## GEORGIA INSTITUTE OF TECHNOLOGY

# ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2012

### INCLUDING INDEPENDENT AUDITOR'S REPORT

Georgia Institute of Technology

GEORGIA INSTITUTE OF TECHNOLOGY

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SECTION I

FINANCIAL

# DEPARTMENT OF AUDITS AND ACCOUNTS

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Atlanta, Georgia 30334-8400

**Greg S. Griffin**
STATE AUDITOR
(404) 656-2174

December 13, 2012

Honorable Nathan Deal, Governor
Members of the General Assembly of Georgia
Members of the Board of Regents of the
University System of Georgia
and
Honorable G. P. "Bud" Peterson, President
Georgia Institute of Technology

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

Ladies and Gentlemen:

We have audited the accompanying basic financial statements (Exhibits A through D) of Georgia Institute of Technology, a unit of the University System of Georgia, which is an organizational unit of the State of Georgia, as of and for the year ended June 30, 2012. These financial statements are the responsibility of the Georgia Institute of Technology's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In accordance with section 50-6-1(c) of the Official Code of Georgia Annotated, Greg S. Griffin was appointed State Auditor on July 1, 2012. During the year under review, Mr. Griffin served as the State Accounting Officer. As the State Accounting Officer, Mr. Griffin was responsible for the State's accounting and financial reporting practices.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Georgia Institute of Technology as of June 30, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the financial statements of Georgia Institute of Technology are intended to present the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State of Georgia that is attributable to the transactions of Georgia Institute of Technology. They do not purport to, and do not, present fairly the financial position of the State of Georgia as of June 30, 2012, the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i through x be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consists of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Georgia Institute of Technology taken as a whole. The accompanying supplementary information (Schedules 1 through 6) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting or other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

Greg S Griffin

Greg S. Griffin
State Auditor

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REQUIRED SUPPLEMENTARY INFORMATION

# GEORGIA INSTITUTE OF TECHNOLOGY
## Management's Discussion and Analysis

### *Introduction*

The Georgia Institute of Technology (Georgia Tech) is one of the 35 institutions of higher education of the University System of Georgia. Georgia Tech is one of the nation's top research universities and an international leader in scientific and technological research and education. Distinguished by its commitment to improving the human condition through advanced science and technology, Georgia Tech provides a focused, technology-based education for nearly 21,000 undergraduate and graduate students. Georgia Tech offers degrees through the Colleges of Architecture, Computing, Engineering, Sciences, the Scheller College of Business and the Ivan Allen College of Liberal Arts. Accredited by the Southern Association of Colleges and Schools (SACS), Georgia Tech has many nationally recognized programs and is the only technological university consistently ranked in *U. S. News and World Report's* listing of America's Top Ten public universities. Undergraduate and graduate programs in Georgia Tech's College of Engineering are currently ranked in the country's Top Five by *U. S. News and World Report*. All of the Institute's undergraduate engineering programs are ranked in the top ten of their respective disciplines, with seven of those programs being ranked in the top five of their respective disciplines. Each of the Institute's graduate engineering programs is also ranked in the top ten of their respective disciplines. Georgia Tech is ranked among the top ten universities for the number of engineering degrees awarded to minority students at the Bachelor's, Master's and Doctoral level by *Diverse Issues in Higher Education.* These impressive national rankings reflect the academic prestige long associated with the Georgia Tech curriculum and have led to international recognition in a variety of global rankings, including fifth place in the world for engineering/technology and computer science by the Center for World Class Universities at Shanghai Jiao Tong University. *Bloomberg/Businessweek* ranked Georgia Tech number two in the nation, and first in the state of Georgia, in annualized return on investment (ROI) based on the financial return graduates earn from their degree. As a leading technological institute, Georgia Tech has over 100 interdisciplinary research centers that consistently contribute vital research and innovation to America's government, industry, and business.

Founded in 1885 to help move Georgia's economy into the industrial age, Georgia Tech exceeded the expectations of its founders by becoming a multi-faceted research institution that serves as a source of new technologies and a driver of economic development. With a clear vision of technology and leadership, the Institute provides cutting edge education and research for the 21$^{st}$ century. Equipped with the extremely rich resources of an outstanding student body, faculty and staff; strong partnerships with business, industry, and government; and support from alumni and friends; Georgia Tech is designing a future of global preeminence, leadership, and service.

The institution continues to grow its student population as indicated by the comparison numbers that follow.

| | Faculty | Students (Headcount) | Students (FTE) |
|---|---|---|---|
| Fiscal Year 2012 | 1,039 | 20,941 | 19,592 |
| Fiscal Year 2011 | 992 | 20,721 | 19,420 |
| Fiscal Year 2010 | 1,009 | 20,293 | 19,065 |

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

Georgia Institute of Technology is proud to present its financial statements for fiscal year 2012, which began July 1, 2011, and ended June 30, 2012. 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 Institute's financial statements provides an overview of its financial activities for the year. The statements focus on the financial condition, results of operations and cash flows of the Institute as a whole, with resources classified for accounting and reporting purposes into five net asset categories: invested in capital assets, net of related debt; restricted-nonexpendable; restricted-expendable; restricted–capital projects; and unrestricted. The basis of accounting is full accrual, including capitalization and depreciation of equipment and fixed assets and capitalization and amortization of intangible assets. Comparative data is provided for fiscal year 2012 and fiscal year 2011.

### *Statement of Net Assets*

The Statement of Net Assets presents the assets, liabilities, and net assets of the Institute 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 Institute of Technology. The Statement of Net Assets presents end-of-year data concerning Assets (current and noncurrent), Liabilities (current and noncurrent), and Net Assets (assets minus liabilities). The difference between current and noncurrent assets will be discussed in the Notes 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

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| **Assets** | | |
| Current Assets | $ 233,264,543 | $ 222,754,124 |
| Capital Assets, Net | 1,704,209,166 | 1,640,151,974 |
| Other Assets | 72,339,670 | 72,099,670 |
| **Total Assets** | $ 2,009,813,379 | $ 1,935,005,768 |
| **Liabilities** | | |
| Current Liabilities | $ 160,082,916 | $ 143,100,803 |
| Noncurrent Liabilities | 514,917,349 | 513,375,223 |
| **Total Liabilities** | $ 675,000,265 | $ 656,476,026 |
| **Net Assets** | | |
| Invested in Capital Assets, Net of Debt | $ 1,192,492,937 | $ 1,129,955,922 |
| Restricted - Nonexpendable | 52,508,280 | 53,640,958 |
| Restricted - Expendable | 22,810,438 | 45,541,339 |
| Restricted - Capital Projects | 366,927 | 13,921,865 |
| Unrestricted | 66,634,532 | 35,469,658 |
| **Total Net Assets** | $ 1,334,813,114 | $ 1,278,529,742 |

The Total Assets for fiscal year 2012 increased by $74,807,611. A review of the Statement of Net Assets will reveal that the increase was primarily due to an increase of $64,057,192 in the category of Capital Assets, Net. The balance of the increase is mainly in receivable categories.

The Total Liabilities for fiscal year 2012 increased by $18,524,239. The combination of the increase in Total Assets of $74,807,611 and the increase in Total Liabilities of $18,524,239 yields an increase in Total Net Assets of $56,283,372. The increase in Total Net Assets is primarily in the category of Invested in Capital Assets, Net of Related Debt, in the amount of $62,537,015.

***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 nonoperating, and the expenses paid by the institution, operating and nonoperating, 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. Nonoperating revenues are revenues received for which goods and services are not provided. For example state appropriations are nonoperating 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

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| Operating Revenues | $ 1,083,188,931 | $ 957,429,126 |
| Operating Expenses | 1,248,020,723 | 1,138,694,378 |
| Operating Loss | $ -164,831,792 | $ -181,265,252 |
| Nonoperating Revenues and Expenses | 215,402,563 | 229,237,255 |
| Income (Loss) Before Other Revenues, Expenses, Gains or Losses | $ 50,570,771 | $ 47,972,003 |
| Other Revenues, Expenses, Gains or Losses | 13,424,760 | 74,146,969 |
| Increase (Decrease) in Net Assets | $ 63,995,531 | $ 122,118,972 |
| Net Assets at Beginning of Year, as Originally Reported | $ 1,278,529,742 | $ 1,156,377,293 |
| Prior Year Adjustments | -7,712,159 | 33,477 |
| Net Assets at Beginning of Year, Restated | $ 1,270,817,583 | $ 1,156,410,770 |
| Net Assets at End of Year | $ 1,334,813,114 | $ 1,278,529,742 |

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

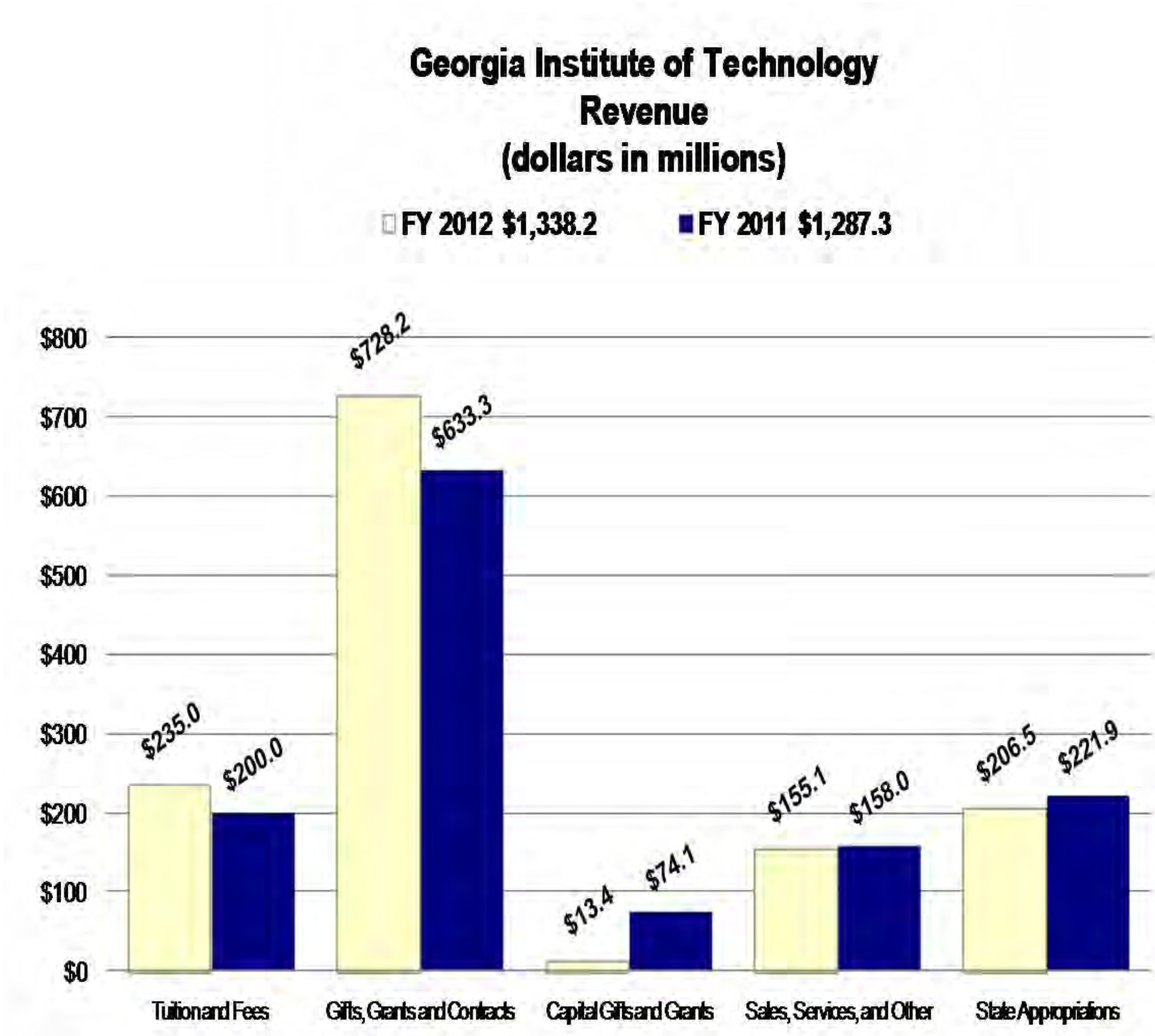
Revenue by Source
For the Years Ended June 30, 2012 and June 30, 2011

