GEORGIA STATE UNIVERSITY

Financial Report

For the Year Ended
June 30, 2010

Georgia State University

Atlanta, Georgia

Mark P. Becker
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And Administration

GEORGIA STATE UNIVERSITY
ANNUAL FINANCIAL REPORT
FY 2010

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GEORGIA STATE UNIVERSITY

Management's Discussion and Analysis

Introduction

Georgia State University is one of the 35 institutions of higher education of the University System of Georgia. The University, located in Atlanta, Georgia, was founded in 1913. The University offers baccalaureate, masters and doctoral degrees in a wide variety of subjects. This wide range of educational opportunities attracts a highly qualified faculty and a student body of more than 30,000 students each year. The institution continues to grow as shown by the comparison numbers that follow.

	Faculty	Students (Headcount)	Students (FTE)
FY2010	1,168	30,431	26,973
FY2009	1,189	28,229	24,831
FY2008	1,126	27,134	23,764

Overview of the Financial Statements and Financial Analysis

Georgia State University is proud to present its financial statements for fiscal year 2010. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and, the Statement of Cash Flows. This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year. Comparative data is provided for fiscal year 2010 and fiscal year 2009.

Statement of Net Assets

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

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

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

Statement of Net Assets, Condensed

	June 30, 2010	June 30, 2009
Assets:		
Current Assets	$218,932,952	$214,839,864
Capital Assets, net	667,178,623	508,000,409
Other Assets	6,662,752	6,643,861
Total Assets	892,774,327	729,484,134
Liabilities:		
Current Liabilities	84,613,156	71,826,272
Noncurrent Liabilities	303,681,965	235,974,093
Total Liabilities	388,295,121	307,800,365
Net Assets:		
Invested in Capital Assets, net of debt	363,951,148	271,694,955
Restricted - nonexpendable	42,476	38,302
Restricted - expendable	9,514,175	24,170,880
Capital Projects	-	29,939
Unrestricted	130,971,407	125,749,693
Total Net Assets	$504,479,206	$421,683,769

The total assets of the institution increased by $163,290,193 . A review of the Statement of Net Assets will reveal that the increase was primarily due to an increase of $159,178,214 in the category of Capital Assets, net. The balance of the increase is mainly in receivable categories.

The total liabilities for the year increased by $80,494,756 . The combination of the increase in total assets of $163,290,193 and the increase in total liabilities of $80,494,756 yields an increase in total net assets of $82,795,437 . The increase in total net assets is primarily in the category of Invested in Capital Assets, net of debt, in the amount of $92,256,193 and decreases of $9,460,756 in the other net asset categories.

Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received by the institution, both operating and non-operating, and the expenses paid by the institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the institution. Generally speaking operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Non-operating revenues are revenues received for which goods and services are not provided. For example state appropriations are non-operating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues.

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

	June 30, 2010	June 30, 2009
Operating Revenues	$299,132,005	$265,158,698
Operating Expenses	516,954,365	509,386,445
Operating Loss	(217,822,360)	(244,227,747)
Nonoperating Revenues and Expenses	243,258,050	240,794,546
Income (Loss) Before other revenues, expenses, gains or losses	25,435,690	(3,433,201)
Other revenues, expenses, gains or losses	57,359,747	15,397,361
Increase in Net Assets	82,795,437	11,964,160
Net Assets at beginning of year, as originally reported	421,683,769	409,719,609
Prior Year Adjustments	0	0
Net Assets at beginning of year, restated	421,683,769	409,719,609
Net Assets at End of Year	$504,479,206	$421,683,769

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

Revenue by Source
For the Years Ended June 30, 2010 and June 30, 2009

	June 30, 2010	June 30, 2009
Operating Revenue		
Tuition and Fees	$170,000,895	$144,151,911
Grants and Contracts	61,407,021	59,744,553
Sales and Services	11,671,196	11,272,563
Auxiliary	52,847,734	45,045,113
Other	3,205,159	4,944,558
Total Operating Revenue	299,132,005	265,158,698
Nonoperating Revenue		
State Appropriations	174,985,155	215,005,880
Federal Stimulus - Stabilization Funds	32,941,461	2,029,798
Grants and Contracts	48,888,375	35,039,527
Gifts	319,014	119,401
Investment Income	575,496	2,130,275
Other	214,190	(251,000)
Total Nonoperating Revenue	257,923,691	254,073,881
Capital Gifts and Grants		
State	54,311,479	1,634,291
Other Capital Gifts and Grants	3,048,268	13,763,070
Total Capital Gifts and Grants	57,359,747	15,397,361
Total Revenues	$614,415,443	$534,629,940

Expenses (By Functional Classification)
For the Years Ended June 30, 2010 and June 30, 2009

	June 30, 2010	June 30, 2009
Operating Expenses		
Instruction	$158,962,272	$159,627,783
Research	89,638,169	107,230,900
Public Service	26,344,041	24,464,089
Academic Support	60,697,916	60,736,145
Student Services	28,812,315	27,347,751
Institutional Support	30,725,462	38,388,215
Plant Operations and Maintenance	43,143,642	34,607,879
Scholarships and Fellowships	29,611,166	19,640,071
Auxiliary Enterprises	49,019,382	37,343,612
Total Operating Expenses	516,954,365	509,386,445
Nonoperating Expenses		
Interest Expense (Capital Assets)	14,665,641	13,279,335
Total Expenses	$531,620,006	$522,665,780

Operating revenues increased by $33,973,307 in fiscal 2010. Although Tuition & Fees included an 8% increase, revenues also increased in Grants and Contracts, Auxiliary and Sales and Services.

The Auxiliary revenue increase of $7,802,621 reflects an increase in the number of residential housing beds with the opening of the Freshman Housing dorm, increase in rental rates and an increase in the number of students.

Non-operating revenues increased by $3,849,810 for the year primarily due to an decrease of ($40,020,725) in State Appropriations offset by increases in Federal Stimulus Stabilization Funds $30,911,663 and Grants and Contracts $13,848,848 .

The compensation and employee benefits category decreased by ($1,235,122) and primarily affected the Instruction, Research, Institutional Support and Auxiliary categories.

Utilities decreased by ($876,114) during the past year.

Statement of Cash Flows

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

Cash Flows for the Years Ended June 30, 2010 and 2009, Condensed

	June 30, 2010	June 30, 2009
Cash Provided (used) By:		
Operating Activities	($197,527,840)	($197,935,521)
Non-capital Financing Activities	257,018,284	252,286,923
Capital and Related Financing Activities	(50,677,073)	(59,260,143)
Investing Activities	571,338	2,137,763
Net Change in Cash	9,384,709	(2,770,978)
Cash, Beginning of Year	144,632,449	147,403,427
Cash, End of Year	$154,017,158	$144,632,449

Capital Assets

During fiscal year 2010 (fiscal year 2011 Capital Budget), Georgia State University received approval for one capital project by the State. It is a $4.7 million project to design a Humanities Building for Georgia State University. Additionally, in its 6 year capital funding plan the Board of Regents has included in its Major Capital Funding List funding for construction of the Humanities Building and for another classroom building.

For additional information concerning Capital Assets, see Notes 1, 6, 8, 9 and 10 in the notes to the financial statements.

Long Term Debt and Liabilities

Georgia State University had Long-Term Debt and Liabilities of $316,198,612 of which $12,516,647 was reflected as current liability at June 30, 2010.

