GEORGIA INSTITUTE OF TECHNOLOGY
ATLANTA, GEORGIA

REPORT ON AUDIT
OF THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2009

**Georgia Department of
Audits and Accounts**

Russell W. Hinton
State Auditor

GEORGIA INSTITUTE OF TECHNOLOGY

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SECTION I

FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS
270 Washington Street, S.W., Suite 1-156
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Russell W. Hinton
STATE AUDITOR
(404) 656-2174

December 3, 2009

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

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

Ladies and Gentlemen:

We have audited the accompanying basic financial statements (Exhibits A through D) of Georgia Institute of Technology, an organizational unit of the State of Georgia, as of and for the year ended June 30, 2009. These financial statements are the responsibility of the Georgia Institute of Technology's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements of Georgia Institute of Technology are intended to present the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State of Georgia that is attributable to the transactions of Georgia

Institute of Technology. They do not purport to, and do not, present fairly the financial position and changes in financial position and cash flows of the State of Georgia, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Georgia Institute of Technology as of June 30, 2009, and its changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the Financial Statements, Georgia Institute of Technology changed the methodology used to account for capital asset cost and depreciation of non-research buildings.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Georgia Institute of Technology taken as a whole. The accompanying supplementary information (Schedules 1 through 4) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

Russell W. Hinton

Russell W. Hinton, CPA, CGFM
State Auditor

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REQUIRED SUPPLEMENTARY INFORMATION

GEORGIA INSTITUTE OF TECHNOLOGY
Management's Discussion and Analysis

Introduction

The Georgia Institute of Technology, also known as Georgia Tech, is one of the 35 institutions of higher education of the University System of Georgia. Georgia Tech is one of the nation's top research universities, with over $500 million expended on sponsored research activities. The University is a national and international leader in scientific and technological research and education. Distinguished by its commitment to improving the human condition through advanced science and technology, Georgia Tech provides a focused, technology based education for nearly 19,000 undergraduate and graduate students. Georgia Tech has many nationally recognized programs and is the only technological university consistently ranked in *U.S. News and World Report's* listing of America's Top Ten public universities. The Institute's College of Engineering is consistently ranked in the nation's Top Five by *U.S. News and World Report* with six schools in this college listed among the country's Top Five in their respective disciplines. Georgia Tech's undergraduate engineering college and graduate engineering college are currently ranked in the country's Top Five by *U.S. News and World Report.* Georgia Tech is ranked in the Top Ten for universities awarding engineering degrees to minority students at the Bachelor's and Doctoral level by *Diverse Issues in Higher Education.* These impressive national rankings reflect the academic prestige long associated with the Georgia Tech curriculum. Georgia Tech offers degrees through the Colleges of Architecture, Computing, Engineering, Management, Sciences, and the Ivan Allen College of Liberal Arts. As a leading technological institute, Georgia Tech has over 100 interdisciplinary research centers that consistently contribute vital research and innovation to America's government, industry, and business.

Founded in 1885 to help move Georgia's economy into the industrial age, Georgia Tech exceeded the expectations of its founders by becoming a multi-faceted research institution that serves as a source of new technologies and a driver of economic development. With a clear vision of technology and leadership, the Institute provides a cutting edge education for the 21st century. The Institute continues to grow as reflected by the faculty and student numbers below and other comparisons that follow.

	Faculty	Students (Headcount)	Students (FTE)
Fiscal Year 2009	967	19,424	18,330
Fiscal Year 2008	970	18,747	17,836
Fiscal Year 2007	940	17,936	17,027

Overview of the Financial Statements and Financial Analysis

The Georgia Institute of Technology is pleased to present its financial statements for fiscal year 2009, which began July 1, 2008 and ended June 30, 2009. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in

Net Assets; and the Statement of Cash Flows. This discussion and analysis of the Institute's financial statements provides an overview of its financial activities for the year. The statements focus on the financial condition, results of operations and cash flows of the Institute as a whole, with resources classified for accounting and reporting purposes into five net asset categories: invested in capital assets, net of related debt; restricted - nonexpendable; restricted - expendable; restricted - capital projects and unrestricted. The basis of accounting is full accrual, including capitalization and depreciation of equipment and fixed assets. Comparative data is provided for fiscal year 2009 and fiscal year 2008.