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| Operating Revenue | | |
| Tuition and Fees | $ 235,003,328 | $ 199,963,731 |
| Grants and Contracts | 712,223,470 | 618,379,001 |
| Sales and Services of Educational Departments | 27,536,159 | 27,486,727 |
| Auxiliary | 90,194,401 | 86,470,988 |
| Other | 18,231,573 | 25,128,679 |
| Total Operating Revenue | $ 1,083,188,931 | $ 957,429,126 |
| Nonoperating Revenue | | |
| State Appropriations | $ 206,511,431 | $ 221,854,801 |
| Grants and Contracts | 13,108,800 | 12,575,185 |
| Gifts | 2,838,709 | 2,333,916 |
| Investment Income | 13,183,097 | 12,937,106 |
| Other | 5,955,770 | 5,998,490 |
| Total Nonoperating Revenue | $ 241,597,807 | $ 255,699,498 |
| Capital Grants and Gifts | | |
| State | $ 8,434,807 | $ 70,229,759 |
| Other | 4,989,953 | 3,917,210 |
| Total Capital Grants and Gifts | $ 13,424,760 | $ 74,146,969 |
| Total Revenues | $ 1,338,211,498 | $ 1,287,275,593 |

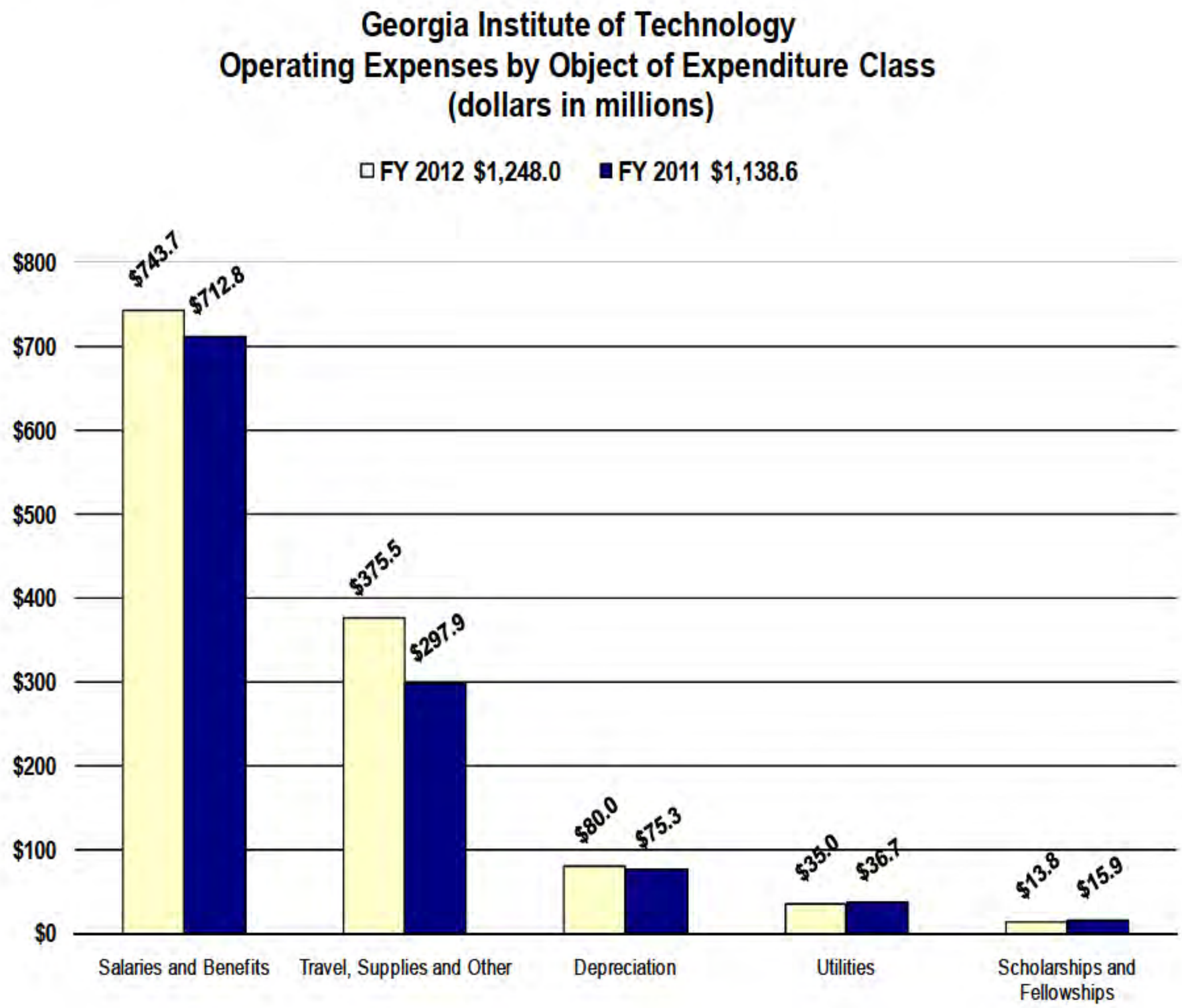
Expenses (By Functional Classification)
For the Years Ended June 30, 2012 and June 30, 2011

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| Operating Expenses | | |
| Instruction | $ 237,927,330 | $ 224,900,349 |
| Research | 568,632,074 | 527,762,510 |
| Public Service | 50,026,426 | 45,288,518 |
| Academic Support | 47,701,220 | 43,253,548 |
| Student Services | 29,810,084 | 29,183,834 |
| Institutional Support | 70,560,056 | 68,060,992 |
| Plant Operations and Maintenance | 160,075,084 | 113,353,120 |
| Scholarships and Fellowships | 13,828,717 | 15,894,136 |
| Auxiliary Enterprises | 69,459,732 | 70,997,371 |
| Total Operating Expenses | $ 1,248,020,723 | $ 1,138,694,378 |
| Nonoperating Expenses | | |
| Interest Expense (Capital Assets) | 26,195,244 | 26,462,243 |
| Total Expenses | $ 1,274,215,967 | $ 1,165,156,621 |

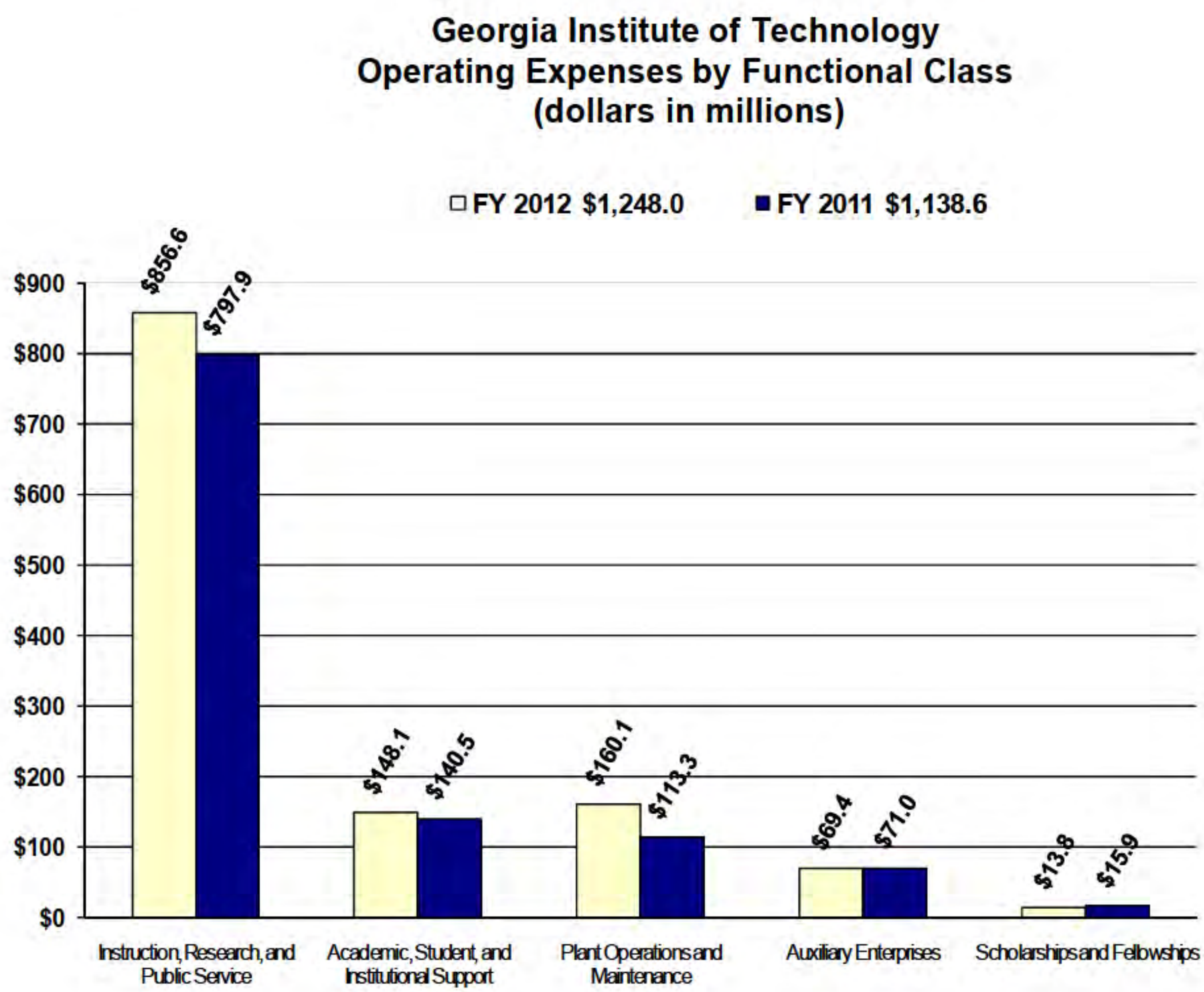
On the Statement of Revenues, Expenses and Changes in Net Assets, Operating Revenues increased by $125.8 million, while Nonoperating Revenue decreased by $14.1 million and Capital Gifts and Grants decreased by $60.7 million. Overall revenue for fiscal year 2012 increased by $50.9 million over the previous fiscal year as illustrated in the graph below.



In the Operating Expenses by Object of Expenditure Class graph below, total operating expenses for the fiscal year were approximately $1,248.0 million. Significant increases in operating expenses from fiscal year 2011 to fiscal year 2012 include Salaries and Benefits and Travel, Supplies and Other. These categories increased by $30.9 million and $77.6 million respectively, primarily due to an increase in research operations. Overall operating expenses increased by $109.4 million, or 9.6% over the previous fiscal year.



In the Operating Expenses by Functional Class graph below, Instruction, Research and Public Service expenses increased by $58.7 million, while operating expenses for Plant Operations and Maintenance and for Academic, Student and Institutional Support increased by $46.8 million and $7.6 million, respectively. Operating expenses for Auxiliary Enterprises and for Scholarships and Fellowships decreased by $1.6 million and $2.1 million, respectively. The changes listed above resulted in a $109.4 million increase in overall operating expenses for the fiscal year.



