

THE UNIVERSITY SYSTEM OF GEORGIA ANNUAL FINANCIAL REPORT FY2010



ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2010



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USG ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

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THE UNIVERSITY SYSTEM OF GEORGIA • ANNUAL FINANCIAL REPORT

LETTER OF TRANSMITTAL

BOARD OF REGENTS OF THE
UNIVERSITY SYSTEM OF GEORGIA
OFFICE OF FISCAL AFFAIRS
270 WASHINGTON STREET, SW
ATLANTA, GEORGIA 30334
404-656-2232

February 23, 2011

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

Dear Chancellor Davis:

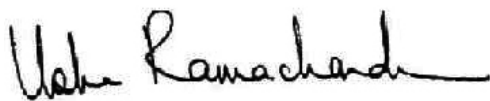
We are pleased to present to you the Annual Financial Report for the Board of Regents of the University System of Georgia for the year ended June 30, 2010. The report provides financial information about the University System of Georgia's operations during the year and presents its financial position 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 2010 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

INTRODUCTORY SECTION

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MEMBERS OF THE FISCAL YEAR 2010 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 approximately 302,000 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.



(Standing left to right) Wanda Yancey Rodwell, Allan Vigil, Benjamin Tarbutton III, James R. Jolly, William NeSmith Jr., Frederick Cooper, Larry Ellis, Donald Leebern, Jr., Richard Tucker, and Kenneth Bernard, Jr.

(Seated left to right) James A. Bishop, Doreen Stiles Poitevint, Willis J. Potts (Vice-Chair), Robert F. Hatcher (Chair), Erroll B. Davis Jr. (ex-officio), W. Mansfield Jennings, Jr., Larry Walker, and Felton Jenkins

(Not pictured) Kessell Stelling, Jr.

UNIVERSITY SYSTEM OF GEORGIA STRATEGIC PLAN

It has been three years since the Board of Regents adopted the current University System of Georgia Strategic Plan. This marks the third year of reporting the annual progress on each of the plan's six goals.

When the current plan was adopted in August 2007, few anticipated either the length or depth of the national economic recession. This recession has affected Georgia and has tested the state's ability to sustain key areas of public service, including public higher education.

The University System has taken its share of budget reductions, which in turn have caused the regents, the chancellor and the 35 institutional presidents to focus closely on the System's core missions of teaching, research, and service.

This renewed focus on core missions has benefited from the board's Strategic Plan. The Plan is the framework that enables the board to prioritize the use of available resources.

The board's vision in developing and adopting its current Strategic Plan continues to provide the structure and the mechanism to strengthen the USG, even in difficult economic times.

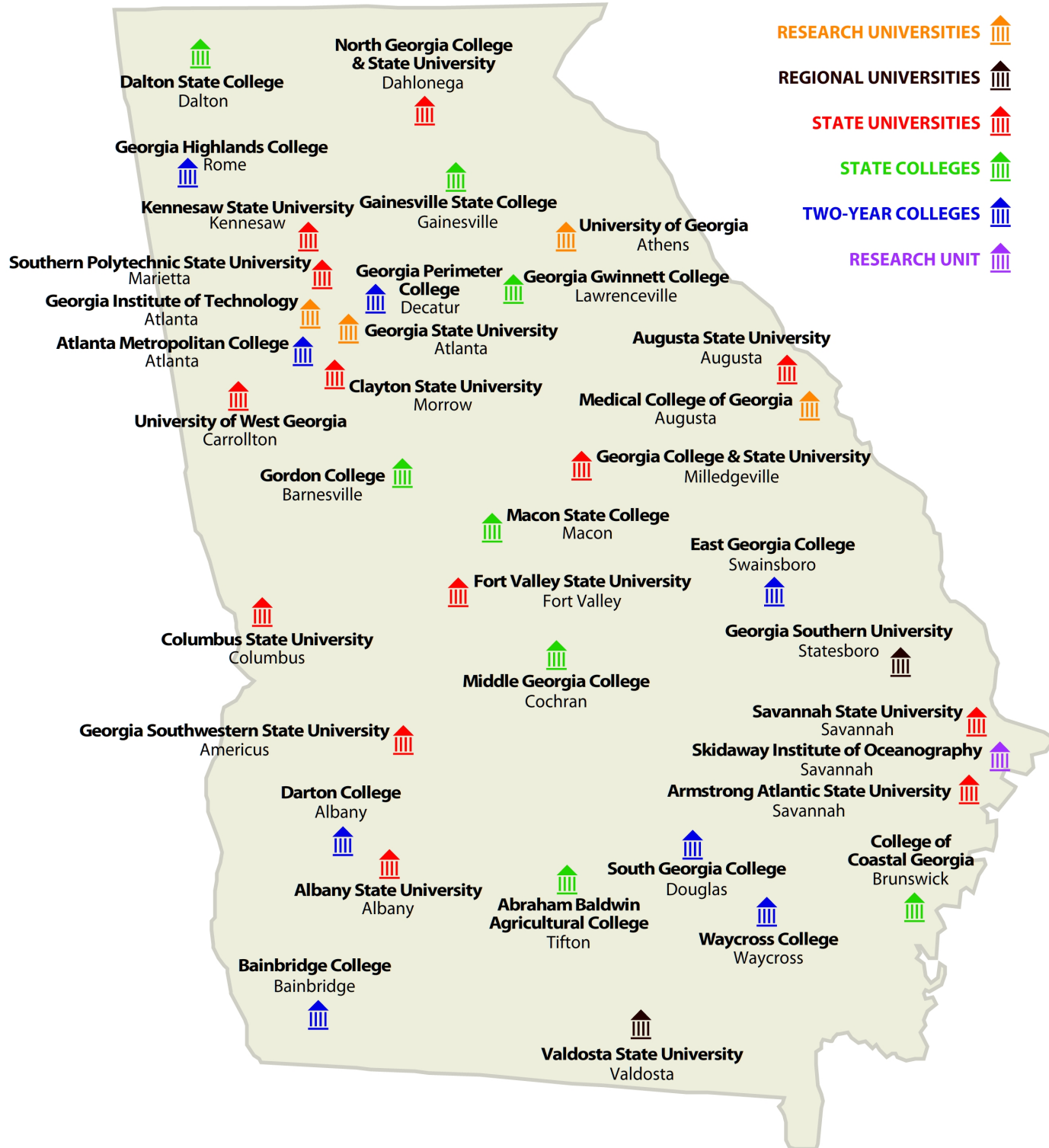
STRATEGIC PLAN GOALS

- 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.**

INTRODUCTORY SECTION

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INSTITUTIONS OF THE UNIVERSITY SYSTEM OF GEORGIA



FINANCIAL SECTION USG ANNUAL FINANCIAL REPORT

THE UNIVERSITY SYSTEM OF GEORGIA • ANNUAL FINANCIAL REPORT





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

February 23, 2011

Honorable Nathan Deal, Governor
Members of the General Assembly of Georgia
Members of the Board of Regents of the
University System of Georgia
and
Honorable 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, 2010 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, 2010, 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".

Russell W. Hinton, CPA, CGFM
State Auditor

RWH:ca

MANAGEMENT'S DISCUSSION AND ANALYSIS

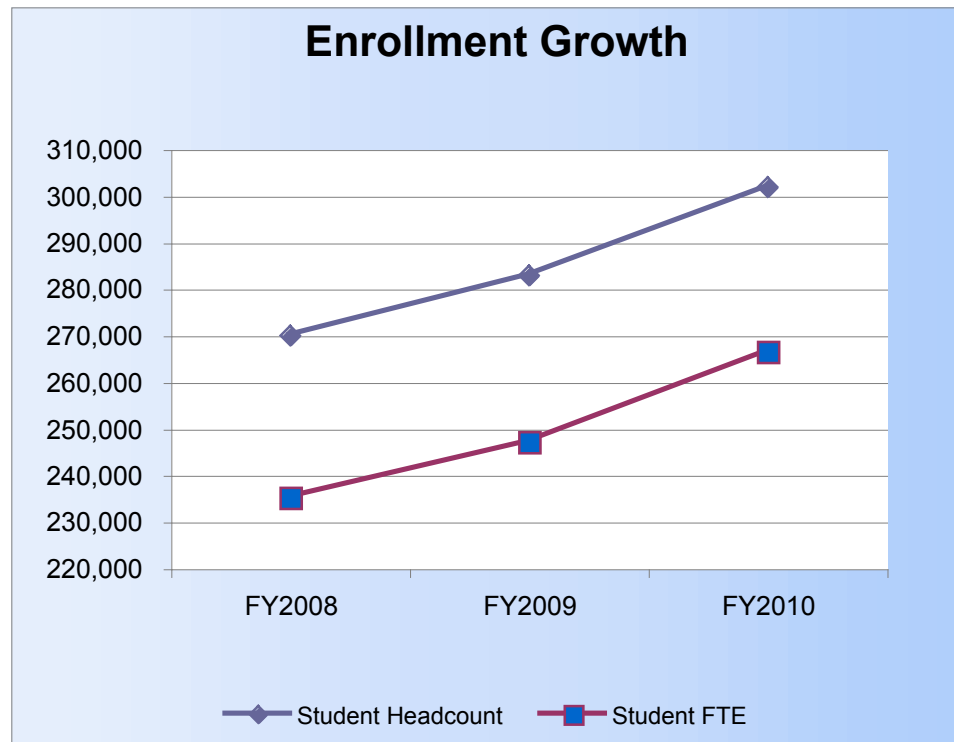
FINANCIAL SECTION • USG ANNUAL FINANCIAL REPORT

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

This discussion and analysis is intended to provide a summary of the financial position of the University System of Georgia for the fiscal year ending June 30, 2010. 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:

	STUDENT HEADCOUNT	STUDENT FTE
FY2010	301,892	266,575
FY2009	282,978	247,168
FY2008	270,022	235,186



STATE RESOURCES

The General Appropriations Act of 2010, as amended, appropriated a total of \$1,710,617,245 to the University System of Georgia. In addition, House Bill 119, as amended by House Bill 947, appropriated \$14,020,073 from Tobacco funds. In June 2010, \$27,135,755 was withheld from the total appropriated amount by the Office of the Treasury, effectively reducing the University System of Georgia's fiscal 2010 State budget to \$1,697,501,563.

The following table presents the State Appropriations available to the USG from the General Appropriations Act of 2010:

STATE APPROPRIATIONS AVAILABLE - GENERAL		
House Bill 119		
General State Funds	\$	2,063,094,628.00
Tobacco Funds		17,259,466.00
House Bill 947		
General State Funds		(352,477,383.00)
Tobacco Funds		(3,239,393.00)
Total State Appropriations Available Per Appropriations Act	\$	1,724,637,318.00
Less: Appropriations Withheld		(27,135,755.00)
Net State Appropriations available to the University System of Georgia	\$	1,697,501,563.00

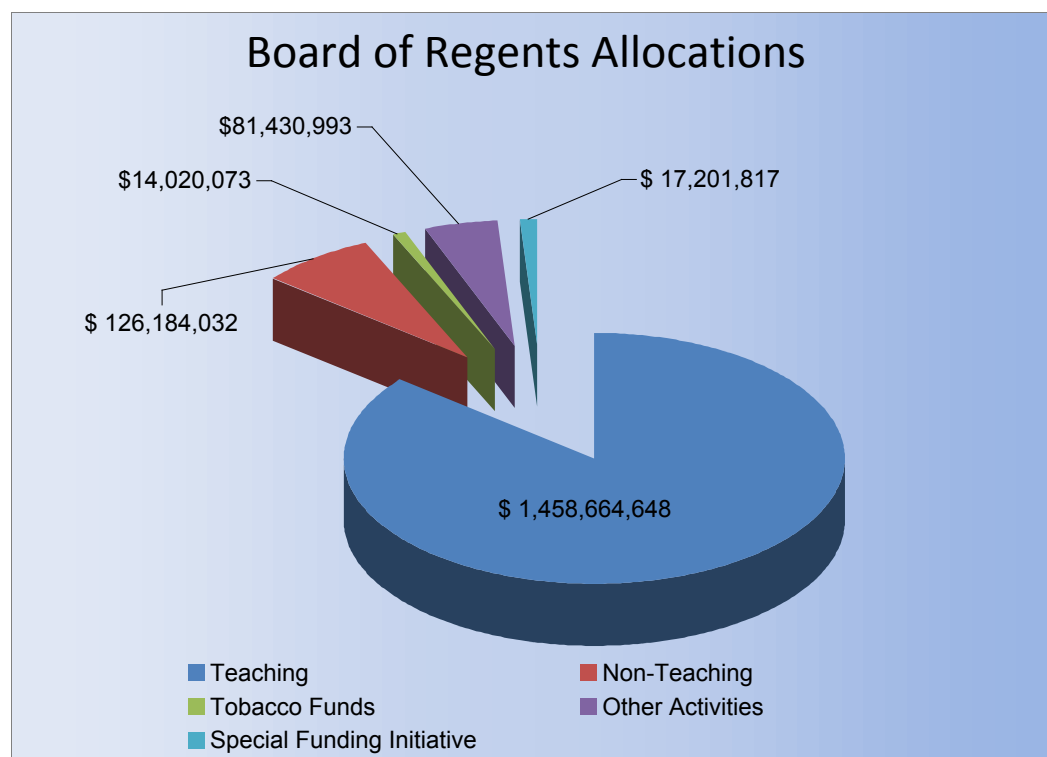
The table below presents the FY 2010 allocations by the Board of Regents to the USG institutions:

ALLOCATIONS BY THE BOARD OF REGENTS			
Education and General			
Teaching		\$	1,458,664,648
Non-Teaching			126,184,032
Tobacco Funds			14,020,073
Other Activities			
Regents Central Office	\$	6,366,451	
Rental Payments - GA Military College		2,360,431	
GA Public Telecommunications Commission		14,685,203	
GA Public Libraries		34,711,574	
Research Consortium		23,307,334	
Total Other Activities			81,430,993
Special Initiative Funding			17,201,817
Total Education and General		\$	1,697,501,563.00
Net State Appropriations available to the University System of Georgia		\$	1,697,501,563.00

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL SECTION • USG ANNUAL FINANCIAL REPORT

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



OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

The University System of Georgia is pleased to present its consolidated financial statements for fiscal year 2010. 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 upon request.

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

Two fiduciary fund statements also are included with the financial statements noted above: the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets. These statements provide information regarding the Board of Regents Retiree Health Benefit Fund, 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 2010 and 2009.

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, 2010. 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.

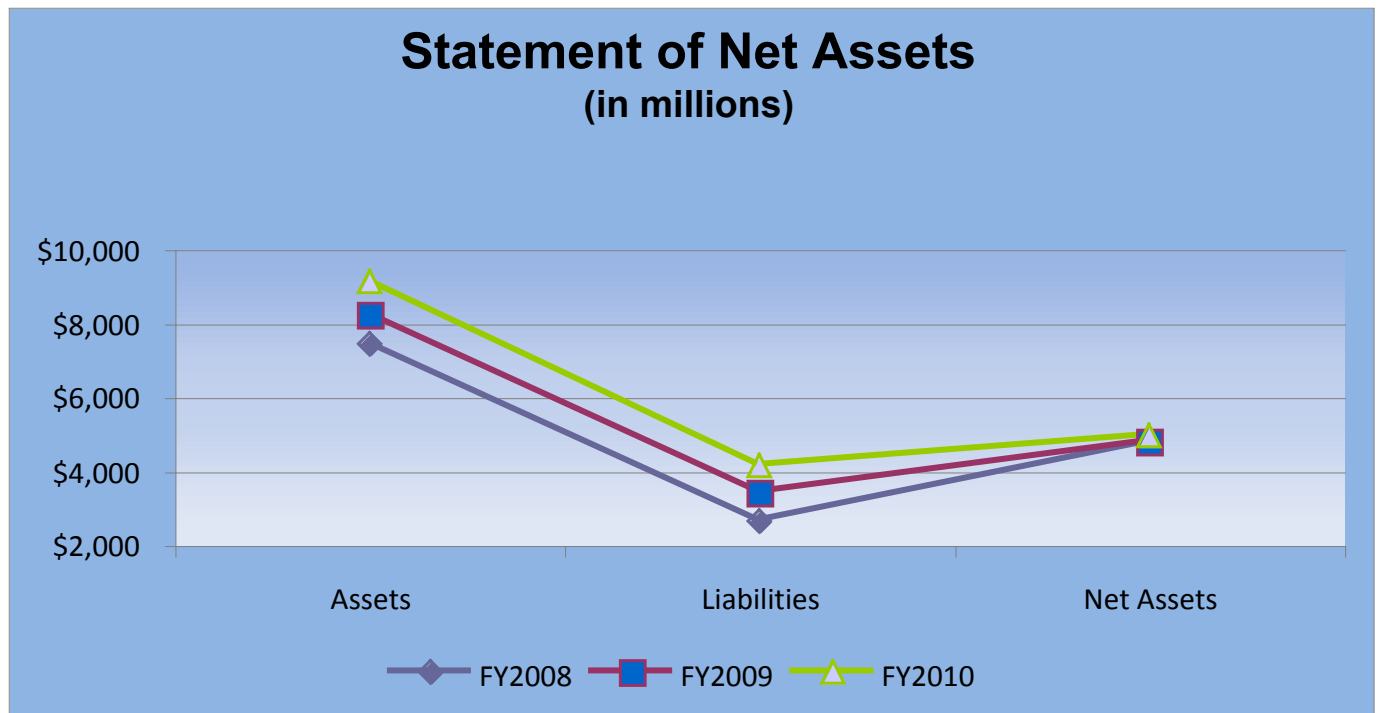
From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the University System. They also are able to determine how much the University System owes vendors, investors and lending institutions. Finally, the Statement of Net 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. Non-current assets include capital and certain investments. Other assets include non-current assets such as endowment corpus, short-term investments and notes receivable. Total assets as of June 30, 2010 were \$9.124 billion, as compared to \$8.225 billion as of June 30, 2009, for an increase of \$899 million, or 10.9%. Current assets as of June 30, 2010 increased by \$294 million; non-current assets increased \$604 million.

Current liabilities include those items that are expected to become due within the following fiscal year. They include accounts payable, salaries and wages payable and the current portion of capital leases. Non-current liabilities include the non-current portion of capital leases and lease purchases for capital items as well as compensated absences. Total liabilities increased by \$725 million, from \$3.424 billion at June 30, 2009 to \$4.149 billion on June 30, 2010.

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 three components, non-expendable, expendable and capital projects. Restricted, non-expendable net assets consist solely of the University System's permanent endowment funds, which 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, 2010 is very strong, with total assets of \$9.1 billion, total liabilities of \$4.1 billion, and net assets of \$4.97 billion. These amounts are illustrated on the following page.



Assets – Increase of \$899 Million

Total assets of the University System of Georgia were approximately \$899 million more than those reported for fiscal 2009. A review of the Statement of Net Assets will reveal that the increase primarily was due to an increase of \$243 million in cash and investments, an increase of \$83 million in accounts receivable, and a \$581 million in capital assets, net of accumulated depreciation, which were partially offset by an \$8 million decrease in prepaid items.