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

Component Units

In compliance with GASB Statement No. 39, Georgia State University has included the financial statements and notes for all required component units for FY2010. The Georgia State University Foundation, Inc. had endowment and other investments of $171.4 million, bonds payable of $257 million and long term capital leases of $4.6 million as of June 30, 2010. The Georgia State University Research Foundation had endowment and other investments of $3.5 million and bonds payable of $91 million. Details are available in Note 1, Summary of Significant Accounting Policies and Note 16, Component Units.

Economic Outlook

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

Mark P. Becker, President

Georgia State University

Statement of Net Assets

GEORGIA STATE UNIVERSITY
STATEMENT OF NET ASSETS
June 30, 2010

		Component Unit	Component Unit
	Georgia State University	Georgia State University Foundation, Inc.	Georgia State University Research Foundation, Inc.
ASSETS			
Current Assets			
Cash and Cash Equivalents	$153,200,052	$5,181,752	$27,981,013
Accounts Receivable, net (note 3)			
Receivables - Federal Financial Assistance	29,136,091		
Receivables - Other	27,307,892	1,916,056	6,918,553
Due From Component Units	3,493,695	757,441	
Net Investment in Capital Leases		14,437,700	4,446,565
Pledges Receivable		4,746,446	
Due From Primary Government			826,775
Inventories (note 4)	158,060		
Prepaid items	5,637,162	242,133	5,364,681
Total Current Assets	218,932,952	27,281,528	45,537,587
Noncurrent Assets			
Noncurrent Cash	817,106		1,988,538
Short-term Investments	42,476	34,788,552	
Investments (Externally Restricted)	1,979	81,300,357	11,462
Investments (including Real Estate)		55,367,289	3,519,931
Notes Receivable, net	5,801,191		
Net Investment in Capital Leases		147,260,871	69,816,088
Pledges Receivable		7,149,835	
Capital Assets, net (note 6)	667,178,623	53,406,652	5,272,328
Other Assets		7,995,030	1,112,325
Total Noncurrent Assets	673,841,375	387,268,586	81,720,672
TOTAL ASSETS	892,774,327	414,550,114	127,258,259

GEORGIA STATE UNIVERSITY
STATEMENT OF NET ASSETS
June 30, 2010

		Component Unit	Component Unit
	Georgia State University	Georgia State University Foundation, Inc.	Georgia State University Research Foundation, Inc.
LIABILITIES			
Current Liabilities			
Accounts Payable	17,216,301	5,200,331	9,327,940
Salaries Payable	2,520,331		
Contracts Payable	1,955,356		
Deposits	2,760		
Deferred Revenue (note 7)	47,164,356		5,364,680
Other Liabilities	299,808		
Deposits Held for Other Organizations	2,110,822	671,023	
Due to Primary Government		377,118	3,116,577
Lease Purchase Obligations (current portion)	5,889,354	442,550	
Compensated Absences (current portion)	6,627,293	28,262	
Revenue/Mortgage Bonds Payable (current)		3,410,000	
Liabilities under Split-Interest Agreements (current)		44,614	
Due to Component Units	826,775		757,441
Total Current Liabilities	84,613,156	10,173,898	18,566,638
Noncurrent Liabilities			
Lease Purchase Obligations (noncurrent)	297,338,121	4,250,150	
Compensated Absences (noncurrent)	6,343,844		
Revenue/Mortgage Bonds Payable (noncurrent)		253,602,586	91,033,567
Liabilities under Split-Interest Agreements (noncurrent)		396,742	
Total Noncurrent Liabilities	303,681,965	258,249,478	91,033,567
TOTAL LIABILITIES	388,295,121	268,423,376	109,600,205
NET ASSETS			
Invested in Capital Assets, net of related debt	363,951,148	(46,600,063)	5,272,328
Restricted for			
Nonexpendable	42,476	75,121,679	2,000,000
Expendable	9,514,175	47,007,466	774,130
Unrestricted	130,971,407	70,597,656	9,611,596
TOTAL NET ASSETS	$504,479,206	$146,126,738	$17,658,054

Statement of Revenues, Expenses and Changes in Net Assets

GEORGIA STATE UNIVERSITY
STATEMENT of REVENUES, EXPENSES, and CHANGES in NET ASSETS
for the Year Ended June 30, 2010

		Component Unit	Component Unit
	Georgia State University	Georgia State University Foundation, Inc.	Georgia State University Research Foundation, Inc.
REVENUES			
Operating Revenues			
Student Tuition and Fees (net of allowance for doubtful accounts)	$197,538,926		
Less: Scholarship Allowances	(27,538,031)		
Gifts and Contributions		7,351,337	
Endowment Income (per spending plan)		3,461,214	
Grants and Contracts			
Federal	34,429,549		33,953,290
Federal Stimulus	934,341		934,341
State	9,894,209		2,241,125
Other	16,148,922		10,884,197
Sales and Services	11,671,196	1,049,433	
Rents and Royalties	26,693	20,489,333	
Auxiliary Enterprises			
Residence Halls	20,341,211		
Bookstore	884,485		
Food Services	2,373,796		
Parking/Transportation	6,799,122		
Health Services	2,271,736		
Intercollegiate Athletics	14,636,015		
Other Organizations	5,541,369		
Other Operating Revenues	3,178,466		442,083
Total Operating Revenues	299,132,005	32,351,317	48,455,036
EXPENSES			
Operating Expenses			
Salaries:			
Faculty	99,316,097		
Staff	160,587,044	2,538,557	
Employee Benefits	60,519,068	439,518	
Other Personal Services	493,073		
Travel	3,665,888	462,970	
Scholarships and Fellowships	32,943,799	2,704,750	
Utilities	10,443,088	12,641	
Supplies and Other Services	121,441,363	9,162,538	1,345,067
Depreciation	27,544,945	2,014,637	887,200
Payments to other Component Units			881,618
Payments to or on behalf of Georgia State University		3,915,551	45,621,528
Total Operating Expenses	516,954,365	21,251,162	48,735,413
Operating Income (loss)	(217,822,360)	11,100,155	(280,377)

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

GEORGIA STATE UNIVERSITY
STATEMENT of REVENUES, EXPENSES, and CHANGES in NET ASSETS
for the Year Ended June 30, 2010

		Component Unit	Component Unit
	Georgia State University	Georgia State University Foundation, Inc.	Georgia State University Research Foundation, Inc.
NONOPERATING REVENUES (EXPENSES)			
State Appropriations	174,985,155		
Federal Stimulus - Stabilization Funds	32,941,461		
Grants and Contracts			
Federal	45,203,674		
Federal Stimulus	130,982		
Other	3,553,719		
Gifts	319,014		
Investment Income (endowments, auxiliary and other)	575,496	10,531,695	547,878
Interest Expense (capital assets)	(14,665,641)	(12,389,298)	
Other Nonoperating Revenues	214,190	3,813,942	583,906
Net Nonoperating Revenues	243,258,050	1,956,339	1,131,784
Income before other revenues, expenses, gains, or loss	25,435,690	13,056,494	851,407
Capital Grants and Gifts			
State	54,311,479		
Other	3,048,268		
Additions to permanent endowments		12,649,475	
Total Other Revenues	57,359,747	12,649,475	-
Increase in Net Assets	82,795,437	25,705,969	851,407
NET ASSETS			
Net Assets-beginning of year, as originally reported	421,683,769	120,420,769	16,806,647
Prior Year Adjustments	-		
Net Assets-beginning of year, restated	421,683,769	120,420,769	16,806,647
Net Assets-End of Year	$504,479,206	$146,126,738	$17,658,054