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

The final statement presented by the Georgia Institute of Technology 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 noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital 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, 2012 and 2011, Condensed

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| Cash Provided (Used) By: | | |
| Operating Activities | $ -80,863,045 | $ -115,260,965 |
| Noncapital Financing Activities | 227,235,781 | 250,354,610 |
| Capital and Related Financing Activities | -155,518,074 | -147,037,465 |
| Investing Activities | 14,187,832 | 6,237,818 |
| Net Change in Cash | $ 5,042,494 | $ -5,706,002 |
| Cash, Beginning of Year | 114,785,982 | 120,491,984 |
| Cash, End of Year | $ 119,828,476 | $ 114,785,982 |

### ***Capital Assets***

The Institute had three significant capital asset additions in fiscal year 2012. The Carbon Neutral Energy Solutions Building, the Campus Steam Line Infrastructure Project and the Academy of Medicine Building were completed this year, resulting in additions of $23.0 million, $8.0 million and $5.5 million, respectively. Please note that the values listed above are significant additions to capital assets in fiscal year 2012 and may not be equal to the capitalized value for the asset on the Institute's records.

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

### ***Long-Term Liabilities***

Georgia Institute of Technology had Long-Term Liabilities of $551,724,478, of which $41,457,129 was reflected as current liability at June 30, 2012.

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

***Economic Outlook***

Georgia Tech continues to respond to budget reductions mandated by the Governor's Office of Planning and Budget (OPB), the General Assembly, and the University System of Georgia. In fiscal years 2009, 2010, 2011 and 2012 the Institute experienced significant budget cuts to state appropriations, including cuts to "B" Units such as Georgia Tech Research Institute (GTRI) and Economic Innovation Institute (EII). From fiscal year 2009 through fiscal year 2012, the Institute received budget reductions totaling $92.1 million, or 32.7% of the fiscal year 2009 base budget. Although the Governor has not announced official budget guidelines for the Fiscal 2013 Amended Budget and the Fiscal 2014 Budget, Georgia Tech remains cautious regarding possible future reductions. The Institute has initiated proactive planning efforts to address budget reductions and any implications that may arise from those reductions.

In fiscal year 2012, Georgia Tech did not receive formula funding from the state to support enrollment growth or to support new facilities. This funding was estimated to be between $10.0 million and $12.0 million. The Institute did receive $7.3 million in new formula funding for fiscal year 2013 and plans to use these monies to fund campus safety improvements and to hire new faculty members to help improve the student-faculty ratio.

Despite the challenges faced during fiscal year 2012, the Institute maintained its strong financial position, due largely to a growing portfolio of sponsored research awards. Sponsored awards received during fiscal year 2012 exceeded $640.0 million, representing a 13% increase over the previous year. In fiscal year 2012, sponsored revenue increased by 15% to approximately $725.0 million. The Institute expects to maintain strong sponsored revenue performance during fiscal year 2013.

The number of freshmen expected for fall 2012 is currently above Institute projections, especially for nonresident students. Georgia Tech expects additional revenue generated from tuition increases, as well as revenue increases from sales and services and gifts, grants and contracts to assist in maintaining the Institute's strong financial position in fiscal year 2013.

Dr. G.P "Bud" Peterson, President
Georgia Institute of Technology

Mr. Steven G. Swant, Executive Vice President
Georgia Institute of Technology

BASIC FINANCIAL STATEMENTS

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF NET ASSETS
JUNE 30, 2012

EXHIBIT "A"

| | | |
|---|---|---|
| ASSETS | | |
| Current Assets | | |
| Cash and Cash Equivalents | $ | 119,828,476 |
| Short-Term Investments | | 153,899 |
| Accounts Receivable, Net (Note 3) | | |
| Receivables - Federal Financial Assistance | | 65,573,792 |
| Receivables - Other | | 38,589,995 |
| Inventories (Note 4) | | 351,741 |
| Prepaid Items | | 8,766,640 |
| Total Current Assets | $ | 233,264,543 |
| Noncurrent Assets | | |
| Investments | $ | 60,627,620 |
| Notes Receivable, Net | | 11,712,050 |
| Capital Assets, Net (Note 6) | | 1,704,209,166 |
| Total Noncurrent Assets | $ | 1,776,548,836 |
| Total Assets | $ | 2,009,813,379 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts Payable | $ | 42,532,855 |
| Salaries Payable | | 2,036,270 |
| Benefits Payable | | 412,146 |
| Contracts Payable | | 13,395,651 |
| Deposits | | 36,023,862 |
| Deferred Revenue (Note 7) | | 21,075,698 |
| Other Liabilities | | 293,202 |
| Deposits Held for Other Organizations | | 2,856,103 |
| Lease Purchase Obligations | | 17,015,118 |
| Compensated Absences | | 24,442,011 |
| Total Current Liabilities | $ | 160,082,916 |
| Noncurrent Liabilities | | |
| Lease Purchase Obligations | $ | 494,701,111 |
| Deferred Revenue | | 4,650,000 |
| Compensated Absences | | 15,566,238 |
| Total Noncurrent Liabilities | $ | 514,917,349 |
| Total Liabilities | $ | 675,000,265 |
| NET ASSETS | | |
| Invested in Capital Assets, Net of Related Debt | $ | 1,192,492,937 |
| Restricted for: | | |
| Nonexpendable | | 52,508,280 |
| Expendable | | 22,810,438 |
| Capital Projects | | 366,927 |
| Unrestricted | | 66,634,532 |
| Total Net Assets | $ | 1,334,813,114 |

The notes to the financial statements are an integral part of this statement.

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012

EXHIBIT "B"

| | | |
|---|---|---|
| OPERATING REVENUES | | |
| Student Tuition and Fees | $ | 273,431,467 |
| Less: Scholarship Allowances | | -38,428,139 |
| Grants and Contracts | | |
| Federal | | 446,274,631 |
| Federal Stimulus | | 26,519,978 |
| State | | 13,074,409 |
| Other | | 226,354,452 |
| Sales and Services | | 27,536,159 |
| Rents and Royalties | | 1,220,889 |
| Auxiliary Enterprises | | |
| Residence Halls | | 61,436,121 |
| Bookstore | | 1,981,056 |
| Food Services | | 1,653,395 |
| Parking/Transportation | | 14,982,175 |
| Health Services | | 7,324,479 |
| Other Organizations | | 2,817,175 |
| Other Operating Revenues | | 17,010,684 |
| Total Operating Revenues | $ | 1,083,188,931 |
| OPERATING EXPENSES | | |
| Salaries | | |
| Faculty | $ | 293,340,252 |
| Staff | | 317,924,126 |
| Employee Benefits | | 131,704,816 |
| Other Personal Services | | 748,846 |
| Travel | | 23,090,234 |
| Scholarships and Fellowships | | 13,827,204 |
| Utilities | | 35,002,929 |
| Supplies and Other Services | | 352,375,185 |
| Depreciation | | 80,007,131 |
| Total Operating Expenses | $ | 1,248,020,723 |
| Operating Income (Loss) | $ | -164,831,792 |
| NONOPERATING REVENUES (EXPENSES) | | |
| State Appropriations | $ | 206,511,431 |
| Grants and Contracts | | |
| Federal | | 13,108,800 |
| Gifts | | 2,838,709 |
| Investment Income | | 13,183,097 |
| Interest Expense | | -26,195,244 |
| Other Nonoperating Revenues | | 5,955,770 |
| Net Nonoperating Revenues | $ | 215,402,563 |
| Income (Loss) Before Other Revenues, Expenses, Gains, or Losses | $ | 50,570,771 |
| Capital Grants and Gifts | | |
| State | $ | 8,434,807 |
| Other | | 4,989,953 |
| Total Other Revenues, Expenses, Gains or Losses | $ | 13,424,760 |
| Increase (Decrease) in Net Assets | $ | 63,995,531 |
| Net Assets - Beginning of Year (As Originally Reported) | $ | 1,278,529,742 |
| Prior Year Adjustments | | -7,712,159 |
| Net Assets - Beginning of Year, Restated | $ | 1,270,817,583 |
| Net Assets - End of Year | $ | 1,334,813,114 |

The notes to the financial statements are an integral part of this statement.

# GEORGIA INSTITUTE OF TECHNOLOGY
## STATEMENT OF CASH FLOWS
## YEAR ENDED JUNE 30, 2012

| | | |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Tuition and Fees | $ | 237,211,271 |
| Grants and Contracts | | 700,293,263 |
| Sales and Services | | 27,074,067 |
| Payments to Suppliers | | -530,245,769 |
| Payments to Employees | | -609,602,234 |
| Payments for Scholarships and Fellowships | | -13,827,204 |
| Loans Issued to Students and Employees | | -3,839,375 |
| Collection of Loans to Students and Employees | | 2,593,651 |
| Auxiliary Enterprise Charges: | | |
| Residence Halls | | 61,181,889 |
| Bookstore | | 1,981,056 |
| Food Services | | 1,705,548 |
| Parking/Transportation | | 15,016,573 |
| Health Services | | 7,321,298 |
| Other Organizations | | 2,907,384 |
| Other Receipts (Payments) | | 19,365,537 |
| Net Cash Provided (Used) by Operating Activities | $ | -80,863,045 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| State Appropriations | $ | 206,511,431 |
| Agency Funds Transactions | | -5,887,263 |
| Gifts and Grants Received for Other than Capital Purposes | | 15,947,509 |
| Other Nonoperating Receipts | | 10,664,104 |
| Net Cash Flows Provided (Used) by Noncapital Financing Activities | $ | 227,235,781 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Capital Grants and Gifts Received | $ | 8,434,807 |
| Purchases of Capital Assets | | -120,094,111 |
| Principal Paid on Capital Debt and Leases | | -17,594,069 |
| Interest Paid on Capital Debt and Leases | | -26,264,701 |
| Net Cash Provided (Used) by Capital and Related Financing Activities | $ | -155,518,074 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest on Investments | $ | 14,187,832 |
| Net Increase (Decrease) in Cash | $ | 5,042,494 |
| Cash and Cash Equivalents - Beginning of Year | | 114,785,982 |
| Cash and Cash Equivalents - End of Year | $ | 119,828,476 |

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012

EXHIBIT "C"

| | | |
|---|---|---|
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | |
| Operating Income (Loss) | $ | -164,831,792 |
| Adjustments to Reconcile Operating Income (loss) to Net Cash Provided (Used) by Operating Activities | | 80,007,131 |
| Depreciation | | |
| Change in Assets and Liabilities: | | |
| Accounts Receivable, Net | | -10,605,761 |
| Inventories | | -63,503 |
| Prepaid Items | | 5,202,329 |
| Notes Receivable, Net | | -1,245,724 |
| Accounts Payable | | 1,024,736 |
| Deferred Revenue | | 1,474,715 |
| Other Liabilities | | 6,763,904 |
| Compensated Absences | | 1,410,920 |
| Net Cash Provided (Used) by Operating Activities | $ | -80,863,045 |

| | | |
|---|---|---|
| NONCASH ACTIVITY | | |
| Fixed Assets Acquired by Incurring Capital Lease Obligations | $ | 19,114,246 |
| Change in Fair Value of Investments Recognized as a Component of Interest Income | $ | -1,004,736 |
| Gift of Capital Assets Reducing Proceeds of Capital Grants and Gifts | $ | 4,989,953 |

The notes to the financial statements are an integral part of this statement.

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## ***Note 1: Summary of Significant Accounting Policies***

### Nature of Operations

Georgia Institute of Technology serves the state, national and international communities by providing its students with academic instruction that advances fundamental knowledge, conducting research to create a better world for mankind, and by disseminating knowledge to the people of Georgia, the nation, and throughout the country.