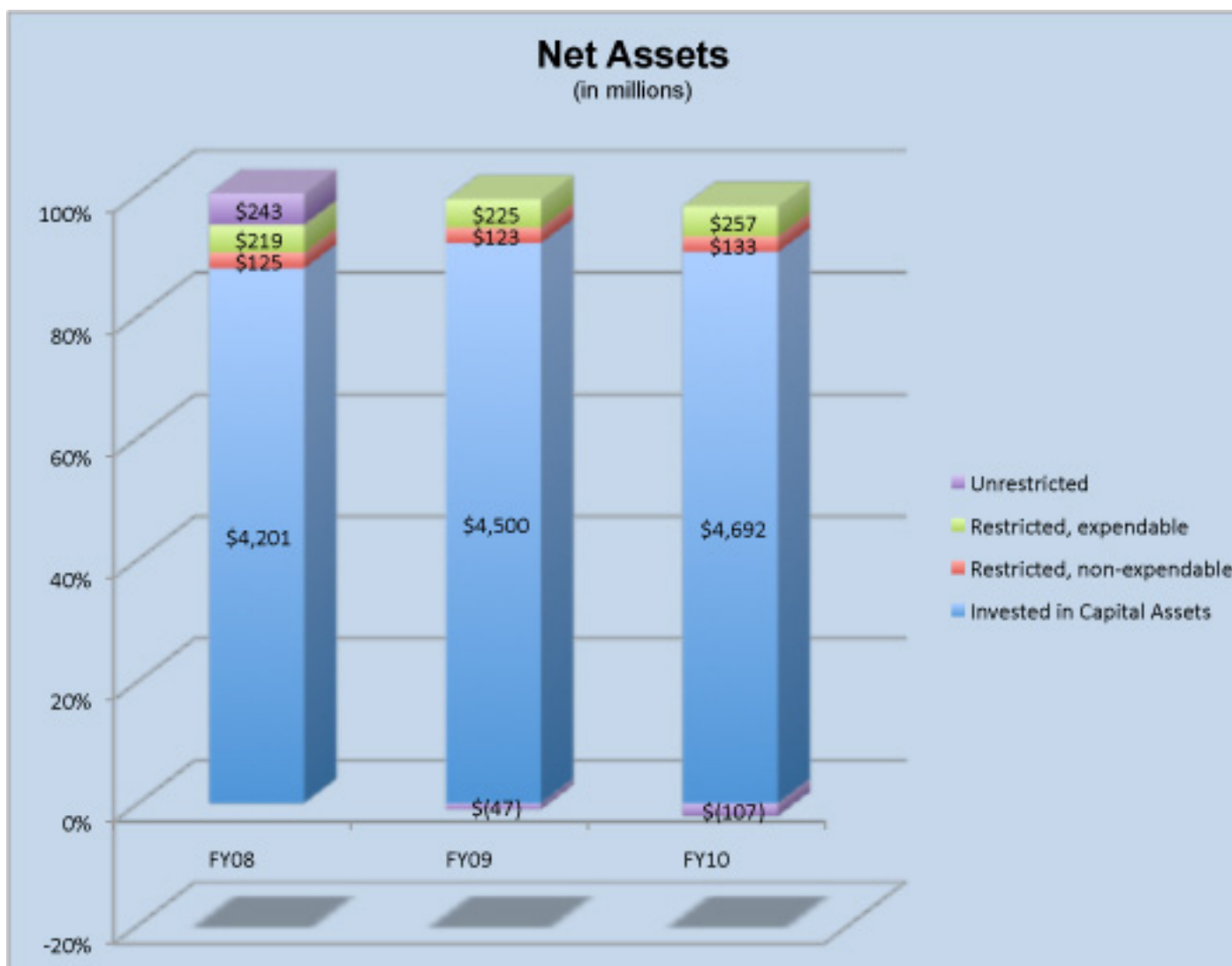
Liabilities – Increase of \$725 Million

Total liabilities for fiscal 2010 were approximately \$725 million more than those reported for fiscal 2009. The primary components of this increase were increases of \$48 million in deferred revenue, \$8 million in compensated absences, \$407 million in lease purchase obligations and \$263 million in the net Other Post-Employment Benefit (OPEB) obligation for fiscal 2010.

Net Assets – Increase of \$173 million

The combination of the increase in total assets of \$899 million and the increase in total liabilities of \$725 million yielded a net increase in total net assets of \$173.4 million, or 3.6%. The increase in total net assets primarily consists of a higher amount in the Invested in Capital Assets, net of related debt category totaling \$173 million and an increase of \$61 million in restricted net assets. These increases were partially offset by a net decrease of \$60 million in unrestricted net assets, which is a direct result of the OPEB reporting requirements; the net OPEB obligation increased from \$437.2 million in FY 2009 to \$699.9 million in FY 2010.

The following chart depicts the level, by category, for net assets:



MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL SECTION • USG ANNUAL FINANCIAL REPORT

The following table summarizes the University System of Georgia's assets, liabilities and net assets as of June 30, 2010 and June 30, 2009.

CONDENSED STATEMENT OF NET ASSETS (in millions)			
	June 30, 2010	June 30, 2009	% Change
ASSETS			
Current Assets	\$ 1,593	\$ 1,298	22.7%
Capital Assets, Net	7,305	6,724	8.6%
Other Assets	226	203	11.3%
TOTAL ASSETS	9,124	8,225	10.9%
LIABILITIES			
Current Liabilities	775	714	8.5%
Non-current Liabilities	3,374	2,710	24.5%
TOTAL LIABILITIES	4,149	3,424	21.2%
NET ASSETS			
Invested in Capital Assets, net of debt	4,660	4,486	3.9%
Restricted, Non-Expendable	133	123	8.1%
Restricted, Expendable	258	225	14.7%
Capital Projects	32	14	128.6%
Unrestricted	(108)	(47)	129.8%
TOTAL NET ASSETS	\$ 4,975	\$ 4,801	3.6%

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

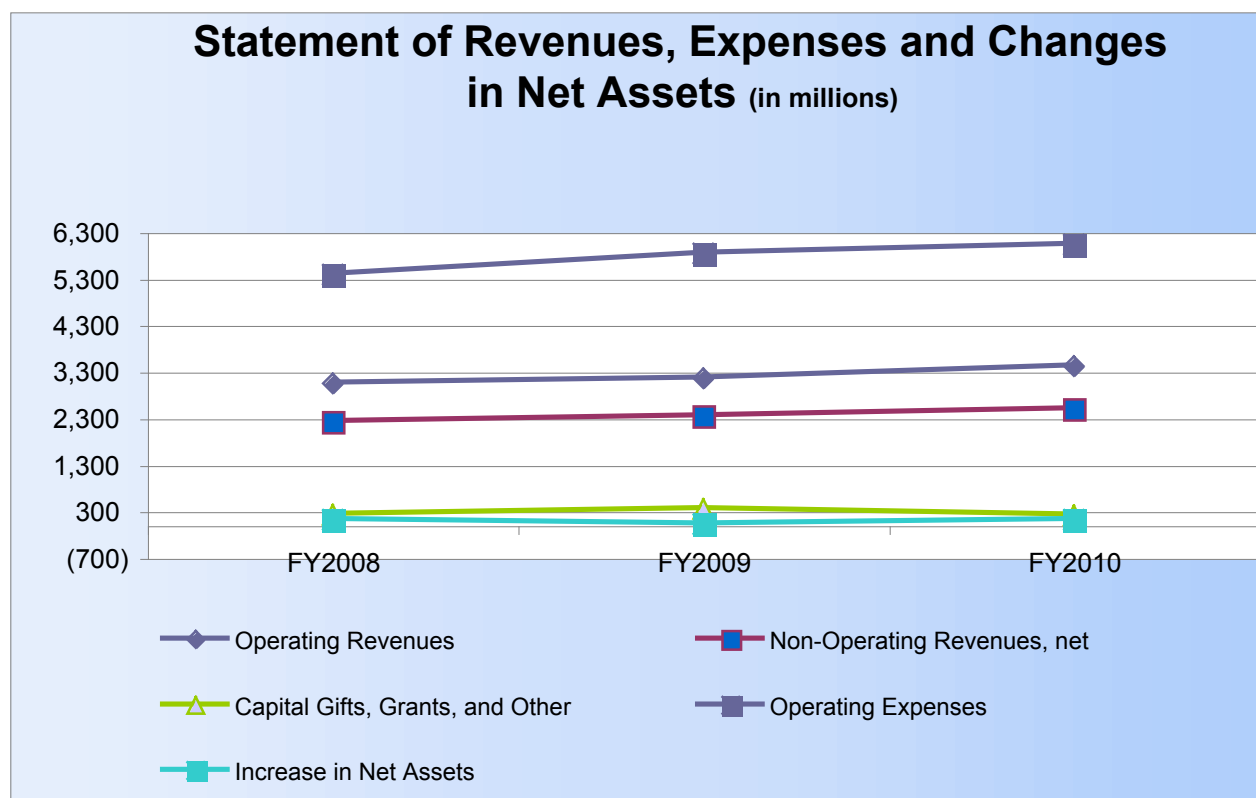
The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. All things being equal, a public University's dependency on state appropriations and gifts will result in operating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

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of the statement is to present the revenues received by the University System institutions, both operating and non-operating, and the expenses paid by the institutions, operating and non-operating, and any other revenues, expenses, gains 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 expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institutions. Non-operating revenues are revenues received for which goods and services are not provided. For example, state appropriations are non-operating because they are provided by the Legislature to the University System without the Legislature directly receiving commensurate goods or services for those revenues. State capital grants and gifts and other capital grants and gifts are considered neither operating nor non-operating revenues and are reported after "Income before other revenues, expenses, gains or losses."

The Statement of Revenues, Expenses and Changes in Net Assets 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, 2010	June 30, 2009	% Change
Operating Revenue	\$ 3,427	\$ 3,165	8.3%
Operating Expense	6,033	5,843	3.3%
Operating Loss	(2,606)	(2,678)	-2.7%
Non-Operating Revenue and Expense	2,503	2,351	6.5%
Income (Loss) before other revenue, expense, gains, losses or other items	(103)	(327)	-68.5%
Other revenue, expense, gains, losses and special items	229	357	-35.9%
Increase in Net Assets	126	30	320.0%
Net Assets at beginning of year, as originally reported	4,801	4,788	0.3%
Prior Year Adjustments	48	(17)	-382.4%
Net Assets at beginning of year, restated	4,849	4,771	1.6%
Net Assets at end of year	\$ 4,975	\$ 4,801	3.6%

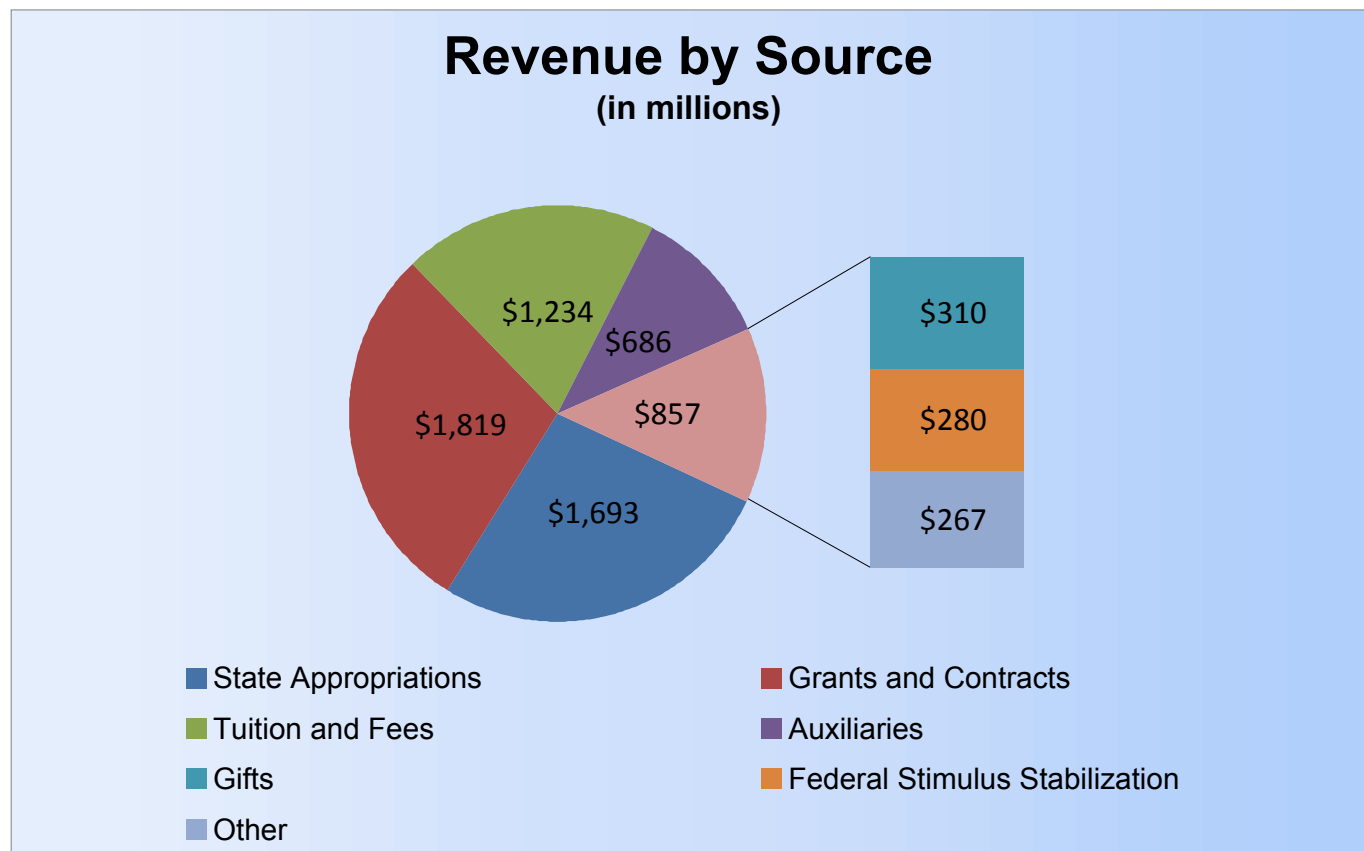


MANAGEMENT'S DISCUSSION AND ANALYSIS

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REVENUES

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



State appropriations decreased \$327 million (16.2%) in fiscal 2010 due to the continued economic downturn in Georgia, which also was experienced throughout the United States. This decrease was partially mitigated by an award of Federal Stimulus Stabilization Funds of \$280.4 million, an increase of \$263 million when compared to fiscal 2009.

Grants and contracts revenue increased \$234 million (12.9%) in fiscal 2010. This increase is largely attributable to increased Pell grant revenues.

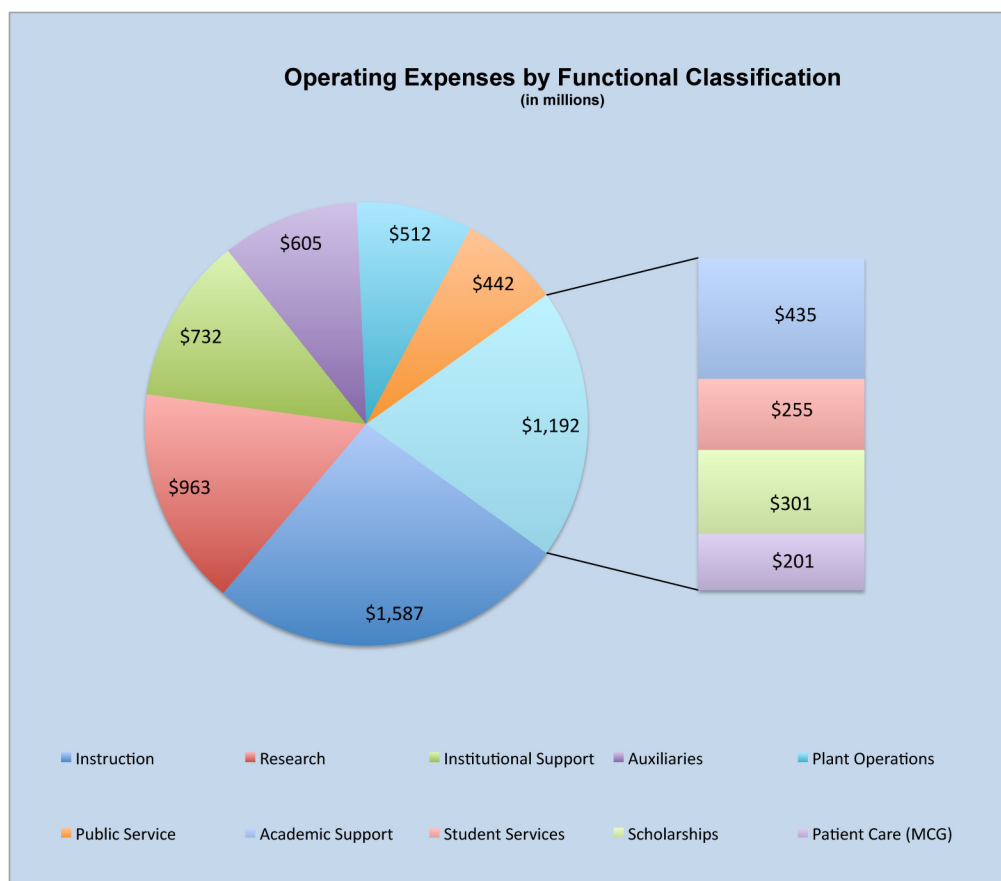
Tuition and fee revenues, net increased \$176 million (16.6%) in fiscal 2010 when compared with fiscal 2009. The tuition and fee increase is attributable to increased enrollment and annual tuition and fee increases, including a mandatory “institutional fee” that was established to partially meet the funding gap created by decreased State appropriations.

Auxiliary operations increased by \$56 million (8.9%) in fiscal 2010 as compared to fiscal 2009. Primary components of this increase included housing (\$25 million), food services (\$12 million), intercollegiate athletics (\$9 million), health services (\$7 million), and transportation and parking (\$6 million); these increases were partially offset by a \$3 million decrease in other organizations.

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

EXPENSES

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

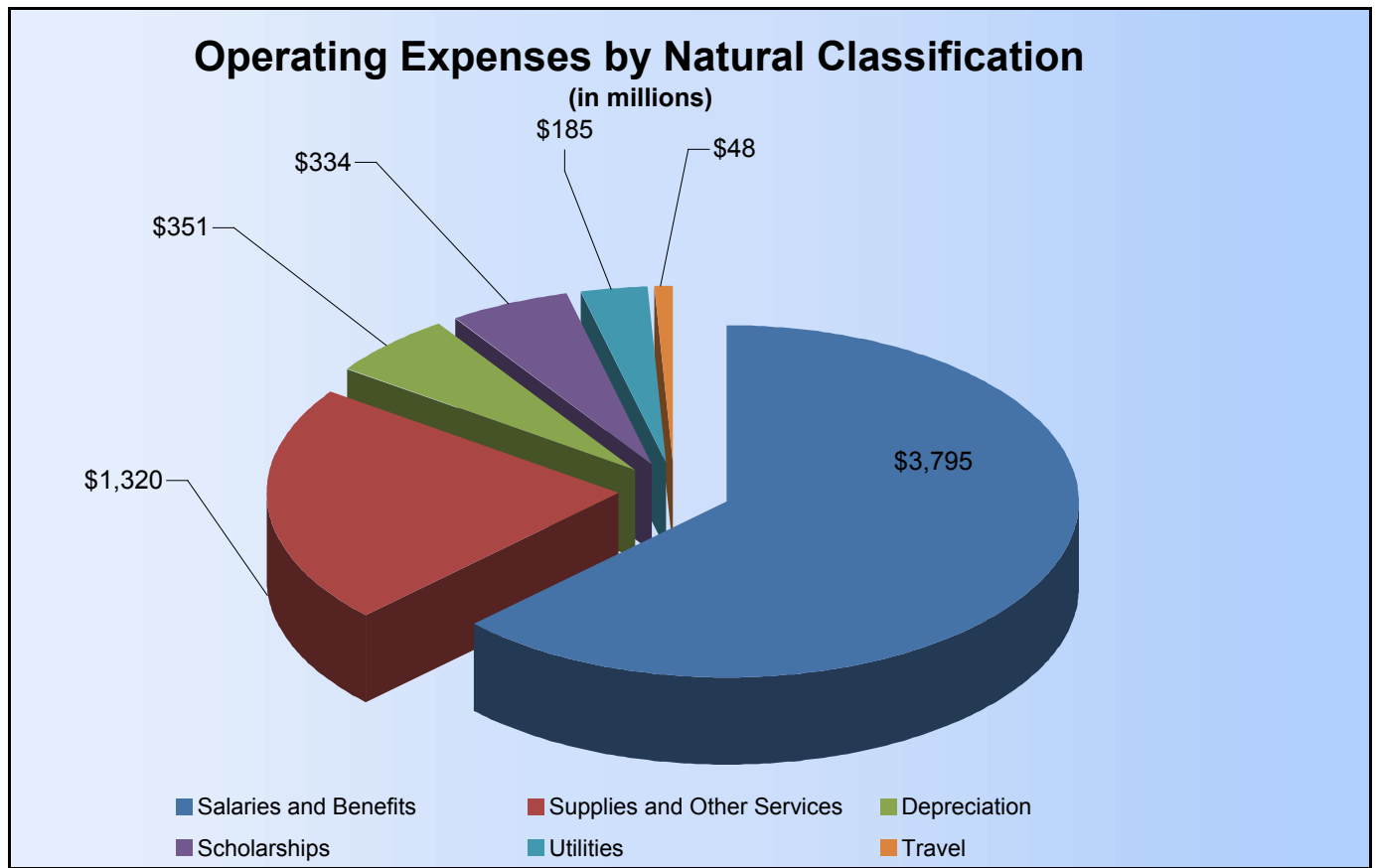


Total operating expenses were \$6,033 million in fiscal 2010, an increase of \$191 million (3%) when compared with fiscal 2009. These increases are primarily attributable to the following functional classifications: Scholarships and Fellowships (\$106 million); Instruction (\$28 million); Research (\$34 million); Academic Support (\$15 million); Student Services (\$12 million); Plant Operations and Maintenance (\$26 million); and Auxiliaries (\$36 million). The amounts were partially offset by decreases in the following classifications: Public Service (\$12 million); Institutional Support (\$48 million); and Medical College of Georgia (MCG) Patient Care (\$6 million).

