(642,438)	(1,982,331)	-
Clayton State University Foundation, Inc.	-	341,515	-	3,491,940	(1,028,753)	2,804,702	(216,666)	(2,042,242)
Columbus State University Foundation, Inc.	-	-	-	2,560,882	(4,785,105)	(2,224,223)	1,572,944	-
(Columbus State University) Foundation Properties, Inc.	-	7,258,512	-	518,064	(6,294,365)	1,482,211	136,476	(4,612,981)
Columbus State University Athletic Fund, Inc.	-	11,961	-	495,442	(417,124)	90,279	(132,384)	-
Columbus State University Alumni Association, Inc.	-	-	-	143,787	(135,792)	7,995	1,546	-
Fort Valley State University Foundation, Inc.	-	2,265,785	-	400,688	(1,729,082)	937,391	478,364	(2,766,646)
Georgia College & State University Alumni Association, Inc.	-	-	-	346,827	(323,863)	22,964	(874,581)	-
Georgia College and State University Foundation, Inc.	-	7,675,222	-	2,742,088	(3,174,673)	7,242,637	(988,380)	(9,738,745)
Georgia Southwestern Foundation, Inc.	-	184,605	-	664,900	(1,824,562)	(975,057)	(3,423,313)	(1,295,409)
Kennesaw State University Foundation, Inc.	-	25,691,244	-	11,776,220	(20,618,711)	16,848,753	(1,658,642)	(13,536,942)
North Georgia College & State University Foundation, Inc.	-	1,936,001	-	7,657,709	(2,475,368)	7,118,342	173,884	(2,044,603)
Southern Polytechnic State University Foundation, Inc.	-	2,174,629	-	1,937,037	(2,561,564)	1,550,102	(242,490)	(1,552,983)
University of West Georgia Foundation, Inc.	-	559,939	-	5,574,039	(5,526,756)	607,222	(5,060,272)	(7,323,739)
UWG Real Estate Foundation, Inc.	-	93,000	-	5,556,778	(77,141)	5,572,637	(275,649)	(2,254,898)
Abraham Baldwin Agricultural College Foundation, Inc.	-	5,646,358	-	949,845	(5,112,057)	1,484,146	(1,158,403)	(2,030,855)
College of Coastal Georgia Foundation, Inc.	-	-	-	420,596	(810,763)	(390,167)	(242,985)	-
Dalton State College Foundation, Inc.	-	674,547	-	471,604	(2,854,459)	(1,708,308)	(3,541,648)	(132,200)
Gainesville State College Foundation, Inc.	-	-	-	1,016,650	(1,148,930)	(132,280)	(898,520)	-
Gordon College Foundation, Inc.	-	-	-	1,422,489	(121,658)	1,300,831	(1,084,653)	(1,999,830)
Macon State College Foundation, Inc.	-	-	-	228,060	(289,363)	(61,303)	(1,502,677)	-
Middle Georgia College Foundation, Inc.	166,015	2,046,413	-	199,565	(499,098)	1,912,895	2,403,150	(1,935,909)
Bainbridge College Foundation	-	-	-	283,528	(35,965)	247,563	2,830	-
Darton College Foundation, Inc.	-	33,800	-	574,419	(355,556)	252,663	(34,098)	-
East Georgia College Foundation, Inc.	-	-	-	128,567	(264,306)	(135,739)	49,917	-
Georgia Highlands College Foundation, Inc.	-	-	-	614,674	(291,168)	323,506	231,963	-
Georgia Perimeter College Foundation, Inc.	-	1,650,000	-	987,216	(1,596,436)	1,040,780	(59,894)	(1,031,885)
South Georgia College Foundation, Inc.	-	921,479	-	121,443	(294,518)	748,404	(421,112)	(717,044)
Waycross College Foundation, Inc.	-	-	-	65,326	(75,822)	(10,496)	(202,568)	-
University System of Georgia Foundation, Inc.	99,078	-	-	994,194	(3,441,918)	(2,348,646)	398,819	-
Total	\$650,458,974	\$207,678,495	\$489,551,547	\$295,612,590	(\$1,585,558,569)	\$57,743,037	(\$451,206,373)	(\$168,872,563)