Statement of Net Assets

Using the accrual basis of accounting, the Statement of Net Assets presents the assets, liabilities, and net assets of the Institute as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement. The purpose of the Statement of Net Assets is to present to readers of the financial statements a fiscal snapshot of the Georgia Institute of Technology. The Statement of Net Assets presents end-of-year data concerning Assets (current and noncurrent), Liabilities (current and noncurrent), and Net Assets (assets minus liabilities). The difference between current and noncurrent assets will be discussed in the Notes to the Financial Statements.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the Institute. They are also able to determine how much the Institute 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 Institute. Net assets are divided into three major categories. The first category, Invested in Capital Assets Net of Related Debt, identifies the Institute's equity in property, plant and equipment. The next asset category, Restricted Net Assets, is divided into three categories, nonexpendable, expendable and capital projects. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable and capital projects restricted net assets are available for expenditure by the Institute 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, Unrestricted Net Assets, is available for any lawful purpose of the Institute.

Following is a comparative, condensed version of the Institute's Statement of Net Assets as of June 30, 2009 and June 30, 2008:

Statement of Net Assets, Condensed

	June 30, 2009	June 30, 2008
Assets		
Current Assets	$ 161,709,166	$ 186,023,497
Capital Assets, Net	1,522,343,569	1,420,414,332
Other Assets	61,073,533	72,926,737
Total Assets	$ 1,745,126,268	$ 1,679,364,566
Liabilities		
Current Liabilities	$ 121,907,458	$ 112,482,457
Noncurrent Liabilities	538,766,435	529,865,464
Total Liabilities	$ 660,673,893	$ 642,347,921
Net Assets		
Invested in Capital Assets, Net of Debt	$ 985,906,294	$ 892,893,907
Restricted - Nonexpendable	44,328,287	47,863,655
Restricted - Expendable	29,850,926	27,543,641
Restricted - Capital Projects	5,248,672	66,196,480
Unrestricted	19,118,196	2,518,962
Total Net Assets	$ 1,084,452,375	$ 1,037,016,645

The total assets increased by $65,761,702 over the previous fiscal year, while total liabilities increased by $18,325,972. A review of the Statement of Net Assets will reveal that the increase in total net assets of $47,435,730 was primarily due to a net increase of $93,012,387 in the category of Invested in Capital Assets, Net of Related Debt.

Statement of Revenues, Expenses and Changes in Net Assets

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

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

	June 30, 2009	June 30, 2008
Operating Revenues	$ 794,254,414	$ 721,356,596
Operating Expenses	1,023,922,247	980,433,038
Operating Loss	$ -229,667,833	$ -259,076,442
Nonoperating Revenues and Expenses	251,100,555	265,273,178
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	$ 21,432,722	$ 6,196,736
Other Revenues, Expenses, Gains or Losses	58,057,023	38,889,899
Increase in Net Assets	$ 79,489,745	$ 45,086,635
Net Assets at Beginning of Year, as Originally Reported	$ 1,037,016,645	$ 983,377,609
Prior Year Adjustments	-32,054,015	8,552,401
Net Assets at Beginning of Year, Restated	$ 1,004,962,630	$ 991,930,010
Net Assets at End of Year	$ 1,084,452,375	$ 1,037,016,645

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase of $72,897,818 in Operating Revenues from the previous year. The increase in Net Assets at End of Year increased $47,435,730 from the previous year. Some highlights of the information presented on the Statement of Revenues, Expenses and Changes in Net Assets are as follows:

