

GEORGIA STATE UNIVERSITY

Financial Report

For the Year Ended
June 30, 2009

Georgia State University

Atlanta, Georgia

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GEORGIA STATE UNIVERSITY
ANNUAL FINANCIAL REPORT
FY 2009

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GEORGIA STATE UNIVERSITY

Management's Discussion and Analysis

Introduction

Georgia State University is one of the 35 institutions of higher education of the University System of Georgia. The University, located in Atlanta, Georgia, was founded in 1913. The University offers baccalaureate, masters and doctoral degrees in a wide variety of subjects. This wide range of educational opportunities attracts a highly qualified faculty and a student body of more than 28,000 students this fiscal year. The comparison numbers follow.

	<u>Faculty</u>	<u>Students (Headcount)</u>	<u>Students (FTE)</u>
FY2009	1,189	28,229	24,831
FY2008	1,126	27,134	23,764
FY2007	1,048	26,135	22,748

Overview of the Financial Statements and Financial Analysis

Georgia State University is proud to present its financial statements for fiscal year 2009. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and, the Statement of Cash Flows. This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year. Comparative data is provided for FY 2009 and FY 2008.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of Georgia State University. The Statement of Net Assets presents end-of-year data concerning Assets (current and non-current), Liabilities (current and non-current), and Net Assets (Assets minus Liabilities). The difference between current and non-current assets will be discussed in the footnotes to the financial statements.

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

Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the institution. Net assets are divided into three major

categories. The first category, invested in capital assets, net of debt, provides the institution's equity in property, plant and equipment owned by the institution. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available to the institution for any lawful purpose of the institution.

Statement of Net Assets, Condensed

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Assets:		
Current Assets	\$214,839,864	\$203,306,722
Capital Assets, net	508,000,409	499,490,342
Other Assets	<u>6,643,861</u>	<u>6,602,469</u>
Total Assets	729,484,134	709,399,533
Liabilities:		
Current Liabilities	71,826,272	61,338,463
Noncurrent Liabilities	<u>235,974,093</u>	<u>238,341,461</u>
Total Liabilities	307,800,365	299,679,924
Net Assets:		
Invested in Capital Assets, net of debt	271,694,955	260,030,830
Restricted - nonexpendable	38,302	45,781
Restricted - expendable	24,170,880	9,826,994
Capital Projects	29,939	335,535
Unrestricted	<u>125,749,693</u>	<u>139,480,469</u>
Total Net Assets	<u>\$421,683,769</u>	<u>\$409,719,609</u>

The total assets of the institution increased by \$20,084,601 . A review of the Statement of Net Assets will reveal that the increase was primarily due to an increase of \$11,553,142 in the category of Current Assets, mainly in prepaid items and an increase of \$8,510,067 in the category of Capital Assets, net.

The total liabilities for the year increased by \$8,120,441 . The combination of the increase in total assets of \$20,084,601 and the increase in total liabilities of \$8,120,441 yields an increase in total net assets of \$11,964,160 . The increase in total net assets is primarily in the category of Invested in Capital Assets, net of debt, in the amount of \$11,664,125 and Restricted – Expendable in the amount of \$14,343,886 and a decrease in Unrestricted Net Assets in the amount of \$13,730,776.

Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received by the institution, both operating and non-operating, and the expenses paid by the institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the institution. Generally speaking operating revenues are received for providing goods and services to the various customers and constituencies of the institution. 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 institution. 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 institution without the Legislature directly receiving commensurate goods and services for those revenues.

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

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Operating Revenues	\$265,158,698	\$260,515,175
Operating Expenses	<u>509,386,445</u>	<u>470,146,551</u>
Operating Loss	(244,227,747)	(209,631,376)
Nonoperating Revenues and Expenses	<u>240,794,546</u>	<u>243,895,956</u>
Income (Loss) Before other revenues, expenses, gains or losses	(3,433,201)	34,264,580
Other revenues, expenses, gains or losses	<u>15,397,361</u>	<u>(21,521,340)</u>
Increase in Net Assets	11,964,160	12,743,240
Net Assets at beginning of year, as originally reported	409,719,609	400,371,317
Prior Year Adjustments	<u>0</u>	<u>(3,394,948)</u>
Net Assets at beginning of year, restated	<u>409,719,609</u>	<u>396,976,369</u>
Net Assets at End of Year	<u><u>\$421,683,769</u></u>	<u><u>\$409,719,609</u></u>

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

Revenue by Source
For the Years Ended June 30, 2009 and June 30, 2008

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Operating Revenue		
Tuition and Fees	\$144,151,911	\$127,673,904
Grants and Contracts	59,744,553	80,534,547
Sales and Services	11,272,563	10,372,728
Auxiliary	45,045,113	38,777,690
Other	4,944,558	3,156,306
Total Operating Revenue	<u>265,158,698</u>	<u>260,515,175</u>
Nonoperating Revenue		
State Appropriations	215,005,880	228,180,842
Federal Stimulus - Stabilization Funds	2,029,798	0
Grants and Contracts	35,039,527	8,225,126
Gifts	119,401	12,373,240
Investment Income	2,130,275	5,801,670
Other	(251,000)	93,478
Total Nonoperating Revenue	<u>254,073,881</u>	<u>254,674,356</u>
Capital Gifts, Grants and Special Items		
State	13,763,070	10,033,611
Other Capital Gifts and Grants	1,634,291	1,072,192
Special Items	0	(32,627,143)
Total Capital Gifts, Grants and Special Items	<u>15,397,361</u>	<u>(21,521,340)</u>
Total Revenues	<u><u>\$534,629,940</u></u>	<u><u>\$493,668,191</u></u>

Expenses (By Functional Classification)
For the Years Ended June 30, 2009 and June 30, 2008

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Operating Expenses		
Instruction	\$159,627,783	\$158,614,525
Research	107,230,900	78,559,136
Public Service	24,464,089	26,562,665
Academic Support	60,736,145	57,247,474
Student Services	27,347,751	26,055,120
Institutional Support	38,388,215	38,676,798
Plant Operations and Maintenance	34,607,879	34,804,662
Scholarships and Fellowships	19,640,071	16,524,709
Auxiliary Enterprises	37,343,612	33,101,462
Total Operating Expenses	<u>509,386,445</u>	<u>470,146,551</u>
Nonoperating Expenses		
Interest Expense (Capital Assets)	<u>13,279,335</u>	<u>10,778,400</u>
Total Expenses	<u><u>\$522,665,780</u></u>	<u><u>\$480,924,951</u></u>

Operating revenues increased by \$4,643,523 in fiscal 2009. Although Tuition & Fees included a 12% increase and Auxiliary and Other operating revenues increased, revenues decreased in the Grants and Contracts category due to a reclassification of Pell and other similarly administrated revenue from operating to nonoperating revenue.

The Auxiliary revenue increase of \$6,267,423 reflects increases in rental rates for Residential Housing along with a fee increase in Intercollegiate Athletics from \$142 to \$227 per student per semester to fund the new football program.

Nonoperating revenues decreased by \$600,475 for the year and included increases of \$26,814,401 for the reclassification of Pell and other similarly administered revenue from operating to nonoperating in the Grants and Contracts category and \$2,029,798 in Federal Stimulus Stabilization Funds and decreases of \$13,174,962 in State Appropriations, \$12,253,839 in Gifts and \$3,671,395 in Investment Income.

The compensation and employee benefits category increased by \$22,139,558 and primarily affected the Instruction, Research and Plant Operations categories.

Utilities increased by \$788,473 during the past year.

Statement of Cash Flows

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

Cash Flows for the Years Ended June 30, 2009 and 2008, Condensed

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Cash Provided (used) By:		
Operating Activities	(\$197,935,521)	(\$180,548,361)
Non-capital Financing Activities	252,286,923	247,717,628
Capital and Related Financing Activities	(59,260,143)	(60,329,197)
Investing Activities	<u>2,137,763</u>	<u>5,805,915</u>
Net Change in Cash	(2,770,978)	12,645,985
Cash, Beginning of Year	<u>147,403,427</u>	<u>134,757,442</u>
Cash, End of Year	<u>\$144,632,449</u>	<u>\$147,403,427</u>

Capital Assets

During fiscal year 2009 (fiscal year 2010 Capital Budget), Georgia State University was approved for three capital projects by the State. The first one is an \$8 million project to complete the 7th floor of the Science Laboratory Building that was previously scheduled as shell space. The second project is \$9.6 million for an outdoor recreation facility to be shared by intramural sports clubs, the music department and intercollegiate athletics. The third one is for \$1 million of funding to equip the Alpharetta Center that will be used to teach primarily graduate and undergraduate classes in Business and Education. Additionally, in its 6 year capital funding plan the Board of Regents has included in its Major Capital Funding List our proposal for a 330,000 square foot Humanities Building and another classroom building.