Statement of Cash Flows

GEORGIA STATE UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

	June 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	$174,175,507
Grants and Contracts (Exchange)	57,112,267
Sales and Services	11,781,034
Payments to Suppliers	(192,199,510)
Payments to Employees	(258,338,567)
Payments for Scholarships and Fellowships	(32,943,799)
Loans Issued to Students and Employees	(1,296,515)
Collection of Loans to Students and Employees	1,262,698
Auxiliary Enterprise Charges:	
Residence Halls	20,025,391
Bookstore	826,156
Food Services	2,475,691
Parking/Transportation	6,695,310
Health Services	2,607,690
Intercollegiate Athletics	14,600,738
Other Organizations	5,735,359
Other Receipts (payments)	(10,047,290)
Net Cash Provided (used) by Operating Activities	(197,527,840)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	174,985,155
Federal Stimulus - Stabilization Funds	32,941,461
Agency Funds Transactions	(115,720)
Gifts and Grants Received for Other Than Capital Purposes	49,207,388
Net Cash Flows Provided by Non-capital Financing Activities	257,018,284
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Gifts and Grants Received	24,899,545
Purchases of Capital Assets	(54,876,469)
Principal Paid on Capital Debt and Leases	(6,034,508)
Interest Paid on Capital Debt and Leases	(14,665,641)
Net Cash used by Capital and Related Financing Activities	(50,677,073)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	571,338
Net Cash Provided (used) by Investing Activities	571,338
Net Increase/Decrease in Cash	9,384,709
Cash and Cash Equivalents - Beginning of year	144,632,449
Cash and Cash Equivalents - End of Year	$154,017,158

Statement of Cash Flows, Continued

GEORGIA STATE UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

	June 30, 2010
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (loss)	($217,822,360)
Adjustments to Reconcile Net Income (loss) to Net Cash Provided (used) by Operating Activities	
Depreciation	27,544,945
Change in Assets and Liabilities:	
Receivables, net	(18,816,165)
Inventories	34,760
Prepaid Items	(1,123,475)
Notes Receivable, Net	(33,816)
Accounts Payable	6,725,127
Deferred Revenue	4,708,523
Other Liabilities	1,066,721
Compensated Absences	187,900
Net Cash Provided (used) by Operating Activities	($197,527,840)

** NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS	
Fixed assets acquired by incurring capital lease obligations	$75,541,850
Change in fair value of investments recognized as a component of interest income	$4,158
Gift of capital assets reducing proceeds of capital gifts and grants	($32,460,202)
Reduction of Capital Lease Obligation	$2,585,321

GEORGIA STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

Note 1. Summary of Significant Accounting Policies

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

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

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

Component units are organizations included in the reporting entity because of the significant of their operational or financial relationships with Georgia State University. For fiscal year 2010, Georgia State University Foundation and the Georgia State University Research Foundation are reported as discretely presented component units.

See Note 16, Component Units, for Foundation notes.

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

Generally Accepted Accounting Principles (GAAP) requires that the reporting of summer school revenues and expenses be between fiscal years rather than in one fiscal year. Due to the lack of materiality, Georgia State University reports summer revenues and expenses in the subsequent fiscal year.

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

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

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

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

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

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
Investments include financial instruments with terms in excess of 13 months, certain other securities for the production of revenue, land, and other real estate held as investments by endowments. The University accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment

income in the Statement of Revenues, Expenses, and Changes in Net Assets. The Board of Regents Total Return Fund is included under Investments.

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

Inventories
Consumable supplies and Resale Inventories are valued at cost using the average-cost basis.

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

Capital Assets
Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that exceed $100,000 and/or significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation, which also includes amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, and copyrights, as well as software is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 60 years for buildings, 20 to 25 years for infrastructure and land improvements, 10 years for library books, and 3 to 20 years for equipment. Residual values will generally be 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

To obtain the total picture of plant additions in the University System, it is necessary to look at the activities of the Georgia State Financing and Investment Commission (GSFIC) – an organization that is external to the System. GSFIC issues bonds for and on behalf of the State of Georgia, pursuant to powers granted to it in the Constitution of the State of Georgia and the Act creating the GSFIC. The bonds so issued constitute direct and general obligations of the State of Georgia, to the payment of which the full faith, credit and taxing power of the State are pledged.

For projects managed by GSFIC, the GSFIC retains construction in progress on its books throughout the construction period and transfers the entire project to the University when complete. For projects managed by the University, the University retains construction in progress on its books and is reimbursed by GSFIC. For the year ended June 30, 2010, GSFIC transferred capital additions valued at $128,565,709 to Georgia State University.

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

Compensated Absences
Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences in the Statement of Net Assets, and as a component of compensation and benefit expense in the Statements of Revenues, Expenses, and Changes in Net Assets. Georgia State University had accrued liability for compensated absences in the amount of $12,783,238 as of July 1, 2009. For fiscal year 2010, $9,380,270 was earned in compensated absences and employees were paid $9,192,371 , for a net increase of $187,899 . The ending balance as of June 30, 2010 in accrued liability for compensated absences was $12,971,137 .

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

Net Assets
The University's net assets are classified as follows:

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

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

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

Expendable Restricted Net Assets include the following:

	June 30, 2010
Restricted - E&G and Other Organized Activities	$2,838,612
Federal Loans	6,556,015
Institutional Loans	119,548
Total Restricted Expendable	$9,514,175

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

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for those purposes, except for unexpended state appropriations (surplus) of $612,816.79. Unexpended state appropriations must be refunded to the Board of Regents of the University System of Georgia, University System Office for remittance to the office of Treasury and Fiscal Services. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

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

	June 30, 2010
R & R Reserve	$31,355,479
Reserve for Encumbrances	54,288,523
Reserve for Inventory	142,927
Other Unrestricted	45,184,478
Total Unrestricted Net Assets	$130,971,407

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

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

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

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

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

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

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

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

Note 2. Deposits and Investments

A. Deposits

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

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

2. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.

3. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.

4. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.

5. Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association and the Federal National Mortgage Association.

6. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

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

At June 30, 2010, the carrying value of deposits was $12,538,759 and the bank balance was $21,948,929 . Of the University's deposits, $21,675,820 were uninsured. Of these uninsured deposits, $21,675,820 were collateralized with securities held by the financial institution, by its trust department or agency, but not in the University's name.

B. Investments

At June 30, 2010, the carrying value of the University's investments was , which is materially the same as fair value. These investments were comprised entirely of funds invested in the Board of Regents and/or Office of Treasury and Fiscal Services investment pools as follows:

Investment Pools	
Board of Regents	
Total Return Fund	44,455
Sub Total	44,455
Office of Treasury and Fiscal Services	
Georgia Fund 1	141,441,984
Sub Total	141,441,984
Total Investment Pools	$141,486,439

The Board of Regents Investment Pool is not registered with the Securities and Exchange Commission as an investment company. The fair value of investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. Participation in the Board of Regents Investment Pool is voluntary. The Board of Regents Investment Pool is not rated. Additional information on the Board of Regents Investment Pool is disclosed in the audited Financial Statements of the Board of Regents of the University System of Georgia – Administrative Central Office (oversight unit). This audit can be obtained from the Georgia Department of Audits – Education Audit Division or on their web site at http://www.audits.state.ga.us/internet/searchRpts.html.