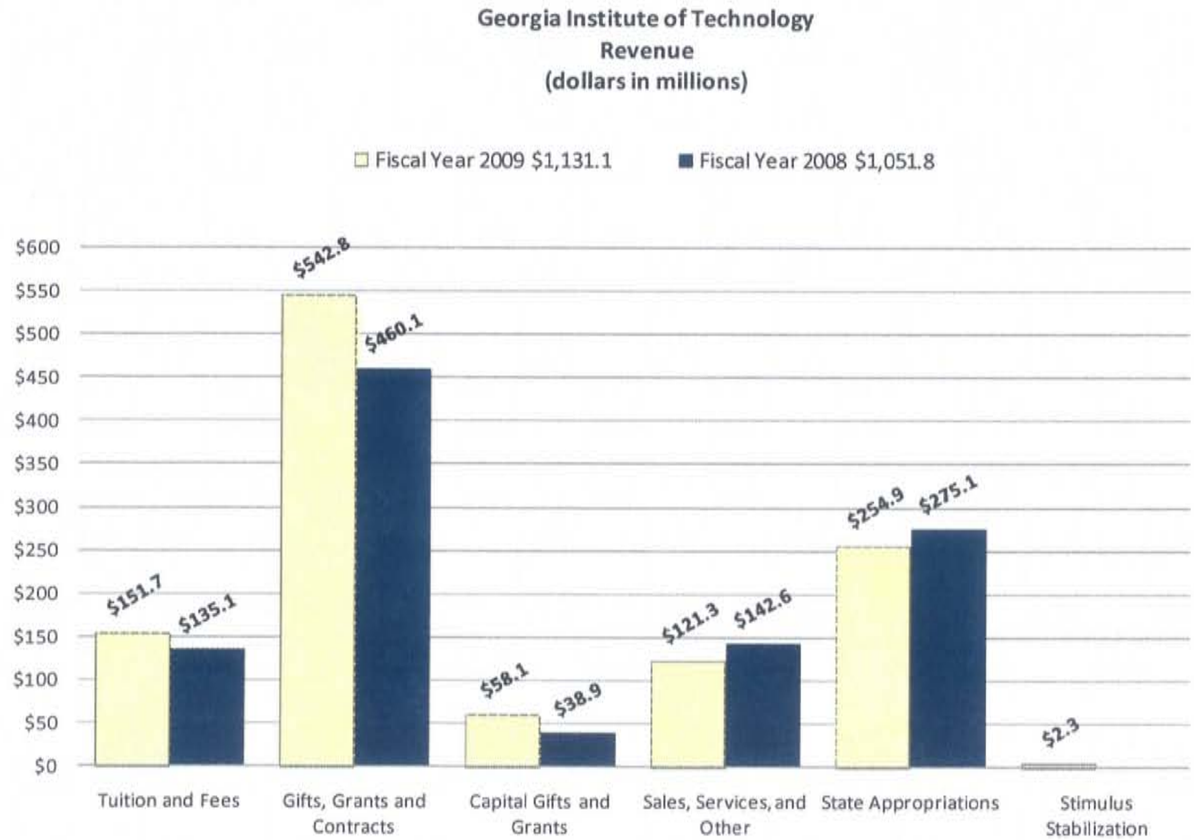
Revenue By Source
For The Years Ended June 30, 2009 and June 30, 2008

	June 30, 2009	June 30, 2008
Operating Revenue		
Tuition and Fees	$ 151,714,908	$ 135,149,773
Grants and Contracts	517,828,642	454,744,856
Sales and Services of Educational Departments	15,584,108	23,942,293
Auxiliary	99,065,680	93,888,891
Other	10,061,076	13,630,783
Total Operating Revenue	$ 794,254,414	$ 721,356,596
Nonoperating Revenue		
State Appropriations	$ 254,937,700	$ 275,144,403
Federal Stimulus - Stabilization Funds	2,280,374	
Grants and Contracts	6,732,250	
Gifts	18,321,576	5,323,093
Investment Income	13,064,514	14,551,850
Other	-16,516,912	-3,371,451
Total Nonoperating Revenue	$ 278,819,502	$ 291,647,895
Capital Grants and Gifts		
State	$ 56,790,760	$ 21,855,280
Other Capital Grants and Gifts	1,266,263	9,117,970
Special Item - Capital Asset Transfer		7,916,649
Total Capital Grants, Gifts and Special Item	$ 58,057,023	$ 38,889,899
Total Revenues	$ 1,131,130,939	$ 1,051,894,390