For additional information concerning Capital Assets, see Notes 1, 6, 8, 9, and 10 in the Notes to the Financial Statements.

Long Term Debt and Liabilities

Georgia State University had Long-Term Debt and Liabilities of \$249,088,692 of which \$13,114,599 was reflected as current liability at June 30, 2009.

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

Component Units

In compliance with GASB Statement No. 39, Georgia State University has included the financial statements and notes for all required component units for FY2009. The Georgia State University Foundation, Inc. had endowment and other investments of \$145 million, bonds payable of \$260.4 million and long term capital leases of \$7.6 million as of June 30, 2009. The Georgia State University Research Foundation, Inc. had endowment and other investments of \$64.4 million and bonds payable of \$91.1 million. Details are available in Note 1, Summary of Significant Accounting Policies and Note 16, Component Units.

Economic Outlook

The University anticipates the current fiscal year will be challenging with budget cuts on the horizon at the state level, but will continue to maintain a close watch over resources providing the University with the flexibility to react to internal and external situations that may develop. The University's overall financial position is strong.

Mark P. Becker, President
Georgia State University

Statement of Net Assets

**GEORGIA STATE UNIVERSITY
STATEMENT OF NET ASSETS
June 30, 2009**

		<u>Component Unit</u>	<u>Component Unit</u>
	<u>Georgia State University</u>	<u>Georgia State University Foundation, Inc.</u>	<u>Georgia State University Research Foundation, Inc.</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$143,796,254	\$9,596,232	\$65,729,903
Accounts Receivable, net (note 3)			
Receivables - Federal Financial Assistance	26,631,433		
Receivables - Other	8,267,278	541,121	5,805,182
Due From Component Units	6,600,543		
Net Investment in Capital Leases		14,104,637	
Pledges Receivable		2,190,297	
Due From Primary Government			185,367
Inventories (note 4)	192,820		
Prepaid items	29,351,536	143,652	7,082,213
Total Current Assets	<u>214,839,864</u>	<u>26,575,939</u>	<u>78,802,665</u>
Noncurrent Assets			
Noncurrent Cash	836,195		1,865,162
Short-term Investments	38,302	32,414,496	
Investments (Externally Restricted)	1,995	70,116,724	
Investments (including Real Estate)		42,483,923	3,110,972
Notes Receivable, net	5,767,369		
Net Investment in Capital Leases		150,626,460	
Pledges Receivable		1,383,036	
Capital Assets, net (note 6)	508,000,409	61,276,753	42,139,002
Other Assets		9,993,995	1,150,679
Total Noncurrent Assets	<u>514,644,270</u>	<u>368,295,387</u>	<u>48,265,815</u>
TOTAL ASSETS	<u>729,484,134</u>	<u>394,871,326</u>	<u>127,068,480</u>

Statement of Net Assets, Continued

**GEORGIA STATE UNIVERSITY
STATEMENT OF NET ASSETS
June 30, 2009**

	Georgia State University	Component Unit Georgia State University Foundation, Inc.	Component Unit Georgia State University Research Foundation, Inc.
LIABILITIES			
Current Liabilities			
Accounts Payable	11,380,516	3,975,638	6,243,000
Salaries Payable	2,158,380		
Contracts Payable	213,146		
Deferred Revenue (note 7)	42,455,833		7,082,213
Other Liabilities	91,889		
Deposits Held for Other Organizations	2,226,542	579,002	
Due to Primary Government		726,062	5,874,481
Lease Purchase Obligations (current portion)	6,582,179	569,377	
Compensated Absences (current portion)	6,532,420		
Revenue/Mortgage Bonds Payable (current)		3,025,000	
Liabilities under Split-Interest Agreements (current)		31,490	
Due to Component Units	185,367		
Total Current Liabilities	71,826,272	8,906,569	19,199,694
Noncurrent Liabilities			
Lease Purchase Obligations (noncurrent)	229,723,275	7,015,182	
Deferred Revenue (noncurrent)		829,884	
Compensated Absences (noncurrent)	6,250,818	36,144	
Revenue/Mortgage Bonds Payable (noncurrent)		257,397,176	91,062,139
Liabilities under Split-Interest Agreements (noncurrent)		265,602	
Total Noncurrent Liabilities	235,974,093	265,543,988	91,062,139
TOTAL LIABILITIES	307,800,365	274,450,557	110,261,833
NET ASSETS			
Invested in Capital Assets, net of related debt	271,694,955	(2,902,053)	12,405,525
Restricted for			
Nonexpendable	38,302	56,971,938	2,000,000
Expendable	24,170,880	42,193,916	666,905
Capital Projects	29,939		
Unrestricted	125,749,693	24,156,968	1,734,217
TOTAL NET ASSETS	\$421,683,769	\$120,420,769	\$16,806,647

Statement of Revenues, Expenses and Changes in Net Assets

**GEORGIA STATE UNIVERSITY
STATEMENT of REVENUES, EXPENSES, and CHANGES in NET ASSETS
for the Year Ended June 30, 2009**

	<u>Georgia State University</u>	<u>Component Unit Georgia State University Foundation, Inc.</u>	<u>Component Unit Georgia State University Research Foundation, Inc.</u>
REVENUES			
Operating Revenues			
Student Tuition and Fees (net of allowance for doubtful accounts)	\$162,768,314	\$0	\$0
Less: Scholarship Allowances	(18,616,403)		
Gifts and Contributions		9,223,606	
Endowment Income (per spending plan)		3,369,972	
Grants and Contracts			
Federal	39,166,041		36,993,219
State	7,642,154		1,956,681
Other	12,936,358		11,301,289
Sales and Services	11,272,563		
Rents and Royalties	22,707	21,916,683	
Auxiliary Enterprises			
Residence Halls	19,077,169		
Bookstore	926,956		
Food Services	160,980		
Parking/Transportation	6,527,437		
Intercollegiate Athletics	12,960,072		
Other Organizations	5,392,499		
Other Operating Revenues	4,921,851	328,969	
Total Operating Revenues	<u>265,158,698</u>	<u>34,839,230</u>	<u>50,251,189</u>
EXPENSES			
Operating Expenses			
Salaries:			
Faculty	101,026,819		
Staff	162,629,105	2,794,596	
Employee Benefits	58,001,407	452,250	
Other Personal Services	643,468	1,391,338	
Travel	4,005,018	510,269	
Scholarships and Fellowships	23,036,698	2,321,197	
Utilities	11,319,202	80,504	
Supplies and Other Services	115,163,181	8,270,318	1,651,414
Depreciation	33,561,547	2,592,337	676,011
Payments to other Component Units			40,708
Payments to or on behalf of Georgia State University		169,996	49,894,257
Total Operating Expenses	<u>509,386,445</u>	<u>18,582,805</u>	<u>52,262,390</u>
Operating Income (loss)	<u>(244,227,747)</u>	<u>16,256,425</u>	<u>(2,011,201)</u>