FINANCIAL STATEMENTS - STATUTORY BASIS (Non-GAAP)

University System of Georgia Consolidated Balance Sheet (Non-GAAP Basis) - Budget Fund June 30, 2009

<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 338,379,566.80
Investments	73,437,865.72
Accounts Receivable	
Federal Financial Assistance	98,409,572.34
Other	174,801,951.21
Margin Allocation	6,641,493.00
Prepaid Expenditures	38,745,928.14
Inventories	6,008,204.50
Other Assets	8,473,009.22
Total Assets	\$ 744,897,590.93
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities	
Cash Overdraft	\$ 14,391,110.38
Contracts Payable	239,144.76
Accrued Payroll	17,230,011.64
Payroll Withholdings	378,485.10
Encumbrance Payable	159,431,842.71
Accounts Payable	98,654,367.41
Deferred Revenue	226,814,496.95
Funds Held for Others	-80,522.54
Other Liabilities	12,758,171.81
Total Liabilities	\$ 529,817,108.22
<u>FUND BALANCES</u>	
Reserved	
Capital Outlay	\$ 3,384,833.99
Department Sales and Services	27,233,311.27
Indirect Cost Recoveries	33,935,976.73
Technology Fees	13,131,220.03
Restricted/Sponsored Funds	97,622,873.20
Uncollectible Accounts Receivable	11,382,362.06
Inventories	3,679,498.99
Tuition Carry - Forward	7,563,930.32
Carry-Over "Per State Accounting Office"	7,262,413.57
Early Retirement Program	7,264,006.53
Unreserved	
Surplus	2,620,056.02
Total Fund Balances	\$ 215,080,482.71
Total Liabilities and Fund Balances	\$ 744,897,590.93

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a comprehensive basis of accounting other than generally accepted accounting principles.