### Reporting Entity

Georgia Institute of Technology 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 Institute of Technology 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 Institute of Technology does not have authority to retain unexpended State appropriations (surplus) for any given fiscal year. Accordingly, Georgia Institute of Technology 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.

Legally separate, tax exempt Affiliated Organizations whose activities primarily support units of the University System of Georgia, which are organizational units of the State of Georgia, are considered potential Component Units of the State. See Note 16 for additional information.

### Financial Statement Presentation

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 Institute's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

Generally Accepted Accounting Principles (GAAP) requires that the reporting of summer school revenues and expenses be allocated between fiscal years rather than be reported in one fiscal year. Georgia Tech has historically reported this split based on the academic calendar of days taught.

### Basis of Accounting

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

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

### Cash and Cash Equivalents

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

### Short-Term Investments

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

### Investments

The Institute 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 Diversified Fund and the Georgia Extended Asset Pool are included under Investments for the Institute.

### 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 Institute's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

### Inventories

Consumable supplies are recorded on the consumption method and are valued at cost on the Statement of Net Assets using the average-cost basis. Resale Inventories are valued at cost using the average-cost basis.

### Noncurrent Investments

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 Institute's capitalization policy includes all items with a unit cost of $5,000 or more, and a useful life that meets or exceeds 5 years. Renovations to Buildings, Infrastructure and Facilities and Other Improvements are capitalized as betterments when the expenditure for the renovation meets or exceeds the capitalization threshold of $100,000. The Institute uses the parent/child methodology to track the costs of nonresearch buildings. In this instance, the original asset is considered the "parent" and any improvements that meet the capitalization criteria above are considered "children". The child asset normally takes on the remaining useful life of the parent asset unless it is determined the child asset increases the useful life of the structure by 25 percent of the original life. If the child asset increases the useful life, the net book value of the original building asset is recapitalized along with eligible improvements as a new asset and the original building asset is retired. 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 50 years for buildings, 25 to 75 years for infrastructure, 20 to 50 years for facilities and other improvements, 10 years for library books and 5 to 10 years for equipment. Nonresearch buildings are generally depreciated over 40 to 50 years as indicated above. Research buildings are depreciated by building component such as elevators, general structure, HVAC, roof, etc. The useful life of these components is generally between 20 and 50 years. Residual values will generally be 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

Amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, copyrights and internally generated software is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 20 years.

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 Institute when complete. For projects managed by the Institute, the Institute retains construction in progress on its books and is reimbursed by GSFIC. For the year ended June 30, 2012, Georgia Tech had no capital asset additions transferred from GSFIC.

### Deposits

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

### Deferred Revenues

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

### Compensated Absences

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences in the Statement of Net Assets, and as a component of compensation and benefit expense in the Statement of Revenues, Expenses and Changes in Net Assets. Georgia Institute of Technology had accrued liability for compensated absences in the amount of $38,597,330 as of July 1, 2011 (restated). For fiscal year 2012, $27,442,679 was earned in compensated absences and employees were paid $26,031,760, for a net increase of $1,410,919. The ending balance as of June 30, 2012, in accrued liability for compensated absences was $40,008,249.

### 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 noncurrent assets.

## Net Assets

The Institute's net assets are classified as follows:

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

Expendable Restricted Net Assets for the year ended June 30, 2012, include the following:

| | | |
|---|---|---|
| Restricted - E&G and Other Organized Activities | $ | 6,401,911 |
| Federal Loans | | 6,931,432 |
| Institutional Loans | | 6,577,845 |
| Quasi-Endowments | | 2,899,250 |
| Total Restricted Expendable | $ | 22,810,438 |

*Restricted net assets - expendable - Capital Projects:* This represents resources for which the Institute 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 Institute, 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 the State Treasurer. At June 30, 2012, the Institute had a surplus balance in state appropriations of $152,893.91 to be refunded. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

Unrestricted Net Assets for the year ended June 30, 2012, includes the following items which are quasi-restricted by management.

| | | |
|---|---|---|
| R & R Reserve | $ | 23,784,411 |
| Reserve for Encumbrances | | 29,592,108 |
| Reserve for Inventory | | 351,741 |
| Other Unrestricted | | 12,906,272 |
| Total Unrestricted Net Assets | $ | 66,634,532 |

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

### Income Taxes

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

### Classification of Revenues and Expenses

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

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

Nonoperating Revenues: Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenue 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.

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

Nonoperating Expenses: Nonoperating expense includes activities that have the characteristics of nonexchange transactions, such as capital financing costs and costs related to investment activity.

### Scholarship Allowances

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

### Restatement of Prior Year Net Assets

Georgia Institute of Technology has a restatement of Prior Year Net Assets for fiscal year 2012 related to Capital Assets and Compensated Absences.

In fiscal year 2012, the beginning balance for Capital Assets was restated, reducing Capital Assets, Net by $7,979,026. The restatement is due to a write-off of Prior Year Construction Work-in-Progress (WIP), an Accounting Correction for Leasehold Improvements and a Correction of Building Cost. In fiscal year 2011, the Institute included $2,338,396 of construction projects in WIP anticipating that these amounts would be capitalized. It was determined in fiscal year 2012 that these projects were not eligible for capitalization and thus, they were written-off the Institute's accounting records. In fiscal year 2012, the Institute reviewed accounting practices for Leasehold Improvements on real property. During this review, it was determined that $6,061,948 of leasehold improvements had been incorrectly capitalized on the Institute's books. In fiscal year 2012, Georgia Tech reviewed building costs and determined that the building cost for the G. Wayne Clough Undergraduate Learning Commons was incorrect and needed to be adjusted by $710,643. These transactions along with accumulated depreciation of $1,131,961 have been restated on the Institute's accounting records in fiscal year 2012.

In fiscal year 2011, the beginning balance for Compensated Absences was restated due to errors with the compensated absences report. The report was thoroughly reviewed and modified in fiscal year 2012, however Georgia Tech recently discovered that several employees had been inadvertently omitted from the report and several employees had been incorrectly included in the prior year report. The report has been corrected and the beginning balance for Compensated Absences has been restated in fiscal year 2012. Prior Year Net Assets have been increased by $266,867 due to this restatement.

The net effect of the Capital Assets restatement and the Compensated Absences restatement is a decrease in Prior Year Net Assets of $7,712,159.

## *Note 2: Deposits and Investments*

### Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Institute's deposits may not be recovered. Funds belonging to the State of Georgia (and thus the Institute) 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, 2012, the carrying value of deposits was $21,690,375 and the bank balance was $19,383,527. Of the Institute's deposits, $19,283,152 were uninsured. Of these uninsured deposits, $186,791 were collateralized with securities held by the financial institution's trust department or agent in the Institute's name and $19,096,361 were collateralized with securities held by the financial institution, by its trust department or agency, but not in the Institute's name.

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

The Institute's investments as of June 30, 2012, are presented below. All investments are presented by investment type and debt securities are presented by maturity.

EXHIBIT "D"

| Investment Type | Fair Value | Investment Maturity: Less Than 3 Months | 4 - 12 Months | 1 - 5 Years | 6 - 10 Years | More than 10 Years |
|---|---|---|---|---|---|---|
| Debt Securities | | | | | | |
| U. S. Treasuries | $ 6,329,237 | $ 16,835 | $ 859,292 | $ 1,211,407 | $ 4,241,703 | |
| U. S. Agencies | | | | | | |
| Explicitly Guaranteed | 5,090 | | | | | $ 5,090 |
| Implicitly Guaranteed | 3,920,565 | 507,742 | 307,038 | 2,090,919 | 278,626 | 736,240 |
| Corporate Debt | 2,653,897 | 18,005 | 244,239 | 1,393,350 | 996,515 | 1,788 |
| | $ 12,908,789 | $ 542,582 | $ 1,410,569 | $ 4,695,676 | $ 5,516,844 | $ 743,118 |
| Other Investments | | | | | | |
| Bond/Equity Mutual Funds | 497,498 | | | | | |
| Equity Securities - Domestic | 625,130 | | | | | |
| Miscellaneous Holdings | 230,426 | | | | | |
| Real Estate Held for Investment Purposes | 396,790 | | | | | |
| Real Estate Investment Fund | 211,248 | | | | | |
| Investment Pools | | | | | | |
| Board of Regents | | | | | | |
| Short-Term Fund | 96,376,740 | | | | | |
| Diversified Fund | 45,570,948 | | | | | |
| Office of the State Treasurer | | | | | | |
| Georgia Fund 1 | 1,905,853 | | | | | |
| Georgia Extended Asset Pool | 153,899 | | | | | |
| Total Investments | $ 158,877,321 | | | | | |

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 - System 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.ga.gov.

The Georgia Fund 1 Investment Pool, managed by the Office of the State Treasurer, is not registered with the Securities and Exchange Commission as an investment company, 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 48 days.

The Georgia Extended Asset Pool, managed by the Office of the State Treasurer, is not registered with the Securities and Exchange Commission as an investment company. Net Asset Value (NAV) is calculated daily to determine current share price, which was $2.00 at June 30, 2012. The Georgia Extended Asset Pool is an AAAm rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is .33 years.

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 Institute's policy for managing interest rate risk is to comply with Regent's policy and applicable Federal and State laws.

The Effective Duration of the Short-Term Fund is .48 years. Of the Institute's total investment of $96,376,740 in the Short-Term Fund, $88,368,797 is invested in debt securities.

The Effective Duration of the Diversified Fund is 4.01 years. Of the Institute's total investment of $45,570,948 in the Diversified Fund, $13,854,023 is invested in debt securities.

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 Institute will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Institute's policy for managing custodial credit risk for investments is an integral part of its current investment policies dated May 16, 2005, which specifies how counterparties are selected and how investments are to be held on behalf of the Institute.

At June 30, 2012, $12,544,452 of the Institute's applicable investments were uninsured and held by the investment's counterparty in the Institute's name and $1,818,769 were uninsured and held by the investment's counterparty's trust department or agent, but not in the Institute's name.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Institute's policy for managing credit quality risk for investments is an integral part of its current investment policies dated May 16, 2005, which identifies approved investment products, and specifies the required credit quality, as applicable, for each investment based upon approved credit rating agencies.

The investments subject to credit quality risk are reflected below:

| Credit Quality Risk | Fair Value | AAA | AA | A | BBB | Unrated |
|---|---|---|---|---|---|---|
| Related Debt Investments | | | | | | |
| U. S. Agencies | $ 3,920,565 | $ 3,920,565 | | | | |
| Corporate Debt | 2,653,897 | 5,227 | $ 536,385 | $ 1,771,268 | $ 336,626 | $ 4,391 |
| | $ 6,574,462 | $ 3,925,792 | $ 536,385 | $ 1,771,268 | $ 336,626 | $ 4,391 |

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Institute's policy for managing concentration credit risk for investments is an integral part of its current investment policies dated May 16, 2005, which overviews concentration guidelines not allowing more than 20% of the total investment portfolio to be concentrated in anyone other than the U. S. Treasury or other Federal Government agencies.

### *Note 3: Accounts Receivable*

Accounts receivable consisted of the following at June 30, 2012:

| | | |
|---|---|---|
| Student Tuition and Fees | $ | 3,626,886 |
| Auxiliary Enterprises and Other Operating Activities | | 2,230,840 |
| Federal Financial Assistance | | 65,573,792 |
| Georgia State Financing and Investment Commission | | 2,198,001 |
| Other | | 32,560,511 |
| | $ | 106,190,030 |
| Less Allowance for Doubtful Accounts | | 2,026,243 |
| Net Accounts Receivable | $ | 104,163,787 |

### *Note 4: Inventories*

Inventories consisted of the following at June 30, 2012:

| | | |
|---|---|---|
| Physical Plant | $ | 291,205 |
| Other | | 60,536 |
| Total Inventories | $ | 351,741 |

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

The Federal Perkins Loan Program (the Program) comprises approximately 59% of all the loans receivable at June 30, 2012. 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 Institute for amounts cancelled under these provisions. As the Institute 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 Institute 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, 2012, the allowance for uncollectible loans was approximately $369,275.