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

**GEORGIA STATE UNIVERSITY
STATEMENT of REVENUES, EXPENSES, and CHANGES in NET ASSETS
for the Year Ended June 30, 2009**

	<u>Georgia State University</u>	<u>Component Unit Georgia State University Foundation, Inc.</u>	<u>Component Unit Georgia State University Research Foundation, Inc.</u>
NONOPERATING REVENUES (EXPENSES)			
State Appropriations	215,005,880		
Federal Stimulus - Stabilization Funds	2,029,798		
Grants and Contracts			
Federal	27,272,506		
Other	7,767,021		
Gifts	119,401		
Investment Income (endowments, auxiliary and other)	2,130,275	(24,498,818)	(784,016)
Interest Expense (capital assets)	(13,279,335)	(11,792,749)	
Other Nonoperating Revenues	(251,000)		510,378
Net Nonoperating Revenues	<u>240,794,546</u>	<u>(36,291,567)</u>	<u>(273,638)</u>
Income before other revenues, expenses, gains, or loss	(3,433,201)	(20,035,142)	(2,284,839)
Capital Grants and Gifts			
State	13,763,070		
Other	1,634,291		
Loss on Bond Retirement		(1,312,463)	
Additions to permanent endowments		1,275,336	
Total Other Revenues	<u>15,397,361</u>	<u>(37,127)</u>	<u>0</u>
Increase in Net Assets	11,964,160	(20,072,269)	(2,284,839)
NET ASSETS			
Net Assets-beginning of year, as originally reported	409,719,609	140,493,038	19,091,486
Prior Year Adjustments	0	0	0
Net Assets-beginning of year, restated	<u>409,719,609</u>	<u>140,493,038</u>	<u>19,091,486</u>
Net Assets-End of Year	<u>\$421,683,769</u>	<u>\$120,420,769</u>	<u>\$16,806,647</u>

Statement of Cash Flows

GEORGIA STATE UNIVERSITY STATEMENT OF CASH FLOWS For the Year Ended June 30, 2009

	<u>June 30, 2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	\$150,314,652
Grants and Contracts (Exchange)	48,770,537
Sales and Services	11,272,563
Payments to Suppliers	(185,314,680)
Payments to Employees	(261,429,921)
Payments for Scholarships and Fellowships	(23,680,390)
Loans Issued to Students and Employees	(3,263,867)
Collection of Loans to Students and Employees	3,485,822
Auxiliary Enterprise Charges:	
Residence Halls	19,177,447
Bookstore	956,581
Food Services	135,013
Parking/Transportation	6,554,155
Intercollegiate Athletics	12,916,765
Other Organizations	5,535,720
Other Receipts (payments)	16,634,082
Net Cash Provided (used) by Operating Activities	<u>(197,935,521)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	215,005,880
Federal Stimulus - Stabilization Funds	2,029,798
Agency Funds Transactions	71,021
Gifts and Grants Received for Other Than Capital Purposes	35,180,224
Net Cash Flows Provided by Non-capital Financing Activities	<u>252,286,923</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Gifts and Grants Received	13,763,070
Proceeds from Sale of Capital Assets	
Purchases of Capital Assets	(53,467,045)
Principal Paid on Capital Debt and Leases	(6,276,833)
Interest Paid on Capital Debt and Leases	(13,279,335)
Net Cash used by Capital and Related Financing Activities	<u>(59,260,143)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	
Interest on Investments	2,137,763
Net Cash Provided (used) by Investing Activities	<u>2,137,763</u>
Net Increase/Decrease in Cash	(2,770,978)
Cash and Cash Equivalents - Beginning of year	147,403,427
Cash and Cash Equivalents - End of Year	<u><u>\$144,632,449</u></u>

Statement of Cash Flows, Continued

**GEORGIA STATE UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2009**

June 30, 2009

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

Operating Income (loss)	(\$244,227,747)
Adjustments to Reconcile Net Income (loss) to Net Cash Provided (used) by Operating Activities	
Depreciation	33,561,547
Change in Assets and Liabilities:	
Receivables, net	889,335
Inventories	(55,260)
Prepaid Items	334,491
Notes Receivable, Net	221,956
Accounts Payable	2,717,098
Deferred Revenue	6,711,805
Other Liabilities	978,309
Compensated Absences	932,945
Net Cash Provided (used) by Operating Activities	<u><u>(\$197,935,521)</u></u>

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

Fixed assets acquired by incurring capital lease obligations	<u>\$4,671,366</u>
Change in fair value of investments recognized as a component of interest income	<u>(\$7,488)</u>
Gift of capital assets reducing proceeds of capital gifts and grants	<u>(\$1,634,291)</u>
Reduction of Capital Lease Obligation	<u>\$1,548,591</u>

GEORGIA STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

Note 1. Summary of Significant Accounting Policies

Nature of Operations

Georgia State University 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

Georgia State University is one of thirty-five (35) State supported member institutions of higher education in Georgia which comprise the University System of Georgia, an organizational unit of the State of Georgia. The accompanying financial statements reflect the operations of Georgia State University as a separate reporting entity.

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. Georgia State University does not have authority to retain unexpended State appropriations (surplus) for any given fiscal year. Accordingly, Georgia State University is considered an organizational unit 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.

The Board of Regents of the University System of Georgia (and thus Georgia State University) implemented GASB Statement No. 39 *Determining Whether Certain Organizations are Component Units - an amendment of Statement No. 14*, in fiscal year 2004. This statement requires the inclusion of the financial statements for foundations and affiliated organizations that qualify as component units in the Annual Financial Report for the institution. These statements (Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets) are reported discretely in the University's report. For FY2009, Georgia State University is reporting the activity for the Georgia State University Foundation, Inc. and the Georgia State University Research Foundation, Inc.

See Note 16, Component Units, for Foundation notes.

Financial Statement Presentation

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and*

Analysis for Public Colleges and Universities. The State of Georgia implemented GASB Statement No. 34 as of and for the year ended June 30, 2002. As an organizational unit of the State of Georgia, the University was also required to adopt GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the GASB and are presented as required by these standards to provide a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets, cash flows, and replaces the fund-group perspective previously required.

Generally Accepted Accounting Principles (GAAP) 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, Georgia State University reports summer revenues and expenses in the subsequent fiscal year.

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University'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 transactions have been eliminated.

The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University 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.

Short-Term Investments

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

Investments

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

Accounts Receivable

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

Inventories

Consumable supplies and 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's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that exceed \$100,000 and/or significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation 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, 2009, GSFIC did not transfer any capital additions to Georgia State University.

Deferred Revenues

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

Compensated Absences

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences in the Statement of Net Assets, and as a component of compensation and benefit expense in the Statements of Revenues, Expenses, and Changes in Net Assets. Georgia State University had accrued liability for compensated absences in the amount of \$11,850,292 as of July 1, 2008. For FY2009, \$9,369,900 was earned in compensated absences and employees were paid \$8,436,954, for a net increase of \$932,946. The ending balance as of June 30, 2009 in accrued liability for compensated absences was \$12,783,238.

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's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the University'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 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 is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Expendable Restricted Net Assets include the following:

	<u>June 30, 2009</u>
Restricted - E&G and Other Organized Activities	\$17,517,380
Federal Loans	6,537,170
Institutional Loans	<u>116,330</u>
Total Restricted Expendable	<u><u>\$24,170,880</u></u>

Restricted net assets – expendable – Capital Projects: This represents resources for which the University 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, 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, 2009</u>
R & R Reserve	\$28,183,196
Reserve for Encumbrances	33,046,811
Reserve for Inventory	135,718
Other Unrestricted	<u>64,383,968</u>
Total Unrestricted Net Assets	<u><u>\$125,749,693</u></u>

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

Income Taxes

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

Classification of Revenues

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

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

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and*

Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB No. 34, such as state appropriations and investment income.

Scholarship Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported at gross with a contra revenue account of scholarship allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the University, 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 nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded contra revenue for scholarship allowances.

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

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

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

At June 30, 2009, the carrying value of deposits was \$12,862,593 and the bank balance was \$18,757,011 . Of the University's deposits, \$18,489,941 were uninsured. Of these uninsured deposits, \$18,489,941 were collateralized with securities held by the financial institution, by its trust department or agency, but not in the University's name.

B. Investments

At June 30, 2009, the carrying value of the University's investments was \$131,768,830 , which is materially the same as fair value. These investments were comprised entirely of funds invested in the Board of Regents and Office of Treasury and Fiscal Services investment pools as follows:

Investment Pools	
Board of Regents	
Total Return Fund	\$40,297
Sub Total	<u>40,297</u>
Office of Treasury and Fiscal Services	
Georgia Fund 1	131,728,533
Sub Total	<u>131,728,533</u>
Total Investment Pools	<u><u>\$131,768,830</u></u>

The Board of Regents Investment Pool is not registered with the Securities and Exchange Commission as an investment company. The fair value of 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. Participation in the Board of Regents Investment Pool is voluntary. The Board of Regents Investment Pool is not rated. Additional information on the Board of Regents Investment Pool is disclosed in the audited Financial Statements of the Board of Regents of the University System of Georgia – Administrative Central Office (oversight unit). This audit can be obtained from the Georgia Department of Audits – Education Audit Division or on their web site at <http://www.audits.state.ga.us/internet/searchRpts.html>.