The Georgia Fund 1 Investment Pool, managed by the Office of Treasury and Fiscal Services, is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This investment is valued at the pool's share price, $1.00 per share. The Georgia Fund 1 Investment Pool is an AAAm rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is 46 days.

Interest rate risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The University's policy for managing interest rate risk is to comply with University policy and applicable Federal and State laws. The University's policy for managing interest rate risk for Endowment Funds is that the average maturity of the fixed income portfolio shall not exceed ten years and for Operating Funds the average maturity of the fixed income portfolio shall not exceed two years.

The Effective Duration of the Total Return Fund is 2.60 years. Of the University's total investment of $44,455 in the Total Return Fund, $8,336 is invested in debt securities.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's policy for managing credit quality risk is to comply with University policy and applicable Federal and State laws.

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

Note 3. Accounts Receivable

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

	June 30, 2010
Student Tuition and Fees	$5,475,445
Auxiliary Enterprises and Other Operating Activities	1,210,186
Federal Financial Assistance	32,160,578
Georgia State Financing and Investment Commission	8,159,718
Due from Component Units	-
Other	15,700,111
	62,706,038
Less Allowance for Doubtful Accounts	2,768,360
Net Accounts Receivable	$59,937,678

Note 4. Inventories

Inventories consisted of the following at June 30, 2010:

	June 30, 2010
Physical Plant	$125,212
Other	32,848
Total	$158,060

Note 5. Notes/Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2010. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The Federal government reimburses the University for amounts cancelled under these provisions. As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education.

The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2010 the allowance for uncollectible loans was $307,036.39.

Note 6. Capital Assets

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

	Beginning Balances 7/1/2009	Additions	Reductions	Ending Balance 6/30/2010
Capital Assets, Not Being Depreciated:				
Land	$48,254,816	$11,758,830	$372,741	$59,640,905
Capitalized Collections	220,366			220,366
Construction Work-in-Progress	16,279,583	21,579,802	17,113,178	20,746,207
Total Capital Assets Not Being Depreciated	64,754,765	33,338,632	17,485,919	80,607,478
Capital Assets, Being Depreciated/Amortized:				
Infrastructure	11,479,339	1,742,588		13,221,927
Building and Building Improvements	534,145,677	154,544,740		688,690,417
Facilities and Other Improvements	1,924,322			1,924,322
Equipment	70,359,486	6,638,469	2,196,537	74,801,418
Capital Leases	1,904,498	594,804	624,589	1,874,713
Library Collections	111,799,552	7,135,654	1,018,411	117,916,795
Capitalized Collections				0
Total Assets Being Depreciated/Amortized	731,612,874	170,656,255	3,839,537	898,429,592
Less: Accumulated Depreciation/Amortization				
Infrastructure	2,134,013	593,939		2,727,952
Buildings	157,183,663	12,690,856		169,874,519
Facilities and Other improvements	895,328	62,369		957,697
Equipment	46,733,283	8,004,872	2,785,409	51,952,746
Capital Leases	690,917	444,087	375,834	759,170
Library Collections	80,730,026	5,748,822	892,485	85,586,363
Total Accumulated Depreciation/Amortization	288,367,230	27,544,945	4,053,728	311,858,447
Total Capital Assets, Being Depreciated/Amortized, Net	443,245,644	143,111,310	(214,191)	586,571,145
Capital Assets, net	$508,000,409	$176,449,942	$17,271,728	$667,178,623

Note 7. Deferred Revenue

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

	June 30, 2010
Prepaid Tuition and Fees	$35,213,437
Research	7,061,895
Other Deferred Revenue	4,889,024
Totals	$47,164,356

Note 8. Long-Term Liabilities

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

	Beginning Balance July 1, 2009	Additions	Reductions	Ending Balance June 30, 2010	Current Portion
Leases					
Lease Obligations	$236,305,454	$75,541,850	$8,619,829	$303,227,475	$5,889,354
Other Liabilities					
Compensated Absences	12,783,238	9,380,270	9,192,371	12,971,137	6,627,293
Total	12,783,238	9,380,270	9,192,371	12,971,137	6,627,293
Total Long Term Obligations	$249,088,692	$84,922,120	$17,812,200	$316,198,612	$12,516,647

Note 9. Significant Commitments

The University had significant unearned, outstanding, construction or renovation contracts executed in the amount of $53,766,634.99 as of June 30, 2010. This amount is not reflected in the accompanying basic financial statements.

In May 2007, Georgia State University entered into a lease agreement with Panther Place, LLC for a complex of building collectively known as "25 Park Place". The lease agreement commences the day after the lease agreement between Panther Place, LLC, and SunTrust Bank has been terminated but no later than May 31, 2012. After the termination of the SunTrust Lease and the University's lease has commenced, the University will have the exclusive right, privilege, and option to renewing or extending the agreement at the expiration of the initial one year term on a year-to-year for consecutive one-year periods until June 30, 2037. This activity is not reflected in the accompanying basic financial statements.

Note 10. Lease Obligations

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

Capital Leases

Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between 2011 and 2045. Expenditures for fiscal year 2010 were $20.7 million of which $14.7 million represented interest. Total principal paid on capital leases was $6.0 million for the fiscal year ended June 30, 2010. Interest rates range up to 10.5 percent. The following is a summary of the carrying values of assets held under capital lease at June 30, 2010:

Infrastructure	$3,358,624
Buildings	357,844,035
Equipment	1,115,543
Total Assets Held Under Capital Lease	$362,318,202

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

Georgia State University has six capital leases associated with buildings. In July 2001, Georgia State University entered into a capital lease valued at $34,650,000 with an effective interest rate if 6.985 percent with the Georgia State University Foundation (Foundation), whereby the University leases the Student Recreation Center for a twenty-year period that began July 2001 and expires June 2021. In March 2000, the University entered into a capital lease valued at $14,038,328 with an effective interest rate of 6.985 percent with the Foundation, whereby the University leases the Alpharetta Center for a twenty-year period that began March 2000 and expires February 2020. In January 2005, the University entered into a capital lease valued at $39,965,234 with an effective interest rate of 7.362 with the Foundation, whereby the university leases the Lofts for a twenty-seven year period that began January 2005 and expires August 2032. In August 2007, Georgia State University entered into a capital lease valued at $161,330,000 for a new dormitory complex with an effective rate of 5.50 percent with the Georgia State University Foundation. The University leases the University Commons for a 30 year period. In December 2009, the University entered into a capital lease valued at $1,041,645.62 with an effective interest rate of 6.937 percent with the Foundation, whereby the University leases the ground of the Rialto Center for a thirty-five year period that began December 2009 and expires November 2044. In May 2010, the University entered into a capital lease valued at $74,061,116 with an effective interest rate of 6.48 percent with the Foundation, whereby the University leases the Petit Science Center for a thirty-year period that began May 2010 and expires June 2039.The outstanding principal liability at June 30, 2010 on these capital building leases is $24,671,138, $9,150,658, $38,611,656, $153,547,643, $1,037,464, $74,390,342, respectively. Each year the monthly payments for these leases will increase by the greater of 2 percent or the CPI.