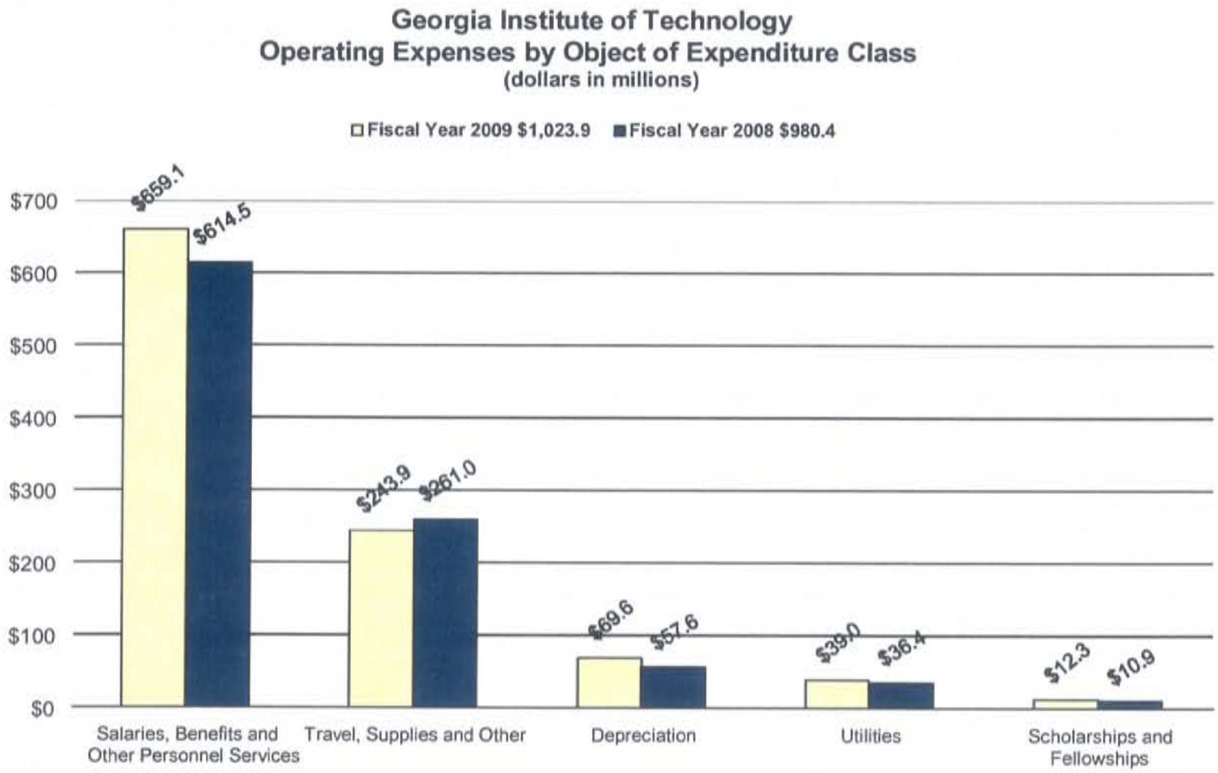
Expenses (By Functional Classification)
For The Years Ended June 30, 2009 and June 30, 2008

	June 30, 2009	June 30, 2008
Operating Expenses		
Instruction	$ 222,446,019	$ 214,164,859
Research	452,655,513	422,467,823
Public Service	48,569,256	47,986,179
Academic Support	44,367,496	44,962,425
Student Services	26,636,734	26,200,042
Institutional Support	60,428,991	44,231,317
Plant Operations and Maintenance	74,415,281	85,552,071
Scholarships and Fellowships	12,353,479	10,919,734
Auxiliary Enterprises	82,049,478	83,948,588
Total Operating Expenses	$ 1,023,922,247	$ 980,433,038
Nonoperating Expenses		
Interest Expense (Capital Assets)	27,718,947	26,374,717
Total Expenses	$ 1,051,641,194	$ 1,006,807,755