The Georgia Fund 1 Investment Pool, managed by the Office of Treasury and Fiscal Services, is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This investment is valued at the pool's share price, \$1.00 per share. The Georgia Fund 1 Investment Pool is an AAAM rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is 41 days.

Interest rate risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The University's policy for managing interest rate risk is to comply with University policy and applicable Federal and State laws. The University's policy

for managing interest rate risk for Endowment Funds is that the average maturity of the fixed income portfolio shall not exceed ten years and for Operating Funds the average maturity of the fixed income portfolio shall not exceed two years.

The Effective Duration of the Total Return Fund is 7.84 years. Of the University's total investment of \$ 40,297 in the Total Return Fund, \$14,023 is invested in debt securities.

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's policy for managing credit quality risk is to comply with University policy and applicable Federal and State laws.

The University's policy for managing credit quality risk is that all debt issues must be investment grade with ratings of at least BAA by Moody's and Standard and Poor's at the time of purchase as defined by the University System of Georgia. The Georgia Fund 1 investment is rated AAA by Standard and Poor's. As previously stated, the BOR Total Return Fund Investment is not rated.

Note 3. Accounts Receivable

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

	<u>June 30, 2009</u>
Student Tuition and Fees	\$4,416,607
Auxiliary Enterprises and Other Operating Activities	1,278,907
Federal Financial Assistance	26,631,433
Georgia State Financing and Investment Commission	2,123,556
Due from Component Units	6,600,543
Other	<u>3,733,229</u>
	44,784,275
Less Allowance for Doubtful Accounts	<u>3,285,021</u>
Net Accounts Receivable	<u><u>\$41,499,254</u></u>

Note 4. Inventories

Inventories consisted of the following at June 30, 2009:

	<u>June 30, 2009</u>
Physical Plant	\$160,657
Other	<u>32,163</u>
Total	<u><u>\$192,820</u></u>

Note 5. Notes/Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2009. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The Federal government reimburses the University 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, 2009 the allowance for uncollectible loans was approximately \$307,036.

Note 6. Capital Assets

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

	Beginning Balances 7/1/2008	Additions	Reductions	Ending Balance 6/30/2009
Capital Assets, Not Being Depreciated:				
Land	\$42,411,854	\$5,842,962	\$0	\$48,254,816
Capitalized Collections	230,666	8,874	\$19,174	220,366
Construction Work-in-Progress	30,930,139	18,347,655	32,998,211	16,279,583
Total Capital Assets Not Being Depreciated	73,572,659	24,199,491	33,017,385	64,754,765
Capital Assets, Being Depreciated:				
Infrastructure	11,183,896	862,362	566,919	11,479,339
Building and Building Improvements	497,449,719	36,855,598	159,640	534,145,677
Facilities and Other Improvements	1,924,322			1,924,322
Equipment	69,268,009	7,198,889	6,107,412	70,359,486
Capital Leases	1,709,602	460,730	265,834	1,904,498
Library Collections	104,731,299	7,313,643	245,390	111,799,552
Total Assets Being Depreciated	686,266,847	52,691,222	7,345,195	731,612,874
Less: Accumulated Depreciation				
Infrastructure	1,794,150	339,863		2,134,013
Buildings	135,413,453	21,770,210		157,183,663
Facilities and Other improvements	695,560	199,768		895,328
Equipment	46,095,569	5,794,095	5,156,381	46,733,283
Capital Leases	499,367	333,260	141,710	690,917
Library Collections	75,851,065	5,124,351	245,390	80,730,026
Total Accumulated Depreciation	260,349,164	33,561,547	5,543,481	288,367,230
Total Capital Assets, Being Depreciated, Net	425,917,683	19,129,675	1,801,714	443,245,644
Capital Assets, net	\$499,490,342	\$43,329,166	\$34,819,099	\$508,000,409

Note 7. Deferred Revenue

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

	<u>June 30, 2009</u>
Prepaid Tuition and Fees	\$29,816,808
Research	7,567,256
Other Deferred Revenue	<u>5,071,769</u>
Totals	<u><u>\$42,455,833</u></u>

Note 8. Long-Term Liabilities

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

	<u>Beginning Balance July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2009</u>	<u>Current Portion</u>
Leases					
Lease Obligations	<u>\$239,459,512</u>	<u>\$4,671,366</u>	<u>\$7,825,424</u>	<u>\$236,305,454</u>	<u>\$6,582,179</u>
Other Liabilities					
Compensated Absences	<u>11,850,292</u>	<u>9,369,900</u>	<u>8,436,954</u>	<u>12,783,238</u>	<u>6,532,420</u>
Total	<u>11,850,292</u>	<u>9,369,900</u>	<u>8,436,954</u>	<u>12,783,238</u>	<u>6,532,420</u>
Total Long Term Obligations	<u><u>\$251,309,804</u></u>	<u><u>\$14,041,266</u></u>	<u><u>\$16,262,378</u></u>	<u><u>\$249,088,692</u></u>	<u><u>\$13,114,599</u></u>

Note 9. Significant Commitments

The University had significant unearned, outstanding, construction or renovation contracts executed in the amount of \$26,621,542 as of June 30, 2009. This amount is not reflected in the accompanying basic financial statements.

In May 2007, Georgia State University entered into a lease agreement with Panther Place, LLC, 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. This activity is not reflected in the accompanying basic financial statements.

Note 10. Lease Obligations

Georgia State University 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

Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between 2010 and 2039. Expenditures for fiscal year 2009 were \$19.6 million of which \$13.3 million represented interest. Total principal paid on capital leases was \$6.3 million for the fiscal year ended June 30, 2009. In addition, a \$1.5 million reduction was made to correctly state the principal due on the Rialto lease at June 30, 2009. Interest rates range up to 10.5 percent. The following is a summary of the carrying values of assets held under capital lease at June 30, 2009:

Infrastructure	\$3,540,123
Buildings	229,874,248
Equipment	1,213,581
Total Assets Held Under Capital Lease	<u><u>\$234,627,952</u></u>

Certain capital leases provide for renewal and/or purchase options. Generally purchase options at bargain prices of one dollar are not offered to Georgia State University at the expiration of the lease terms.

Georgia State University has five capital leases associated with buildings. In July 2001, Georgia State University entered into a capital lease valued at \$34,650,000 with an effective interest rate of 6.985 percent with the Georgia State University Foundation (Foundation), whereby the University leases the Student Recreation Center for a twenty-year period that began July 2001 and expires June 2021. In March 2000, the University entered into a capital lease valued at \$14,038,328 with an effective interest rate of 6.985 percent with the Foundation, whereby the University leases the Alpharetta Center for a twenty-year period that began March 2000 and expires February 2020. In December 2003, the University entered into a capital lease valued at \$4,215,000 with an effective interest rate of 6.725 percent with the Foundation, whereby the University leases the Rialto for a twelve year period that began December 2003 and expires November 2015. In January 2005, the University entered into a capital lease valued at \$39,965,234 with an effective interest rate of 7.362 percent with the Foundation, whereby the University leases the Lofts for a twenty-seven year period that began January 2005 and expires August 2032. In August 2007, Georgia State University entered into a capital lease valued at \$161,330,000 for a new dormitory complex with an effective interest rate of 5.50 percent with the Georgia State University Foundation. The University leases the University Commons for a 30 year period. The outstanding principal liability at June 30, 2009 on these capital building leases is \$26,112,687, \$9,791,531, \$2,666,409, \$39,101,038 and \$155,949,213 respectively. Each year the monthly payments for these leases will increase by the greater of 2 percent or the CPI.

Georgia State University also has various capital leases for equipment and software with an outstanding balance at June 30, 2009 in the amount of \$2,684,576.

OPERATING LEASES

Georgia State University's noncancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2010 through 2015. Certain operating leases provide for renewal options for periods from one to four 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 copiers and other small business equipment. In addition, the University is party to several real property operating leases for floor space in several buildings.