### *Note 6: Capital Assets*

Following are the changes in capital assets for the year ended June 30, 2012:

| | Balance July 1, 2011 (Restated) | Additions | Reductions | Ending Balance June 30, 2012 |
|---|---|---|---|---|
| Capital Assets, Not Being Depreciated: | | | | |
| Land | $ 53,643,001 | | | $ 53,643,001 |
| Capitalized Collections | 17,760,417 | $ 375,600 | | 18,136,017 |
| Construction Work-In-Progress | 30,838,179 | 47,810,326 | $ 19,770,763 | 58,877,742 |
| Total Capital Assets, Not Being Depreciated | $ 102,241,597 | $ 48,185,926 | $ 19,770,763 | $ 130,656,760 |
| Capital Assets, Being Depreciated: | | | | |
| Infrastructure | $ 107,389,892 | $ 13,770,440 | | $ 121,160,332 |
| Building and Building Improvements | 1,604,886,434 | 55,469,829 | $ 4,905,440 | 1,655,450,823 |
| Facilities and Other Improvements | 33,855,378 | 11,348,293 | | 45,203,671 |
| Equipment | 419,049,589 | 39,650,645 | 17,589,082 | 441,111,152 |
| Library Collections | 108,430,125 | 4,734,396 | 25,065 | 113,139,456 |
| Software | 1,530,895 | | | 1,530,895 |
| Total Assets Being Depreciated | $ 2,275,142,313 | $ 124,973,603 | $ 22,519,587 | $ 2,377,596,329 |
| Less: Accumulated Depreciation: | | | | |
| Infrastructure | $ 24,150,240 | $ 3,145,055 | | $ 27,295,295 |
| Building and Building Improvements | 365,502,560 | 36,579,114 | $ 3,988,657 | 398,093,017 |
| Facilities and Other Improvements | 10,568,550 | 1,422,118 | | 11,990,668 |
| Equipment | 265,841,615 | 33,907,992 | 17,160,448 | 282,589,159 |
| Library Collections | 78,306,004 | 4,799,762 | 25,065 | 83,080,701 |
| Software | 841,993 | 153,090 | | 995,083 |
| Total Accumulated Depreciation | $ 745,210,962 | $ 80,007,131 | $ 21,174,170 | $ 804,043,923 |
| Total Capital Assets, Being Depreciated, Net | $ 1,529,931,351 | $ 44,966,472 | $ 1,345,417 | $ 1,573,552,406 |
| Capital Assets, Net | $ 1,632,172,948 | $ 93,152,398 | $ 21,116,180 | $ 1,704,209,166 |

### *Note 7: Deferred Revenue*

Deferred revenue consisted of the following at June 30, 2012:

| | | |
|---|---|---|
| Prepaid Tuition and Fees | $ | 18,666,000 |
| Research | | 1,308,387 |
| Other Deferred Revenue | | 1,101,311 |
| Total Deferred Revenue | $ | 21,075,698 |

Long-Term deferred revenue totaled $4,650,000, which consists of deferred rental payments.

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

Long-Term liability activity for the year ended June 30, 2012, was as follows:

| | Beginning Balance July 1, 2011 (Restated) | Additions | Reductions | Ending Balance June 30, 2012 | Current Portion |
|---|---|---|---|---|---|
| Leases | | | | | |
| Lease Obligations | $ 510,196,052 | $ 19,114,246 | $ 17,594,069 | $ 511,716,229 | $ 17,015,118 |
| Other Liabilities | | | | | |
| Compensated Absences | 38,597,330 | 27,442,679 | 26,031,760 | 40,008,249 | 24,442,011 |
| Total Long-Term Obligations | $ 548,793,382 | $ 46,556,925 | $ 43,625,829 | $ 551,724,478 | $ 41,457,129 |

### *Note 9: Significant Commitments*

The Institute had significant unearned, outstanding, construction or renovation contracts executed in the amount of $16,871,703 as of June 30, 2012. This amount is not reflected in the accompanying basic financial statements.

### *Note 10: Lease Obligations*

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

CAPITAL LEASES

Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between 2011 and 2043. Expenditures for fiscal year 2012 were $43,970,020 of which $26,195,244 represented interest. Total reduction to capital leases was $17,594,069 for the fiscal year ended June 30, 2012. Interest rates range from 1.9 percent to 6.5 percent. The following is a summary of the carrying values of assets held under capital lease at June 30, 2012:

| Description | Gross Amount | Accumulated Depreciation | Net Assets Held Under Capital Lease at June 30, 2012 | Outstanding Balances per Lease Schedules at June 30, 2012 |
|---|---|---|---|---|
| | (+) | (-) | (=) | |
| Land | $ 11,457,418 | | $ 11,457,418 | $ 9,259,656 |
| Infrastructure | 39,705,000 | $ -6,432,210 | 33,272,790 | 37,633,187 |
| Equipment | 20,977,622 | -9,225,535 | 11,752,087 | 5,844,743 |
| Buildings | 543,805,684 | -81,061,295 | 462,744,389 | 458,348,586 |
| Facilities and Other Improvements | 679,713 | -431,785 | 247,928 | 630,057 |
| Total Assets Held Under Capital Lease at June 30, 2012 | $ 616,625,437 | $ -97,150,825 | $ 519,474,612 | $ 511,716,229 |

Certain capital leases provide for renewal and/or purchase options. Generally purchase options at bargain prices of one dollar are exercisable at the expiration of the lease terms.

Georgia Institute of Technology had fifteen capital leases with related parties in fiscal year 2012. In November 1997, Georgia Institute of Technology entered into a capital lease of $21,560,000 with the Georgia Tech Research Corporation and Georgia Tech Facilities, Inc., both affiliated organizations, for the "Parker H. Petit Institute of Bioengineering and Biosciences Building". The lease term is for a 30-year period that began November 1997 and expires May 2028. At June 30, 2012, the remaining long-term debt obligation (principal) under the lease was $15,695,000 and the amount due (principal and interest) in the next fiscal year is $1,423,375.

In February 2001 Georgia Institute of Technology entered into a capital lease of $44,980,000 with the Georgia Tech Foundation, Inc., an affiliated organization, for the "Campus Recreation Center". The lease term is for a 30-year period that began February 2001 and expires February 2031. At June 30, 2012, the remaining long-term debt obligation (principal) under the lease was $36,840,000, and the amount due (principal and interest) in the next fiscal year is $3,311,573.

In August 2001, Georgia Institute of Technology entered into six capital leases totaling $142,298,200 with the Georgia Tech Foundation, Inc., an affiliated organization, for the "Technology Square" complex. The lease terms for the Global Learning Center, College of Management, Enterprise Innovation Institute, and Parking Complex are for a 29-year period that began August 2003 and expires July 2032. The lease terms for the Bookstore and the Retail Complex are for a 19-year period that began August 2003 and expires July 2022. At June 30, 2012, the remaining long-term debt obligation (principal) under the leases was $115,002,560 and the amount due (principal and interest) in the next fiscal year is $10,212,808.

In July 2003 Georgia Institute of Technology entered into a capital lease of $60,485,000 with Georgia Tech Facilities, Inc., an affiliated organization, for the "Married Family Housing Building", including an adjoining parking deck. The lease term is for a 25-year period that began October 2005 and expires June 2030. At June 30, 2012, the remaining long-term debt obligation under the lease was $49,625,000 and the amount due (principal and interest) in the next fiscal year is $4,276,644.

In July 2003 Georgia Institute of Technology entered into a capital lease of $9,835,000 with Georgia Tech Facilities, Inc., an affiliated organization, for the "Klaus Advanced Computing Parking Garage". The lease term is for a 20-year period that began October 2006 and expires June 2025. At June 30, 2012, the remaining long-term debt obligation under the lease was $7,635,000 and the amount due (principal and interest) in the next fiscal year is $807,438.

In May 2004 Georgia Institute of Technology entered into a capital lease of $75,205,000 with Georgia Tech Facilities, Inc., an affiliated organization, for the "Molecular Sciences and Engineering Building". The lease term is for a 29-year period that began September 2006 and expires June 2036. At June 30, 2012, the remaining long-term debt obligation under the lease was $68,315,000 and the amount due (principal and interest) in the next fiscal year is $4,982,250.

In July 2007 Georgia Institute of Technology entered into a capital lease of $74,455,494 with Georgia Tech Facilities, Inc., an affiliated organization, for a complex of buildings collectively named "North Avenue Apartments", including an adjoining parking deck. In June 2010, the capital lease was amended to add an additional $8,250,000 for the "North Avenue Dining Hall". The amended lease term is for a 25-year period that will begin July 2011 and expires June 2036. At June 30, 2012, the remaining long-term debt obligation under the amended lease was $77,067,222 and the amount due (principal and interest) in the next fiscal year is $5,868,000.

In August 2005 Georgia Institute of Technology entered into a capital lease of $39,705,000 with Georgia Tech Facilities, Inc., an affiliated organization, for the "Electrical Sub Station". The lease term is for a 34-year period that began October 2007 and expires in December 2041. At June 30, 2012, the remaining long-term debt obligation under the lease was $37,633,187 and the amount due (principal and interest) in the next fiscal year is $3,000,000.

In June 2010, Georgia Institute of Technology entered into a capital lease of $13,815,000 with Georgia Tech Facilities, Inc., an affiliated organization, for the "Carbon Neutral Energy Solutions Building". The lease term is for a 31-year period that will begin October 2012 and expires June 2043. At June 30, 2012, the remaining long-term debt obligation under the lease was $13,733,822 and the amount due (principal and interest) in the next fiscal year is $882,000.

In August 2010, Georgia Institute of Technology entered into a capital lease of $5,000,000 with Georgia Tech Facilities, Inc., an affiliated organization, for the "Academy of Medicine Building". The lease term is for a 20-year period that began January 2012 and expires June 2031. At June 30, 2012, the remaining long-term debt obligation under the lease was $4,902,678 and the amount due (principal and interest) in the next fiscal year is $430,000.

Georgia Institute of Technology also has one real property capital lease with an unrelated party. In June 2003, the Institute entered into a capital lease of $76,150,584 with The University Financing Foundation, Inc., for the "Technology Square Research Building". The lease term is for a 29-year period that began June 2003 and expires June 2032. At June 30, 2012, the remaining long-term debt obligation (principal) under the lease was $74,652,408 and the amount due (principal and interest) in the next fiscal year is $4,920,492. The Institute may cancel the lease agreement under prescribed terms if sufficient appropriations, revenues, income, grants or other funding sources are not available. The Institute is responsible for most operating costs such as repairs, utilities and insurance for this lease.

The Institute is obligated to various parties for the lease purchase of furniture, fixtures, equipment, and plant infrastructure improvements. These leases have various end dates through June 30, 2018. At June 30, 2012, the remaining long term debt obligation under these agreements was $10,614,352. The amount due (principal and interest) in the next fiscal year is $3,882,519.

OPERATING LEASES

Georgia Institute of Technology is the Lessee under a number of one-year operating leases, which generally provide for renewal option periods. Lease renewals are at the 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. Properties are leased for specific Institute activities, however most of the Institute's operating leases are for office space.

DESCRIPTION OF RELATED PARTY LEASES

Georgia Institute of Technology entered into various real property operating leases with related parties including Georgia Tech Research Corporation (GTRC), Georgia Advanced Technology Ventures (GATV), Inc. and VLP 1, VLP 2 and VLP 3, subsidiaries of GATV. The current agreements are for July 1, 2012, through June 30, 2013, with most of the agreements containing a renewal option. Under these agreements, the Institute is obligated to pay these related parties a total of $10,066,966 in the next fiscal year.