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL SECTION • USG ANNUAL FINANCIAL REPORT

The following depicts the fiscal 2010 operating expenses by natural classification:



As noted above, expenses increased \$191 million (3%) in fiscal 2010 when compared with fiscal 2009. The increases were substantially attributable to increased salaries and benefits, including other personal services (\$98 million) associated with increased enrollment in the University System of Georgia institutions, increased scholarships (\$103 million), and increased depreciation expense (\$28 million). These increases were partially offset by decreased supplies and services expense (\$32 million) and decreased utilities expense (\$6 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 non-capital financing purposes. The third section summarizes cash flows from capital and related financing activities and contains cash used for the acquisition and construction of capital and related items. The fourth section is comprised of the cash flows from investing activities and includes the purchases, proceeds and interest received from investing activities. The fifth, and final, section reconciles the net cash used to the operating income or loss as reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

CONDENSED STATEMENT OF NET CASH FLOWS (in millions)			June 30, 2010	June 30, 2009
Cash Provided (Used) by:				
Operating Activities	\$	(1,966)	\$	(2,025)
Non-Capital Financing Activities		2,579		2,447
Capital and Related Financing Activities		(401)		(464)
Investing Activities		16		37
NET CHANGE IN CASH		228		(5)
Cash, beginning of year	\$	760		765
CASH, end of year	\$	988	\$	760

CAPITAL ASSETS

Capital assets, net of accumulated depreciation, at June 30, 2010 and June 30, 2009 were as follows:

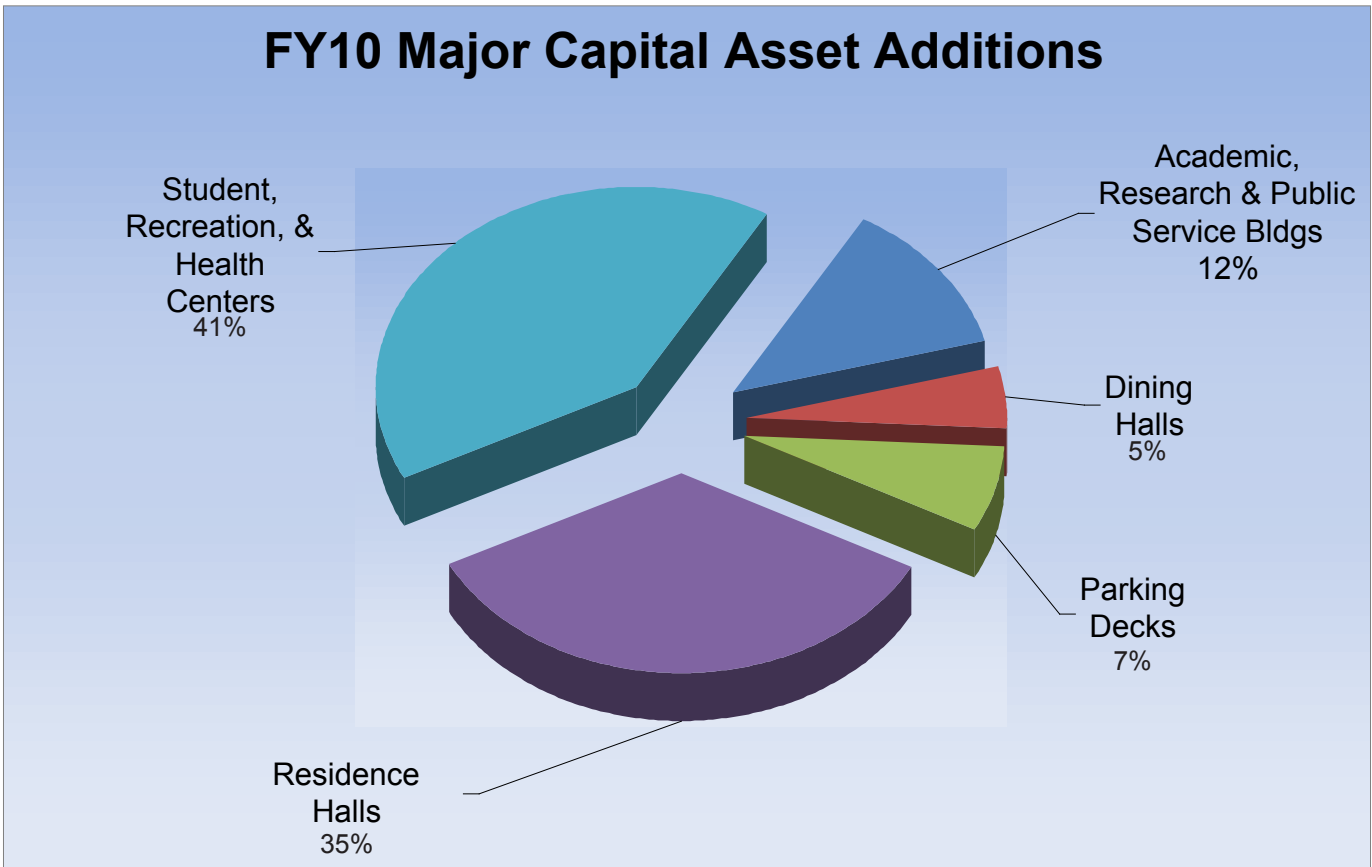
CAPITAL ASSETS, net of accumulated depreciation (in millions)	June 30, 2010	June 30, 2009	Increase (Decrease)	% Change
Land	\$ 244	\$ 228	\$ 16	7.0%
Construction in Progress	223	212	11	5.2%
Infrastructure, Facilities, and Improvements	360	347	13	3.7%
Building and Improvements	4,424	4,179	245	5.9%
Equipment	364	355	9	2.5%
Capital Leases	1,469	1,195	274	22.9%
Library and other collections	213	208	5	2.4%
Software	8	-	8	100.0%
Capital Assets, net of accumulated depreciation	\$ 7,305	\$ 6,724	\$ 581	8.6%

The University System of Georgia increased \$581 million in capital assets, net during fiscal 2010, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL SECTION • USG ANNUAL FINANCIAL REPORT

Significant Building and Capital Lease additions that occurred in fiscal 2010 are as follows:



LONG-TERM DEBT AND LIABILITIES

The University System of Georgia had long-term debt and liabilities in FY 2010 of \$3.5 billion, excluding related party liabilities and deferred revenue. Non-current liabilities included lease purchase obligations of \$2.65 billion, compensated absences of \$181 million, net OPEB obligation of \$699.9 million, US DOE Settlement of \$0.3 million, and other non-current liabilities of \$1 million. Of these amounts, \$162.6 million was reflected as current liabilities at June 30, 2010.

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 \$699.9 million as of June 30, 2010. 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 Financial Statements.

AFFILIATED ORGANIZATIONS

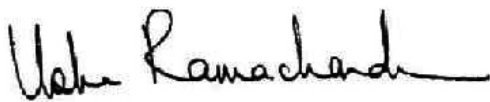
System-wide, there were seventeen affiliated organizations that met one or more criteria for component units of the State of Georgia in compliance with GASB Statement No. 39. These organizations are reported in the supplementary information section and also are reported in the State Comprehensive Annual Financial Report (CAFR) as discretely presented component units for fiscal 2010.

ECONOMIC OUTLOOK

Fiscal conditions have been challenging for most States, including Georgia, during fiscal year 2010; it is expected that economic conditions will continue to be challenging in fiscal years 2011 and 2012 as well. The decline in overall revenue collections for the State of Georgia resulted in a consequent decrease of \$327 million in State Appropriations for the University System of Georgia. These reductions were partially offset by an award of \$280 million in Federal Stimulus Stabilization Funds.

The Board of Regents and the thirty-five institutions of the University System of Georgia have responded to reductions in State appropriations through a number of cost-saving and efficiency measures. The employees of the University System of Georgia paid a higher overall percentage for health insurance, did not receive pay raises and took at least six furlough days during FY 2010. University System of Georgia students continued to be assessed a special fee to sustain excellence in the classroom. The institutions also have used existing reserves to assist with the revenue shortfall. 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.

Despite the economic downturn, the University System of Georgia has continued to thrive and to serve the higher education needs of the citizens of Georgia, as is evinced by the growth in enrollment to more than 300,000 students in Fiscal 2010. An enrollment increase is expected in Fiscal 2011 as well. Due to the exemplary leadership of the Chancellor and the Board of Regents, and the professionalism, hard work and dedication of the faculty and staff of the University System, who continue to demonstrate grace under pressure, quality has been maintained and the mission of teaching, research and service has continued to advance, which is essential to the prosperity of the State of Georgia.



Usha Ramachandran
Vice Chancellor for Fiscal Affairs
University System of Georgia



FINANCIAL STATEMENTS

FINANCIAL SECTION • USG ANNUAL FINANCIAL REPORT

UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF ASSETS JUNE 30, 2010

	June 30, 2010
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$975,199,582
Short-term Investments	89,645,689
Accounts Receivable, net (note 3)	
Receivables - Federal Financial Assistance	109,143,436
Receivables - Other	324,044,678
Inventories (note 4)	26,529,034
Prepaid Items	67,897,123
Other Assets	98,877
Total Current Assets	1,592,558,419
Noncurrent Assets	
Noncurrent Cash	13,291,750
Short-term Investments	2,916,295
Investments (Externally Restricted)	49,689,980
Other Noncurrent Assets	873,935
Investments	113,746,827
Notes Receivable, net	45,910,168
Capital Assets, net (note 6)	7,304,806,687
Total Noncurrent Assets	7,531,235,642
TOTAL ASSETS	9,123,794,061
LIABILITIES	
Current Liabilities	
Accounts Payable	156,311,076
Salaries Payable	19,626,049
Benefits Payable	15,940,912
Contracts Payable	15,847,595
Deposits	29,032,196
Deferred Revenue (note 7)	300,667,628
Other Liabilities	12,331,509
Deposits Held for Other Organizations	62,485,999
Lease Purchase Obligations (current portion)	58,260,024
Compensated Absences (current portion)	103,901,958
US DOE Settlement (Fort Valley) (current portion)	239,585
Notes and Loans Payable (current portion)	15,265
Total Current Liabilities	774,659,796
Noncurrent Liabilities (note 8)	
Lease Purchase Obligations (noncurrent)	2,588,838,267
Deferred Revenue (noncurrent) and Other Noncurrent Liabilities	7,586,754
Net OPEB Obligation	699,938,000
Compensated Absences (noncurrent)	77,249,904
US DOE Settlement (Fort Valley) (noncurrent)	61,787
Other Liabilities	828,793
Notes and Loans Payable (noncurrent)	-
Total Noncurrent Liabilities	3,374,503,505
TOTAL LIABILITIES	4,149,163,301
NET ASSETS	
Invested in Capital Assets, net of related debt	4,659,564,125
Restricted for	
Nonexpendable	132,841,369
Expendable	257,612,795
Capital Projects	32,180,642
Unrestricted	(107,568,171)
TOTAL NET ASSETS	\$4,974,630,760

FINANCIAL STATEMENTS

FINANCIAL SECTION • USG ANNUAL FINANCIAL REPORT

UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>June 30, 2010</u>
REVENUES	
Operating Revenues	
Student Tuition and Fees (net of allowance for doubtful accounts)	\$1,639,126,573
Less: Scholarship Allowances	(404,895,396)
Federal Appropriations	16,622,913
Grants and Contracts	
Federal	592,059,344
Federal Stimulus	28,037,914
State	243,207,099
Other	397,284,985
Sales and Services	125,660,015
Rents and Royalties	3,648,250
Auxiliary Enterprises	
Residence Halls	246,924,430
Bookstore	82,609,290
Food Services	124,404,899
Parking/Transportation	67,375,726
Health Services	48,419,537
Intercollegiate Athletics	87,131,512
Other Organizations	28,891,283
Other Operating Revenues	100,810,814
Total Operating Revenues	<u>3,427,319,188</u>
EXPENSES	
Operating Expenses	
Salaries:	
Faculty	1,158,421,412
Staff	1,602,187,283
Employee Benefits	1,020,343,964
Other Personal Services	15,173,767
Travel	48,381,887
Scholarships and Fellowships	333,528,052
Utilities	185,354,635
Supplies and Other Services	1,319,821,987
Depreciation	350,656,642
Total Operating Expenses	<u>6,033,869,629</u>
Operating Income (loss)	<u>(2,606,550,441)</u>

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>June 30, 2010</u>
NONOPERATING REVENUES (EXPENSES)	
State Appropriations	1,693,157,533
Federal Stimulus - Stabilization Funds	280,410,317
Grants and Contracts	
Federal	479,067,506
Federal Stimulus	1,718,160
State	1,502,535
Other	76,037,280
Gifts	81,980,790
Investment Income (endowments, auxiliary and other)	28,607,657
Interest Expense (capital assets)	(129,185,455)
Other Nonoperating Revenues	(9,475,921)
Net Nonoperating Revenues	<u>2,503,820,402</u>
Income before other revenues, expenses, gains, or loss	<u>(102,730,039)</u>
Capital Grants and Gifts	
Federal	634,932
State	191,118,615
Other	36,661,762
Special Item - Capital Asset Transfers	8,376
Total Other Revenues and Special Items	<u>228,423,685</u>
Increase in Net Assets	<u>125,693,646</u>
NET ASSETS	
Net Assets-beginning of year, as originally reported	4,801,209,328
Prior Year Adjustments	47,727,786
Net Assets-beginning of year, restated	<u>4,848,937,114</u>
Net Assets-End of Year	<u><u>\$4,974,630,760</u></u>

FINANCIAL STATEMENTS

FINANCIAL SECTION • USG ANNUAL FINANCIAL REPORT

UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>June 30, 2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	\$1,264,933,490
Federal Appropriations	16,633,818
Grants and Contracts (Exchange)	1,239,260,001
Sales and Services of Educational Departments	122,352,844
Payments to Suppliers	(2,264,202,920)
Payments to Employees	(2,761,242,206)
Payments for Scholarships and Fellowships	(334,255,333)
Loans Issued to Students and Employees	(9,064,001)
Collection of Loans to Students and Employees	9,003,179
Auxiliary Enterprise Charges	667,804,209
Other Receipts (payments)	82,609,713
Net Cash Provided (used) by Operating Activities	(1,966,167,206)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	1,693,157,533
Federal Stimulus - Stabilization Funds	280,410,317
Agency Funds Transactions	(20,823,369)
Gifts and Grants Received for Other Than Capital Purposes	633,092,032
Principal Paid on Installment Debt	(413,033)
Interest Paid on Installment Debt	(13,216)
Other Nonoperating Receipts	(5,671,684)
Net Cash Flows Provided by Non-capital Financing Activities	2,579,738,580
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants and Gifts Received	123,434,195
Proceeds from Capital Debt	(59,024,103)
Proceeds from sale of Capital Assets	43,536
Purchases of Capital Assets	(290,246,546)
Principal Paid on Capital Debt and Leases	(52,295,958)
Interest Paid on Capital Debt and Leases	(123,133,038)
Net Cash used by Capital and Related Financing Activities	(401,221,914)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	23,398,190
Interest on Investments	14,692,629
Purchase of Investments	(22,104,282)
Net Cash Provided (used) by Investing Activities	15,986,537
Net Increase/Decrease in Cash	228,335,997
Cash and Cash Equivalents - Beginning of year	760,155,335
Cash and Cash Equivalents - End of Year	<u>\$988,491,332</u>

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF CASH FLOWS CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Operating Income (loss)	(2,606,550,441)
Adjustments to Reconcile Net Income (loss) to Net Cash	
Provided (used) by Operating Activities	
Depreciation	350,656,642
Change in Assets and Liabilities:	
Receivables, net	(69,227,069)
Inventories	(1,395,725)
Other Assets	(39,832)
Prepaid items	(14,365,758)
Notes Receivable, Net	(416,674)
Accounts Payable	16,063,409
Deferred Revenue	47,923,099
Benefits Payable	0
Lease Purchase Obligations	0
Other Liabilities	(993,934)
Net OPEB Obligation	304,463,000
Compensated Absences	7,716,077
Net Cash Provided (used) by Operating Activities	<u><u>(\$1,966,167,206)</u></u>

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

Fixed assets acquired by incurring capital lease obligations	<u>\$464,107,715</u>
Non-capital items acquired by incurring capital lease obligations	<u>\$0</u>
Change in accounts receivable related to private gifts	<u>\$0</u>
Change in receivable from State Agency affecting proceeds of capital debt	<u>\$0</u>
Change in fair value of investments recognized as a component of interest income	<u>\$13,918,274</u>
Special Item - Altamaha Technical College Equipment Transfer	<u>\$8,376</u>
Special Item - Note Receivable Transfer	<u>(\$3,294,805)</u>
Special Item - Bond Defeasance	<u>(\$695)</u>
Special Item - Capital Asset Transfer	<u>(\$104,981,114)</u>
Change in accrued interest payable affecting interest paid	<u>(\$3,294,805)</u>
Amortization of bond issuance costs reducing interest paid	<u>\$0</u>
Interest on capital debt paid by State Agency on behalf of University	<u>\$2,585,321</u>
Principal on capital debt paid by State Agency on behalf of University	<u></u>
Gifts other than capital assets reducing proceeds of grants & gifts for other than capital assets	<u>(\$695)</u>
Gift of capital assets reducing proceeds of capital grants and gifts	<u>(\$104,981,114)</u>
Loss on Disposal of Buildings Not Fully Depreciated	<u>\$0</u>
Reduction in Capital Lease Obligation	<u><u>\$2,585,321</u></u>

FINANCIAL STATEMENTS

FINANCIAL SECTION • USG ANNUAL FINANCIAL REPORT

UNIVERSITY SYSTEM OF GEORGIA STATEMENT OF FIDUCIARY NET ASSETS BOARD OF REGENTS RETIREE HEALTH BENEFIT FUND JUNE 30, 2010

	<u>June 30, 2010</u>
ASSETS	
Cash and Cash Equivalents	<u>\$6,878,538</u>
Receivables	
Employer	
Total Receivables	<u>0</u>
Investments, at fair value	<u>0</u>
TOTAL ASSETS	<u>6,878,538</u>
LIABILITIES	
Benefits payable	<u>6,756,000</u>
TOTAL LIABILITIES	<u>6,756,000</u>
NET ASSETS	
Net assets held in trust for other postemployment benefits	<u>122,538</u>
TOTAL NET ASSETS	<u><u>\$122,538</u></u>

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
BOARD OF REGENTS RETIREE HEALTH BENEFIT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>June 30, 2010</u>
ADDITIONS	
Contributions	
Employer	\$69,888,771
Plan member	27,198,290
Total Contributions	<u>97,087,061</u>
Investment Income	
Net appreciation/(depreciation) in fair value of investments	98,878
Interest/dividends	366,033
	<u>464,911</u>
Less: Investment expense	(19,926)
Net Investment Income	<u>444,985</u>
DEDUCTIONS	
Benefits	99,235,047
Life Insurance Premium Expense	4,492,887
Administrative expense	4,247,987
Total Deductions	<u>107,975,921</u>
NET INCREASE/(DECREASE)	(10,443,875)
NET ASSETS HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS	
Beginning of year	10,566,413
End of year	<u><u>\$122,538</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL SECTION • USG ANNUAL FINANCIAL REPORT

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Reporting Entity

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

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

Financial Statement Presentation

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

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

New Accounting Pronouncements

In fiscal year 2010, The University System of Georgia adopted the Governmental Accounting and Standards Board (GASB) Statement No. 51, *Accounting and Reporting for Intangible Assets*. The provisions of this Statement generally required retroactive reporting for intangible assets acquired after June 30, 1980, with the exception of those intangible assets that have indefinite useful lives and those that are considered internally generated.

In addition, The University System of Georgia adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The provisions of this Statement affect disclosure regarding derivative instruments entered into by the state and local governments. Derivative disclosures, if any, will be identified in Note 2.