Future commitments for capital leases (which here and on the Statement of Net Assets include other installment purchase agreements) and for noncancellable operating leases having remaining terms in excess of one year as of June 30, 2008, were as follows:

Year Ending June 30:	Year	Real Property and Equipment	
		Capital Leases	Operating Leases
2010	1	\$20,896,669	\$7,303,479
2011	2	21,116,498	6,721,647
2012	3	20,843,809	6,677,597
2013	4	20,917,619	6,839,196
2014	5	21,316,796	1,467,190
2015 through 2019	6-10	110,049,857	252,000
2020 through 2024	11-15	91,398,647	
2025 through 2029	16-20	79,559,412	
2030 through 2034	21-25	73,907,106	
2035 through 2039	26-30	63,319,341	
Total minimum lease payments		523,325,754	\$29,261,109
Less: Interest		287,020,300	
Principal Outstanding		\$236,305,454	

Georgia State University's FY2009 expense for rental of real property and equipment under operating leases was \$6,724,090 .

Note 11. Retirement Plans

Teachers Retirement System of Georgia

Plan Description

Georgia State University 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 Georgia State University who are covered by TRS are required by State statute to contribute 5% of their gross earnings to TRS. Georgia State University makes monthly employer contributions to TRS at rates adopted by the TRS Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2009, the employer contribution rate was 9.28% for covered employees. Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2009	100%	\$11,011,351
2008	100%	\$10,535,476
2007	100%	\$9,727,493

Employees' Retirement System of Georgia

Plan Description

Georgia State University 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 provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension at reduced rates to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

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’s payroll for the year ended June 30, 2009, for employees covered by ERS was \$827,181. The University’s total payroll for all employees was \$263,655,924.

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

Under the new plan and GSEPS, member contributions consist solely of 1.25% of annual compensation paid by employee. The University also is required to contribute at a specified percentage of active member payroll determined annually by actuarial valuation for both old and new plans. For the year ended June 30, 2009, the ERS employer contribution rate for the University amounted to 10.41% of covered payroll and included the amounts contributed on behalf of the employees under the old plan referred to above. Employer contributions are also made on amounts paid for accumulated leave to retiring employees.

Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2009	100%	\$89,785
2008	100%	\$92,322
2007	100%	\$100,794

Actuarial and Trend Information

Actuarial and historical trend information is presented in the ERS June 30, 2009 financial report, which may be obtained through ERS.

Regents Retirement Plan

Plan Description

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan that was created/established by the Georgia General Assembly in O.C.G.A. 47-21-1 et.seq. and is administered by the Board of Regents of the University System of Georgia.

O.C.G.A. 47-3-68(a) defines who may participate in the Regents Retirement Plan. An “eligible university system employee” is a faculty member or a principal administrator, as designated by the regulations of the Board of Regents. Under the Regents Retirement Plan, a plan participant may purchase annuity contracts from four approved vendors (AIG-VALIC, American Century, Fidelity, and TIAA-CREF) for the purpose of receiving retirement and death benefits. Benefits depend solely on amounts contributed to the plan plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the annuity contracts.

Funding Policy

Georgia State University makes monthly employer contributions for the Regents Retirement Plan at rates adopted by the Teachers Retirement System of Georgia Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2009, the employer contribution was 8.15% for the first six months and 9.24% for the last six months of the participating employee's earnable compensation. Employees contribute 5% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

Georgia State University and the covered employees made the required contributions of \$8,688,711 (8.15% or 9.24%) and \$4,984,938 (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

Georgia State University participates in the Georgia Defined Contribution Plan (GDGP) 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. GDGP is administered by the Board of Trustees of the Employees' Retirement System of Georgia.

Benefits

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

Contributions

Member contributions are seven and one-half percent (7.5%) of gross salary. There are no employer contributions. Contribution rates are established by State statute. Earnings are credited to each member's account in a manner established by the Board of Trustees. Upon

termination of employment, the amount of the member's account is refundable upon request by the member.

Total contributions made by employees during fiscal year 2009 amounted to \$586,801 which represents 7.5% of covered payroll. These contributions met the requirements of the plan.

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

Note 12. Risk Management

The University System of Georgia offers its employees and retirees access to two different self-insured healthcare plan options – a PPO/PPO Consumer healthcare plan, and an indemnity healthcare plan. Georgia State University and participating employees and retirees pay premiums to either of the self-insured healthcare plan options to access benefits coverage. The respective self-insured healthcare plan options are included in the financial statements of the Board of Regents of the University System of Georgia – University System Office. All units of the University System of Georgia share the risk of loss for claims associated with these plans. The reserves for these two plans are considered to be a self-sustaining risk fund. Both self-insured healthcare plan options provide a maximum lifetime benefit of \$2,000,000 per person. The Board of Regents has contracted with Blue Cross Blue Shield of Georgia, a wholly owned subsidiary of WellPoint, to serve as the claims administrator for the two self-insured healthcare plan products. In addition to the two different self-insured healthcare plan options offered to the employees of the University System of Georgia, a fully insured HSA/High Deductible PPO healthcare plan and two fully insured HMO healthcare plan options are also offered to System employees.

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. Georgia State University, as an organizational unit of the Board of Regents of the University System of Georgia, is part of the State of Georgia reporting entity, and as such, is covered by the State of Georgia risk management program administered by DOAS. Premiums for the risk management program are charged to the various state organizations by DOAS to provide claims servicing and claims payment.

A self-insured program of professional liability for its employees was established by the Board of Regents of the University System of Georgia under powers authorized by the Official Code of Georgia Annotated Section 45-9-1. The program insures the employees to the extent that they are not immune from liability against personal liability for damages arising out of the

performance of their duties or in any way connected therewith. The program is administered by DOAS as a Self-Insurance Fund.

Note 13. Contingencies

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

Litigation, claims and assessments filed against Georgia State University (an organizational unit of the Board of Regents of the University System of Georgia), if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the State of Georgia Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009.

Note 14. Post-Employment Benefits Other Than Pension Benefits

Pursuant to the general powers conferred by the Official Code of Georgia Annotated Section 20-3-31, the Board of Regents of the University System of Georgia has established group health and life insurance programs for regular employees of the University System of Georgia. It is the policy of the Board of Regents to permit employees of the University System of Georgia eligible for retirement or that become permanently and totally disabled to continue as members of the group health and life insurance programs. The policies of the Board of Regents of the University System of Georgia define and delineate who is eligible for these post-employment health and life insurance benefits. Organizational units of the Board of Regents of the University System of Georgia pay the employer portion for group insurance for affected individuals. With regard to life insurance, the employer covers the total cost for \$25,000 of basic life insurance. If an individual elects to have supplemental, and/or, dependent life insurance coverage, such costs are borne entirely by the employee.

The Board of Regents Retiree Health Benefit Plan is a single employer defined benefit plan. Financial statements and required supplementary information for the Plan are included in the publicly available Consolidated Annual Financial Report of the University System of Georgia. The College pays the employer portion of health insurance for its eligible retirees based on rates that are established annually by the Board of Regents for the upcoming plan year. For the 2008 and 2009 plan years, the employer rate was between 70-75% of the total health insurance cost for eligible retirees and the retiree rate was between 25-30%.

As of June 30, 2009, there were 900 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2009, Georgia State University recognized as incurred \$4,306,474 of expenditures, which was net of \$2,259,771 of participant contributions.