FUTURE COMMITMENTS

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, 2012, were as follows:

| | Real Property and Equipment | |
|---|---|---|
| | Capital Leases | Operating Leases |
| Year Ending June 30: | | |
| 2013 | $ 43,997,098 | $ 13,713,347 |
| 2014 | 44,293,483 | |
| 2015 | 42,367,619 | |
| 2016 | 41,065,600 | |
| 2017 | 41,213,536 | |
| 2018 - 2022 | 206,735,716 | |
| 2023 - 2027 | 200,461,652 | |
| 2028 - 2032 | 178,912,541 | |
| 2033 - 2037 | 41,688,747 | |
| 2038 - 2042 | 14,910,000 | |
| 2043 | 735,000 | |
| Total Minimum Lease Payments | $ 856,380,992 | $ 13,713,347 |
| Less: Interest | 344,664,763 | |
| Principal Outstanding | $ 511,716,229 | |

Georgia Institute of Technology's fiscal year 2012 expense for rental of real property and equipment under operating leases was $12,539,026.

## *Note 11: Retirement Plans*

Georgia Institute of Technology participates in various retirement plans administered by the State of Georgia under two major retirement systems: Employees' Retirement System of Georgia (ERS System) and Teachers Retirement System of Georgia. These two systems issue separate publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained from the respective system offices. The significant retirement plans that Georgia Institute of Technology participates in are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

### Employees' Retirement System of Georgia

#### Plan Description

Georgia Institute of Technology participates in the Employees' Retirement System of Georgia (ERS), a cost-sharing multiple-employer defined benefit pension plan that was established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees and has the powers and privileges of a corporation. ERS acts pursuant to statutory direction and guidelines, which may be amended prospectively for new hires but for existing members and beneficiaries may be amended in some aspects only subject to potential application of certain constitutional restraints against impairment of contract.

On November 20, 1997, the Board created the Supplemental Retirement Benefit Plan (SRBP-ERS) of ERS. SRBP-ERS was established as a qualified governmental excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of ERS. The purpose of the SRBP-ERS is to provide retirement benefits to employees covered by ERS whose benefits are otherwise limited by IRC Section 415. Beginning January 1, 1998, all members and retired former members in ERS are eligible to participate in the SRBP-ERS whenever their benefits under ERS exceed the limitation on benefits imposed by IRC Section 415.

The benefit structure of ERS is established by the Board of Trustees under statutory guidelines. Unless the employee elects otherwise, an employee who currently maintains membership with ERS based upon State employment that started prior to July 1, 1982, is an "old plan" member subject to the plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are "new plan" members subject to the modified plan provisions. Effective January 1, 2009, newly hired State employees, as well as rehired State employees who did not maintain eligibility for the "old" or "new" plan, are members of the Georgia State Employees' Pension and Savings Plan (GSEPS). ERS members hired prior to January 1, 2009, also have the option to irrevocably change their membership to the GSEPS plan

Under the old plan, new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon a formula adopted by the Board of Trustees for such purpose. The formula considers the monthly average of the member's highest 24 consecutive calendar months of salary, the number of years of creditable service, and the member's age at retirement. Post-retirement cost-of-living adjustments may be made to members' benefits provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Funding Policy

Member contribution rates are set by law. Member contributions under the old plan are 4% of annual compensation up to $4,200 plus 6% of annual compensation in excess of $4,200. Under the old plan, Georgia Institute of Technology pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these Georgia Institute of Technology contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. Georgia Institute of Technology is required to contribute at a specified percentage of active member payroll established by the Board of Trustees determined annually in accordance with actuarial valuation and minimum funding standards as provided by law. These Georgia Institute of Technology contributions are not at any time refundable to the member or his/her beneficiary.

Employer contributions required for fiscal year 2012 were based on the June 30, 2009 actuarial valuation as follows:

| | |
|---|---|
| Old Plan* | 11.63% |
| New Plan | 11.63% |
| GSEPS | 7.42% |

* 6.88% exclusive of contributions paid by the employer on behalf of old plan members

Members become vested after 10 years of service. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contributions; the member forfeits all rights to retirement benefits.

Teachers Retirement System of Georgia

Plan Description

Georgia Institute of Technology participates in The Teachers Retirement System of Georgia (TRS), a cost-sharing multiple-employer defined benefit plan created in 1943 by an act of the Georgia General Assembly to provide retirement benefits for qualifying employees in educational service. A Board of Trustees comprised of active and retired members and ex-officio State employees is ultimately responsible for the administration of TRS.

On October 25, 1996, the Board created the Supplemental Retirement Benefit Plan of the Georgia Teachers Retirement System (SRBP-TRS). SRBP-TRS was established as a qualified governmental excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of TRS. The purpose of SRBP-TRS is to provide retirement benefits to employees covered by TRS whose benefits are otherwise limited by IRC Section 415. Beginning July 1, 1997, all members and retired former members in TRS are eligible to participate in the SRBP-TRS whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

TRS provides service retirement, disability retirement, and survivor's benefits. The benefit structure of TRS is defined and may be amended by State statute. A member is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. A member is eligible for early retirement after 25 years of creditable service.

Normal retirement (pension) benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60 or by 7% for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed that certain cost-of-living adjustments, based on the Consumer Price Index, will be made in future years. Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Death, disability and spousal benefits are also available.

### Funding Policy

TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2012, were 5.53% of annual salary. Employer contributions required for fiscal year 2012 were 10.28% of annual salary as required by the June 30, 2009, actuarial valuation.

The following table summarizes the Georgia Institute of Technology contributions by defined benefit plan for the years ending June 30, 2012, June 2011, and June 2010 (dollars in thousands):

| | ERS | | TRS | |
|---|---|---|---|---|
| Fiscal Year | Required Contribution | Percentage Contributed | Required Contribution | Percentage Contributed |
| 2012 | $ 105,626 | 100% | $ 21,634,408 | 100% |
| 2011 | $ 76,280 | 100% | $ 21,318,703 | 100% |
| 2010 | $ 62,649 | 100% | $ 20,356,273 | 100% |

### 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 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 Institute of Technology 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 2012, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 5% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and nonforfeitable at all times.

Georgia Institute of Technology and the covered employees made the required contributions of $25,382,755 (9.24%) and $13,734,099 (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 Institute of Technology participates in the Georgia Defined Contribution Plan (GDCP) which is a single-employer defined contribution plan established by the General Assembly of Georgia for the purpose of providing retirement coverage for State employees who are temporary, seasonal, and part-time and are not members of a public retirement or pension system. GDCP is administered by the Board of Trustees of the Employees' Retirement System of Georgia.

Benefits

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

Contributions

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

Total contributions made by employees during fiscal year 2012 amounted to $785,349 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 three different self-insured healthcare plan options. Effective January 1, 2012, The Blue Cross Blue Shield of Georgia PPO and HDHP plan names were changed to BCBS Open Access PPO and HAS/HDHP Open Access POS, respectively; both plans use the Blue Cross Blue Shield Open Access POS network. Also effective January 1, 2012, the Consumer Choice Option was eliminated and the Blue Cross Blue Shield of Georgia HMO and the Kaiser Permanente HMO were frozen for new enrollment for active employees only; the Senior Advantage Plan 65+ remained open for new enrollment.

The Institute 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 plans are considered to be a self-sustaining risk fund. The Board of Regents has contracted with Blue Cross Blue Shield of Georgia, a wholly owned subsidiary of WellPoint, to serve as the claims administrator for the self-insured healthcare plan products. In addition to the self-insured healthcare plan options offered to the employees of the University System of Georgia, a fully insured HMO healthcare plan option is also offered to System employees through Kaiser.

The Department of Administrative Services (DOAS) has the responsibility for the State of Georgia of making and carrying out decisions that will minimize the adverse effects of accidental losses that involve State government assets. The State believes it is more economical to manage its risks internally and set aside assets for claim settlement. Accordingly, DOAS processes claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, unemployment compensation, and law enforcement officers' indemnification. Limited amounts of commercial insurance are purchased applicable to property, employee and automobile liability, fidelity and certain other risks. The Institute, 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.

Georgia Institute of Technology is responsible for pollution remediation, including asbestos abatement, for all Institute facilities. Asbestos abatement is performed during renovation/construction projects when deemed necessary by Institute management. As of June 30, 2012, the Institute recorded a liability and expense in the amount of $145,486 for asbestos abatement projects in various Institute structures. The liability is reflected on the Statement of Net Assets in Accounts Payable and on the Statement of Revenues, Expenses and Changes in Net Assets in Supplies and Other Services. The liability was determined using the Expected Cash Flow Measurement Technique, which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. The Institute does not anticipate any significant changes to the expected remediation outlay. There are no expected recoveries that have reduced the liability.

***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 expenditure disallowed under grant terms. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the Georgia Institute of Technology expects such amounts, if any, to be immaterial to its overall financial position.

Litigation, claims and assessments filed against Georgia Institute of Technology (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, 2012.

On November 16, 2011, the Institute entered into a Memorandum of Understanding (MOU) with Georgia Tech Facilities, Inc. ("Facilities") for the construction of a Child Development Center within the Married Family Housing Building. This building is currently leased from Facilities for a 25-year period that began October 2005 and expires June 2030. The annual lease payments made to Facilities by the Institute will be increased for a period not to exceed eight years for the construction of the Child Development Center. The Institute will pay a total of $1,605,212 through April 2019 for this project. These annual rental payments will not exceed the maximum annual amount provided in the rental agreement.

***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 2012 plan year, 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, 2012, there were 1,430 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2012, the Institute recognized as incurred $7,623,736 of expenditures, which was net of $3,053,340 of participant contributions.

***Note 15: Natural Classifications with Functional Classifications***

The Institute's operating expenses by functional classification for fiscal year 2012 are shown below:

| | Functional Classification | | | | |
|---|---|---|---|---|---|
| Natural Classification | Instruction | Research | Public Service | Academic Support | Student Services |
| Salaries | | | | | |
| Faculty | $ 102,565,042 | $ 176,655,493 | $ 5,340,006 | $ 6,308,866 | $ 501,096 |
| Staff | 55,348,442 | 124,436,875 | 24,119,055 | 18,686,555 | 12,345,765 |
| Employee Benefits | 36,000,324 | 59,996,329 | 7,011,817 | 6,349,347 | 2,853,479 |
| Other Personal Services | 44,963 | 35,186 | 587,053 | 12,180 | 40,605 |
| Travel | 3,997,392 | 16,168,724 | 1,075,592 | 725,316 | 320,597 |
| Scholarships and Fellowships | | | | | |
| Utilities | 349,775 | 2,286,862 | 219,316 | 27,302 | 35,419 |
| Supplies and Other Services | 28,536,526 | 153,410,008 | 11,389,692 | 8,833,546 | 11,816,279 |
| Depreciation | 11,084,866 | 35,642,597 | 283,895 | 6,758,108 | 1,896,844 |
| Total Operating Expenses | $ 237,927,330 | $ 568,632,074 | $ 50,026,426 | $ 47,701,220 | $ 29,810,084 |

| | Functional Classification | | | | |
|---|---|---|---|---|---|
| Natural Classification | Institutional Support | Plant Operations and Maintenance | Scholarships and Fellowships | Auxiliary Enterprises | Total Operating Expenses |
| Salaries | | | | | |
| Faculty | $ 1,685,250 | $ 145,658 | | $ 138,841 | $ 293,340,252 |
| Staff | 38,568,534 | 25,761,606 | | 18,657,294 | 317,924,126 |
| Employee Benefits | 7,619,337 | 7,117,406 | | 4,756,777 | 131,704,816 |
| Other Personal Services | 16,704 | 5,859 | | 6,296 | 748,846 |
| Travel | 608,477 | 63,902 | | 130,234 | 23,090,234 |
| Scholarships and Fellowships | | | $ 13,827,204 | | 13,827,204 |
| Utilities | 65,748 | 21,371,365 | | 10,647,142 | 35,002,929 |
| Supplies and Other Services | 14,126,045 | 99,185,403 | 1,513 | 25,076,173 | 352,375,185 |
| Depreciation | 7,869,961 | 6,423,885 | | 10,046,975 | 80,007,131 |
| Total Operating Expenses | $ 70,560,056 | $ 160,075,084 | $ 13,828,717 | $ 69,459,732 | $ 1,248,020,723 |

***Note 16: Affiliated Organizations***

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement No. 14, *The Reporting Entity* which became effective for the year ended June 30, 2004, Georgia Tech Foundation, Georgia Advanced Technology Ventures, Georgia Tech Facilities, Inc., Georgia Tech Athletic Association, Georgia Tech Alumni Association and Georgia Tech Research Corporation are legally separate tax exempt organizations whose activities primarily support Georgia Institute of Technology, a unit of the University System of Georgia (an organizational unit of the State of Georgia). The State Accounting Office determined

Component Units of the State of Georgia, as required by GASB Statement No. 39 should not be assessed in relation to their significance to Georgia Institute of Technology, but instead based on their significance to the State of Georgia. Accordingly, Georgia Institute of Technology has included for information only condensed schedules of the Statement of Net Assets and Statement of Revenue, Expenses and Changes in Net Assets for these affiliated organizations in the financial statements.