Basis of Accounting

For financial reporting purposes, the University System of Georgia is considered a special-purpose government engaged only in business-type activities. Accordingly, the University System's financial statements have been presented

using the economic resources measurement focus and the accrual basis of accounting, except 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 intra-University System transactions have been eliminated.

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

Cash and Cash Equivalents

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

Short-Term Investments

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

Investments

Investments include financial instruments with terms in excess of 13 months, certain other securities for the production of revenue, land, and other real estate held as investments by endowments. The University System of Georgia accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets. The Board of Regents Legal Fund, the Board of Regents Balanced Income Fund, the Board of Regents Total Return Fund, the Board of Regents Diversified Fund, and the Georgia Extended Asset Pool are included under Investments.

Accounts Receivable

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

Inventories

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

Noncurrent Cash and Investments

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University System's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that exceed \$100,000 and/or significantly increase the value or extend the useful life of the structure

NOTES TO THE FINANCIAL STATEMENTS

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are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation, which also includes amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, and copyrights, as well as software, is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 60 years for buildings, 20 to 25 years for infrastructure and land improvements, 10 years for library books, and 3 to 20 years for equipment. Residual values will generally be 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

To 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.

For projects managed by GSFIC, the GSFIC retains construction in progress on its books throughout the construction period and transfers the entire project to the University when complete. For projects managed by the University, the University retains construction in progress on its books and is reimbursed by GSFIC. For the year ended June 30, 2010, GSFIC transferred capital additions valued at approximately \$54,343,103 to The University System of Georgia.

Deposits

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

Deferred Revenues

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

Compensated Absences

Employee vacation pay is accrued at the end of the fiscal year for financial statement purposes. The liability and expense incurred are recorded at the end of the fiscal year as compensated absences in the Statement of Net Assets, and as a component of compensation and benefit expense in the Statements of Revenues, Expenses, and Changes in Net Assets. The University System of Georgia had accrued liability for compensated absences in the amount of \$173,435,787 as of July 1, 2010. For FY2010, \$119,213,767 was earned in compensated absences and employees were paid \$111,497,692, for a net increase of \$7,716,075. The ending balance as of June 30, 2010 in accrued liability for compensated absences was \$181,151,862.

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: Invested in capital assets, net represents the University System's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in

capital assets, net of related debt. The term “debt obligations” as used in this definition does not include debt of the GSFIC as discussed previously in Note 1 – Capital Assets section.

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 by external third parties.

Expendable Restricted Net Assets include the following:

	<u>June 30, 2010</u>
Restricted - E&G and Other Organized Activities	\$ 136,438,045
Federal Loans	44,324,982
Institutional Loans	22,740,735
Term Endowments	4,159,806
Quasi-Endowments	32,475,768
Health Insurance Reserve	17,473,459
Total Restricted Expendable	<u>\$ 257,612,795</u>

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

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

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

	<u>June 30, 2010</u>
R & R Reserve	\$ 166,577,422
Reserve for Encumbrances	361,296,959
Reserve for Inventory	3,168,863
Other Unrestricted	(638,611,415)
Total Unrestricted Net Assets	<u>\$ (107,568,171)</u>

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL SECTION • USG ANNUAL FINANCIAL REPORT

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

Income Taxes

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

Classification of Revenues and Expenses

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

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

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

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

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

Scholarship Allowances

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

Auxiliary Enterprise revenue reported in the Statement of Revenues, Expenses and Changes in Net Assets is reported net of \$5,963,931 in allowances.

Special Items

Armstrong Atlantic State University	\$ 17,025
College of Coastal Georgia – Capital Asset Transfer	(8,649)
Total	<u>\$ 8,376</u>

Armstrong Atlantic State University

Armstrong Atlantic State University transferred Equipment to Bainbridge College in early fiscal year 2010. The equipment was transferred at the book value of \$17,025. This amount is reported as a Special Item on the Statement of Revenues, Expenses and Changes in Net Assets and Changes in Net Assets and the Statement of Cash Flow.

College of Coastal Georgia

College of Coastal Georgia transferred Equipment to Altamaha Technical College effective August 31, 2009. The Equipment was transferred at its historical cost of \$18,721 with an accumulated depreciation balance of \$10,072, for a net transfer of \$8,649. This amount is reported as a Special Item on the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flow.

Restatement of Prior Year Net Assets

The following institutions had restatements of prior year balances in FY2010:

Georgia Institute of Technology	\$	7,307,600
Valdosta State University		1,881,233
Albany State University		(2,535,263)
Gordon College		(268,767)
Macon State College		(701,210)
Abraham Baldwin Agricultural College		(407,017)
University System of Georgia		701,210
University System of Georgia		41,750,000
Total	\$	<u>47,727,786</u>

Georgia Institute of Technology

In fiscal year 2009, the Institute embarked upon a project (The Building Project) to review cost, depreciation and depreciation methodology for all non-equipment assets. During this process, the cost of building assets was reconciled to the AAA report. The Institute inadvertently reconciled the cost of building assets to the incorrect cost line on the report, thus removing Federal Funding from the cost of all building assets with this type of funding. In fiscal year 2010, the Institute thoroughly reviewed all building assets with Federal Funding and corrected all issues with cost and accumulated depreciation in the beginning balance for capital assets on the financial statement.

During fiscal year 2010, in accordance with GASB 51, *Accounting and Financial Reporting for Intangible Assets*, the Institute identified all intangible assets that met the capitalization threshold and retroactively included their cost and accumulated amortization in the July 1, 2009 beginning balance for capital assets on the financial statement.

During the fiscal year 2010 year-end review, the Institute noted a few additional issues with assets that needed to be corrected. These issues included the following: (1) Prior year Construction Work-in-Progress (WIP) that should have been capitalized; (2) an affiliate organization asset mistakenly included in WIP for the Institute; (3) a building asset incorrectly classified as Infrastructure; and (4) a profile correction for an asset erroneously set up for cost and depreciation purposes. All issues with cost and accumulated depreciation for these assets have been corrected in the beginning balance for capital assets on the financial statement.

The net effect on the financial statements for Capital Assets Disclosure in the Beginning Balance Column of Note 6 is as follows: (1) the beginning balance for Capital Assets, Not Being Depreciated for Construction Work-in-Progress was restated and reduced by \$1,386,863; (2) the beginning balance for Capital Assets, Being Depreciated/Amortized for Infrastructure was restated and reduced by \$2,738,281; (3) the beginning balance for Capital Assets, Being Depreciated/Amortized for Buildings was restated and increased by \$10,774,021; (4) the beginning balance for Capital Assets, Being Depreciated/Amortized for Software was restated and increased by \$1,530,895; (5) the beginning balance for Accumulated Depreciation/Amortization for Infrastructure was restated and reduced by \$98,551; (6) the beginning balance for Accumulated Depreciation/Amortization for Buildings was restated and increased by \$434,910;

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and (7) the beginning balance for Accumulated Depreciation/Amortization for Software was restated and increased by \$535,813.

Valdosta State University

Valdosta State University has a restatement of prior year net assets increasing beginning net assets by \$1,881,233, due to a correction of fiscal year 2009 Construction Work-in-Process that was recorded as an expense in error.

Albany State University

Albany State University has a restatement of prior year net assets decreasing beginning net assets by \$2,535,263.00, due to revaluation of a capital lease and restatement of accumulated depreciation for the capital lease.

Gordon College

Gordon College has a restatement of prior year net assets decreasing beginning net assets by \$268,767, due to a reduction in Construction Work-In-Progress (C.W.I.P.) for the Gordon College Project J-139 (Allied Health/Nursing Building), as project management was transferred to GSFIC during the year.

Macon State College

Macon State College has a restatement of prior year net assets decreasing beginning net assets by \$701,210, which includes \$85,506 for capital assets, due to removing the new University System Shared Services Center activity, for which the College is the fiscal agent, and transferring the activity to the University System Office for reporting purposes.

Abraham Baldwin Agricultural College

Abraham Baldwin Agricultural College has a restatement of prior year net assets, increasing beginning net assets by \$407,017, due to the addition of capital assets that were not correctly added to the asset listing in the prior year.

University System Office

The University System Office has a restatement of prior year net assets, increasing beginning net assets by \$701,210. This restatement is related to the prior year operations of the Shared Services Center, which was reported by Macon State College in fiscal year 2009. Due to the financial significance of the Shared Services Center in fiscal year 2010 and projected future significance, this prior year activity has been transferred to the University System Office in fiscal year 2010. The Shared Services Center revenue and expenses for fiscal year 2010 are included in the University System Office's Statement of Revenues, Expenses and Changes in Net Assets.

An error was discovered in the methodology for determining the split between retiree and active employee claims expenses, which resulted in an increase in retiree claim costs and decrease in active employee claim costs. The \$41,750,000 adjustment to net assets represents that cumulative difference between the Annual Required Contribution (ARC) and the employer contributions since fiscal year 2008. See Note 14 for additional information.

NOTE 2. DEPOSITS AND INVESTMENTS

A. Deposits

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

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

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














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

At June 30, 2010, the carrying value of deposits was \$464,021,401 and the bank balance was \$536,830,266. Of the University System's deposits, \$294,344,672 were uninsured. Of these uninsured deposits, \$261,851,088 were collateralized with securities held by the financial institution's trust department or agent in the University System's name, \$32,166,747 were collateralized with securities held by the financial institution, by its trust department or agency, but not in the University System's name and \$326,837 were uncollateralized.

B. Investments

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

The University System's investments as of June 30, 2010 are presented below. All investments are presented by investment type and debt securities are presented by maturity.

Investment Type	Fair Value	Investment Maturity			
		Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Debt Securities					
U.S. Treasuries	 \$ 20,558,049	\$3,189,804	\$8,462,861	\$7,927,026	\$978,358
U.S. Agencies - Explicitly Guaranteed	 7,873,784	1,786,613	1,095	1,678,450	4,407,626
U.S. Agencies - Implicitly Guaranteed	 258,353,702	15,579,210	31,399,865	17,312,660	194,061,967
Corporate Debt	 7,885,154	255,381	3,156,212	3,146,434	1,327,127
General Obligation Bonds	 1,089,127	61,021	165,411	862,695	
Municipal Obligation	 5,000	5,000			
Mutual Bond Fund	 29,500,219	174,234	1,228,302	23,738,573	4,359,110
Repurchase Agreements	 33,097,975	33,097,975			
	 \$ 358,363,010	<u>\$ 54,149,238</u>	<u>\$44,413,746</u>	<u>\$ 54,665,838</u>	<u>\$ 205,134,188</u>
Other Investments					
Bond/Fixed Income Mutual Funds	2,591,971				
Equity Mutual Funds	49,566,232				
Equity Securities - Domestic	39,414,772				
Equity Securities - International	87,953				
Real Estate Held for Investment Purposes	6,071,012				
Real Estate Investment Fund	1,775,432				
Cash Surrender Value	9,517				
Investment Pools					
Office of Treasury and Fiscal Services					
Georgia Fund 1	316,667,502				
Georgia Extended Asset Pool	<u>6,745,573</u>				
	 \$ 781,292,974				

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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 46 days at June 30, 2010.

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 \$2.03 at June 30, 2010. 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 2010 is 0.97 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.

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

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

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

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

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Condensed financial information for the investment pool is as follows:

Regents Investment Pool Statement of Net Assets June 30, 2010		Regents Investment Pool Statement of Changes in Net Assets For the Fiscal Year Ended June 30, 2010	
Assets		Additions	
Investments	\$ 248,460,015	Pool Participant Deposits	\$ 76,012,495
Accrued Interest	654,998	Investment Income	3,640,894
Net Assets	<u><u>\$ 249,115,013</u></u>	Interest	
		Fair Value Decreases	10,391,138
		Less: Investment Expense	(441,380)
		Total Additions	<u><u>\$ 89,603,147</u></u>
Distribution of Net Assets		Deductions	
External Participant Account Balance	\$ 13,768,370	Pool Participant Withdrawals	\$ (9,642,119)
Internal Participant Account Balance	235,346,643	Net Increase (Decrease)	\$ 79,961,028
	<u><u>\$ 249,115,013</u></u>	Net Assets	
		July 1, 2009	169,153,985
		June 30, 2010	<u><u>\$ 249,115,013</u></u>

Investment Risks:

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The 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, 2010, \$369,206,783 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 \$19,612,891 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	B	BBB	Unrated
Related Debt Investments							
U. S. Agencies	\$ 258,353,702	\$ 3,854,060	\$ -	\$ -	\$ -	\$ -	\$ 254,499,642
Corporate Debt	7,885,154		436,140	1,772,882		371,813	5,304,320
General Obligation Bonds	1,089,127	1,089,127					
Municipal Obligation	5,000	5,000					
Mutual Bond Fund	29,500,219	369,062	369,062	225,881	18,996		28,517,218
Repurchase Agreements	33,097,975						33,097,975
U.S. Treasuries	-						
	<u>\$ 329,931,177</u>	<u>\$ 5,317,249</u>	<u>\$ 805,202</u>	<u>\$ 1,998,763</u>	<u>\$ 18,996</u>	<u>\$ 371,813</u>	<u>\$ 321,419,155</u>

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Concentration of Credit Risk

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

Investment	Amount	% of Total
Federal National Mortgage Association	\$ 41,190,407	5.3%

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, 2010, \$87,953, or less than 0.0001% of total investments, was invested in international equity mutual funds.

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2010:

	June 30, 2010
Student Tuition and Fees	\$ 44,909,303
Auxiliary Enterprises and Other Operating Activities	28,804,144
Federal Financial Assistance	109,143,436
Georgia State Financing and Investment Commission	25,471,778
Other	241,167,116
Sub Total	449,495,777
Less Allowance for Doubtful Accounts	16,307,663
Net Accounts Receivable	<u>\$ 433,188,114</u>

NOTE 4. INVENTORIES

Inventories consisted of the following at June 30, 2010:

	June 30, 2010
Bookstore	\$ 14,495,581
Food Services	1,903,005
Physical Plant	6,892,621
Other	3,237,827
Total	<u>\$ 26,529,034</u>

NOTE 5. NOTES/LOANS RECEIVABLE

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2010. 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 for amounts cancelled under these provisions. As the University 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 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, 2010 the allowance for uncollectible loans was \$2,819,135.

NOTE 6. CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2010:

	Restated Beginning Balance July 1, 2009	Special Item Transfer	Additions	Reductions	Ending Balance June 30, 2010
Capital Assets, Not Being Depreciated:					
Land	\$ 227,984,988	\$ -	\$ 16,871,764	\$ 784,857	\$ 244,071,895
Capitalized Collections	39,425,599	0	621,783	0	40,047,382
Construction Work-in-Progress	212,196,735	0	176,039,805	164,894,656	223,341,884
Total Capital Assets Not Being Depreciated	479,607,322	0	193,533,352	165,679,513	507,461,161
Capital Assets, Being Depreciated:					
Infrastructure	232,075,711	0	19,092,276	2,080,755	249,087,232
Building and Building Improvements	5,849,675,815	0	385,560,071	11,963,819	6,223,272,067
Facilities and Other Improvements	272,919,661	0	14,002,375	217,195	286,704,841
Equipment	1,125,770,172	(1,696)	111,204,586	50,954,650	1,186,018,412
Capital Leases	1,331,173,579	0	335,329,720	6,647,407	1,659,855,892
Library Collections	692,487,868	0	32,114,312	3,110,845	721,491,335
Capitalized Collections	1,511,338	0	4,165,469	5,800	5,671,007
Software	10,917,386	0	4,608,825	0	15,526,211
Total Assets Being Depreciated	9,516,531,530	(1,696)	906,077,634	74,980,471	10,347,626,997
Less: Accumulated Depreciation					
Infrastructure	67,878,963	0	7,437,190	968,783	74,347,370
Buildings	1,659,934,067	0	148,107,421	8,779,049	1,799,262,439
Facilities and Other improvements	93,135,206	0	8,272,506	30,056	101,377,656
Equipment	775,915,618	(10,072)	94,426,218	48,704,542	821,627,222
Capital Leases	138,637,779	0	58,823,449	5,124,754	192,336,474
Library Collections	525,296,468	0	31,143,319	2,836,113	553,603,674
Capitalized Collections	509,546	0	85,568	0	595,114
Software	4,770,551	0	2,360,971	0	7,131,522
Total Accumulated Depreciation	3,266,078,198	(10,072)	350,656,642	66,443,297	3,550,281,471
Total Capital Assets, Being Depreciated, Net	6,250,453,332	8,376	555,420,992	8,537,174	6,797,345,526
Capital Assets, net	\$ 6,730,060,654	\$ 8,376	\$ 748,954,344	\$ 174,216,687	\$ 7,304,806,687

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NOTE 7. DEFERRED REVENUE

Deferred revenue consisted of the following at June 30, 2010:

	June 30, 2010
Prepaid Tuition and Fees	\$ 188,600,012
Research	51,387,733
Other Deferred Revenue	60,679,883
Totals	<u>\$ 300,667,628</u>

NOTE 8. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2010 was as follows:

	Restated Beginning Balance July 1, 2009	Additions	Reductions	Ending Balance June 30, 2010	Current Portion
Leases					
Lease Obligations	 \$ 2,239,558,079	\$ 467,843,148	\$ 60,302,936	\$ 2,647,098,291	\$ 58,260,024
Other Liabilities					
Compensated Absences	 173,435,787	119,213,767	111,497,692	181,151,862	103,901,958
Net OPEB Obligation	 395,475,000	304,463,000	0	699,938,000	0
US DOE Settlement (Fort Valley)	 547,780	0	246,408	301,372	239,585
Notes & Loans	 56,518	0	41,253	15,265	15,265
Other Liabilities	 958,692	132,155	128,334	 962,513	133,720
Total	<u>570,473,777</u>	<u>423,808,922</u>	<u>111,913,687</u>	<u>882,369,012</u>	<u>104,290,528</u>
Total Long Term Obligations	<u>\$ 2,810,031,856</u>	<u>\$ 891,652,070</u>	<u>\$ 172,216,623</u>	<u>\$ 3,529,467,303</u>	<u>\$ 162,550,552</u>

NOTE 9. SIGNIFICANT COMMITMENTS

The University System of Georgia had significant unearned, outstanding construction or renovation contracts executed in the amount of \$183,821,327 as of June 30, 2010.

In addition, certain institutions executed rental agreements for student housing and/or other facilities during fiscal 2010; however, these agreements will not commence until fiscal 2011 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:

Institution	Commitment Amount	Project
Kennesaw State University	\$ 59,000,000	Sports Park
North Georgia College & State University	212,722,145	Student Housing & Parking Deck
Total	<u>\$ 271,722,145</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.

These 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.

Capital Leases

The University System of Georgia is obligated under approximately \$2.6 billion in capital lease liability as of June 30, 2010. 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 2010 were \$189,696,756, of which \$127,785,776 represented interest. Total principal reductions on capital leases were \$59,751,161 for the fiscal year ended June 30, 2010. Of the \$127,785,776 in interest expenditures, approximately \$2,159,819 was added to outstanding principal during fiscal 2010. 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, 2010:

Land	\$	43,924,082
Infrastructure		47,725,157
Buildings		37,156,030
Facilities		2,707,491,492
Equipment		498,285
Subtotal		<u>2,836,795,047</u>
Less: Accumulated Depreciation		<u>(253,979,251)</u>
Total Assets Held Under Capital Lease	\$	<u><u>2,582,815,796</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.

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Capital lease additions during fiscal 2010 are summarized below:

Institution	Project	Amount	Interest Rate	Lease Expiration
Georgia State University	Petit Science Center	\$ 74,016,116	6.480%	2039
University of Georgia	Parking Decks	17,655,000	5.000%	2039
University of Georgia	Fraternity Row Housing	12,505,000	6.300%	2039
University of Georgia	Medical Partnership Bldg	15,705,000	5.000%	2028
Georgia Southern University	Centennial Place	56,096,073	5.256%	2039
Valdosta State University	Georgia and Reade Halls	30,419,725	4.150%	2039
Valdosta State University	Student Union Building	60,747,911	4.514%	2039
Valdosta State University	Hopper Hall	27,484,345	4.554%	2039
Valdosta State University	Student Health Center	12,222,729	4.649%	2039
Valdosta State University	Oak Street Parking Deck	24,869,880	4.649%	2039
Valdosta State University	Sustella Parking Deck	21,468,631	4.649%	2039
Armstrong Atlantic State University	Student Union Center	23,427,477	5.125%	2039
Kennesaw State University	Housing	242,257	6.040%	2039
Georgia College & State University	Campus Theatre	9,326,118	6.250%	2038
Georgia Perimeter College	Newton Campus - Student Success Center	12,900,000	4.830%	2035
Georgia Perimeter College	Clarkston Campus - International Center	3,000,000	4.830%	2035
University System Office	Shared Services Center	3,578,343	4.000%	2030
Various - 3rd Party Leases	Equipment, furniture and fixtures	6,614,424		
		<u>\$ 412,279,029</u>		

Operating Leases

The University System of Georgia's non-cancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2011 through 2034. 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 2010 was \$31,159,365.