Georgia State University also has various capital leases for equipment and software with an outstanding balance at June 30, 2010 in the amount of $1,818,574.

Operating Leases

Georgia State University's noncancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2010 through 2018. Certain operating leases provide for renewal options for periods from one to four years at their fair rental value at the time of renewal. All agreements are cancellable if the State of Georgia does not provide adequate funding, but that is considered a remote possibility. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis. Examples of property under operating leases are copiers and other small business equipment. In addition, the University is party to several real property operating leases for floor space in several buildings.

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

		Real Property and Equipment	
		Capital Leases	Operating Leases
Year Ending June 30:	Year		
2011	1	$25,103,219	$4,995,965
2012	2	26,357,522	4,866,942
2013	3	26,371,280	5,024,376
2014	4	26,694,606	2,005,382
2015	5	27,122,048	530,089
2016 through 2020	6-10	139,561,006	1,190,965
2021 through 2025	11-15	114,605,531	
2026 through 2030	16-20	109,273,233	
2031 through 2035	21-25	99,978,078	
2036 through 2040	26-30	74,543,608	
2041 through 2045	31-35	350,259	
Total minimum lease payments		669,960,390	18,613,719
Less: Interest		366,732,915	
Principal Outstanding		$303,227,475	

Georgia State University's FY2010 expense for rental of real property and equipment under operating leases was $5,920,945.

Note 11. Retirement Plans

Teachers Retirement System of Georgia

Plan Description

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

Funding Policy

Employees of Georgia State University who are covered by TRS are required by State statute to contribute 5.25% of their gross earnings to TRS. Georgia State University makes monthly employer contributions to TRS at rates adopted by the TRS Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2010, the employer contribution rate was 9.74% for covered employees. Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2010	100%	$11,491,233
2009	100%	$11,011,351
2008	100%	$10,535,476

Employees' Retirement System of Georgia

Plan Description

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

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

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

Retirement benefits paid to members are based upon a formula which considers the monthly average of the member's highest twenty-four consecutive calendar months of salary, the number of years of creditable service, and the member's age at retirement. Postretirement cost-of-living adjustments are also made to member's benefits. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension at reduced rates to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

In addition, the ERS Board of Trustees created the Supplemental Retirement Benefit Plan (SRBP) effective January 1, 1998. The SRBP was established as a qualified governmental excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of ERS. The purpose of SRBP is to provide retirement benefits to employees covered by ERS whose benefits are otherwise limited by IRC 415.

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

Funding Policy

As established by State statute, all full-time employees of the State of Georgia and its political subdivisions, who are not members of other state retirement systems, are eligible to participate in the ERS. Both employer and employee contributions are established by State statute. The University's payroll for the year ended June 30, 2010, for employees covered by ERS was $604,130. The University's total payroll for all employees was $258,946,691.

For the year ended June 30, 2010 under the old plan, member contributions consist of 4% of annual compensation up to $4,200 plus 6% of annual compensation in excess of $4,200. Of these member contributions, the employee pays the first 1.25% and the University pays the remainder on behalf of the employee.

Under the new plan, member contributions consist solely of 1.25% of annual compensation paid by employee. The University also is required to contribute at a specified percentage of active member payroll determined annually by actuarial valuation for both old and new plans. For the year ended June 30, 2010, the ERS employer contribution rate for the University amounted to 10.41% of covered payroll and included the amounts contributed on behalf of the employees under the old plan referred to above. Employer contributions are also made on amounts paid for accumulated leave to retiring employees.

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

Fiscal Year	Percentage Contributed	Required Contribution
2010	100%	$63,034
2009	100%	$89,785
2008	100%	$92,322

Actuarial and Trend Information
Actuarial and historical trend information is presented in the ERS June 30, 2010 financial report, which may be obtained through ERS.

Regents Retirement Plan

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

Funding Policy
Georgia State University makes monthly employer contributions for the Regents Retirement Plan at rates adopted by the Teachers Retirement System of Georgia Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2010, 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 non-forfeitable at all times.

Georgia State University and the covered employees made the required contributions of $9,287,406 (9.24%) and $5,366,176 (5%), respectively.

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

Georgia Defined Contribution Plan

Plan Description

Georgia State University participates in the Georgia Defined Contribution Plan (GDCP) which is a single-employer defined contribution plan established by the General Assembly of Georgia for the purpose of providing retirement coverage for State employees who are temporary, seasonal, and part-time and are not members of a public retirement or pension system. GDCP is administered by the Board of Trustees of the Employees' Retirement System of Georgia.

Benefits

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

Contributions

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

Total contributions made by employees during fiscal year 2010 amounted to $529,795 which represents 7.5% of covered payroll. These contributions met the requirements of the plan.

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

Note 12. Risk Management

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

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

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

Note 13. Contingencies

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

Litigation, claims and assessments filed against Georgia State University (an organizational unit of the Board of Regents of the University System of Georgia), if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the State of Georgia Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010.

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 University 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 2009 and 2010 plan years, the employer rate was between 70-75% of the total health insurance cost for eligible retirees and the retiree rate was between 25-30%.

As of June 30, 2010, there were 965 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2010, Georgia State University recognized as incurred $4,314,355 of expenditures, which was net of $2,438,033 of participant contributions.

Note 15. Natural Classifications with Functional Classifications

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

	Functional Classification FY2010					
Natural Classification	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support
Faculty	$75,423,954	$21,644,651	$894,963	$697,548	$127,159	$503,568
Staff	37,428,163	31,694,722	7,824,702	28,640,127	16,733,981	16,718,601
Benefits	28,964,294	6,221,204	1,992,880	7,413,691	4,283,402	5,865,798
Personal Services	101,826	28,796	-	-	835	299,403
Travel	1,346,184	1,270,146	359,477	366,643	201,457	92,762
Scholarships and Fellowships	1,674,579	967,488	656,345	749	104,174	15,850
Utilities	37,743	40	2,497	835,324	12,617	9,438
Supplies and Other Services	3,855,357	25,694,957	14,553,221	15,661,147	6,402,654	6,727,900
Depreciation	10,130,172	2,116,165	59,956	7,082,687	946,036	492,142
Total Expenses	$158,962,272	$89,638,169	$26,344,041	$60,697,916	$28,812,315	$30,725,462

	Functional Classification FY2010			
Natural Classification	Plant Operations & Maintenance	Scholarships & Fellowships	Auxiliary Enterprises	Total Expenses
Faculty	$1,434		$22,820	$99,316,097
Staff	15,104,567	21,324	6,420,857	160,587,044
Benefits	4,587,486		1,190,313	60,519,068
Personal Services	62,213		-	493,073
Travel	2,899	753	25,567	3,665,888
Scholarships and Fellowships		29,524,614		32,943,799
Utilities	8,449,375		1,096,054	10,443,088
Supplies and Other Services	13,698,983	64,475	34,782,669	121,441,363
Depreciation	1,236,685		5,481,102	27,544,945
Total Expenses	$43,143,642	$29,611,166	$49,019,382	$516,954,365

Note 16. Component Units

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

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

During the year ended June 30, 2010, the Foundation distributed $ 3,915,551 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Foundation's Office at One Park Place South, Suite 533, Atlanta, GA 30303 or from the Foundation's website at www.gsu.edu.