Georgia Tech Athletic Association, Georgia Tech Facilities, Inc., Georgia Tech Foundation, Inc., and Georgia Tech Research Corporation have been determined significant to the State of Georgia for the year ended June 30, 2012, and as such, are reported as discretely presented component units in the Comprehensive Annual Financial Report of the State of Georgia (CAFR). The significant discretely presented component units issue separate audited financial statements that can be obtained from the Board of Regents of the University System of Georgia.

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SUPPLEMENTARY INFORMATION

GEORGIA INSTITUTE OF TECHNOLOGY
BALANCE SHEET (NON-GAAP BASIS)
BUDGET FUND
JUNE 30, 2012

SCHEDULE "1"

| | | |
|---|---|---|
| ASSETS | | |
| Cash and Cash Equivalents | $ | 20,377,286.36 |
| Investments | | 153,839.59 |
| Accounts Receivable | | |
| Federal Financial Assistance | | 64,708,247.71 |
| Other | | 39,135,433.36 |
| Prepaid Expenditures | | 8,045,579.80 |
| Inventories | | 291,205.01 |
| Total Assets | $ | 132,711,591.83 |
| LIABILITIES AND FUND EQUITY | | |
| Liabilities | | |
| Encumbrances Payable | $ | 26,785,803.28 |
| Accounts Payable | | 63,011,661.53 |
| Deferred Revenue | | 23,331,480.75 |
| Funds Held for Others | | 38,703.10 |
| Other Liabilities | | 154,607.85 |
| Total Liabilities | $ | 113,322,256.51 |
| Fund Balances | | |
| Reserved | | |
| Department Sales and Services | $ | 2,566,080.14 |
| Indirect Cost Recoveries | | 14,481,659.94 |
| Technology Fees | | 16,922.50 |
| Restricted/Sponsored Funds | | 500,790.45 |
| Uncollectible Accounts Receivable | | 1,086,958.98 |
| Tuition Carry-Over | | 268,676.00 |
| Inventories | | 315,353.40 |
| Unreserved | | |
| Surplus | | 152,893.91 |
| Total Fund Balances | $ | 19,389,335.32 |
| Total Liabilities and Fund Balances | $ | 132,711,591.83 |

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

GEORGIA INSTITUTE OF TECHNOLOGY
SUMMARY BUDGET COMPARISON AND SURPLUS ANALYSIS REPORT (NON-GAAP BASIS)
BUDGET FUND
YEAR ENDED JUNE 30, 2012

SCHEDULE "2"

| | BUDGET | ACTUAL | VARIANCE - FAVORABLE (UNFAVORABLE) |
|---|---|---|---|
| REVENUES | | | |
| State Appropriation | | | |
| State General Funds | $ 206,603,215.00 | $ 206,603,215.00 | $ 0.00 |
| Other Funds | 1,119,342,958.00 | 1,074,994,642.62 | -44,348,315.38 |
| Total Revenues | $ 1,325,946,173.00 | $ 1,281,597,857.62 | $ -44,348,315.38 |
| ADJUSTMENT AND PROGRAM TRANSFERS | 0.00 | 5,174,118.98 | 5,174,118.98 |
| CARRY-OVER FROM PRIOR YEARS | | | |
| Transfers from Reserved Fund Balance | 0.00 | 11,234,612.14 | 11,234,612.14 |
| Total Funds Available | $ 1,325,946,173.00 | $ 1,298,006,588.74 | $ -27,939,584.26 |
| EXPENDITURES | | | |
| Research Consortium | $ 6,078,918.00 | $ 6,078,918.00 | $ 0.00 |
| Advanced Technology Development Center | 24,858,901.00 | 20,432,453.42 | 4,426,447.58 |
| Georgia Tech Research Institute | 256,075,867.00 | 255,673,308.46 | 402,558.54 |
| Teaching | 1,038,932,487.00 | 997,938,777.37 | 40,993,709.63 |
| Total Expenditures | $ 1,325,946,173.00 | $ 1,280,123,457.25 | $ 45,822,715.75 |
| Excess of Funds Available over Expenditures | $ 0.00 | $ 17,883,131.49 | $ 17,883,131.49 |
| FUND BALANCE JULY 1 | | | |
| Reserved | | 12,588,670.02 | |
| Unreserved | | 89,419.16 | |
| ADJUSTMENTS | | | |
| Prior Year Payables/Expenditures | | 157,911.93 | |
| Prior Year Receivables/Revenues | | -3,400.68 | |
| Unreserved Fund Balance (Surplus) Returned to Board of Regents - University System Office Year Ended June 30, 2011 | | -89,419.16 | |
| Early Return of Surplus in Current Fiscal Year | | -2,365.30 | |
| Prior Year Reserved Fund Balance Included in Funds Available | | -11,234,612.14 | |
| FUND BALANCE JUNE 30 | | $ 19,389,335.32 | |

| | |
|---|---|
| SUMMARY OF FUND BALANCE | |
| Reserved | |
| Department Sales and Services | $ 2,566,080.14 |
| Indirect Cost Recoveries | 14,481,659.94 |
| Technology Fees | 16,922.50 |
| Restricted/Sponsored Funds | 500,790.45 |
| Uncollectible Accounts Receivable | 1,086,958.98 |
| Tuition Carry-Over | 268,676.00 |
| Inventories | 315,353.40 |
| Total Reserved | $ 19,236,441.41 |
| Unreserved | |
| Surplus | 152,893.91 |
| Total Fund Balance | $ 19,389,335.32 |

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

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET BY PROGRAM AND FUNDING SOURCE
(NON-GAAP BASIS) BUDGET FUND
YEAR ENDED JUNE 30, 2012

| | Original Appropriation | Amended Appropriation | Final Budget | Current Year Revenues |
|---|---|---|---|---|
| **Research Consortium** | | | | |
| State Appropriation | | | | |
| State General Funds | $ 6,202,978.00 | $ 6,202,978.00 | $ 6,078,918.00 | $ 6,078,918.00 |
| **Advanced Technology Development Center** | | | | |
| State Appropriation | | | | |
| State General Funds | $ 7,483,572.00 | $ 7,483,572.00 | $ 7,333,901.00 | $ 7,333,901.00 |
| Other Funds | 10,475,000.00 | 10,475,000.00 | 17,525,000.00 | 13,098,974.30 |
| Total Advanced Technology Development Center | $ 17,958,572.00 | $ 17,958,572.00 | $ 24,858,901.00 | $ 20,432,875.30 |
| **Georgia Tech Research Institute** | | | | |
| State Appropriation | | | | |
| State General Funds | $ 5,722,356.00 | $ 5,722,356.00 | $ 5,607,909.00 | $ 5,607,909.00 |
| Other Funds | 223,917,958.00 | 223,917,958.00 | 250,467,958.00 | 250,325,720.72 |
| Total Georgia Tech Research Institute | $ 229,640,314.00 | $ 229,640,314.00 | $ 256,075,867.00 | $ 255,933,629.72 |
| **Teaching** | | | | |
| State Appropriation | | | | |
| State General Funds | $ 191,462,434.00 | $ 191,462,434.00 | $ 187,582,487.00 | $ 187,582,487.00 |
| Other Funds | 821,050,000.00 | 821,050,000.00 | 851,350,000.00 | 811,569,947.60 |
| Total Teaching | $ 1,012,512,434.00 | $ 1,012,512,434.00 | $ 1,038,932,487.00 | $ 999,152,434.60 |
| Total Operating Activity | $ 1,266,314,298.00 | $ 1,266,314,298.00 | $ 1,325,946,173.00 | $ 1,281,597,857.62 |

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

| Funds Available Compared to Budget | | | | Expenditures Compared to Budget | | Excess (Deficiency) of Funds Available |
|---|---|---|---|---|---|---|
| Prior Year Carry-Over | Adjustments and Program Transfers | Total Funds Available | Variance Positive (Negative) | Actual | Variance Positive (Negative) | Over/(Under) Expenditures |
| $ 0.00 | $ 0.00 | $ 6,078,918.00 | $ 0.00 | $ 6,078,918.00 | $ 0.00 | $ 0.00 |
| $ 0.00 | $ 0.00 | $ 7,333,901.00 | $ 0.00 | $ 7,333,900.69 | $ 0.31 | $ 0.31 |
| 0.00 | 0.00 | 13,098,974.30 | -4,426,025.70 | 13,098,552.73 | 4,426,447.27 | 421.57 |
| $ 0.00 | $ 0.00 | $ 20,432,875.30 | $ -4,426,025.70 | $ 20,432,453.42 | $ 4,426,447.58 | $ 421.88 |
| $ 0.00 | $ 0.00 | $ 5,607,909.00 | $ 0.00 | $ 5,607,162.00 | $ 747.00 | $ 747.00 |
| 36,746.88 | 0.00 | 250,362,467.60 | -105,490.40 | 250,066,146.46 | 401,811.54 | 296,321.14 |
| $ 36,746.88 | $ 0.00 | $ 255,970,376.60 | $ -105,490.40 | $ 255,673,308.46 | $ 402,558.54 | $ 297,068.14 |
| $ 0.00 | $ 0.00 | $ 187,582,487.00 | $ 0.00 | $ 187,534,232.40 | $ 48,254.60 | $ 48,254.60 |
| 11,197,865.26 | 5,174,118.98 | 827,941,931.84 | -23,408,068.16 | 810,404,544.97 | 40,945,455.03 | 17,537,386.87 |
| $ 11,197,865.26 | $ 5,174,118.98 | $ 1,015,524,418.84 | $ -23,408,068.16 | $ 997,938,777.37 | $ 40,993,709.63 | $ 17,585,641.47 |
| $ 11,234,612.14 | $ 5,174,118.98 | $ 1,298,006,588.74 | $ -27,939,584.26 | $ 1,280,123,457.25 | $ 45,822,715.75 | $ 17,883,131.49 |