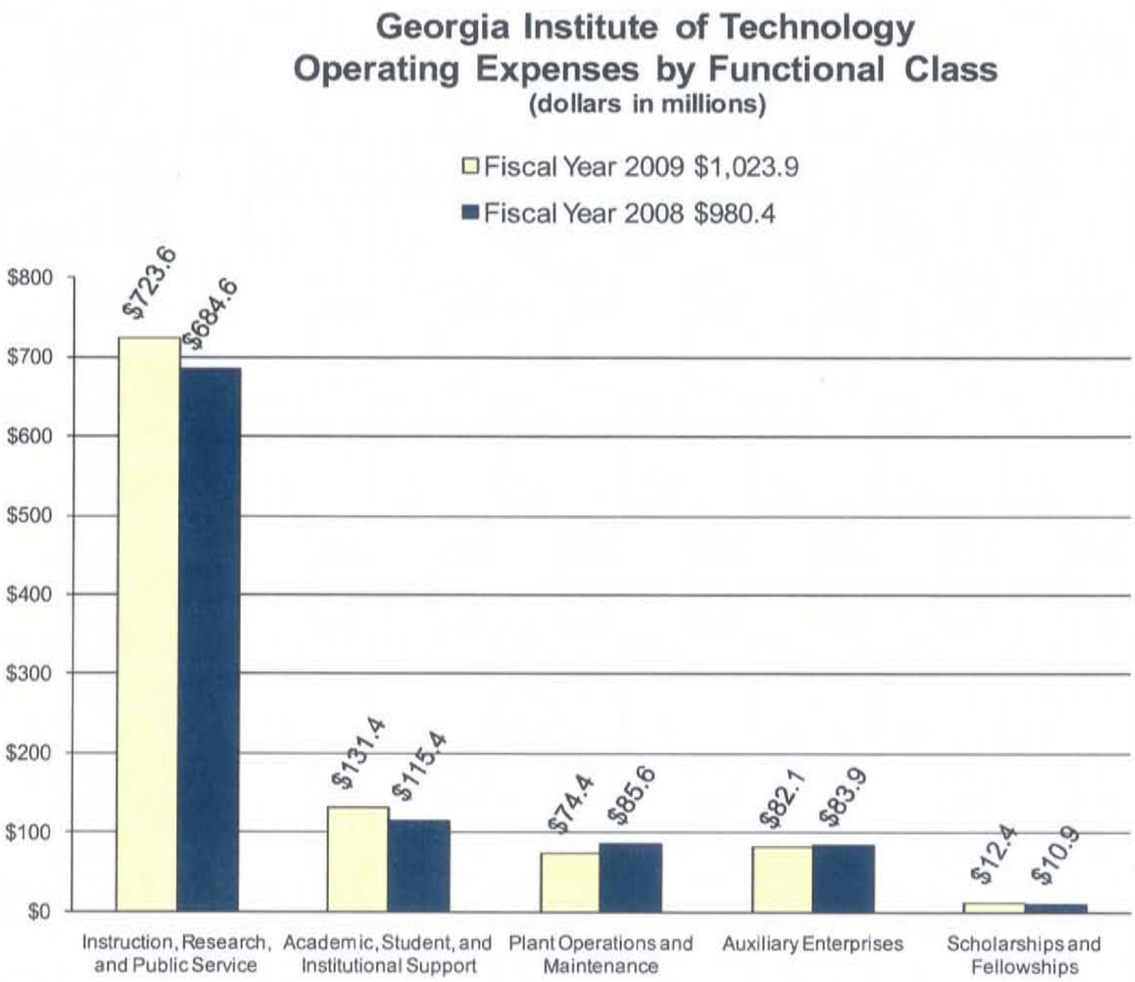
The Statement of Revenue, Expenses and Changes in Net Assets reflects an increase in operating revenues, a decrease in nonoperating revenues, and an increase in capital gifts and grants. Overall, revenue increased by $79.3 million as illustrated in the graph below.