Note 15. Natural Classifications with Functional Classifications

The University's operating expenses by functional classification for FY2009 are shown below:

Natural Classification	Functional Classification FY2009					
	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support
Faculty	\$75,777,508	\$23,766,468	\$998,207	\$466,761	\$15,600	\$2,275
Staff	37,405,311	31,113,009	7,713,507	30,284,324	16,357,951	18,782,132
Benefits	25,177,151	5,753,336	1,987,753	6,921,898	3,704,395	9,421,290
Personal Services	256			517	1,743	640,952
Travel	1,571,528	1,382,189	353,099	369,755	193,779	87,799
Scholarships and Fellowships	1,826,973	1,107,252	419,509	450	98,216	
Utilities	870,550	155,253	101,995	763,373	327,329	175,337
Supplies and Other Services	10,052,168	40,729,231	12,825,709	12,722,553	5,655,053	8,334,107
Depreciation	6,946,338	3,224,162	64,310	9,206,514	993,685	944,323
Total Expenses	\$159,627,783	\$107,230,900	\$24,464,089	\$60,736,145	\$27,347,751	\$38,388,215

Natural Classification	Functional Classification FY2009			
	Plant Operations & Maintenance	Scholarships & Fellowships	Auxiliary Enterprises	Total Expenses
Faculty	\$0	\$0	\$0	\$101,026,819
Staff	15,753,899		5,218,972	162,629,105
Benefits	4,153,533		882,051	58,001,407
Personal Services				643,468
Travel	22,654		24,215	4,005,018
Scholarships and Fellowships		19,584,298		23,036,698
Utilities	6,814,837		2,110,528	11,319,202
Supplies and Other Services	1,724,020	55,773	23,064,567	115,163,181
Depreciation	6,138,936		6,043,279	33,561,547
Total Expenses	\$34,607,879	\$19,640,071	\$37,343,612	\$509,386,445

Note 16. Component Units

Georgia State University Foundation, Inc.

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

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

During the year ended June 30, 2009, the Foundation distributed \$169,996 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Foundation's Office at One Park Place South, Suite 533, Atlanta, GA 30303 or from the Foundation's website at www.gsu.edu.

Investments for Component Units:

Georgia State University Foundation, Inc. holds endowment and other investments in the amount of \$145 million. The Foundation determines the spendable amounts for endowment funds using a total return formula and makes no spending allocations to restricted funds from the operating portfolio. Income from the operating portfolio is used to fund the Foundation's administrative activities pursuant to an unrestricted spending policy. The Trustees of the Foundation adopted an endowment spending policy that provides for the allocation of endowment funds at the rate of 70% of the previous year's allocation plus 30% of the current year's market values at a spending rate of 4.5% of the market value of the endowment funds. A 1% management fee is used to fund the Foundation's administrative activities. The balance of the return is applied to the value of the endowment funds.

Investments are comprised of the following amounts at June 30, 2009:

	<u>Cost</u>	<u>Fair Value</u>
Money Market Accounts	\$66,320,034	\$66,320,034
Equity Securities	61,663,082	48,676,391
Mutual Funds	19,601,621	19,124,056
Real Estate	<u>12,054,569</u>	<u>10,894,662</u>
 Total Investments	 <u><u>\$159,639,306</u></u>	 <u><u>\$145,015,143</u></u>

Capital Assets for Component Units:

Georgia State University Foundation, Inc. holds the following Capital Assets as of June 30, 2009:

	<u>June 30, 2009</u>
Capital Assets not being Depreciated:	
Land and other Assets	<u>\$8,255,992</u>
Capital Assets being Depreciated:	
Buildings and Improvements	73,309,819
Machinery and Equipment	<u>1,064,556</u>
Total Capital Assets being Depreciated	74,374,375
Less Total Accumulated Depreciation	<u>21,353,614</u>
Total Capital Assets being Depreciated, Net	<u>53,020,761</u>
Capital Assets, Net	<u><u>\$61,276,753</u></u>

Long-term Liabilities for Component Units:

Changes in long-term liabilities for Georgia State University Foundation, Inc. for the fiscal year ended June 30, 2009 are shown below:

	Beginning Balance <u>July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>June 30, 2009</u>	Amounts due within <u>One Year</u>
Compensated Absences	\$37,738	\$0	\$1,594	\$36,144	\$0
Liabilities under split interest agreement	252,360	44,732		297,092	31,490
Capital Lease Obligations	9,000,026		1,415,467	7,584,559	569,377
Revenue/Mortgage Bonds Payable	<u>248,712,747</u>	<u>80,739,620</u>	<u>69,030,191</u>	<u>260,422,176</u>	<u>3,025,000</u>
Total Long Term Liabilities	<u><u>\$258,002,871</u></u>	<u><u>\$80,784,352</u></u>	<u><u>\$70,447,252</u></u>	<u><u>\$268,339,971</u></u>	<u><u>\$3,625,867</u></u>

Capital Lease Obligations

Alpharetta Campus Facilities Capital Lease

On September 23, 1998, \$10,600,000 of revenue bonds were issued by the Development Authority of Alpharetta, Georgia, (Development Authority) for the purpose of financing the costs of acquiring, constructing and installing educational facilities which are located in the City of Alpharetta and are leased by the Foundation. On May 12, 2009 the Series 1998 Bonds were refunded by a new lower fixed-rate bond issuance. The tax-exempt revenue bonds of \$5,890,000 plus premium of \$654,706 were issued by the Development Authority of Alpharetta, Georgia. The principal and interest payments schedule will remain in force as under the 1998 issuance. Interest payments will continue to be made semi-annually starting November 1, 2009 at a rate specified in the revenue bonds ranging from 3.0% to 5.0%.

The lease obligates the Foundation, on a limited recourse basis, to make lease payments sufficient to pay 83.5% of principal and interest on the bonds with the balance to be paid by the Development Authority. The Foundation in turn subleased the facilities to the Board of Regents of the University System of Georgia (the "Board of Regents") for the use of the University. The liability of the Foundation is limited to the interest of the Foundation in the project and the rents, profits, issues, products and proceeds thereof. The City of Alpharetta is obligated to make 100% of the principal and interest payments on the bonds to the extent rental payments derived from the project are insufficient for such purposes. The Foundation has entered into a lease with the University on this property. As the lease is classified as a capital lease by the University, the Foundation has recorded the asset as a net investment in capital leases on the Statement of Net Assets.

Rialto Center Facilities Capital Lease

During 1994, the Foundation purchased and has since renovated facilities currently occupied by the University's School of Music. The project included the purchase and renovation of two existing office buildings. The Foundation also entered into a long term land lease for the renovation and use of an existing performing arts theater, the Rialto Theater. The project was financed through contributions to the Foundation and through bonds issued by the Downtown Development Authority of the City of Atlanta (Authority), the proceeds of which were loaned to The University Financing Foundation (TUFF). The Foundation has entered into long term lease commitments with TUFF to provide for the debt service payments on the bonds and other bond financing related expenses. The Foundation then leases the facilities to the University through a series of one year renewable lease agreements. At the end of the lease period or the retirement of the bonds, whichever occurs first, the title to the two office buildings will pass to the Foundation, and therefore the Foundation has classified this lease as a capital lease and has recorded it as an asset under property and equipment in the consolidated statements of financial position.

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

		<u>Capital Leases</u>
Year ending June 30:		
2010	1	\$942,350
2011	2	1,146,869
2012	3	1,146,159
2013	4	1,148,108
2014	5	1,145,157
2015 through 2019	6-10	<u>3,873,281</u>
Total minimum lease payments		9,401,924
Less: Interest		<u>1,817,365</u>
Principal Outstanding		<u><u>\$7,584,559</u></u>

Interest expense related to the capital lease obligation for Alpharetta for the year ending June 30, 2009 totaled \$256,811.

Interest expense related to the TUFF lease obligation for Rialto for the year ending June 30, 2009 totaled \$191,166.

Rialto Center Ground Lease

Pursuant to the lease agreement between the Foundation and TUFF, the lease payments include the cost of an underlying ground lease on the Rialto Theater property. At the end of the lease term, TUFF will transfer all interests in the ground lease to the Foundation. The Foundation has the option to renew the ground lease with the owner through December 31, 2045, once the Authority bond obligations are satisfied.

On June 10, 2009 the Foundation Board approved the assignment of all its rights under such lease agreement (the Amended and Restated Lease Agreement dated July 1, 1994) (Lease) with TUFF Rialto LLC to the University. Once the assignment document is fully executed, Rialto Center, LLC will no longer have a leasehold interest in the Rialto Center, the Haas-Howell Building or the Standard Building. The University, as new tenant under the Lease, will work with TUFF Rialto LLC to defease the remaining principle on the bonds. The University will become fee simple owner of the Haas-Howell Building and Standard Building. TUFF will then transfer their interest in the Rialto Theater ground lease to the Foundation. The Foundation will continue to sub-lease the Rialto Theater facility to the University. This transaction is expected to be completed by the end of October 2009.