University System of Georgia

Budget Comparison and Surplus Analysis Report (Non-GAAP Basis) - Budget Fund

June 30, 2009

Year Ended June 30, 2009	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
State Appropriations				
State General Funds	\$ 2,278,680,052.00	\$ 2,046,306,207.00	\$ 2,006,476,398.00	\$ -39,829,809.00
Federal Stimulus Stabilization Fund	\$ 0	\$ 17,189,581.00	\$ 17,189,581.00	\$ 0
Tobacco Funds	21,837,799.00	16,205,466.00	16,205,466.00	0
Non-State Funds				
Research Funds - Other	1,456,226,693.00	1,749,041,678.00	1,491,087,178.16	-257,954,499.84
Research Funds - Federal Stimulus	\$ 0	\$ 0	\$ 286,159.99	\$ 286,159.99
Agency Funds	<u>1,595,417,021.00</u>	<u>2,004,903,401.00</u>	<u>1,706,558,090.42</u>	<u>-298,345,310.58</u>
Total Revenue	\$ <u>5,352,161,565.00</u>	\$ <u>5,833,646,333.00</u>	\$ <u>5,237,802,873.57</u>	\$ <u>-595,843,459.43</u>
Prior Year Reserves Available for Expenditure	\$ 0	\$ 0	\$ 213,116,449.73	\$ 213,116,449.73
Total Funds Available	\$ <u>5,352,161,565.00</u>	\$ <u>5,833,646,333.00</u>	\$ <u>5,450,919,323.30</u>	\$ <u>-382,727,009.70</u>
EXPENDITURES				
UGA - Forestry Research	6,361,406.00	8,527,495.00	8,671,551.40	-144,056.40
UGA - Agricultural Experiment Station	82,798,877.00	88,786,136.00	80,668,693.36	8,117,442.64
UGA - Athens Tifton Vet Labs	4,976,845.00	6,070,426.00	5,962,247.94	108,178.06
UGA - Cooperative Extension Service	62,919,325.00	69,386,471.00	65,355,365.29	4,031,105.71
UGA - Forestry Cooperative Extension	1,040,307.00	1,048,437.00	924,389.13	124,047.87
UGA - Marine Institute	1,429,882.00	1,429,300.00	1,423,203.35	6,096.65
UGA - Marine Resources Extension Center	2,973,878.00	3,629,027.00	3,693,400.13	-64,373.13
UGA - Veterinary Medicine Experiment Station	3,504,264.00	3,128,143.00	3,064,274.00	63,869.00
UGA - Veterinary Medicine Teaching Hospital	10,190,290.00	11,717,182.00	9,810,920.37	1,906,261.63
MCG - Student Education Enrichment Program	322,377.00	0	0	0
MCG - Georgia Radiation Therapy Center	3,625,810.00	3,625,810.00	3,625,810.00	0
GT - Advanced Technology Development				
Center/EDI	30,766,736.00	24,624,536.00	18,171,307.87	6,453,228.13
GT - Center for Assistive Technology and				
Environmental Access	0	0	0	0
GT - Georgia Tech Research Institute	141,970,860.00	180,131,628.00	179,150,116.67	981,511.33
USO - Public Libraries	46,271,055.00	42,035,700.00	41,077,995.10	957,704.90
USO - Regents Central Office	7,981,264.00	7,066,498.00	6,790,177.00	276,321.00
USO - MCG Hospitals and Clinics	33,921,721.00	33,921,721.00	33,229,115.00	692,606.00
USO - Georgia Public Telecommunications				
Commission	18,191,543.00	16,163,816.00	15,863,299.00	300,517.00
USO - Georgia Military College	3,062,916.00	2,636,371.00	2,592,868.00	43,503.00
Skidaway Institute of Oceanography-B	6,514,972.00	6,194,443.00	5,755,119.33	439,323.67
GSU - Georgia Cancer Coalition	16,087,799.00	10,455,466.00	10,455,466.00	0
Georgia Eminent Scholar Endowment Trust Fund	1,500,000.00	1,500,000.00	1,500,000.00	0
Office of Minority Business	906,390.00	822,287.00	835,743.33	-13,456.33
Research Consortium	32,183,995.00	27,465,596.00	26,982,245.09	483,350.91
Special Funding Initiative	52,665,927.00	47,126,383.00	46,547,408.19	578,974.81
Teaching	<u>4,779,993,126.00</u>	<u>5,236,153,461.00</u>	<u>4,722,010,331.42</u>	<u>514,143,129.58</u>
Total Expenditures	\$ <u>5,352,161,565.00</u>	\$ <u>5,833,646,333.00</u>	\$ <u>5,294,161,046.97</u>	\$ <u>539,485,286.03</u>
Excess of Funds Available over Expenditures			\$ <u>156,758,276.33</u>	

University System of Georgia

Budget Comparison and Surplus Analysis Report (Non-GAAP Basis) - Budget Fund continued

June 30, 2009

<u>Analysis of Fund Balance</u>	
Reserved	
Capital Outlay	\$ 3,384,833.99
Department Sales & Services	27,233,311.27
Early Retirement Program	7,264,006.53
Indirect Cost Recovery	33,935,976.73
Inventories	3,679,498.99
Technology Fees	13,131,220.03
Restricted/Sponsored Funds	97,622,873.20
Uncollectible Accounts Receivable	11,382,362.06
Tuition Carry - Forward	7,563,930.32
Property Reserves	7,262,413.57
Total Reserved	\$ <u>212,460,426.69</u>
Unreserved	
Surplus	<u>2,620,056.02</u>
Total Fund Balance	\$ <u><u>215,080,482.71</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.

UNIVERSITY SYSTEM OF GEORGIA

FINANCIAL STATEMENT FINDINGS

JUNE 30, 2009

Armstrong Atlantic State University

FS-524-09-01

FS-524-09-02

FS-524-09-03

Fort Valley State University

FS-533-09-01

FS-533-09-02

FS-533-09-03

FS-533-09-04

FS-533-09-05

Georgia Southern University

FS-539-09-01

Savannah State University

FS-548-09-01

Abraham Baldwin Agricultural College

FS-557-09-01

FS-577-09-02

Bainbridge College

FS-562-09-01

Detailed information on these findings is available in the State of Georgia Single Audit Report for Fiscal Year Ended June 30, 2009 located at <https://www.audits.state.ga.us>.





ACKNOWLEDGEMENTS

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