Future commitments for capital leases (which here and on the Statement of Net Assets include other installment purchase agreements) and for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2010, are as follows:

Year Ending June 30:	Year	Capital Leases	Operating Leases
2011	1	\$ 189,661,875	\$ 29,016,375
2012	2	188,588,460	9,391,505
2013	3	188,704,875	8,734,597
2014	4	188,832,967	5,598,780
2015	5	221,605,794	3,841,169
2016 through 2020	6-10	971,756,679	15,029,876
2021 through 2025	11-15	978,709,909	10,720,729
2026 through 2030	16-20	971,312,883	7,902,558
2031 through 2035	21-25	656,861,256	1,642,734
2036 through 2040	26-30	283,903,988	0
2041 through 2045	31-35	771,617.00	0
Total minimum lease payments		<u>4,840,710,303</u>	<u>\$ 91,878,323</u>
Less: Interest		2,120,830,081	
Less: Executory costs		72,781,931	
Principal Outstanding		<u>\$ 2,647,098,291</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 5.25% 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 2010, the employer contribution rate was 9.74% 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>Contribution</u>
2010	100%	\$ 135,412,616
2009	100%	\$ 128,072,380
2008	100%	\$ 122,832,156

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

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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, 2010 for employees covered by ERS was \$6,349,501. The University System of Georgia's total payroll for all employees was \$2,760,608,695.

For the year ended June 30, 2010 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 1.5% 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 1.5% of annual compensation paid by employee. The University System of Georgia also is required to contribute at a specified percentage of active member payroll determined annually by actuarial valuation for both old and new plans. For the year ended June 30, 2010, 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>Contribution</u>
2010	100%	\$ 654,124
2009	100%	\$ 687,652
2008	100%	\$ 602,995

Actuarial and Trend Information

Actuarial and historical trend information is presented in the ERS June 30, 2010 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 2010, 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 \$88,167,788 (9.24%) and \$49,317,179 (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 2010 amounted to \$7,268,961 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 offered 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 indemnity plan was discontinued effective January 1st, 2010. The University System Office and participating employees and retirees paid premiums to either of the self-insured healthcare plan options to access benefits coverage. The respective self-

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insured healthcare plan options are included in the financial statements of the Board of Regents of the University System of Georgia – University System Office. All units of the University System of Georgia share the risk of loss for claims associated with these plans. The reserves for these two plans are considered to be a self-sustaining risk fund. Both self-insured healthcare plan options provide a maximum lifetime benefit of \$2,000,000 per person.

The Board of Regents has contracted with Blue Cross Blue Shield of Georgia, a wholly owned subsidiary of WellPoint, to serve as the claims administrator for the two self-insured healthcare plan products. In addition to the two different self-insured healthcare plan options offered to the employees of the University System of Georgia during the fiscal year, a fully insured HSA/High Deductible PPO healthcare plan and two fully insured HMO healthcare plan options are also offered to System employees.

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, 2010 and June 30, 2009 is shown below:

	June 30, 2010	June 30, 2009
Employees:		
Unpaid Claims and Claim Adjustments (Prior Year IBNR)	\$ 21,827,567	\$ 24,048,856
Incurred Claims and Claim Adjustments Expenses - Provisions for Insured Events of the Current Year	181,684,842	204,169,368
Payments - Claims and Claim Adjustments Attributable To Insured Events of the Current Year and Prior Years	187,858,409	206,390,657
Unpaid Claims and Claim Adjustments (Current Year IBNR)	<u>\$ 15,654,000</u>	<u>\$ 21,827,567</u>
Retirees:		
Unpaid Claims and Claim Adjustments (Prior Year IBNR)	\$ 6,626,917	\$ 6,702,660
Incurred Claims and Claim Adjustments Expenses - Provisions for Insured Events of the Current Year	93,786,415	91,436,410
Payments - Claims and Claim Adjustments Attributable To Insured Events of the Current Year and Prior Years	93,657,332	91,512,153
Unpaid Claims and Claim Adjustments (Current Year IBNR)	<u>\$ 6,756,000</u>	<u>\$ 6,626,917</u>

Prior year claims incurred and paid have been adjusted in this schedule for a correction in the breakout between Active and Retired employees. Beginning and ending IBNR liabilities are not affected by this correction. See Note 14 for additional explanation.

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

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

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. Five institutions with the University System of Georgia had conditions or projects in progress that met one of the five obligating events as of June 30, 2010.

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.

The Medical College of Georgia is responsible for asbestos abatement as a small part of the project costs for the renovation of the third floor of the Hamilton Wing in the Research and Education building, renovation of several labs in the Research and Education building, and removal of mastic material in the dental building basement. The College has recorded a liability and expense related to this pollution remediation in the amount of \$763. The liability is the remaining amount of project abatement costs at June 30, 2010. The College does not anticipate any significant changes to the expected remediation outlay.

The University of Georgia is responsible for pollution remediation at the Milledge Avenue landfill site. The University of Georgia has recorded a liability and expense related to this pollution remediation in the amount of \$962,513. The liability was determined using a 5 year budget estimate provided by environmental engineers & 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.

Savannah State University is responsible for mold remediation at Camilla Hubert Hall. The University had recorded a liability and expense related to this pollution remediation in the amount of \$86,450 as of June 30, 2009. The liabil-

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ity 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. There were no changes, the remediation occurred during the current fiscal year, and there are no expected recoveries that have reduced the liability.

Georgia Institute of Technology is responsible for pollution remediation, including asbestos abatement, for all Institute facilities. Asbestos abatement is performed during renovation/construction projects when deemed necessary by Institute management. As of June 30, 2010, the Institute recorded a liability and expense in the amount of \$298,617 for asbestos abatement projects in various Institute structures. The liability was determined using the Expected Cash Flow Measurement Technique, which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. The Institute does not anticipate any significant changes to the expected remediation outlay. There are no expected recoveries that have reduced the liability. Pollution remediation liability activity in fiscal 2010 was as follows:

	Beginning Balance July 1, 2009	Additions	Reductions	Ending Balance June 30, 2010	Current Portion
Pollution Remediation Obligation	\$ 1,125,797	\$ 467,160	\$ 331,064	\$ 1,261,893	\$433,100

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, 2010.

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.

The Board of Regents of the University System of Georgia issues a publicly available financial report that includes financial statements and required supplementary information for the Plan within its Consolidated Annual Financial Report. This report may be obtained online at: http://www.usg.edu/fiscal_affairs/reporting/annual_fin_rep/.

Membership of the plan consisted of the following at June 30, 2010:

	June 30, 2010
Retirees and beneficiaries receiving benefits	17,471
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	37,076
Total	54,547

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 2010 plan year, the employer rate was approximately 70% of the total health insurance cost for eligible retirees and the retiree rate was approximately 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 2010, the University System of Georgia contributed \$69,888,771 to the plan, for current premiums or claims. Plan members receiving benefits contributed \$27,198,290 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.

In fiscal 2010, a review and correction of the claims expense breakout between Active and Retired participants was performed by the third party claims administrator. The outcome of this review resulted in an increase to previously reported Employer contributions and Claims/Administrative expenses totaling \$21.1 million in FY2009 and \$20.4 million in FY2008.

Because plan contributions and expenses increased by the same amounts, no restatement was required to the Retiree Health Benefit Fund financial statements. However, the increased Employer contributions in fiscal 2009 and

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2008 impacted both the Annual OPEB cost and Net OPEB Obligation amounts reported in the University System Office Annual Financial Report notes in those years. The tables below have been updated for the effect of the increases in Employer contributions in fiscal 2009 and 2008.

The following table shows the components of the University System's annual OPEB cost for fiscal year 2010, 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):

	June 30, 2010
Annual required contribution	\$ 381.7
Interest on net OPEB obligation	17.8
Adjustment to annual required contribution	(25.2)
Annual OPEB cost (expense)	374.3
Less: Contributions made	(69.9)
Increase in net OPEB obligation	304.4
Net OPEB obligation - beginning of year (restated)	395.5
Net OPEB obligation - end of year	\$ 699.9

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 through 2010 were as follows (dollar amounts in millions):

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$224.9	38.7%	\$ 137.8
2009	\$346.9	25.7%	\$ 395.5
2010	\$374.3	18.7%	\$ 699.9

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)
7/1/07	\$ -	\$ 1,985,200,000	\$ 1,985,200,000	0.0%	\$ 2,201,804,000	90.2%
7/1/08	\$ 290,000	\$ 3,258,200,000	\$ 3,257,910,000	0.0%	\$ 2,372,385,000	137.3%
7/1/09	\$ 10,566,000	\$ 3,129,508,000	\$ 3,118,942,000	0.3%	\$ 2,399,532,000	130.0%

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 multi-year 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, 2009
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar, Closed, 30-year
Asset valuation method	Market Value of Assets
Remaining amortization period	28 years
Actuarial assumptions:	
Investment rate of return*	4.50%
Healthcare cost trend rate*	8.25%
Ultimate trend rate	4.50%
Year of ultimate trend rate	2027

*Includes inflation assumption of 2.5%

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

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NOTE 15. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The University's operating expenses by functional classification for FY2010 are shown below:

	Functional Classification FY2010					
	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support
<u>Natural Classification</u>						
Faculty	\$ 783,263,584	\$ 272,623,648	\$ 61,386,788	\$ 30,981,237	\$ 1,853,074	\$ 4,190,837
Staff	276,627,165	258,591,990	146,007,093	184,389,817	130,514,096	247,009,347
Benefits	370,219,276	161,180,609	77,430,842	82,507,648	48,835,822	136,339,452
Personal Services	3,487,544	331,310	665,335	1,539,253	746,519	7,038,620
Travel	12,712,547	19,324,529	5,399,941	3,620,309	2,461,542	2,650,625
Scholarships and Fellowships	5,617,254	3,565,789	1,496,516	405,476	3,046,341	1,244,037
Utilities	5,684,344	2,194,860	17,454,780	2,702,170	1,803,972	10,292,618
Supplies and Others Services	70,908,668	192,946,218	126,405,670	83,667,345	55,909,526	283,758,085
Depreciation	58,896,098	52,551,406	6,258,034	45,113,957	9,531,715	39,680,429
Total Expenses	<u>\$1,587,416,480</u>	<u>\$ 963,310,359</u>	<u>\$ 442,504,999</u>	<u>\$ 434,927,212</u>	<u>\$254,702,607</u>	<u>\$ 732,204,050</u>

	Functional Classification FY2010					
	Plant Operations & Maintenance	Scholarships & Fellowships	Auxiliary Enterprises	Unallocated Expenses	MCG only Patient Care	Total Expenses
<u>Natural Classification</u>						
Faculty	\$ (34,364)	\$ -	\$ 2,157,779	\$ -	\$ 1,998,829	\$1,158,421,412
Staff	154,056,034	28,119	136,431,951	-	68,531,671	1,602,187,283
Benefits	67,283,432	45,530	48,853,047	-	27,648,306	1,020,343,964
Personal Services	(7,507,321)	376,542	8,495,965	-	-	15,173,767
Travel	243,577	753	1,680,324	-	287,740	48,381,887
Scholarships and Fellowships	-	300,096,684	18,055,955	-	-	333,528,052
Utilities	118,529,974	-	26,449,543	-	242,374	185,354,635
Supplies and Others Services	117,694,036	62,379	285,271,892	-	103,198,168	1,319,821,987
Depreciation	61,378,244	-	77,246,759	-	-	350,656,642
Total Expenses	<u>\$ 511,643,612</u>	<u>\$ 300,610,007</u>	<u>\$ 604,643,215</u>	<u>\$ -</u>	<u>\$201,907,088</u>	<u>\$6,033,869,629</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.

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, 2010	FASB
Georgia Tech Athletic Association	June 30, 2010	GASB
Georgia Tech Research Corporation	June 30, 2010	GASB
Georgia Tech Facilities, Inc.	June 30, 2010	FASB
Georgia State University Foundation, Inc.	June 30, 2010	FASB
Georgia State University Research Foundation, Inc.	June 30, 2010	GASB
MCG Health, Inc.	June 30, 2010	GASB
Medical College of Georgia Foundation, Inc.	June 30, 2010	FASB
Medical College of Georgia Physicians Practice Group Foundation	June 30, 2010	FASB
University of Georgia Foundation	June 30, 2010	FASB
University of Georgia Athletic Association, Inc.	June 30, 2010	GASB
University of Georgia Research Foundation, Inc.	June 30, 2010	GASB
Georgia Southern University Housing Foundation, Inc.	June 30, 2010	FASB
VSU Auxiliary Services Real Estate Foundation, Inc.	December 31, 2009	FASB
Kennesaw State University Foundation, Inc.	June 30, 2010	FASB
Georgia College and State University Foundation, Inc.	June 30, 2010	FASB
University System of Georgia Foundation, Inc.	June 30, 2010	GASB



SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS USG ANNUAL FINANCIAL REPORT



CONDENSED FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION • USG ANNUAL FINANCIAL REPORT

UNIVERSITY SYSTEM OF GEORGIA CONDENSED STATEMENT OF NET ASSETS BY INSTITUTION JUNE 30, 2010

Institution	Assets				
	Current Assets	Noncurrent Cash/ Investments	Capital Assets	Other Assets	Total Assets
Georgia Institute of Technology	\$ 220,487,917	\$ 54,934,882	\$1,538,480,605	\$10,359,726	\$ 1,824,263,130
Georgia State University	218,932,952	861,561	667,178,623	5,801,191	892,774,327
Medical College of Georgia	89,912,220	93,279,389	301,645,933	4,039,136	488,876,678
University of Georgia	369,421,730	57,901,902	1,384,238,294	10,862,954	1,822,424,880
Georgia Southern University	66,110,870	2,475,331	436,129,376	3,015,332	507,730,909
Valdosta State University	29,935,140	11,874,030	321,876,158	28,910	363,714,238
Albany State University	14,374,824		121,358,109	383,777	136,116,710
Armstrong Atlantic State University	20,478,350	2,347,500	126,571,408	11,654	149,408,912
Augusta State University	16,251,956	376,640	103,070,297	582,300	120,281,193
Clayton College & State University	16,016,876	918,001	99,740,361	39,497	116,714,735
Columbus State University	24,001,674	2,404,246	128,464,321	1,052,920	155,923,161
Fort Valley State University	8,567,218	42,950	126,496,967	1,830,194	136,937,329
Georgia College & State University	24,361,575	5,130,396	155,070,031	2,879,884	187,441,886
Georgia Southwestern State Univ.	9,569,338	552,944	79,746,638	786,709	90,655,629
Kennesaw State University	74,400,162	3,809,086	249,511,523	447,709	328,168,480
North Georgia College & State Univ.	18,819,573	2,443,279	118,632,475	1,116,517	141,011,844
Savannah State University	13,922,771	3,728,944	116,042,030	804,539	134,498,284
Southern Polytechnic State Univ.	24,675,095	2,731,825	101,122,370	173,748	128,703,038
University of West Georgia	45,219,847	344,143	210,198,861	2,060,855	257,823,706
Abraham Baldwin Agricultural Coll.	6,971,749		75,704,771	335,686	83,012,206
College of Coastal Georgia	4,502,969	82,797	34,287,383	4,182	38,877,331
Dalton State College	6,488,491		31,873,036		38,361,527
Gainesville State College	15,344,771		43,406,170		58,750,941
Georgia Gwinnett College	11,210,946		71,268,450		82,479,396
Gordon College	13,848,000		61,635,944	10,267	75,494,211
Macon State College	14,400,942	1,077,949	71,134,744		86,613,635
Middle Georgia College	12,964,188	940,743	128,943,799	107,138	142,955,868
Atlanta Metropolitan College	5,944,700		12,124,375		18,069,075
Bainbridge College	10,634,352	602,605	29,660,295		40,897,252
Darton College	9,941,839		37,641,034		47,582,873
East Georgia College	4,850,039		19,224,926	-	24,074,965
Georgia Highlands College	5,237,867	28,037	39,835,099		45,101,003
Georgia Perimeter College	26,657,615	1,042,965	162,412,057	5	190,112,642
South Georgia College	1,998,729	150,000	27,544,856	49,273	29,742,858
Waycross College	2,411,239	253,845	9,011,521		11,676,605
Skidaway Institute of Oceanography	1,029,520		10,947,858		11,977,378
University System Office	275,296,772	7,623,524	52,575,989	2,033,301	337,529,586
Elimination/Consolidation Entries	(142,636,397)	(78,314,662)		(2,033,301)	(222,984,360)
Total	\$1,592,558,419	\$179,644,852	\$7,304,806,687	\$46,784,103	\$ 9,123,794,061

UNIVERSITY SYSTEM OF GEORGIA
CONDENSED STATEMENT OF NET ASSETS BY INSTITUTION CONTINUED
JUNE 30, 2010

Institution	Liabilities		
	Current Liabilities	Noncurrent Liabilities	Total Liabilities
Georgia Institute of Technology	\$ 143,846,353	\$ 524,039,484	\$ 667,885,837
Georgia State University	84,613,156	303,681,965	\$388,295,121
Medical College of Georgia	110,395,883	41,333,985	\$151,729,868
University of Georgia	142,699,148	256,484,017	\$399,183,165
Georgia Southern University	33,161,247	177,506,865	\$210,668,112
Valdosta State University	13,698,630	218,326,673	\$232,025,303
Albany State University	3,356,096	35,037,455	\$38,393,551
Armstrong Atlantic State University	13,278,076	70,488,295	\$83,766,371
Augusta State University	8,642,646	31,932,827	\$40,575,473
Clayton College & State University	5,413,722	47,289,704	\$52,703,426
Columbus State University	13,460,688	59,144,104	\$72,604,792
Fort Valley State University	8,085,229	64,326,824	\$72,412,053
Georgia College & State University	12,330,622	109,560,376	\$121,890,998
Georgia Southwestern State Univ.	6,394,019	39,483,423	\$45,877,442
Kennesaw State University	42,962,754	114,020,926	\$156,983,680
North Georgia College & State Univ.	9,813,226	43,275,231	\$53,088,457
Savannah State University	4,288,492	54,461,537	\$58,750,029
Southern Polytechnic State Univ.	16,682,743	47,189,916	\$63,872,659
University of West Georgia	18,067,394	111,436,873	\$129,504,267
Abraham Baldwin Agricultural Coll.	3,301,435	48,669,533	\$51,970,968
College of Coastal Georgia	2,318,595	224,509	\$2,543,104
Dalton State College	2,184,055	7,502,065	\$9,686,120
Gainesville State College	4,848,438	12,479,487	\$17,327,925
Georgia Gwinnett College	4,024,078	40,701,536	\$44,725,614
Gordon College	4,122,648	33,618,170	\$37,740,818
Macon State College	5,328,226	983,238	\$6,311,464
Middle Georgia College	2,538,598	63,673,439	\$66,212,037
Atlanta Metropolitan College	2,146,243	378,958	\$2,525,201
Bainbridge College	3,766,985	293,471	\$4,060,456
Darton College	4,847,667	1,168,427	\$6,016,094
East Georgia College	1,914,391	184,457	\$2,098,848
Georgia Highlands College	2,924,738	379,957	\$3,304,695
Georgia Perimeter College	17,131,166	81,599,466	\$98,730,632
South Georgia College	837,523	16,483,726	\$17,321,249
Waycross College	906,377	112,140	\$1,018,517
Skidaway Institute of Oceanography	623,416	75,969	\$699,385
University System Office	240,750,926	18,955,004	\$259,705,930
Elimination/Consolidation Entries	(221,045,833)	697,999,473	\$476,953,640
Total	\$ 774,659,796	\$ 3,374,503,505	\$ 4,149,163,301