Future minimum lease payments under the ground lease as of June 30, 2009 are as follows:

		<u>Capital Leases</u>
Year ending June 30:		
2010	1	\$79,304
2011	2	79,304
2012	3	79,304
2013	4	79,304
2014	5	79,304
2015 through 2016	6-7	<u>112,347</u>
Total minimum lease payments		<u><u>\$508,867</u></u>

Revenue Bonds Payable

Student Recreation Center Bonds

On October 15, 1998, \$33,430,000 of revenue bonds were issued by the Atlanta Development Authority (“ADA”) with the proceeds loaned to the Foundation for the purpose of financing the acquisition, construction, improvement and equipping of a student recreation center for the benefit of the University. The bonds are special limited obligation bonds of the ADA, payable from funds received from the Foundation pursuant to a promissory note between the ADA and the Foundation. The Foundation leases the facilities to the Board of Regents for the use of the University. The Foundation's liability on the note is limited to its interest in the project and the rents and revenues from the project, including amounts received pursuant to the rental agreement with the Board of Regents. Payment of principal and interest on the bonds are insured by AMBAC Assurance Corporation. Principal payments are to be made annually until October 1, 2018. Interest is paid semi-annually through 2018 at a rate specified in the revenue bonds ranging from 3.60% to 4.60%. Interest expense for the year ended June 30, 2009 totaled \$1,015,585.

Piedmont Ellis Bonds

On September 8, 2005, a total of \$161,330,000 revenue bonds (tax-exempt \$158,410,000 and taxable \$2,920,000) were issued at a premium of \$6,620,809 by the ADA on behalf of the Foundation with the proceeds used for the purpose of financing the acquisition, construction and equipping of certain land, buildings and personal property to be used as a student housing project. The project has 1,994 beds, including community activity facilities, site amenities and parking for 786 vehicles. There was a 22-month construction schedule for the project which was completed and opened for occupancy for the fall semester of 2007. The real property upon which the project is located is owned by the Board of Regents and leased to the Foundation pursuant to a Ground Lease. After construction was completed, the Foundation leased the facility to the Board of Regents on an annually-renewable basis for a term of 33 years for the use and benefit of the University. Moody's Investors Services Inc. has assigned the series 2005 Bonds the rating of "Aaa" based upon the issuance of the policy by the Bond Insurer. Principal payments are to be made annually starting September 1, 2009 and ending September 1, 2036. Interest is paid semi-annually through 2036 at a rate specified in the revenue bonds ranging from 3.875% to 5.0%. Interest expense for the year ended June 30, 2009 was \$7,762,468.

Panther Place Bonds

On May 31, 2007, \$58,385,000 of revenue bonds (tax-exempt \$49,175,000 and taxable \$9,210,000) were issued by the ADA on behalf of the Foundation with the proceeds used to finance the costs of acquiring land, buildings, improvements, machinery, fixtures, furnishings, equipment and other real and personal property to be used for office space. SunTrust Banks, Inc. as the seller and the current tenant may remain in the building for up to five years. Upon expiration of the lease or early termination by SunTrust Banks, Inc. the Foundation will lease the property to the Board of Regents on an annually renewable basis. The Foundation began making semi-annual swap interest payments on January 1, 2008 at a rate of 4.289% on tax-exempt bonds and 5.409% on taxable bonds.

During fiscal year 2008, all of the tax-exempt revenue bonds became bank bonds held by JP Morgan Chase Bank as the liquidity provider. During fiscal year 2009, the taxable revenue bonds, likewise became bank bonds. Pursuant to the Standby Bond Purchase Agreement with JP Morgan Chase Bank, a mandatory redemption clause with accelerated principal payments took effect.

On May 29, 2009 the remaining balance of the bank bonds of \$47,630,000 were refunded by a new fixed-rate bond issuance. Revenue bonds of \$73,235,000 (tax-exempt \$60,215,000 and taxable \$13,020,000) net of discount of \$1,654,917 were issued by the ADA on behalf of the Foundation. Moody's Investors Services, Inc. has assigned the Series 2009 Bonds the rating of A2 based upon the issuance of the policy by the Bond Insurer. Principal payments are to be made annually starting July 1, 2013 and ending July 1, 2037. Interest is to be paid semi-annually starting July 1, 2009 at a rate specified in the revenue bonds ranging from 4.00% to 6.15%.

		Bonds Payable		
		Principal	Interest	Total
Year ending June 30:				
2010	1	\$3,025,000	\$12,142,859	\$15,167,859
2011	2	3,410,000	11,994,233	15,404,233
2012	3	3,835,000	11,834,712	15,669,712
2013	4	4,270,000	11,655,098	15,925,098
2014	5	6,255,000	11,383,251	17,638,251
2015 through 2019	6-10	40,185,000	51,863,689	92,048,689
2020 through 2024	11-15	37,770,000	42,503,721	80,273,721
2025 through 2029	16-20	47,800,000	32,071,246	79,871,246
2030 through 2034	21-25	60,705,000	18,569,771	79,274,771
2035 through 2039	26-30	48,990,000	3,117,948	52,107,948
		<u>256,245,000</u>	<u>207,136,528</u>	<u>463,381,528</u>
Bond Premium/(Discount)		<u>4,177,176</u>		<u>4,177,176</u>
		<u>\$260,422,176</u>	<u>\$207,136,528</u>	<u>\$467,558,704</u>

Interest Rate Swap Agreement

On May 29, 2007, the Foundation entered into an interest rate swap agreement related to the Panther Place revenue bond issue utilized to purchase the SunTrust building. The Foundation has accounted for the interest rate swap agreement in accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. On May 29, 2009 the Interest Rate Swap Agreement with Ambac was terminated in full and the value of the swap on termination date was paid with proceeds from the bond refunding. A realized gain on the termination of the interest rate swap of \$1,515,379 was recognized during the year ended June 30, 2009.

Georgia State University Research Foundation, Inc.

Georgia State University Research Foundation, Inc. (Research Foundation) is a legally separate, tax-exempt component unit of Georgia State University (University) and was established to contribute to the scientific, literary, educational, and charitable functions of the University in securing gifts, contributions, and grants from individuals, private organizations, and public

agencies, and in obtaining contracts with such individuals or entities for the performance of sponsored research, development, or other programs by the various colleges, schools, departments or other units of the University. Most of the research grants awarded to the Research Foundation are subcontracted to the University, which is responsible for the fiscal administration of the grants.

The Research Foundation's results for fiscal 2009 include Science Park, LLC (the "Company"), a component unit of the Research Foundation, which was organized as a not-for-profit limited liability company on August 9, 2006 with its sole member the Research Foundation. The Company was created to develop a 248,806 square foot science research facility (the "Project"). Upon completion of the Project, the company will lease the facility to the Board of Regents of the University System of Georgia for the use and benefit of Georgia State University.

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

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

During the year ended June 30, 2009, the Research Foundation paid to the University \$49,894,257 in grant revenue and for support of research activities. Complete financial statements for the Research Foundation can be obtained from the office of the Georgia State University Research Foundations, Inc., Alumni Hall, 30 Courtland Street, Suite 219, Atlanta, GA 30303.

Deposits and Investments for Component Units:

Deposits:

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Research Foundation's deposits may not be recovered. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the Official Code of Georgia Annotated Section 50-17-59:

1. Bonds, bills, notes, certificates of indebtedness, or other direct obligations of the United States or of the State of Georgia.
2. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.
3. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.
4. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.

5. Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary 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.

At June 30, 2009, the Research Foundation's carrying amount of deposits was \$6,266,403, and the bank balance was \$7,183,398. Of the bank balance, \$250,000 was covered by FDIC insurance at June 30, 2009, and \$4,934,652 was collateralized by the State of Georgia pledging pool which thereby guarantees collateralization of any uninsured bank deposit balances. The remaining uncollateralized balance of \$1,998,746 consists of cash equivalents held by investment custodians.

Investments:

The Research Foundation's investments at June 30, 2009 are presented below. All investments are presented by investment type.