Investments for Component Units:

Georgia State University Foundation holds endowment and other investments in the amount of $171.4 million. The Foundation determines the spendable amounts for endowment funds using a total return formula and makes no spending allocations to restricted funds from the operating portfolio. Income from the operating portfolio is used to fund the Foundation's administrative activities pursuant to an unrestricted spending policy. The Trustees of the Foundation adopted an endowment spending policy that provides for the allocation of endowment funds at the rate of 70% of the previous year's allocation plus 30% of the current year's market values at a spending rate of 4.5% of the market value of the endowment funds. A 1% management fee is used to fund the Foundation's administrative activities. The balance of the return is applied to the value of the endowment funds.

Investments are comprised of the following amounts at June 30, 2010:

	Cost	Fair Value
Money Market Accounts	$78,411,533	$78,411,677
Equity Securities	60,739,738	56,566,416
Mutual Funds	31,805,412	32,498,178
Real Estate	3,417,299	3,979,927
Total Investments	$174,373,982	$171,456,198

Capital Assets for Component Units:

Georgia State University Foundation, Inc. holds the following Capital Assets as of June 30, 2010:

	June 30, 2010
Capital Assets not being Depreciated:	
Land and other Assets	$7,378,492
Total Capital Assets not being Depreciated	7,378,492
Capital Assets being Depreciated:	
Buildings and Improvements	54,374,568
Software	1,087,614
Total Capital Assets being Depreciated/Amortized	55,462,182
Less Total Accumulated Depreciation/Amortization	9,434,022
	46,028,160
Capital Assets, Net	$53,406,652

Long-term Liabilities for Component Units:

Changes in long-term liabilities for Georgia State University Foundation, Inc. for the fiscal year ended June 30, 2010 are shown below:

	Beginning Balance July 1, 2009	Additions	Reductions	Ending Balance June 30, 2010	Amounts due within One Year
Compensated Absences	$36,144		$7,882	$28,262	$28,262
Liabilities under split interest agreement	297,092	144,264		441,356	44,614
Capital Lease Obligations	7,584,559		2,891,859	4,692,700	442,550
Revenue/Mortgage Bonds Payable	260,422,176		3,409,590	257,012,586	3,410,000
Total Long Term Liabilities	$268,339,971	$144,264	$6,309,331	$262,174,904	$3,925,426

Capital Lease Obligation

Alpharetta Campus Facilities Lease

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

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

		Capital Leases
Year ending June 30:		
2011	1	$634,085
2012	2	633,375
2013	3	635,324
2014	4	632,373
2015	5	634,544
2016 through 2019	6-10	2,512,293
Total minimum lease payments		5,681,994
Less: Interest		989,294
Principal Outstanding		$4,692,700

Interest expense related to the capital lease obligation for Alpharetta for the year ending June 30, 2010 totaled $204,116.

Rialto Center Facilities Lease

During 1994, the Foundation purchased and renovated facilities currently occupied by the University's School of Music. The project included the purchase and renovation of two existing office buildings. The Foundation also entered into a long term land lease for the renovation and use of an existing performing arts theater, the Rialto Theater. The project was financed through contributions to the Foundation and through bonds issued by the Downtown Development Authority of the City of Atlanta (Authority), the proceeds of which were loaned to The

University Financing Foundation (TUFF). The Foundation has entered into long term lease commitments with TUFF to provide for the debt service payments on the bonds and other bond financing related expenses. The Foundation then leased the facilities to the University through a series of one year renewable lease agreements. The Foundation had classified this lease as a capital lease and has recorded it as an asset under property and equipment in the consolidated statements of financial position. Interest expense related to the TUFF lease obligation for Rialto for the years ended June 30, 2010 and 2009 totaled $58,839 and $191,166, respectively.

During 2004, the 1994 bonds issued by the Authority were refunded to obtain savings in debt service and to obtain funds for improvements to the Rialto Theater. Accordingly, the Authority entered into a new loan agreement with TUFF and a new agreement with the Foundation as the guarantor of the bonds. The guarantee was expressly limited to the unrestricted income and unrestricted assets of the Foundation.

On December 1, 2009, the Foundation assigned all of its rights under the lease agreement (the Amended and Restated Lease Agreement dated July 1, 1994) (the "Lease") with TUFF Rialto LLC to the University. This assignment terminated the leasehold interest of Rialto in the Rialto Center, the Haas-Howell Building and the Standard Building. The Foundation then derecognized the cost, accumulated depreciation and capital lease obligation related to the termination of this lease and recognized a gain on the transaction. The University, as a new tenant under the Lease, then defeased the remaining principal on the bonds and became fee simple owner of the Haas-Howell Building and Standard Building.

Rialto Center Ground Lease

On December 1, 2009, TUFF transferred its interest in the Rialto Theater ground lease to the Foundation. The Foundation will continue to sub-lease the Rialto Theater facility to the University.

		Ground Lease
Year ending June 30:		
2011	1	$79,304
2012	2	79,304
2013	3	79,304
2014	4	79,304
2015	5	79,304
2016 through 2020	6-10	396,520
2021 through 2025	11-15	396,520
2026 through 2030	16-20	396,520
2031 through 2035	21-25	396,520
2036 through 2040	26-30	396,520
2041 through 2045	31-35	396,520
2046	36-40	39,653
Total payments		2,815,293

Revenue Bonds Payable

Student Recreation Center Bonds

On October 15, 1998, $33,430,000 of revenue bonds were issued by the Atlanta Development Authority ("ADA") with the proceeds loaned to the Foundation for the purpose of financing the acquisition, construction, improvement and equipping of a student recreation center for the benefit of the University. The bonds are special limited obligation bonds of the ADA, payable from funds received from the Foundation pursuant to a promissory note between the ADA and the Foundation. The Foundation leases the facilities to the Board of Regents for the use of the University.

The Foundation's liability on the note is limited to its interest in the project and the rents and revenues from the project, including amounts received pursuant to the rental agreement with the Board of Regents. Payment of principal and interest on the bonds are insured by AMBAC Assurance Corporation. Principal payments are to be made annually until October 1, 2018. Interest is paid semi-annually through 2018 at a rate specified in the revenue bonds ranging from 3.60% to 4.60%. Interest expense for the year ended June 30, 2010 and 2009 totaled $942,004 and $1,015,585, respectively.

Piedmont Ellis Bonds

On September 8, 2005, a total of $161,330,000 revenue bonds (tax-exempt $158,410,000 and taxable $2,920,000) were issued at a premium of $6,620,809 by the ADA on behalf of the Foundation with the proceeds used for the purpose of financing the acquisition, construction and equipping of certain land, buildings and personal property to be used as a student housing project. The project has 1,994 beds, including community activity facilities, site amenities and parking for 786 vehicles. The real property upon which the project is located is owned by the Board of Regents and leased to the Foundation pursuant to a Ground Lease. After construction was completed, the Foundation leased the facility to the Board of Regents on an annually-renewable basis for a term of 33 years for the use and benefit of the University. Moody's Investors Services Inc. has assigned the series 2005 Bonds the rating of "Aaa" based upon the issuance of the policy by the Bond Insurer. Principal payments are to be made annually starting September 1, 2009 and ending September 1, 2036. Interest is paid semi-annually through 2036 at a rate specified in the revenue bonds ranging from 3.875% to 5.0%. Interest expense for the years ended June 30, 2010 and 2009 was $7,713,784 and 7,762,468.