CONDENSED FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION • USG ANNUAL FINANCIAL REPORT

UNIVERSITY SYSTEM OF GEORGIA CONDENSED STATEMENT OF NET ASSETS BY INSTITUTION CONTINUED JUNE 30, 2010

Institution	Net Assets				
	Invested in Capital Assets	Restricted Unexpendable	Restricted Expendable	Unrestricted	Total Net Assets
Georgia Institute of Technology	\$ 1,016,751,704	\$ 47,648,301	\$ 67,474,184	\$ 24,503,104	\$ 1,156,377,293
Georgia State University	363,951,148	42,476	9,514,175	130,971,407	504,479,206
Medical College of Georgia	274,705,038	1,495,902	72,528,242	(11,582,372)	337,146,810
University of Georgia	1,139,354,681	58,106,618	74,741,788	151,038,628	1,423,241,715
Georgia Southern University	255,444,309	2,465,814	3,465,787	35,686,887	297,062,797
Valdosta State University	102,182,637	2,052,958	3,344,869	24,108,471	131,688,935
Albany State University	87,049,434		386,824	10,286,901	97,723,159
Armstrong Atlantic State University	55,182,014	2,051,849	315,387	8,093,291	65,642,541
Augusta State University	71,513,660	14,000	1,876,093	6,301,967	79,705,720
Clayton College & State University	53,313,362	918,001	758,430	9,021,516	64,011,309
Columbus State University	68,322,145	1,652,040	3,021,987	10,322,197	83,318,369
Fort Valley State University	62,889,249	68,099	1,549,400	18,528	64,525,276
Georgia College & State University	49,830,192	3,189,665	4,851,633	7,679,398	65,550,888
Georgia Southwestern State Univ.	40,549,903	344,842	1,398,075	2,485,367	44,778,187
Kennesaw State University	134,658,873	659,643	2,551,107	33,315,177	171,184,800
North Georgia College & State Univ.	76,018,761	2,514,667	1,812,559	7,577,400	87,923,387
Savannah State University	61,939,332	3,579,321	1,077,238	9,152,364	75,748,255
Southern Polytechnic State Univ.	53,434,960	1,437,399	1,563,014	8,395,006	64,830,379
University of West Georgia	99,187,844		2,456,678	\$26,674,917	128,319,439
Abraham Baldwin Agricultural Coll.	26,326,161		825,499	3,889,578	31,041,238
College of Coastal Georgia	34,287,383	68,879	37,550	1,940,415	36,334,227
Dalton State College	24,475,099		1,961	4,198,347	28,675,407
Gainesville State College	30,795,075			10,627,941	41,423,016
Georgia Gwinnett College	30,554,140		5,956	7,193,686	37,753,782
Gordon College	27,731,018		13,053	10,009,322	37,753,393
Macon State College	71,134,744		1,360,826	7,806,601	80,302,171
Middle Georgia College	66,259,251		1,330,389	9,154,191	76,743,831
Atlanta Metropolitan College	12,124,375			3,419,499	15,543,874
Bainbridge College	29,660,295	538,024	81,254	6,557,223	36,836,796
Darton College	37,487,770			4,079,009	41,566,779
East Georgia College	19,208,339	37,100	12,523	2,718,155	21,976,117
Georgia Highlands College	39,835,099	28,039	32,851	1,900,319	41,796,308
Georgia Perimeter College	81,631,170	29,449	753,359	8,968,032	91,382,010
South Georgia College	11,156,440	150,000	121,028	994,141	12,421,609
Waycross College	9,011,521	136,240	70,808	1,439,519	10,658,088
Skidaway Institute of Oceanography	10,947,858			330,135	11,277,993
University System Office	30,659,141	3,612,043	30,458,910	13,093,562	77,823,656
Elimination/Consolidation Entries				(699,938,000)	(699,938,000)
Total	\$ 4,659,564,125	\$ 132,841,369	\$ 289,793,437	\$ (107,568,171)	\$ 4,974,630,760

UNIVERSITY SYSTEM OF GEORGIA
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS BY INSTITUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Institution	Operating					
	Revenues				Expenses	Operating Loss
	Tuition & Fees, Net	Grants & Contracts	Auxiliaries	Other		
Georgia Institute of Technology	\$ 177,483,251	\$ 564,747,448	\$ 86,485,013	\$ 39,431,135	\$ (1,065,581,868)	\$ (197,435,021)
Georgia State University	170,000,895	61,407,021	52,847,734	14,876,355	(516,954,365)	(217,822,360)
Medical College of Georgia	35,057,042	379,035,814	7,424,129	10,229,675	(600,943,395)	(169,196,735)
University of Georgia	254,395,648	181,507,451	144,824,788	55,536,222	(1,106,667,243)	(470,403,134)
Georgia Southern University	75,024,715	7,834,988	63,796,969	4,729,467	(248,813,339)	(97,427,200)
Valdosta State University	46,453,440	3,476,218	40,607,143	1,560,661	(148,920,301)	(56,822,839)
Albany State University	11,884,154	7,903,284	11,421,832	843,860	(66,186,892)	(34,133,762)
Armstrong Atlantic State University	24,156,884	6,459,753	14,718,554	937,599	(82,326,049)	(36,053,259)
Augusta State University	23,306,149	302,968	9,074,428	1,630,801	(72,645,517)	(38,331,171)
Clayton College & State University	19,615,429	2,178,519	10,967,890	2,026,298	(72,654,507)	(37,866,371)
Columbus State University	30,111,461	1,073,922	8,281,681	3,260,804	(93,359,287)	(50,631,419)
Fort Valley State University	6,488,217	11,173,626	17,855,531	6,580,983	(76,558,683)	(34,460,326)
Georgia College & State University	32,675,762	586,863	23,221,286	2,132,849	(93,749,472)	(35,132,712)
Georgia Southwestern State Univ.	8,270,333	2,937,232	8,758,273	627,367	(39,377,335)	(18,784,130)
Kennesaw State University	90,913,006	5,236,327	39,407,422	8,614,888	(243,650,955)	(99,479,312)
North Georgia College & State Univ.	19,592,350	333,496	16,784,928	1,312,906	(70,430,941)	(32,407,261)
Savannah State University	7,431,966	9,431,043	19,689,971	367,535	(66,475,065)	(29,554,550)
Southern Polytechnic State Univ.	22,675,330	451,118	9,941,257	1,901,027	(58,189,289)	(23,220,557)
University of West Georgia	39,855,050	2,245,181	30,791,546	3,402,926	(130,443,784)	(54,149,081)
Abraham Baldwin Agricultural Coll.	3,848,877	460,006	11,576,970	426,034	(37,595,121)	(21,283,234)
College of Coastal Georgia	4,467,898	47,770	1,855,157	273,942	(28,009,877)	(21,365,110)
Dalton State College	7,774,072	2,728,346	4,126,641	306,177	(41,981,511)	(27,046,275)
Gainesville State College	17,155,084	1,026	4,550,604	1,168,606	(52,649,915)	(29,774,595)
Georgia Gwinnett College	8,319,355	18,052	894,862	185,301	(39,671,665)	(30,254,095)
Gordon College	5,088,814	389,042	10,446,699	187,694	(36,077,527)	(19,965,278)
Macon State College	11,521,261	605,167	4,072,841	550,701	(53,213,593)	(36,463,623)
Middle Georgia College	3,690,242	430,829	12,454,171	253,378	(41,459,410)	(24,630,790)
Atlanta Metropolitan College	3,627,237	1,654,731	2,375,892	81,574	(25,014,271)	(17,274,837)
Bainbridge College	3,017,528	2,087,485	501,675	437,076	(25,268,618)	(19,224,854)
Darton College	8,178,363	2,506,547	1,923,510	299,821	(42,882,552)	(29,974,311)
East Georgia College	2,555,335	-	549,868	38,640	(16,363,741)	(13,219,898)
Georgia Highlands College	8,671,768	224,966	587,867	218,340	(32,051,935)	(22,348,994)
Georgia Perimeter College	48,707,712	2,714,527	8,387,735	1,886,819	(168,919,939)	(107,223,146)
South Georgia College	1,003,617	272,718	4,019,491	162,570	(18,939,242)	(13,480,846)
Waycross College	1,212,932	2,316	788,031	4,486	(9,296,487)	(7,288,722)
Skidaway Institute of Oceanography		3,141,959	38,637	380,470	(6,739,207)	(3,178,141)
University System Office		8,382,332		237,311,706	(370,473,530)	(124,779,492)
Elimination/Consolidation Entries		(13,400,749)	(294,349)	(157,434,701)	(133,333,201)	(304,463,000)
Total	\$ 1,234,231,177	\$ 1,260,589,342	\$ 685,756,677	\$ 246,741,992	\$ (6,033,869,629)	\$ (2,606,550,441)

CONDENSED FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION • USG ANNUAL FINANCIAL REPORT

UNIVERSITY SYSTEM OF GEORGIA CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BY INSTITUTION CONTINUED FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Institution	Non-Operating		
	State Appropriations	Other Revenues/ (Expenses)	Interest Expense
Georgia Institute of Technology	\$ 207,583,762	\$ 82,804,942	\$ (28,336,365)
Georgia State University	174,985,105	140,298,333	(14,665,641)
Medical College of Georgia	129,797,176	53,815,654	(1,886,002)
University of Georgia	372,310,666	250,038,269	(17,253,812)
Georgia Southern University	69,555,517	49,956,578	(8,900,886)
Valdosta State University	41,876,536	37,175,565	(8,556,965)
Albany State University	17,291,479	20,327,351	(1,605,287)
Armstrong Atlantic State University	25,002,899	18,051,705	(2,106,450)
Augusta State University	22,191,957	18,480,309	(1,602,205)
Clayton College & State University	19,818,176	23,168,588	(2,122,347)
Columbus State University	28,770,505	24,337,899	(366,394)
Fort Valley State University	17,870,376	33,339,943	(2,540,221)
Georgia College & State University	26,335,916	18,281,329	(4,701,455)
Georgia Southwestern State Univ.	9,881,424	9,566,649	(1,860,998)
Kennesaw State University	67,363,053	54,095,908	(6,890,921)
North Georgia College & State Univ.	20,318,199	14,628,842	(2,036,165)
Savannah State University	15,502,685	19,319,781	(2,352,293)
Southern Polytechnic State Univ.	17,363,494	12,945,791	(1,497,555)
University of West Georgia	38,474,634	32,490,725	(5,058,222)
Abraham Baldwin Agricultural Coll.	11,204,035	13,219,658	(2,264,975)
College of Coastal Georgia	11,046,460	12,359,572	-
Dalton State College	11,376,109	16,379,083	(353,560)
Gainesville State College	16,044,898	16,413,349	(295,506)
Georgia Gwinnett College	28,436,272	8,077,072	(1,987,433)
Gordon College	9,425,455	13,906,254	(1,624,704)
Macon State College	17,048,144	21,228,089	(13,216)
Middle Georgia College	14,368,356	14,205,078	(3,023,410)
Atlanta Metropolitan College	6,305,778	11,553,057	-
Bainbridge College	7,328,940	16,861,336	-
Darton College	12,359,784	20,786,061	(13,619)
East Georgia College	4,896,404	11,912,820	(8,149)
Georgia Highlands College	11,476,317	11,345,842	-
Georgia Perimeter College	46,853,579	57,970,277	(3,670,371)
South Georgia College	6,167,512	7,988,702	(737,108)
Waycross College	3,180,681	5,271,991	-
Skidaway Institute of Oceanography	2,454,136	1,748,075	(3,636)
University System Office	150,891,111	(5,962,914)	(965,135)
Elimination/Consolidation Entries	3	(115,554)	115,551
Total	\$ 1,693,157,533	\$ 1,168,272,009	\$ (129,185,455)

UNIVERSITY SYSTEM OF GEORGIA
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS BY INSTITUTION CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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	\$ 64,617,318	\$ 1,084,452,375	\$ 7,307,600	\$ 1,091,759,975	\$ 1,156,377,293
Georgia State University	82,795,437	421,683,769		421,683,769	504,479,206
Medical College of Georgia	12,530,093	324,616,717		324,616,717	337,146,810
University of Georgia	134,691,989	1,288,549,726		1,288,549,726	1,423,241,715
Georgia Southern University	13,184,009	283,878,788		283,878,788	297,062,797
Valdosta State University	13,672,297	116,135,405	1,881,233	118,016,638	131,688,935
Albany State University	1,879,781	98,378,641	(2,535,263)	95,843,378	97,723,159
Armstrong Atlantic State University	4,894,895	60,747,646		60,747,646	65,642,541
Augusta State University	738,890	78,966,830		78,966,830	79,705,720
Clayton College & State University	2,998,046	61,013,263		61,013,263	64,011,309
Columbus State University	2,110,591	81,207,778		81,207,778	83,318,369
Fort Valley State University	14,209,772	50,315,504		50,315,504	64,525,276
Georgia College & State University	4,783,078	60,767,810		60,767,810	65,550,888
Georgia Southwestern State Univ.	(1,197,055)	45,975,242		45,975,242	44,778,187
Kennesaw State University	15,088,728	156,096,072		156,096,072	171,184,800
North Georgia College & State Univ.	503,615	87,419,772		87,419,772	87,923,387
Savannah State University	2,915,623	72,832,632		72,832,632	75,748,255
Southern Polytechnic State Univ.	5,591,173	59,239,206		59,239,206	64,830,379
University of West Georgia	11,758,056	116,561,383		116,561,383	128,319,439
Abraham Baldwin Agricultural Coll.	875,484	30,572,771	(407,017)	30,165,754	31,041,238
College of Coastal Georgia	2,040,922	34,293,305		34,293,305	36,334,227
Dalton State College	355,357	28,320,050		28,320,050	28,675,407
Gainesville State College	2,388,146	39,034,870		39,034,870	41,423,016
Georgia Gwinnett College	4,271,816	33,481,966		33,481,966	37,753,782
Gordon College	1,741,727	36,280,433	(268,767)	36,011,666	37,753,393
Macon State College	1,799,394	79,203,987	(701,210)	78,502,777	80,302,171
Middle Georgia College	919,234	75,824,597		75,824,597	76,743,831
Atlanta Metropolitan College	583,998	14,959,876		14,959,876	15,543,874
Bainbridge College	4,965,422	31,871,374		31,871,374	36,836,796
Darton College	3,157,915	38,408,864		38,408,864	41,566,779
East Georgia College	3,581,177	18,394,940		18,394,940	21,976,117
Georgia Highlands College	473,165	41,323,143		41,323,143	41,796,308
Georgia Perimeter College	(6,069,661)	97,451,671		97,451,671	91,382,010
South Georgia College	(61,740)	12,483,349		12,483,349	12,421,609
Waycross College	1,163,950	9,494,138		9,494,138	10,658,088
Skidaway Institute of Oceanography	1,020,434	10,257,559		10,257,559	11,277,993
University System Office	19,183,570	57,938,876	701,210	58,640,086	77,823,656
Elimination/Consolidation Entries	(304,463,000)	(437,225,000)	41,750,000	(395,475,000)	(699,938,000)
Total	\$ 125,693,646	\$ 4,801,209,328	\$ 47,727,786	\$ 4,848,937,114	\$ 4,974,630,760

CONDENSED FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION • USG ANNUAL FINANCIAL REPORT

UNIVERSITY SYSTEM OF GEORGIA CONDENSED STATEMENT OF NET ASSETS – AFFILIATED INSTITUTIONS (UNAUDITED) JUNE 30, 2010

Component Units	Assets				
	Current Assets	Noncurrent Cash/ Investments	Capital Assets	Other Assets	Total Assets
Georgia Tech Foundation, Inc.	\$ 42,058,556	\$ 449,002,201	\$ 36,451,157	\$ 910,917,294	\$1,438,429,208
Georgia Tech Athletic Association	12,488,503	-	102,239,806	94,048,088	208,776,397
Georgia Tech Research Corporation	143,994,477	-	1,189,387	79,248	145,263,112
Georgia Advanced Technology Ventures, Inc.	7,395,839	353,247	112,269,521	4,791,050	124,809,657
Georgia Tech Alumni Association	871,735	-	272,434	-	1,144,169
Georgia Tech Facilities, Inc.	31,710,354	27,483,476	3,834,245	247,446,595	310,474,670
Georgia State University Foundation, Inc.	27,281,528	171,456,198	53,406,652	162,405,736	414,550,114
Georgia State University Research Foundation, Inc.	45,537,587	5,519,931	5,272,328	70,928,413	127,258,259
MCG Health, Inc.	172,938,424	136,090,745	168,246,200	1,688,271	478,963,640
Medical College of Georgia Foundation, Inc.	7,997,287	108,828,098	1,819,478	488,345	119,133,208
Medical College of Georgia Physicians Practice Group Foundation	63,014,653	418,770	10,127,040	78,694,824	152,255,287
Medical College of Georgia Research Institute, Inc.	13,240,320	53,910	-	-	13,294,230
Medical College of Georgia Dental Foundation	2,301,748	5,038,105	-	-	7,339,853
University of Georgia Foundation	34,901,228	477,953,255	13,488,476	11,622,414	537,965,373
University of Georgia Athletic Assoc., Inc.	88,592,961	970,261	201,275,291	13,911,743	304,750,256
Arch Foundation for the University of Georgia, Inc.	46,898,157	44,327,778	22,919,662	-	114,145,597
University of Georgia Research Foundation, Inc.	73,467,907	63,068,566	62,986,713	247,746,524	447,269,710
Georgia Southern University Foundation, Inc.	39,406,325	325,500	414,750	1,439,428	41,586,003
Georgia Southern University Housing Foundation, Inc.	8,607,401	21,909,554	-	163,916,589	194,433,544
Georgia Southern University Athletic Foundation, Inc.	2,531,650	-	1,562,800	1,123,917	5,218,367
Georgia Southern University Research and Service Foundation, Inc.	2,903,015	-	-	-	2,903,015
Valdosta State University Foundation, Inc.	2,282,635	20,226,197	6,745,778	872,640	30,127,250
VSU Auxiliary Services Real Estate Foundation, Inc.	1,186,404	23,778,458	43,956,758	156,331,621	225,253,241
Albany State University Foundation, Inc.	5,925,353	2,248,370	1,023,113	29,385,943	38,582,779
Armstrong Atlantic State University Foundation, Inc.	795,988	6,131,068	-	27,144	6,954,200
AASU Educational Properties Foundation, Inc.	855,230	31,866,322	32,273,947	47,985,127	112,980,626
Augusta State University Foundation, Inc.	3,458,652	23,658,196	-	54,556,204	81,673,052
(Clayton State University) Walter & Emilie Spivey Foundation	72,125	5,600,623	139,882	-	5,812,630
Clayton State University Foundation, Inc.	1,086,267	6,855,032	-	40,910,325	48,851,624
Columbus State University Foundation, Inc.	4,016,793	7,285,120	27,986,666	8,854,406	48,142,985
(Columbus State University) Foundation Properties, Inc.	3,732,033	789,765	99,321,465	3,814,330	107,657,593
Columbus State University Athletic Fund, Inc.	55,888	1,283,474	-	100,209	1,439,571
Columbus State University Alumni Association, Inc.	135,349	163,435	-	-	298,784
Fort Valley State University Foundation, Inc.	5,518,688	8,355,074	1,693,805	53,890,267	69,457,834
Georgia College & State University Alumni Association, Inc.	337,073	5,043,510	25,965	4,500	5,411,048
Georgia College and State University Foundation, Inc.	1,832,093	26,121,831	3,754,387	94,628,941	126,337,252
Georgia Southwestern Foundation, Inc.	3,168,008	23,435,566	228,482	40,262,856	67,094,912
Kennesaw State University Foundation, Inc.	19,454,446	59,808,779	178,168,512	116,720,269	374,152,006
North Georgia College & State University Foundation, Inc.	1,598,647	32,724,081	849,916	43,026,482	78,199,126
Southern Polytechnic State University Foundation, Inc.	4,677,632	8,455,071	-	26,526,789	39,659,492
University of West Georgia Foundation, Inc.	3,436,066	26,533,947	73,578	58,669,406	88,712,997
UWG Real Estate Foundation, Inc.	3,625,872	1,104,879	53,911,589	3,913,079	62,555,419
Abraham Baldwin Agricultural College Foundation, Inc.	6,316,128	17,990,601	3,047,887	80,747,533	108,102,149
College of Coastal Georgia Foundation, Inc.	5,923,227	2,269,548	-	563,322	8,756,097
Dalton State College Foundation, Inc.	3,677,932	17,547,122	6,165,966	4,097,439	31,488,459
Gainesville State College Foundation, Inc.	12,115,871	10,462,491	-	276,033	22,854,395
Gordon College Foundation, Inc.	2,045,074	10,054,089	12,761	31,721,908	43,833,832
Macon State College Foundation, Inc.	361,714	7,239,276	-	77,792	7,678,782
Middle Georgia College Foundation, Inc.	1,351,647	10,384,855	581,957	64,317,166	76,635,625
Bainbridge College Foundation	559,783	-	-	-	559,783
Darton College Foundation, Inc.	542,536	978,169	8,696,383	36,313	10,253,401
East Georgia College Foundation, Inc.	375,853	739,037	63,482	39,900	1,218,272
Georgia Highlands College Foundation, Inc.	658,588	821,597	-	584,889	2,065,074
Georgia Perimeter College Foundation, Inc.	1,945,498	2,626,858	78,409,519	1,342,785	84,324,660
South Georgia College Foundation, Inc.	707,917	6,512,068	41,260	25,140,902	32,402,147
Waycross College Foundation, Inc.	93,706	1,491,957	-	-	1,585,663
University System of Georgia Foundation, Inc.	8,170,673	42,990,523	99,076,024	62,799,947	213,037,167
Total	\$ 980,237,044	\$ 1,966,376,584	\$ 1,444,025,022	\$ 3,063,474,946	\$7,454,113,596