Total operating expenses for the year were approximately $1,023.9 million, an increase of $43.5 million, or 4.7% over the previous year. Significant increases in operating expenses from fiscal year 2008 to fiscal year 2009 include Salaries and Benefits. The Salaries and Benefits category increased by $44.6 million primarily due to an increase in research operations.



In the Operating Expenses by Functional Class graph below, Instruction expenses increased by $8.3 million, Research expenses increased by $30.2 million, and Institutional Support increased by $16.2 million. Plant Operations and Maintenance expenses decreased by $11.1 million. These changes primarily resulted in a $43.5 million increase in operating expenses for the year.



Statement of Cash Flows

The final statement presented by the Georgia Institute of Technology is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the Institute 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 Institute. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

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

Statement of Cash Flows (thousands of dollars)

	June 30, 2009	June 30, 2008
Cash Provided (Used) By:		
Operating Activities	$ -133,004,982	$ -237,262,062
Noncapital Financing Activities	278,134,846	285,398,048
Capital and Related Financing Activities	-152,716,740	-109,360,010
Investing Activities	25,579,897	12,292,080
Net Change in Cash	$ 17,993,021	$ -48,931,944
Cash, Beginning of Year	52,021,402	100,953,346
Cash, End of Year	$ 70,014,423	$ 52,021,402

Capital Assets

The Institute had one significant capital addition in fiscal year 2009. The Marcus Nanotechnology Building was completed this year, resulting in an addition of $105.8 million.

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

Long-Term Liabilities

Georgia Institute of Technology had Long-Term Liabilities of $571,773,326 of which $38,238,141 was reflected as current liability at June 30, 2009.

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

Economic Outlook

The Institute is expecting significant economic challenges in the next fiscal year. Planning guidelines from the USG Chancellor have been received for a 4% to 8% budget cut from the fiscal year 2010 state appropriations which is approximately between $9.4 million and $18.8 million. These cuts are in addition to the $25.5 million, 10% permanent cut in fiscal year 2009. These cuts, coupled with rapidly rising energy costs and increased fixed debt service costs of $5.9 million in the next fiscal year will necessitate management examine all aspects of the Institute's operations, including the primary missions of instruction, research and public service. Enrollment is expected to be stable. While every effort has been made in the past to absorb the brunt of economic downturns in the support services area, this may not be possible given the magnitude of the downturn and the impact of the proposed budget cut.

At the same time the Institute anticipates a bright economic future with the continued growth of the sponsored research program. Sponsored awards grew to $483.2 million in fiscal year 2009 which is an 8.5% increase over the previous fiscal year. In the current fiscal year, sponsored revenue increased by $63.1 million or 13.9%. The Institute expects growth in sponsored research programs to continue in future fiscal years. These revenues should help to mitigate the stagnant or negative growth in other areas.

Georgia Tech students on the Board of Regents' guaranteed fixed for four tuition plans will see no change in their per-credit-hour tuition rate. This plan has, however, been eliminated for incoming freshman as part of Board approval of an overall package of tuition and fees. The Board approved a major tuition increase of 25% for resident incoming freshman. These students will begin paying this new rate for Fall 2009. Nonresident incoming freshman will pay the same per-credit-hour rate charged for Fall 2008, however will effectively be assessed more under the new flat tuition model of 7 or more credit hours.

Georgia Tech is well positioned to receive significant Federal stimulus funds through sponsored awards in the upcoming fiscal year. These funds, in addition to revenue generated from the growth in sponsored awards and revenue generated from tuition increases should help to mitigate the stagnant or negative growth in other areas at the Institute.