Panther Place Bonds

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

During the year ended June 30, 2008, all of the tax-exempt revenue bonds became bank bonds held by JP Morgan Chase Bank as the liquidity provider. During the year ended June 30, 2009, the taxable revenue bonds likewise became bank bonds.

Pursuant to the Standby Bond Purchase Agreement with JP Morgan Chase Bank, a mandatory redemption clause with accelerated principal payments went into effect on July 30, 2008. During the year ended June 30, 2009, to provide the funding to make the accelerated principal payments, make certain deposits into the Debt Service Reserve Fund and to fund other short term financing needs Panther Place entered in to a line of credit agreement with SunTrust Bank, NA for up to $12,500,000. Interest accrued on the unpaid balance of the line of credit at a rate equal to the LIBOR rate plus 1.40% per annum.

On May 29, 2009 the outstanding balance of the bank bonds of $47,630,000 and the line of credit of $8,612,859 were refunded by a new fixed-rate bond issuance. Revenue bonds on $73,235,000 (tax–exempt $60,215,000 and taxable $13,020,000) net of discount of $1,654,917 were issued by the ADA (Atlanta Development Authority) on behalf of the Foundation. Moody's Investors Services, Inc. has assigned the Series 2009 Bonds the rating of A2 based upon the issuance of the policy by the Bond Insurer. Principal payments are to be made annually starting July 1, 2013 and ending July 1, 2037. Interest is to be paid semi-annually starting July 1, 2009 at a rate specified in the revenue bonds ranging from 4.00% to 6.15%.

		Bonds Payable		
		Principal	Interest	Total
Year ending June 30:				
2011	1	$3,410,000	$11,994,233	$15,404,233
2012	2	3,835,000	11,834,712	15,669,712
2013	3	4,270,000	11,655,098	15,925,098
2014	4	6,255,000	11,383,251	17,638,251
2015	5	6,810,000	11,088,628	17,898,628
2016 through 2020	6-10	40,190,000	49,990,352	90,180,352
2021 through 2025	11-15	39,635,000	40,624,708	80,259,708
2026 through 2030	16-20	50,125,000	29,638,621	79,763,621
2031 through 2035	21-25	63,700,000	15,429,763	79,129,763
2036 through 2040	26-30	34,990,000	1,354,302	36,344,302
		253,220,000	194,993,668	448,213,668
Bond Premium/(Discount)		3,792,586		3,792,586
		$257,012,586	$194,993,668	$452,006,254

Interest expense net of swap interest receipts from Ambac for the year ended June 30, 2010 totaled $3,487,070.

Operating Lease Obligation

Lofts Lease

A rental agreement was entered into in January 2005 between the Foundation, landlord, and the Board of Regents for and on the behalf of the University, tenant, for student housing known as the University Lofts. The lease is renewable annually through fiscal year 2033 and ends in September 2032.

One Park Place Lease

A rental agreement was entered into in December 1991 and amended December 2002 between the Foundation, landlord, and the Board of Regents for and on the behalf of the University, tenant, for educational facilities known as One Park Place. The lease is renewable through fiscal year 2012. Annual increases are determined by the change in CPI comparing March of the preceding year to March of the current year. However, annual increase cannot exceed 5% or fall below 3%. On August 24, 2009, the Foundation sold One Park Place to the University and terminated the lease.

Panther Place Lease

On May 31, 2007, the Foundation purchased certain land, buildings and fixtures owned by SunTrust Bank, Inc. for $52 million using proceeds of revenue bonds. On the same day, the Foundation entered into a lease agreement with SunTrust Bank, Inc for a five-year period with annual basic rental income of $3,000,000 for the first year and a 2% increase each year thereafter.

Brookwood Lease

In the year ended June 30, 2005, the Foundation entered into a lease with a third party for office space for the benefit and use of the University's Executive MBA Program. The lease is renewable annually through June 30, 2010. The University reimburses the Foundation on a monthly basis in an amount equal to the monthly rent payment.

Bestway Copy Center Lease

A rental agreement was entered into in July 2000 for a period of five (5) years. After the lease expired in June 2005, it was converted to a month-to-month lease through June, 2010. On August 24, 2010 the lease was terminated when the building was sold.

Pawn Shop Lease

A month to month lease with a hold over tenant was included in the Panther Lot purchase transaction. A new short-term lease was executed with this tenant for July 1, 2009 through October 31, 2009. From November 1, 2009 to June 30, 2010 the tenant was on a month to month lease.

Year Ending June 30:	Year	Operating Leases - Revenue Real Property & Equipment
2011	1	$6,625,057
2012	2	6,723,674
2013	3	3,456,479
2014	4	3,491,044
2015	5	3,525,954
2016 through 2020	6-10	18,165,768
2021 through 2025	11-15	19,092,405
2026 through 2030	16-20	20,066,309
2031 through 2035	21-25	9,364,652
Total minimum lease revenues		$90,511,342

The Foundation pays the University Financing Foundation for debt associated with the University Lofts. The revenues associated with the Panther Place lease are sent to the bond trustee to fund payments of principal and interest associated with the revenue bonds.

Year Ending June 30:	Year	Operating Leases - Expense Real Property & Equipment
2011	1	$3,431,557
2012	2	3,458,477
2013	3	3,483,307
2014	4	3,489,842
2015	5	3,493,704
2016 through 2020	6-10	17,636,455
2021 through 2025	11-15	17,925,443
2026 through 2030	16-20	18,254,463
2031 through 2035	21-25	8,034,100
Total minimum lease payments		$79,207,347

Georgia State University Research Foundation, Inc.

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

The Research Foundation's results for fiscal 2010, include Science Park, LLC (the "Company"), a component unit of the Research Foundation, which was organized as a not-for-profit limited liability company on August 9, 2006 with its sole member the Research Foundation. The Company was created to develop a 248,806 square foot science research facility (the "Project"). Upon completion of the Project, the company will lease the facility to the Board of Regents of the University System of Georgia for the use and benefit of Georgia State University.

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

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

During the year ended June 30, 2010, the Research Foundation paid to the University $45,180,182 in grant revenue and $441,346 for support of research activities. Complete financial statements for the Research Foundation can be obtained from the office of the Georgia State University Research Foundations, Inc., Alumni Hall, 30 Courtland Street, Suite 219, Atlanta, GA 30303.

Deposits for Component Units:

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

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

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

At June 30, 2010, the Research Foundation's carrying amount of deposits was $11,091,281 and the bank balance was $11,109,379. Of the bank balance, $250,000 was covered by FDIC insurance at June 30, 2010, and $8,847,435 was collateralized by the State of Georgia pledging pool which thereby guarantees collateralization of any uninsured bank deposit balances. The remaining uncollateralized balance of $2,011,944 consists of cash equivalents held by investment custodians. These cash equivalents consisted of money market funds which are comprised of investments with an average credit quality of A1 + P1.

Investments for Component Units:

The Research Foundation's investments at June 30, 2010 are presented below. All investments are presented by investment type.