UNIVERSITY SYSTEM OF GEORGIA
CONDENSED STATEMENT OF NET ASSETS – AFFILIATED INSTITUTIONS
(UNAUDITED) CONTINUED
JUNE 30, 2010

Component Units	Liabilities		
	Current Liabilities	Noncurrent Liabilities	Total Liabilities
Georgia Tech Foundation, Inc.	\$ 45,260,634	\$ 393,115,574	\$ 438,376,208
Georgia Tech Athletic Association	17,115,111	121,220,993	138,336,104
Georgia Tech Research Corporation	108,083,894	-	108,083,894
Georgia Advanced Technology Ventures, Inc.	9,405,698	111,367,992	120,773,690
Georgia Tech Alumni Association	740,326	-	740,326
Georgia Tech Facilities, Inc.	19,887,367	303,985,481	323,872,848
Georgia State University Foundation, Inc.	10,173,898	258,249,478	268,423,376
Georgia State University Research Foundation, Inc.	18,566,638	91,033,567	109,600,205
MCG Health, Inc.	66,507,514	160,988,017	227,495,531
Medical College of Georgia Foundation, Inc.	-	1,391,466	1,391,466
Medical College of Georgia Physicians Practice Group Foundation	8,035,966	57,408,139	65,444,105
Medical College of Georgia Research Institute, Inc.	7,066,751	-	7,066,751
Medical College of Georgia Dental Foundation	7,419,019	-	7,419,019
University of Georgia Foundation	6,739,742	18,600,885	25,340,627
University of Georgia Athletic Assoc., Inc.	30,087,626	103,675,678	133,763,304
Arch Foundation for the University of Georgia, Inc.	4,407,718	-	4,407,718
University of Georgia Research Foundation, Inc.	73,581,571	302,956,992	376,538,563
Georgia Southern University Foundation, Inc.	2,840,229	-	2,840,229
Georgia Southern University Housing Foundation, Inc.	13,887,016	177,448,789	191,335,805
Georgia Southern University Athletic Foundation, Inc.	822,550	403,548	1,226,098
Georgia Southern University Research and Service Foundation, Inc.	2,080,342	-	2,080,342
Valdosta State University Foundation, Inc.	1,183,257	5,684,846	6,868,103
VSU Auxiliary Services Real Estate Foundation, Inc.	9,821,922	189,771,043	199,592,965
Albany State University Foundation, Inc.	1,101,613	34,189,690	35,291,303
Armstrong Atlantic State University Foundation, Inc.	105,892	-	105,892
AASU Educational Properties Foundation, Inc.	4,837,400	96,607,060	101,444,460
Augusta State University Foundation, Inc.	3,633,703	52,115,534	55,749,237
(Clayton State University) Walter & Emilie Spivey Foundation	-	-	-
Clayton State University Foundation, Inc.	1,110,074	41,951,460	43,061,534
Columbus State University Foundation, Inc.	401,227	3,133,301	3,534,528
(Columbus State University) Foundation Properties, Inc.	22,649,479	72,997,587	95,647,066
Columbus State University Athletic Fund, Inc.	262,011	218,502	480,513
Columbus State University Alumni Association, Inc.	15,648	-	15,648
Fort Valley State University Foundation, Inc.	2,929,714	62,229,769	65,159,483
Georgia College & State University Alumni Association, Inc.	16,220	-	16,220
Georgia College and State University Foundation, Inc.	19,538,767	107,435,884	126,974,651
Georgia Southwestern Foundation, Inc.	836,611	44,125,071	44,961,682
Kennesaw State University Foundation, Inc.	74,658,971	273,669,814	348,328,785
North Georgia College & State University Foundation, Inc.	2,709,029	50,284,474	52,993,503
Southern Polytechnic State University Foundation, Inc.	1,509,738	31,300,890	32,810,628
University of West Georgia Foundation, Inc.	3,234,327	55,498,127	58,732,454
UWG Real Estate Foundation, Inc.	1,075,882	55,702,347	56,778,229
Abraham Baldwin Agricultural College Foundation, Inc.	5,440,033	81,115,259	86,555,292
College of Coastal Georgia Foundation, Inc.	314,616	-	314,616
Dalton State College Foundation, Inc.	332,858	2,319,673	2,652,531
Gainesville State College Foundation, Inc.	3,519,505	6,365,000	9,884,505
Gordon College Foundation, Inc.	1,204,987	34,558,475	35,763,462
Macon State College Foundation, Inc.	257,259	-	257,259
Middle Georgia College Foundation, Inc.	1,710,750	63,070,000	64,780,750
Bainbridge College Foundation	-	-	-
Darton College Foundation, Inc.	512,554	6,133,251	6,645,805
East Georgia College Foundation, Inc.	2,232	-	2,232
Georgia Highlands College Foundation, Inc.	5,197	-	5,197
Georgia Perimeter College Foundation, Inc.	1,319,857	75,655,000	76,974,857
South Georgia College Foundation, Inc.	221,412	29,699,820	29,921,232
Waycross College Foundation, Inc.	8,109	-	8,109
University System of Georgia Foundation, Inc.	14,768,798	194,069,032	208,837,830
Total	\$ 633,959,262	\$ 3,771,747,508	\$ 4,405,706,770

CONDENSED FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION • USG ANNUAL FINANCIAL REPORT

UNIVERSITY SYSTEM OF GEORGIA CONDENSED STATEMENT OF NET ASSETS – AFFILIATED INSTITUTIONS (UNAUDITED) CONTINUED JUNE 30, 2010

Component Units	Net Assets				
	Invested in Capital Assets	Restricted Unexpendable	Restricted Expendable	Unrestricted	Total Net Assets
Georgia Tech Foundation, Inc.	\$ (102,561)	\$ 449,002,201	\$ 491,691,026	\$ 59,462,334	\$ 1,000,053,000
Georgia Tech Athletic Association	(10,949,347)	28,375,579	63,065,273	(10,051,212)	70,440,293
Georgia Tech Research Corporation	1,189,387	-	-	35,989,831	37,179,218
Georgia Advanced Technology Ventures, Inc.	478,702	-	3,700,497	(143,232)	4,035,967
Georgia Tech Alumni Association	272,434	-	-	131,409	403,843
Georgia Tech Facilities, Inc.	(37,636,319)	-	10,566,106	13,672,035	(13,398,178)
Georgia State University Foundation, Inc.	(46,600,063)	75,121,679	47,007,466	70,597,656	146,126,738
Georgia State University Research Foundation, Inc.	5,272,328	2,000,000	774,130	9,611,596	17,658,054
MCG Health, Inc.	61,844,155	30,000	1,332,269	188,261,685	251,468,109
Medical College of Georgia Foundation, Inc.	1,819,478	95,159,486	10,531,762	10,231,016	117,741,742
Medical College of Georgia Physicians Practice Group Foundation	10,127,040	-	-	76,684,142	86,811,182
Medical College of Georgia Research Institute, Inc.	-	-	75,373	6,152,106	6,227,479
Medical College of Georgia Dental Foundation	-	-	109,427	(188,593)	(79,166)
University of Georgia Foundation	6,625,988	301,901,618	184,804,165	19,292,975	512,624,746
University of Georgia Athletic Assoc., Inc.	109,837,449	-	-	61,149,503	170,986,952
Arch Foundation for the University of Georgia, Inc.	-	41,573,277	66,476,557	1,688,045	109,737,879
University of Georgia Research Foundation, Inc.	9,964,291	-	2,623,064	58,143,792	70,731,147
Georgia Southern University Foundation, Inc.	414,750	30,722,431	6,273,973	1,334,620	38,745,774
Georgia Southern University Housing Foundation, Inc.	7,719,080	-	9,349,309	(13,970,650)	3,097,739
Georgia Southern University Athletic Foundation, Inc.	1,245,376	-	2,558,934	187,959	3,992,269
Georgia Southern University Research and Service Foundation, Inc.	-	-	-	822,673	822,673
Valdosta State University Foundation, Inc.	1,573,016	18,571,295	2,564,977	549,859	23,259,147
VSU Auxiliary Services Real Estate Foundation, Inc.	33,439,192	-	-	(7,778,916)	25,660,276
Albany State University Foundation, Inc.	(4,803,621)	-	7,220,900	874,197	3,291,476
Armstrong Atlantic State University Foundation, Inc.	-	4,553,416	2,128,525	166,367	6,848,308
AASU Educational Properties Foundation, Inc.	-	-	-	11,536,166	11,536,166
Augusta State University Foundation, Inc.	5,596,149	15,917,313	2,784,946	1,625,407	25,923,815
(Clayton State University) Walter & Emilie Spivey Foundation	139,882	-	-	5,672,748	5,812,630
Clayton State University Foundation, Inc.	(1,162,857)	2,240,289	2,912,260	1,800,398	5,790,090
Columbus State University Foundation, Inc.	-	28,292,265	14,109,889	2,206,303	44,608,457
(Columbus State University) Foundation Properties, Inc.	27,902,417	-	-	(15,891,890)	12,010,527
Columbus State University Athletic Fund, Inc.	-	1,345,583	194,839	(581,364)	959,058
Columbus State University Alumni Association, Inc.	-	56,206	-	226,930	283,136
Fort Valley State University Foundation, Inc.	1,045,913	3,290,184	2,547,051	(2,584,797)	4,298,351
Georgia College & State University Alumni Association, Inc.	25,965	4,434,749	390,689	543,425	5,394,828
Georgia College and State University Foundation, Inc.	(1,948,210)	11,894,518	3,539,336	(14,123,043)	(637,399)
Georgia Southwestern Foundation, Inc.	(237,628)	11,049,577	3,503,661	7,817,620	22,133,230
Kennesaw State University Foundation, Inc.	(3,182,661)	22,927,511	12,889,476	(6,811,105)	25,823,221
North Georgia College & State University Foundation, Inc.	(217,536)	23,347,362	4,106,876	(2,031,079)	25,205,623
Southern Polytechnic State University Foundation, Inc.	-	2,268,012	2,422,420	2,148,432	6,838,864
University of West Georgia Foundation, Inc.	12,051,731	10,627,767	7,382,055	(81,010)	29,980,543
UWG Real Estate Foundation, Inc.	1,471,002	-	-	4,306,188	5,777,190
Abraham Baldwin Agricultural College Foundation, Inc.	7,634,246	6,799,351	2,545,218	4,568,042	21,546,857
College of Coastal Georgia Foundation, Inc.	-	5,433,547	1,707,186	1,300,748	8,441,481
Dalton State College Foundation, Inc.	3,893,334	9,623,948	3,282,013	12,036,633	28,835,928
Gainesville State College Foundation, Inc.	-	8,298,912	3,394,136	1,276,842	12,969,890
Gordon College Foundation, Inc.	(1,328,715)	2,033,518	4,773,917	2,591,650	8,070,370
Macon State College Foundation, Inc.	-	6,528,588	505,206	387,729	7,421,523
Middle Georgia College Foundation, Inc.	12,070,229	858,783	509,156	(1,583,293)	11,854,875
Bainbridge College Foundation	-	559,783	-	-	559,783
Darton College Foundation, Inc.	2,050,578	1,008,118	2,505,279	(1,956,379)	3,607,596
East Georgia College Foundation, Inc.	63,482	-	1,056,685	95,873	1,216,040
Georgia Highlands College Foundation, Inc.	-	1,281,541	1,043,011	(264,675)	2,059,877
Georgia Perimeter College Foundation, Inc.	4,376,599	1,417,100	795,173	760,931	7,349,803
South Georgia College Foundation, Inc.	(29,699,820)	2,296,176	177,991	29,706,568	2,480,915
Waycross College Foundation, Inc.	-	1,358,770	105,083	113,701	1,577,554
University System of Georgia Foundation, Inc.	-	-	1,035,685	3,163,652	4,199,337
Total	\$ 192,274,855	\$ 1,232,200,453	\$ 993,072,970	\$ 630,848,548	\$ 3,048,396,826

UNIVERSITY SYSTEM OF GEORGIA
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS – AFFILIATED INSTITUTIONS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Component Units	Operating						Non-Operating	
	Revenues				Expenses	Operating Profit/ (Loss)	Revenues	Expenses
	Grants and Contracts	Rents and Royalties	Net Patient Revenue	Other				
Georgia Tech Foundation, Inc.	\$ -	\$ 15,435,519	\$ -	\$ 34,156,205	\$ (96,800,234)	\$ (47,208,510)	\$ 176,742,685	\$ (20,657,175)
Georgia Tech Athletic Association	-	8,351,685	-	41,400,361	(49,260,598)	491,448	9,642,594	(6,366,595)
Georgia Tech Research Corporation	465,722,210	7,502,234	-	3,576	(472,503,536)	724,484	33,339	-
Georgia Advanced Technology Ventures, Inc.	-	14,947,570	-	220,246	(13,489,307)	1,678,509	4,104	(7,348,164)
Georgia Tech Alumni Association	-	807,238	-	5,583,017	(6,148,093)	242,162	-	-
Georgia Tech Facilities, Inc.	-	13,391,889	-	32,312	(1,507,739)	11,916,462	-	(14,666,625)
Georgia State University Foundation, Inc.	-	20,489,333	-	11,861,984	(21,251,162)	11,100,155	26,995,112	(12,389,298)
Georgia State University Research Foundation, Inc.	48,012,953	-	-	442,083	(48,735,413)	(280,377)	1,131,784	-
MCG Health, Inc.	-	427,732	412,979,040	4,198,697	(441,273,837)	(23,668,368)	47,494,497	(18,287,426)
Medical College of Georgia Foundation, Inc.	-	453,840	92,378	1,945,740	(11,511,236)	(9,019,278)	13,375,307	-
Medical College of Georgia Physicians Practice Group Foundation	-	1,888,186	104,160,275	-	(93,177,793)	12,870,668	4,350,635	(1,364,990)
Medical College of Georgia Research Institute, Inc.	-	-	-	66,587,835	(65,292,150)	1,295,685	98,830	-
Medical College of Georgia Dental Foundation	-	-	-	9,104,825	(9,683,892)	(579,067)	859,040	(21,361)
University of Georgia Foundation	-	1,290,532	-	18,520,498	(29,043,324)	(9,232,294)	45,109,162	(844,439)
University of Georgia Athletic Assoc., Inc.	-	-	-	86,763,698	(71,913,258)	14,850,440	216,599	(5,711,187)
Arch Foundation for the University of Georgia, Inc.	-	-	-	30,289,112	(23,469,224)	6,819,888	5,471,374	-
University of Georgia Research Foundation, Inc.	-	28,334,190	-	132,209,120	(153,312,567)	7,230,743	2,458,529	(11,201,547)
Georgia Southern University Foundation, Inc.	1,724,863	189,276	-	142,065	(3,909,673)	(1,853,469)	4,563,801	(257,614)
Georgia Southern University Housing Foundation, Inc.	-	9,208,854	-	1,094,660	(5,221,210)	5,082,304	1,182,182	(8,299,546)
Georgia Southern University Athletic Foundation, Inc.	-	176,400	-	2,400,810	(1,770,139)	807,071	29,305	(19,079)
Georgia Southern University Research and Service Foundation, Inc.	5,896,519	5,100	-	-	(5,728,997)	172,622	21,707	-
Valdosta State University Foundation, Inc.	-	2,058,149	-	2,534,311	(3,530,698)	1,061,762	4,481,574	(4,101,901)
VSU Auxiliary Services Real Estate Foundation, Inc.	-	6,138,211	-	82,978	(2,166,556)	4,054,633	18,694,804	(5,643,293)
Albany State University Foundation, Inc.	613,137	-	-	1,827,450	(696,815)	1,743,772	223,553	(1,580,173)
Armstrong Atlantic State University Foundation, Inc.	-	-	-	1,630	(1,792,283)	(1,790,653)	2,355,496	-
AASU Educational Properties Foundation, Inc.	-	1,413,637	-	-	(1,202,971)	210,666	2,582,725	(2,273,219)
Augusta State University Foundation, Inc.	-	1,864,486	-	2,248,924	(1,791,054)	2,322,356	1,103,879	(1,540,322)
(Clayton State University) Walter & Emilie Spivey Foundation	-	-	-	-	(417,216)	(417,216)	980,013	-
Clayton State University Foundation, Inc.	-	412,969	-	574,714	(2,898,066)	(1,910,383)	1,963,778	-
Columbus State University Foundation, Inc.	-	-	-	282,192	(7,281,230)	(6,999,038)	457,872	(317,169)
(Columbus State University) Foundation Properties, Inc.	-	7,317,650	-	2,076,128	(6,635,069)	2,758,709	-	(4,502,886)
Columbus State University Athletic Fund, Inc.	-	10,240	-	429,719	(417,188)	22,771	-	(254,940)
Columbus State University Alumni Association, Inc.	-	-	-	117,659	(103,902)	13,757	-	(6,035)
Fort Valley State University Foundation, Inc.	-	2,734,692	-	1,275,185	(1,869,427)	2,140,450	619,885	(3,363,590)
Georgia College & State University Alumni Association, Inc.	-	-	-	538,994	(264,977)	271,017	66,481	-
Georgia College and State University Foundation, Inc.	-	6,930,560	-	2,957,353	(3,592,190)	6,295,723	2,375,750	(8,789,221)
Georgia Southwestern Foundation, Inc.	-	1,640,416	-	432,085	(1,517,956)	554,545	2,837,958	(1,855,635)
Kennesaw State University Foundation, Inc.	-	30,432,705	-	7,350,427	(23,251,431)	14,531,701	3,256,089	(13,136,220)
North Georgia College & State University Foundation, Inc.	-	247,581	-	1,296,993	(3,780,878)	(2,236,304)	5,656,624	(2,082,315)
Southern Polytechnic State University Foundation, Inc.	78,451	-	-	5,084,440	(3,132,027)	2,030,864	833,600	(1,522,378)
University of West Georgia Foundation, Inc.	-	429,222	-	15,201,758	(5,201,112)	10,429,868	4,063,466	(1,906,686)
UWG Real Estate Foundation, Inc.	-	115,935	-	1,577,556	(171,792)	1,521,699	2,500,226	(2,989,851)
Abraham Baldwin Agricultural College Foundation, Inc.	-	3,301,986	-	808,929	(2,622,658)	1,488,257	2,307,010	(1,967,625)
College of Coastal Georgia Foundation, Inc.	-	-	-	1,240,261	(1,442,166)	(201,905)	316,147	-
Dalton State College Foundation, Inc.	-	371,011	-	1,786,889	(1,289,979)	867,921	3,832,887	(129,169)
Gainesville State College Foundation, Inc.	-	548,652	-	1,291,874	(1,359,555)	480,971	334,959	-
Gordon College Foundation, Inc.	-	1,877,261	-	105,244	(114,165)	1,868,340	929,197	(1,563,051)
Macon State College Foundation, Inc.	-	-	-	573,164	(764,485)	(191,321)	1,395,167	-
Middle Georgia College Foundation, Inc.	-	3,296,372	-	327,128	(614,360)	3,009,140	4,802,598	(3,103,314)
Bainbridge College Foundation	-	-	-	83,595	(13,777)	69,818	6,168	-
Darton College Foundation, Inc.	-	1,157,733	-	681,217	(977,754)	861,196	118,903	(283,210)
East Georgia College Foundation, Inc.	-	-	-	239,305	(369,115)	(129,810)	30,900	-
Georgia Highlands College Foundation, Inc.	-	202,569	-	253,887	(760,421)	(303,965)	92,371	-
Georgia Perimeter College Foundation, Inc.	-	2,308,351	-	1,409,080	(2,587,360)	1,130,071	-	(1,014,219)
South Georgia College Foundation, Inc.	-	848,727	-	153,185	(266,702)	735,210	54,992	(470,835)
Waycross College Foundation, Inc.	-	-	-	77,031	(93,763)	(16,732)	286,838	-
University System of Georgia Foundation, Inc.	527,465	-	-	1,029,977	(2,043,428)	(485,986)	2,806,290	(2,920,089)
Total	\$ 522,575,598	\$ 198,558,693	\$ 517,231,693	\$ 502,905,106	\$ (1,712,037,908)	\$ 29,233,182	\$ 412,148,786	\$ (174,752,392)