Investment type	Fair Value	Investment Maturity	
		Less Than 1 Year	1-5 Years
Debt Securities			
Money Market Mutual Fund	\$61,328,662	\$61,328,662	\$0
Mutual Bond Fund	678,662		678,662
	<u>\$62,007,324</u>	<u>\$61,328,662</u>	<u>\$678,662</u>
Other Investments			
Bond/Fixed Income Mutual Funds	470,167		
Equity Securities - Domestic	1,170,801		
Equity Securities - International	632,137		
Real Estate Investment Fund	<u>159,205</u>		
	<u>\$64,439,634</u>		

The above investments are included in the Statement of Net Assets as follows:

Cash and Cash Equivalents	\$61,328,662
Investments – unrestricted	<u>3,110,972</u>
Total investments	<u>\$64,439,634</u>

All investments with the exception of equity securities of \$5,558 are held by the Georgia State University Foundation on behalf of the Research Foundation and are held by outside investment managers.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Research Foundation’s policy for managing interest rate risk is divided between short-term and long-term investments. Short-term investments will have a maximum maturity of eighteen months to five years depending on type of investment. Long-term investments are managed using a planning timeline of five years or more and overall risk measurements rather than specific maturity limits.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Research Foundation’s investment policies are consistent with the investment policies of Georgia State University Foundation. The Research Foundation does not have a formal policy related to credit quality risk of investments. The Research Foundation’s investments as of June 30, 2009 are presented below. All investments are presented by investment type and fixed income securities are presented by credit quality ratings.

	Fair Value	Aaa	Aa	A	Bbb	Bb	B or Less	Unrated
Related Debt Investments								
Money Market Mutual Fund	\$61,328,662	\$61,328,662	\$0	\$0	\$0	\$0	\$0	\$0
Mutual Bond Fund	678,662	411,690	18,942	51,415	49,006	51,554	95,064	991
	<u>\$62,007,324</u>	<u>\$61,740,352</u>	<u>\$18,942</u>	<u>\$51,415</u>	<u>\$49,006</u>	<u>\$51,554</u>	<u>\$95,064</u>	<u>\$991</u>

Custodial credit risk

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

At June 30, 2009, \$3,110,972 of the Research Foundation’s applicable investments were uninsured and held by the Research Foundation’s counterparty in the Research Foundation’s name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity’s investment in a single issuer. There are no applicable investments that exceed 5% of total investments.

Foreign currency risk

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

Capital Assets for Component Units:

Georgia State University Research Foundation, Inc. had the following Capital Asset activity for the year ended June 30, 2009:

	Beginning Balances 7/1/2008	Additions	Reductions	Ending Balance 6/30/2009
Capital Assets, Not Being Depreciated:				
Land (and other assets)	\$1,643,990	\$1,783,261	\$1,493,967	\$1,933,284
Construction Work-in-Progress	1,592,461	33,084,914		34,677,375
Total Capital Assets Not Being Depreciated	3,236,451	34,868,175	1,493,967	36,610,659
Capital Assets, Being Depreciated:				
Building and Building Improvements	6,574,198	368,313		6,942,511
Facilities and Other Improvements	307,186			307,186
Total Assets Being Depreciated	6,881,384	368,313	0	7,249,697
Less: Accumulated Depreciation				
Buildings	766,099	674,639		1,440,738
Facilities and Other improvements	279,244	1,372		280,616
Total Accumulated Depreciation	1,045,343	676,011	0	1,721,354
Total Capital Assets, Being Depreciated, Net	5,836,041	(307,698)	0	5,528,343
Capital Assets, net	\$9,072,492	\$34,560,477	\$1,493,967	\$42,139,002

Long-term Liabilities for Component Units:

Changes in long-term liabilities for Georgia State University Research Foundation, Inc. for the fiscal year ended June 30, 2009 are shown below:

	Beginning Balance 7/1/2008	Additions	Reductions	Ending Balance 6/30/2009	Amounts due within One Year
Revenue/Mortgage Bonds Payable	\$91,090,710	\$0	\$28,571	\$91,062,139	\$0
Total Long Term Liabilities	\$91,090,710	\$0	\$28,571	\$91,062,139	\$0

\$90,205,000 Bond Issue — The Series 2007 Bonds were issued pursuant to a Trust Indenture and Security Agreement dated as of December 1, 2007 (the “Indenture”), between the Atlanta Development Authority (the “Authority”) and Branch Banking and Trust Company, Wilson, North Carolina as trustee (the “Trustee”). The Authority loaned proceeds of the sale of the Series 2007 Bonds to the Company, the sole member of which is the Research Foundation, pursuant to the terms and provisions of a Loan Agreement dated as of December 1, 2007 (the “Loan Agreement”), between the Authority and the Company. The Company’s obligations under the Loan Agreement is evidenced by a Promissory Note dated as of December 1, 2007 (the “Promissory Note”).

The Company will use proceeds of the Series 2007 Bonds to (i) finance or refinance, in whole or in part, the cost of the acquisition, construction and equipping of approximately 248,806 square-foot research facility (the “Project”) to be located in a new Georgia State University Science Park on the campus of the Georgia State University (the “University”), a unit of the University System of Georgia (the “University System”); (ii) fund a debt service reserve fund for the Series 2007 Bonds; (iii) fund capitalized interest for the Series 2007 Bonds; and (iv) pay costs of issuance of the Series 2007 Bonds.

Term bonds under the Loan Agreement bear interest payable semiannually on January 1 and July 1 at fixed rates ranging from 4.75% to 5.25% depending on the schedule of bond maturities. Serial bonds under the loan agreement bear interest payable semi-annually on January 1 and July 1 at a rate of 4.50% until July 1, 2014 when the interest rate increases to 5.00%. Principal payments are due on July 1 beginning in 2011 and continuing until 2039.

The Series 2007 Bonds are payable solely from the Trust Estate which includes all of the Authority’s right, title and interest in and to the Loan Agreement, Promissory Note, a deed to secure debt assignment of rents and leases, a security agreement, amounts held in certain funds under the Indenture, moneys and securities and interest earnings thereon from time to time delivered to and held by the Trustee under the terms of the Indenture, and proceeds of any and all of the foregoing.

Optional Redemption: The Series 2007 Bonds maturing on July 1, 2018 and thereafter will be subject to optional redemption prior to maturity by the Authority upon the written request of the Science Park pursuant to the Loan Agreement, from moneys on deposit in the Redemption Account, in whole or in part on any interest payment date (and if in part in an authorized denomination) on or after July 1, 2017 at a redemption price of par, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption: The Series 2007 Bonds maturing on July 1, 2027 and bearing interest at 4.75% are subject to mandatory sinking fund redemption on July 1, 2023 and on each July 1, thereafter, in accordance with the Indenture, at a redemption price equal to the principal amount of each Series 2007 Bond (or portion thereof) to be redeemed plus accrued interest to the date fixed or redemption.

The Series 2007 Bonds maturing on July 1, 2032 and bearing interest at 5.00% are subject to mandatory sinking fund redemption on July 1, 2028 and on each July 1, thereafter, in accordance with the Indenture, at a redemption price equal to the principal amount of each Series 2007 Bond

(or portion thereof) to be redeemed plus accrued interest to the date fixed or redemption. The Series 2007 Bonds maturing on July 1, 2027 and bearing interest at 5.25% are subject to mandatory sinking fund redemption on July 1, 2023 and on each July 1, thereafter, in accordance with the Indenture, at a redemption price equal to the principal amount of each Series 2007 Bond (or portion thereof) to be redeemed plus accrued interest to the date fixed or redemption.

Annual debt service requirements on the Series 2007 Bonds outstanding at June 30, 2009 are as follows:

Year Ending June 30: Year	Bond Payable		
	Principal	Interest	Total
2010 1	\$0	\$4,482,350	\$4,482,350
2011 2	1,470,000	4,482,350	5,952,350
2012 3	1,535,000	4,416,200	5,951,200
2013 4	1,605,000	4,347,125	5,952,125
2014 5	1,680,000	4,274,900	5,954,900
2015 through 2019 6-10	9,730,000	20,029,000	29,759,000
2020 through 2024 11-15	12,420,000	17,341,300	29,761,300
2025 through 2029 16-20	15,820,000	13,937,263	29,757,263
2030 through 2034 21-25	20,175,000	9,570,725	29,745,725
2035 through 2039 26-30	25,770,000	3,991,250	29,761,250
	90,205,000	86,872,463	177,077,463
Unamortized Premium	857,139		857,139
	<u>\$91,062,139</u>	<u>\$86,872,463</u>	<u>\$177,934,602</u>