		Investment Maturity	
	Fair Value	Less Than 1 Year	1-5 Years
Money Market Mutual Fund	18,878,270	18,878,270	
Mutual Bond Fund	$813,466		813,466
	$19,691,736	$18,878,270	$813,466
Other Investments			
Bond/Fixed Income Mutual Funds	722,593		
Equity Securities - Domestic	1,203,141		
Equity Securities - International	514,880		
Real Estate Investment Fund	277,313		
	$22,409,663		

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

Cash and Cash Equivalents	$18,878,270
Investments - unrestricted	3,241,788
Investments - restricted	289,605
Total Investments	$22,409,663

All investments with the exception of equity securities and venture capital funds of $1,755 and $53,910, respectively, at June 30, 2010, are held by the Georgia State University Foundation on behalf of the Research Foundation and are held by outside investment managers.

Interest Rate Risk

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

Credit Quality Risk

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

	Fair Value	AAA	AA	A	Ba	Baaa	Unrated
Related Debt Investments							
Money Market Mutual Fund	$18,878,270	$18,878,270	$0	$0	$0	$0	$0
Mutual Bond Fund	813,466	539,249	24,604	66,207	60,170	122,409	827
	$19,691,736	$19,417,519	$24,604	$66,207	$60,170	$122,409	$827

Custodial credit risk

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

At June 30, 2010, $3,531,393 of the Research Foundation's applicable investments were uninsured and held by the Research Foundation's counterparty in the Research Foundation's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Research Foundation's policy for managing concentration of credit risk is divided amongst investment type as follows for the year ended June 30, 2010:

Domestic equities	34%
Alternative investments	15%
Bonds	23%
International equities	8%
Real estate	20%

Foreign Currency Risk

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

Capital Assets for Component Units:

Georgia State University Research Foundation, Inc. had the following Capital Asset activity for the year ended June 30, 2010:

	Beginning Balances 7/1/2009	Additions	Reductions	Ending Balance 6/30/2010
Capital Assets, Not Being Depreciated:				
Land (and other assets)	$1,933,284		$1,302,099	$631,185
Construction Work-in-Progress	34,677,375	39,383,742	74,061,117	0
Total Capital Assets Not Being Depreciated	36,610,659	39,383,742	75,363,216	631,185
Capital Assets, Being Depreciated/Amortized:				
Building and Building Improvements	6,942,511			6,942,511
Facilities and Other Improvements	307,186			307,186
Total Assets Being Depreciated/Amortized	7,249,697	0	0	7,249,697
Less: Accumulated Depreciation/Amortization				
Buildings	1,440,738	885,822		2,326,560
Facilities and Other improvements	280,616	1,378		281,994
Total Accumulated Depreciation/Amortization	1,721,354	887,200	0	2,608,554
Total Capital Assets, Being Depreciated/Amortized, Net	5,528,343	(887,200)	0	4,641,143
Capital Assets, net	$42,139,002	$38,496,542	$75,363,216	$5,272,328

Long-term Liabilities for Component Units:

Changes in long-term liabilities for Georgia State University Research Foundation, Inc. for the fiscal year ended June 30, 2010 are shown below:

	Beginning Balance July 1, 2009	Additions	Reductions	Ending Balance June 30, 2010
Revenue/Mortgage Bonds Payable	$90,205,000			$90,205,000
Plus unamortized premium	857,139		28,572	828,567
Total Long Term Liabilities	$91,062,139	$0	$28,572	$91,033,567

Revenue Bonds Payable

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

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

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

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

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

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

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

The Series 2007 Bonds maturing on July 1, 2032 and bearing interest at 5.00% are subject to mandatory sinking fund redemption on July 1, 2028 and on each July 1, thereafter, in accordance with the Indenture, at a redemption price equal to the principal amount of each Series 2007 Bond (or portion thereof) to be redeemed plus accrued interest to the date fixed or redemption.

The Series 2007 Bonds maturing on July 1, 2032 and bearing interest at 5.25% are subject to mandatory sinking fund redemption on July 1, 2028 and on each July 1, thereafter, in accordance with Indenture, at a redemption price equal to the principal amount of each Series 2007 Bond (or portion thereof) to be redeemed plus accrued interest to the date fixed or redemption.

The Series 2007 Bonds maturing on July 1, 2039 and bearing interest at 5.00% are subject to mandatory sinking fund redemption on July 1, 2033 and on each July 1, thereafter, in accordance with Indenture, at a redemption price equal to the principal amount of each Series 2007 Bond (or portion thereof) to be redeemed plus accrued interest to the date fixed or redemption.

Annual debt service requirements on the Series 2007 Bonds outstanding at June 30, 2010 are as follows:

		Bonds Payable		
		Principal	Interest	Total
Year ending June 30:				
2011	1	$0	$4,482,350	$4,482,350
2012	2	1,470,000	4,482,350	5,952,350
2013	3	1,535,000	4,416,200	5,951,200
2014	4	1,605,000	4,347,125	5,952,125
2015	5	1,680,000	4,274,900	5,954,900
2016 through 2020	6-10	9,730,000	20,029,000	29,759,000
2021 through 2025	11-15	12,420,000	17,341,300	29,761,300
2026 through 2030	16-20	15,820,000	13,937,263	29,757,263
2031 through 2035	21-25	20,175,000	9,570,725	29,745,725
2036 through 2040	26-30	25,770,000	3,991,250	29,761,250
		90,205,000	86,872,463	177,077,463
Bond Premium/(Discount)		828,567		828,567
		$91,033,567	$86,872,463	$177,906,030

Net Investment in Direct Financing Lease

In May 2010, Science Park, LLC completed the construction of a science research facility for a total cost of $74,061,117. Upon completion of the science research facility Science Park, LLC leased the facility for a period of 30 years to a related party. Science Park, LLC is accounting for this transaction as a direct financing capital lease. The lease entitles Science Park, LLC to receive direct and indirect funding for insurance, taxes, bond and interest obligations, repairs and maintenance, and other ancillary expenses. The lease contains an annual renewal option as of specified dates in the agreement.

For the year ended June 30, 2010, the income from investment in direct financing lease was $422,078.

Future minimum net amounts receivable under direct financing lease having remaining terms in excess of one year as of June 30, 2010 are as follows:

		Direct Financing Lease - Revenue Real Property & Equipment
Year Ending June 30:	Year	
2011	1	$4,446,565
2012	2	5,945,712
2013	3	5,953,002
2014	4	5,962,333
2015	5	5,967,586
2016 through 2020	6-10	29,943,534
2021 through 2025	11-15	30,142,449
2026 through 2030	16-20	30,378,979
2031 through 2035	21-25	30,639,981
2036 through 2040	26-30	24,739,251
Total lease receivable		174,119,392
Less unearned interest		99,856,739
		$74,262,653

Operating Lease Obligation

The Research Foundation has an operating lease commitment to SunTrust Bank for office space located in Atlanta, Georgia in the amount of $9,046 per month through December 2010 escalating to $9,319 per month through June 2011. The minimum obligation under this lease commitment is $111,828 for the year ended June 30, 2011. In addition to the minimum obligation under the lease commitment, the Research Foundation is required to pay the landlord the Research Foundation's pro rata share of the annual operating costs of the building. This amount is estimated by SunTrust Bank and is included in the rent expense. Rent expense was $170,103 for the year ended June 30, 2010.

		Operating Leases - Expense Real Property & Equipment
Year Ending June 30:	Year	
2011	1	$111,828
Total minimum lease payments		$111,828