CONDENSED FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION • USG ANNUAL FINANCIAL REPORT

UNIVERSITY SYSTEM OF GEORGIA CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – AFFILIATED INSTITUTIONS (UNAUDITED) CONTINUED FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Component Units	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 Tech Foundation, Inc.	\$ 108,877,000	\$ 891,176,000	\$ -	\$ 891,176,000	\$ 1,000,053,000
Georgia Tech Athletic Association	3,767,447	66,672,846	-	66,672,846	70,440,293
Georgia Tech Research Corporation	757,823	36,421,395	-	36,421,395	37,179,218
Georgia Advanced Technology Ventures, Inc.	(5,665,551)	9,701,518	-	9,701,518	4,035,967
Georgia Tech Alumni Association	242,162	161,681	-	161,681	403,843
Georgia Tech Facilities, Inc.	(2,750,163)	(10,648,015)	-	(10,648,015)	(13,398,178)
Georgia State University Foundation, Inc.	25,705,969	120,420,769	-	120,420,769	146,126,738
Georgia State University Research Foundation, Inc.	851,407	16,806,647	-	16,806,647	17,658,054
MCG Health, Inc.	5,538,703	245,929,406	-	245,929,406	251,468,109
Medical College of Georgia Foundation, Inc.	4,356,029	113,385,713	-	113,385,713	117,741,742
Medical College of Georgia Physicians Practice Group Foundation	15,856,313	70,954,869	-	70,954,869	86,811,182
Medical College of Georgia Research Institute, Inc.	1,394,515	4,832,964	-	4,832,964	6,227,479
Medical College of Georgia Dental Foundation	258,612	(337,778)	-	(337,778)	(79,166)
University of Georgia Foundation	35,032,429	477,592,317	-	477,592,317	512,624,746
University of Georgia Athletic Assoc., Inc.	9,355,852	161,631,100	-	161,631,100	170,986,952
Arch Foundation for the University of Georgia, Inc.	12,291,262	95,569,642	1,876,975	97,446,617	109,737,879
University of Georgia Research Foundation, Inc.	(1,512,275)	72,243,422	-	72,243,422	70,731,147
Georgia Southern University Foundation, Inc.	2,452,718	36,293,056	-	36,293,056	38,745,774
Georgia Southern University Housing Foundation, Inc.	(2,035,060)	5,132,799	-	5,132,799	3,097,739
Georgia Southern University Athletic Foundation, Inc.	817,297	3,174,972	-	3,174,972	3,992,269
Georgia Southern University Research and Service Foundation, Inc.	194,329	628,344	-	628,344	822,673
Valdosta State University Foundation, Inc.	1,441,435	21,817,712	-	21,817,712	23,259,147
VSU Auxiliary Services Real Estate Foundation, Inc.	17,106,144	(1,548,035)	10,102,167	8,554,132	25,660,276
Albany State University Foundation, Inc.	387,152	1,062,503	1,841,821	2,904,324	3,291,476
Armstrong Atlantic State University Foundation, Inc.	564,843	6,283,465	-	6,283,465	6,848,308
AASU Educational Properties Foundation, Inc.	520,172	11,015,994	-	11,015,994	11,536,166
Augusta State University Foundation, Inc.	1,885,913	24,037,902	-	24,037,902	25,923,815
(Clayton State University) Walter & Emilie Spivey Foundation	562,797	5,249,833	-	5,249,833	5,812,630
Clayton State University Foundation, Inc.	53,395	5,736,695	-	5,736,695	5,790,090
Columbus State University Foundation, Inc.	(6,858,335)	51,466,792	-	51,466,792	44,608,457
(Columbus State University) Foundation Properties, Inc.	(1,744,177)	13,754,704	-	13,754,704	12,010,527
Columbus State University Athletic Fund, Inc.	(232,169)	1,191,227	-	1,191,227	959,058
Columbus State University Alumni Association, Inc.	7,722	275,414	-	275,414	283,136
Fort Valley State University Foundation, Inc.	(603,255)	4,901,606	-	4,901,606	4,298,351
Georgia College & State University Alumni Association, Inc.	337,498	5,057,330	-	5,057,330	5,394,828
Georgia College and State University Foundation, Inc.	(117,748)	(519,651)	-	(519,651)	(637,399)
Georgia Southwestern Foundation, Inc.	1,536,868	20,596,362	-	20,596,362	22,133,230
Kennesaw State University Foundation, Inc.	4,651,570	21,785,798	(614,147)	21,171,651	25,823,221
North Georgia College & State University Foundation, Inc.	1,338,005	23,867,618	-	23,867,618	25,205,623
Southern Polytechnic State University Foundation, Inc.	1,342,086	5,496,778	-	5,496,778	6,838,864
University of West Georgia Foundation, Inc.	12,586,648	16,929,388	464,507	17,393,895	29,980,543
UWG Real Estate Foundation, Inc.	1,032,074	4,745,116	-	4,745,116	5,777,190
Abraham Baldwin Agricultural College Foundation, Inc.	1,827,642	11,748,946	7,970,269	19,719,215	21,546,857
College of Coastal Georgia Foundation, Inc.	114,242	8,327,239	-	8,327,239	8,441,481
Dalton State College Foundation, Inc.	4,571,639	24,264,289	-	24,264,289	28,835,928
Gainesville State College Foundation, Inc.	815,930	11,790,487	363,473	12,153,960	12,969,890
Gordon College Foundation, Inc.	1,234,486	6,835,884	-	6,835,884	8,070,370
Macon State College Foundation, Inc.	1,203,846	6,217,677	-	6,217,677	7,421,523
Middle Georgia College Foundation, Inc.	4,708,424	7,146,451	-	7,146,451	11,854,875
Bainbridge College Foundation	75,986	483,797	-	483,797	559,783
Darton College Foundation, Inc.	696,889	2,910,707	-	2,910,707	3,607,596
East Georgia College Foundation, Inc.	(98,910)	1,314,950	-	1,314,950	1,216,040
Georgia Highlands College Foundation, Inc.	(211,594)	2,271,471	-	2,271,471	2,059,877
Georgia Perimeter College Foundation, Inc.	115,852	7,246,254	(12,303)	7,233,951	7,349,803
South Georgia College Foundation, Inc.	319,367	2,161,548	-	2,161,548	2,480,915
Waycross College Foundation, Inc.	270,106	1,307,448	-	1,307,448	1,577,554
University System of Georgia Foundation, Inc.	(599,785)	4,799,122	-	4,799,122	4,199,337
Total	\$ 266,629,576	\$ 2,759,774,488	\$ 21,992,762	\$ 2,781,767,250	\$ 3,048,396,826

FINANCIAL STATEMENTS (STATUTORY BASIS) (NON-GAAP)

SUPPLEMENTARY INFORMATION • USG ANNUAL FINANCIAL REPORT

UNIVERSITY SYSTEM OF GEORGIA CONSOLIDATED BALANCE SHEET (NON-GAAP BASIS) – BUDGET FUNDS JUNE 30, 2010

ASSETS

Cash and Cash Equivalents	\$	487,569,848.32
Investments		73,360,003.99
Accounts Receivable		
State Appropriation		-
Federal Financial Assistance		113,653,404.84
Other		242,060,700.35
Margin Allocation		8,525,000.00
Prepaid Expenditures		45,640,956.34
Inventories		8,867,249.47
Other Assets		8,408,465.48

TOTAL ASSETS

\$ 988,085,628.79

LIABILITIES AND FUND EQUITY

Liabilities		
Cash Overdraft	\$	8,708,389.28
Contracts Payable		-
Accrued Payroll		14,740,873.54
Payroll Withholdings		-
Encumbrance Payable		274,434,729.49
Accounts Payable		126,489,137.48
Deferred Revenue		273,797,010.25
Funds Held for Others		45,619.28
Other Liabilities		13,490,845.34

TOTAL LIABILITIES

\$ 711,706,604.66

FUND BALANCES

Reserved		
Capital Outlay	\$	1,404,479.60
Department Sales and Services		36,413,659.58
Indirect Cost Recoveries		56,459,807.65
Technology Fees		12,989,921.56
Restricted/Sponsored Funds		112,446,403.24
Uncollectible Accounts Receivable		11,819,055.83
Inventories		3,303,174.03
Tuition Carry - Forward		21,841,661.29
Carry-Over "Per State Accounting Office"		9,213,870.39
Early Retirement Program		7,445,381.53
Unreserved		
Surplus		3,041,609.43

TOTAL FUND BALANCES

\$ 276,379,024.13

TOTAL LIABILITIES AND FUND BALANCES

\$ 988,085,628.79

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.

FINANCIAL STATEMENTS (STATUTORY BASIS) (NON-GAAP)

SUPPLEMENTARY INFORMATION • USG ANNUAL FINANCIAL REPORT

UNIVERSITY SYSTEM OF GEORGIA CONSOLIDATED BUDGET COMPARISON AND SURPLUS ANALYSIS REPORT (NON-GAAP BASIS) – BUDGET FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
State Appropriations				
State General Funds	\$ 2,063,094,628.00	\$ 1,710,617,245.00	\$ 1,683,481,490.00	\$ (27,135,755.00)
Federal Stimulus Stabilization Fund	92,617,896.00	280,410,317.00	280,410,317.00	-
Tobacco Funds	17,259,466.00	14,020,073.00	14,020,073.00	-
Non-State Funds				
Research Funds - Other	1,514,912,621.00	1,880,677,666.00	1,735,070,079.69	(145,607,586.31)
Research Funds - Federal Stimulus	-	46,593,863.00	27,292,527.92	(19,301,335.08)
Agency Funds	1,618,217,100.00	2,255,289,124.00	2,024,216,836.82	(231,072,287.18)
Total Revenue	✓\$ 5,306,101,711.00	✓\$ 6,187,608,288.00	✓\$ 5,764,491,324.43	✓\$ (423,116,963.57)
Prior Year Reserves Available for Expenditure	-	-	190,134,559.11	✓ 190,134,559.11
Total Funds Available	\$ 5,306,101,711.00	\$ 6,187,608,288.00	\$ 5,954,625,883.54	\$ (232,982,404.46)
EXPENDITURES				
UGA - Forestry Research	\$ 7,082,107.00	\$ 10,393,188.00	\$ 9,785,549.85	\$ 607,638.15
UGA - Agricultural Experiment Station	79,073,095.00	91,238,693.00	78,146,621.44	13,092,071.56
UGA - Athens Tifton Vet Labs	4,944,522.00	7,362,088.00	5,595,798.11	1,766,289.89
UGA - Cooperative Extension Service	60,065,569.00	66,211,459.00	61,693,529.31	4,517,929.69
UGA - Forestry Cooperative Extension	1,043,589.00	1,196,196.00	1,057,092.52	139,103.48
UGA - Marine Institute	1,377,916.00	1,506,730.00	1,405,031.00	101,699.00
UGA - Marine Resources Extension Center	2,810,773.00	3,518,643.00	3,190,347.87	328,295.13
UGA - Veterinary Medicine Experiment Station	3,155,597.00	2,858,730.00	2,853,114.00	5,616.00
UGA - Veterinary Medicine Teaching Hospital	10,160,245.00	10,692,009.00	9,380,064.82	1,311,944.18
MCG - Student Education Enrichment Program	-	-	-	-
MCG - Georgia Radiation Therapy Center	3,625,810.00	3,625,810.00	3,625,810.00	-
GT - Advanced Technology Development Center/EDI	24,761,796.00	21,390,436.00	13,381,493.03	8,008,942.97
GT - Center for Assistive Technology and Environmental Access	-	-	-	-
GT - Georgia Tech Research Institute	155,895,062.00	227,509,476.00	216,756,329.14	10,753,146.86
USO - Public Libraries	43,040,443.00	39,978,706.00	39,774,880.84	203,825.16
USO - Regents Central Office	6,777,980.00	6,382,390.00	6,359,286.00	23,104.00
USO - MCG Hospitals and Clinics	34,265,312.00	31,914,306.00	31,850,037.00	64,269.00
USO - Georgia Public Telecommunications Commission	16,398,957.00	14,714,031.00	14,685,203.00	28,828.00
USO - Georgia Military College	2,729,058.00	2,364,930.00	2,360,431.00	4,499.00
SKIO - Skidaway Institute of Oceanography-B	6,208,946.00	5,491,397.00	5,113,081.46	378,315.54
GSU - Georgia Cancer Coalition	11,509,466.00	8,270,073.00	8,270,072.80	0.20
Georgia Eminent Scholar Endowment Trust Fund	-	-	-	-
Office of Minority Business	-	-	-	-
Research Consortium	26,324,718.00	24,057,334.00	24,057,049.43	284.57
Special Funding Initiative	43,131,266.00	22,201,817.00	20,675,353.86	1,526,463.14
Teaching	4,761,719,484.00	5,584,729,846.00	5,183,812,507.14	400,917,338.86
Total Expenditures	\$ 5,306,101,711.00	\$ 6,187,608,288.00	\$ 5,743,828,683.62	\$ 443,779,604.38
Excess of Funds Available over Expenditures			\$ 210,797,199.92	

UNIVERSITY SYSTEM OF GEORGIA
CONSOLIDATED BUDGET COMPARISON AND SURPLUS ANALYSIS
REPORT (NON-GAAP BASIS) – BUDGET FUNDS CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Beginning Fund Balance July 1, 2009</u>	
Reserved	212,460,426.69
Unreserved, Undesignated Fund Balance (Surplus) for FY09	2,620,056.02
Unreserved, Unreserved Fund Balance (Surplus) Returned to Office of Treasury & Fiscal Services Year Ended June 30, 2009	(2,620,056.02)
Early Return of Surplus in Fiscal 2010	(1,723,973.90)
<u>Adjustments</u>	
Prior Year Payables/Expenditures	4,214,437.02
Prior Year Receivables/Revenues	(1,221,997.41)
Increase (Decrease) in Inventories	(338,039.16)
Mandatory Transfers	3,001,795.04
Mandatory Transfers - Restricted	-
Non-Mandatory Transfers	39,323,735.04
Other Additions (Deletions)	-
Reserved Fund Balance Carried Over from Prior Year as Funds Available	(190,134,559.11)
Ending Fund Balance - June 30, 2010	\$ 276,379,024.13
<u>Analysis of Fund Balance</u>	
Reserved	
Capital Outlay	1,404,479.60
Department Sales & Services	36,413,659.58
Early Retirement Program	7,445,381.53
Indirect Cost Recovery	56,459,807.65
Inventories	3,303,174.03
Technology Fees	12,989,921.56
Restricted/Sponsored Funds	112,446,403.24
Uncollectible Accounts Receivable	11,819,055.83
Tuition Carry - Forward	21,841,661.29
Property Reserves	9,213,870.39
Total Reserved	273,337,414.70
Unreserved	
Surplus	3,041,609.43
Total Fund Balance - June 30, 2010	\$ 276,379,024.13

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.

FINANCIAL STATEMENTS FINDINGS

SUPPLEMENTARY INFORMATION • USG ANNUAL FINANCIAL REPORT

Abraham Baldwin Agricultural College

FS-557-10-01

FS-557-10-02

Armstrong Atlantic State University

FS-524-10-01

FS-524-10-02

Bainbridge College

FS-562-10-01

Fort Valley State University

FS-533-10-01

FS-533-10-02

Georgia Perimeter College

FS-571-10-01

Georgia Southern University

FS-539-10-01

Savannah State University

FS-548-10-01

Valdosta State University

FS-551-10-01

University System Office

FS-472-10-01

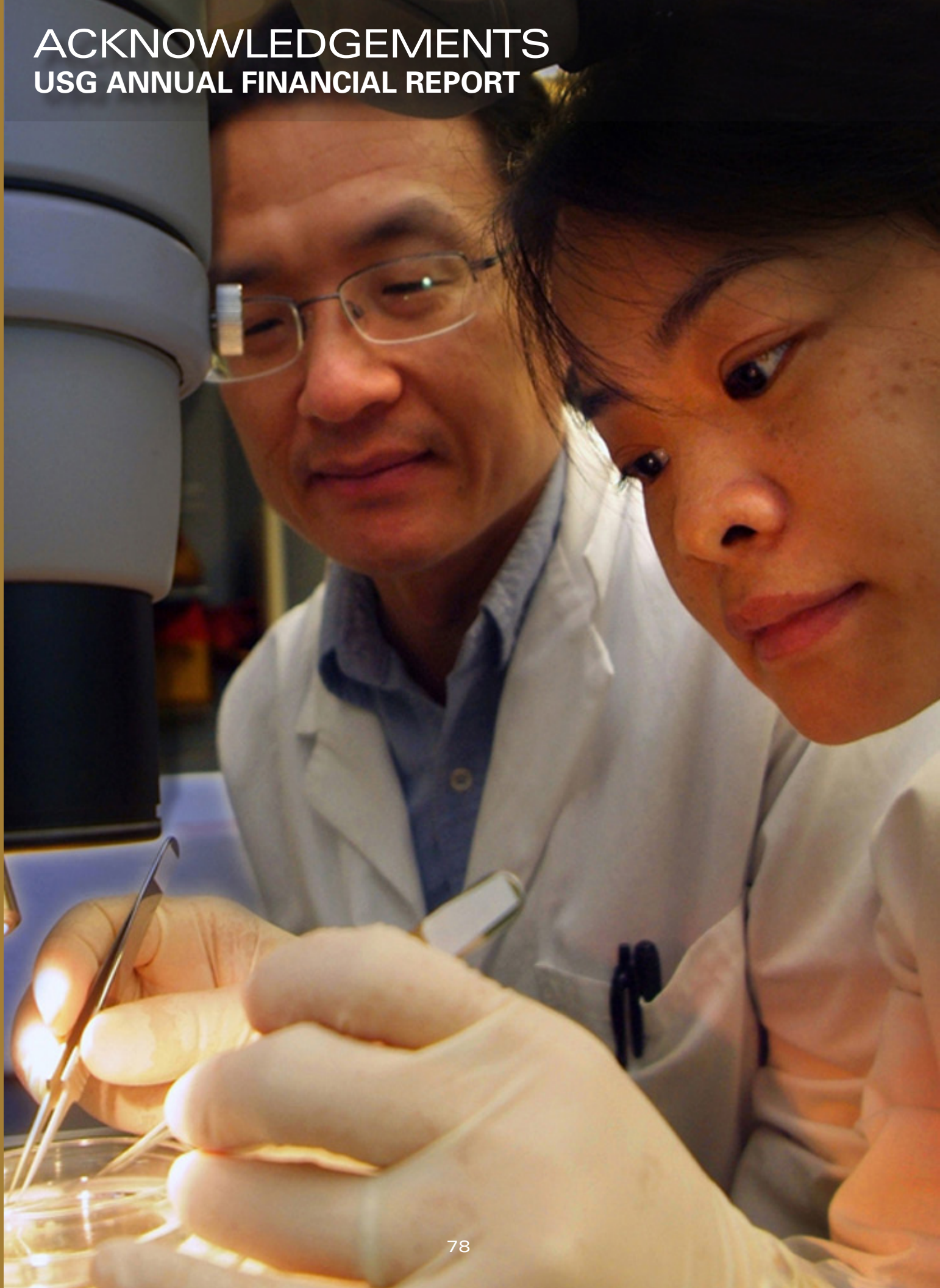
FS-472-10-02

Detailed information on these findings is available in the State of Georgia Single Audit Report for Fiscal Year Ended June 30, 2010 located at <http://www.audits.ga.gov>.



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USG ANNUAL FINANCIAL REPORT



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