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE
(NON-GAAP BASIS) BUDGET FUND
YEAR ENDED JUNE 30, 2012

| | Beginning Fund Balance/(Deficit) July 1 | Fund Balance Carried Over from Prior Period as Funds Available | Return of Fiscal Year 2011 Surplus | Prior Period Adjustments |
|---|---|---|---|---|
| **Research Consortium** | | | | |
| State Appropriation | | | | |
| State General Funds | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 |
| **Advanced Technology Development Center** | | | | |
| State Appropriation | | | | |
| State General Funds | $ 507.67 | $ 0.00 | $ -507.67 | $ 8.29 |
| Other Funds | 540.78 | 0.00 | -540.78 | 0.00 |
| Total Advanced Technology Development Center | $ 1,048.45 | $ 0.00 | $ -1,048.45 | $ 8.29 |
| **Georgia Tech Research Institute** | | | | |
| State Appropriation | | | | |
| State General Funds | $ 297.45 | $ 0.00 | $ -297.45 | $ 2,322.00 |
| Other Funds | 41,351.73 | -36,746.88 | -4,604.85 | 0.00 |
| Total Georgia Tech Research Institute | $ 41,649.18 | $ -36,746.88 | $ -4,902.30 | $ 2,322.00 |
| **Teaching** | | | | |
| State Appropriation | | | | |
| State General Funds | $ 27,044.93 | $ 0.00 | $ -27,044.93 | $ 99,013.49 |
| Other Funds | 11,254,288.74 | -11,197,865.26 | -56,423.48 | 53,167.47 |
| Total Teaching | $ 11,281,333.67 | $ -11,197,865.26 | $ -83,468.41 | $ 152,180.96 |
| Total Operating Activity | $ 11,324,031.30 | $ -11,234,612.14 | $ -89,419.16 | $ 154,511.25 |
| Prior Year Reserves | | | | |
| Not Available for Expenditure | | | | |
| Inventories | 267,098.90 | 0.00 | 0.00 | 0.00 |
| Uncollectible Accounts Receivable | 1,086,958.98 | 0.00 | 0.00 | 0.00 |
| Budget Unit Totals | $ 12,678,089.18 | $ -11,234,612.14 | $ -89,419.16 | $ 154,511.25 |

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

| Other Adjustments | Early Return Fiscal Year 2012 Surplus | Excess (Deficiency) of Funds Available Over/(Under) Expenditures | Ending Fund Balance/(Deficit) June 30 | Analysis of Ending Fund Balance Reserved | Surplus/(Deficit) | Total |
|---|---|---|---|---|---|---|
| $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 |
| $ 0.00 | $ 0.00 | 0.31 | $ 8.60 | $ 0.00 | $ 8.60 | $ 8.60 |
| 0.00 | 0.00 | 421.57 | 421.57 | 421.57 | 0.00 | 421.57 |
| $ 0.00 | $ 0.00 | $ 421.88 | $ 430.17 | $ 421.57 | $ 8.60 | $ 430.17 |
| $ 0.00 | $ 0.00 | $ 747.00 | $ 3,069.00 | $ 0.00 | $ 3,069.00 | $ 3,069.00 |
| 0.00 | 0.00 | 296,321.14 | 296,321.14 | 296,321.14 | 0.00 | 296,321.14 |
| $ 0.00 | $ 0.00 | $ 297,068.14 | $ 299,390.14 | $ 296,321.14 | $ 3,069.00 | $ 299,390.14 |
| $ -48,254.50 | $ -2,365.30 | $ 48,254.60 | $ 96,648.29 | $ 0.00 | $ 96,648.29 | $ 96,648.29 |
| 0.00 | 0.00 | 17,537,386.87 | 17,590,554.34 | 17,537,386.32 | 53,168.02 | 17,590,554.34 |
| $ -48,254.50 | $ -2,365.30 | $ 17,585,641.47 | $ 17,687,202.63 | $ 17,537,386.32 | $ 149,816.31 | $ 17,687,202.63 |
| $ -48,254.50 | $ -2,365.30 | $ 17,883,131.49 | $ 17,987,022.94 | $ 17,834,129.03 | $ 152,893.91 | $ 17,987,022.94 |
| 48,254.50 | 0.00 | 0.00 | 315,353.40 | 315,353.40 | 0.00 | 315,353.40 |
| 0.00 | 0.00 | 0.00 | 1,086,958.98 | 1,086,958.98 | 0.00 | 1,086,958.98 |
| $ 0.00 | $ -2,365.30 | $ 17,883,131.49 | $ 19,389,335.32 | $ 19,236,441.41 | $ 152,893.91 | $ 19,389,335.32 |

| Summary of Ending Fund Balance | Reserved | Surplus/(Deficit) | Total |
|---|---|---|---|
| Reserved | | | |
| Department Sales and Services | $ 2,566,080.14 | | $ 2,566,080.14 |
| Indirect Cost Recoveries | 14,481,659.94 | | 14,481,659.94 |
| Technology Fees | 16,922.50 | | 16,922.50 |
| Restricted/Sponsored Funds | 500,790.45 | | 500,790.45 |
| Uncollectible Accounts Receivable | 1,086,958.98 | | 1,086,958.98 |
| Tuition Carry-Over | 268,676.00 | | 268,676.00 |
| Inventories | 315,353.40 | | 315,353.40 |
| Unreserved | | | |
| Surplus | | $ 152,893.91 | 152,893.91 |
| Total Ending Fund Balance - June 30 | $ 19,236,441.41 | $ 152,893.91 | $ 19,389,335.32 |

GEORGIA INSTITUTE OF TECHNOLOGY
BUDGET TO GAAP RECONCILIATION
JUNE 30, 2012



| | | |
|---|---|---|
| Total Fund Balances - Budget Fund - Non-GAAP Basis (Schedule "1") | | $ 19,389,335.32 |
| Amounts reported for Business-Type Activities in the Statement of Net Assets are different because: | | |
| Capital Assets used in Business-Type Activities are not reported in the Budget Fund. | | 1,704,209,166.00 |
| Uncollectible accounts receivable are reported as an asset and reserved fund balance in the Budget Fund and as a contra-asset account on the Statement of Net Assets. | | -1,086,958.98 |
| A portion of the allowance for uncollectible on the statement of net assets was not reported as reserved fund balance in the budget fund. | | -203,245.00 |
| Funds placed on deposit with the Georgia State Financing and Investment Commission for use in capital outlay projects are reported as an outlay in the Budget Fund, but are included as a prepaid item on the Statement of Net Assets. | | 604,645.00 |
| An early capital lease payment is recorded as a prepaid item on the Statement of Net Assets but is reported as an expense in the Budget Fund. | | 111,250.00 |
| Changes in the Fair Market Value of Investments are recognized on the Statement of Net Assets, but are not reported in the Budget Fund. | | -5,193,654.00 |
| Auxiliary Enterprises Fund activities are not reported as a component of the Budget Fund. | | |
| Assets | $ 60,168,215.00 | |
| Liabilities | -8,747,980.00 | |
| Total Net Effect of Auxiliary Enterprises Fund Activity | | 51,420,235.00 |
| Endowment Fund activities are not reported as a component of the Budget Fund. | | |
| Assets | $ 89,664,231.10 | |
| Liabilities | 0.00 | |
| Total Net Effect of Endowment Fund Activity | | 89,664,231.10 |
| Loan Fund activities are not reported as a component of the Budget Fund. | | |
| Assets | $ 13,340,423.00 | |
| Liabilities | -3,465.00 | |
| Total Net Effect of Loan Fund Activity | | 13,336,958.00 |
| Student Activities Fund activities are not reported as a component of the Budget Fund. | | |
| Assets | $ 7,498,318.00 | |
| Liabilities | -430,981.00 | |
| Total Net Effect of Student Activity Fund Activity | | 7,067,337.00 |
| Insurance Reimbursement Fund activities are not reported as a component of the Budget Fund. | | |
| Assets | $ 0.00 | |
| Liabilities | -324,301.00 | |
| Total Net Effect of Insurance Reimbursement Fund Activity | | -324,301.00 |
| The budgetary basis of accounting implemented by the State of Georgia recognizes expenditures when encumbered. The following adjustments were made to eliminate this activity for reporting on the Statement of Net Assets. | | |
| Payables reported in the Budget Fund that are based on encumbrances are eliminated for GAAP reporting. | $ 26,785,803.28 | |
| Payables for goods and services provided in the current fiscal year reported in the Budget Fund as encumbrances payable are reported as accounts payable for GAAP reporting. | -5,847,558.00 | |
| Total Net Effect of Encumbrance Activity | | 20,938,245.28 |
| Certain Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the Budget Fund. | | |
| Capital Leases Payable | $ -511,716,229.00 | |
| Compensated Absences Payable | -40,008,249.00 | |
| Contracts Payable | -13,395,651.00 | |
| Total Liabilities | | -565,120,129.00 |
| Rounding Variance | | -0.72 |
| Net Assets of Business-Type Activities (Exhibit "A") | | $ 1,334,813,114.00 |

The supplementary information presented on Schedules 1, 2, 3 and 4 was prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information was derived from, and relates directly to, the same information used to prepare the financial statements. However, the budgetary statutes and regulations of the State of Georgia require reporting of certain information that is not in accordance with generally accepted accounting principles. Presented on this schedule is a reconciliation of the fund balance of the Budget Fund, as reported on Schedule 1, to Net Assets of business-type activities, as reported on Exhibit A.

GEORGIA INSTITUTE OF TECHNOLOGY
RECONCILIATION OF SALARIES AND TRAVEL
YEAR ENDED JUNE 30, 2012

SCHEDULE "6"

| | SALARIES | TRAVEL |
|---|---|---|
| Totals per Annual Supplement | $ 609,942,739.42 | $ 23,090,234.73 |
| Accruals | | |
| June 30, 2012 | 2,036,270.00 | |
| June 30, 2011 | -1,785,046.00 | |
| Compensated Absences | | |
| June 30, 2012 | 37,165,118.00 | |
| June 30, 2011 | -35,854,463.00 | |
| Adjustments | | |
| Shared Services on Jointly Staffed Personnel | | |
| Atlanta Metropolitan College | | |
| Jones, Daniel | -12,425.00 | |
| Clayton State University | | |
| Thomas, Robert | -3,000.00 | |
| Alexander-Zeller, Kurt | 150.00 | |
| Georgia Gwinnett College | | |
| Meek, Alfie | -8,306.00 | |
| Georgia Perimeter College | | |
| Averett, Rodney D. | -5,866.68 | |
| Foster, Paul | -600.00 | |
| Reddick, Erin | -9,200.00 | |
| Georgia State University | | |
| Alemdar, Meltem | -7,500.00 | |
| Bennett, Nate | -6,000.00 | |
| Berry, Roberta | -19,972.13 | |
| Burkhart, Laura | -2,700.00 | |
| Clovin Wilson, Debra | 3,900.00 | |
| Kennesaw State University | | |
| Stollberg, David | -4,800.00 | |
| Sothern Polytechnic State University | | |
| Choi, Seungkeun | -15,750.00 | |
| Dabasis, Dawn | -9,000.00 | |
| Kim, Yoon Duk | -4,500.00 | |
| University Of Georgia | | |
| Bennett, Nate | -7,750.80 | |
| Campe, Lee Robinson | -30,000.00 | |
| Nash, Amy F. | -11,885.63 | |
| Suzuki, Satomi | -4,306.00 | |
| Tememoff, Johnna | -3,230.00 | |
| Wyens, Wes | -3,529.50 | |
| University of West Georgia | | |
| Foster, Paul | -600.00 | |
| Hendricks, Cher | -5,070.00 | |
| Russell, Cianan | -5,400.00 | |
| University System of Georgia, Board of Regents | | |
| King, Greg | -58,123.00 | |
| Valdosta State University | | |
| Hansard, Larry | -4,775.95 | |
| | $ 611,264,377.73 | $ 23,090,234.73 |

# SECTION II

# CURRENT YEAR FINDINGS AND QUESTIONED COSTS

GEORGIA INSTITUTE OF TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.


Georgia Institute
of Technology