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

BASIC FINANCIAL STATEMENTS

EXHIBIT "A"

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF NET ASSETS
JUNE 30, 2009

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	70,014,423
Short-Term Investments		149,039
Accounts Receivable, Net (Note 3)		
Federal Financial Assistance		42,238,430
Other		40,588,768
Inventories (Note 4)		359,986
Prepaid Items		8,358,520
Total Current Assets	$	161,709,166
Noncurrent Assets		
Investments	$	51,010,130
Notes Receivable, Net		10,063,403
Capital Assets, Net (Note 6)		1,522,343,569
Total Noncurrent Assets	$	1,583,417,102
Total Assets	$	1,745,126,268
LIABILITIES		
Current Liabilities		
Accounts Payable	$	23,684,556
Salaries Payable		1,427,932
Benefits Payable		272,300
Contracts Payable		1,012,011
Deposits		28,942,403
Deferred Revenue (Note 7)		14,812,204
Other Liabilities		3,096,306
Deposits Held for Other Organizations		10,421,605
Lease Purchase Obligations		18,806,974
Compensated Absences		19,431,167
Total Current Liabilities	$	121,907,458
Noncurrent Liabilities		
Lease Purchase Obligations	$	517,630,301
Deferred Revenue		5,231,250
Compensated Absences		15,904,884
Total Noncurrent Liabilities	$	538,766,435
Total Liabilities	$	660,673,893
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$	985,906,294
Restricted for:		
Nonexpendable		44,328,287
Expendable		29,850,926
Capital Projects		5,248,672
Unrestricted		19,118,196
Total Net Assets	$	1,084,452,375

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

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2009

EXHIBIT "B"

OPERATING REVENUES		
Student Tuition and Fees	$	180,037,396
Less: Scholarship Allowances		-28,322,488
Grants and Contracts		
Federal		318,127,195
Federal Stimulus		86,954
State		12,999,159
Other		186,615,334
Sales and Services of Educational Departments		15,584,108
Rents and Royalties		1,066,289
Auxiliary Enterprises		
Residence Halls		52,300,671
Bookstore		1,935,758
Food Services		18,184,952
Parking/Transportation		13,173,276
Health Services		6,219,014
Other Organizations		7,252,009
Other Operating Revenues		8,994,787
Total Operating Revenues	$	794,254,414
OPERATING EXPENSES		
Salaries		
Faculty	$	261,660,462
Staff		286,540,591
Employee Benefits		110,167,036
Other Personal Services		688,094
Travel		15,746,039
Scholarships and Fellowships		12,353,479
Utilities		39,050,662
Supplies and Other Services		228,130,476
Depreciation		69,585,408
Total Operating Expenses	$	1,023,922,247
Operating Income (Loss)	$	-229,667,833
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	$	254,937,701
Federal Stimulus Stabilization Funds		2,280,374
Grants and Contracts		
Federal		6,732,250
Gifts		18,321,576
Interest and Other Investment Income		13,064,514
Interest Expense		-27,718,947
Other Nonoperating Revenues/Expense		-16,516,913
Net Nonoperating Revenues	$	251,100,555
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	$	21,432,722
Capital Grants and Gifts		
State	$	56,790,760
Other		1,266,263
Total Other Revenues, Expenses, Gains or Losses	$	58,057,023
Increase (Decrease) in Net Assets	$	79,489,745
Net Assets - Beginning of Year, Restated		1,004,962,630
Net Assets - End of Year	$	1,084,452,375

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

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009

EXHIBIT "C"

CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	$	152,775,488
Grants and Contracts		511,184,892
Sales and Services of Educational Departments		15,328,864
Payments to Suppliers		-375,980,100
Payments to Employees		-545,899,858
Payments for Scholarships and Fellowships		-12,353,479
Loans Issued to Students and Employees		-3,342,134
Collection of Loans to Students and Employees		2,674,818
Auxiliary Enterprise Charges:		
Residence Halls		52,111,151
Bookstore		1,941,808
Food Services		18,170,785
Parking/Transportation		13,221,213
Health Services		6,216,526
Other Organizations		7,146,425
Other Receipts (Payments)		23,798,619
Net Cash Provided (Used) by Operating Activities	$	-133,004,982
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	$	254,937,701
Federal Stimulus - Stabilization Funds		2,280,374
Agency Funds Transactions		-3,250,799
Gifts and Grants Received for Other than Capital Purposes		25,053,826
Other Nonoperating Receipts		-886,256
Net Cash Flows Provided (Used) by Noncapital Financing Activities	$	278,134,846
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Gifts Received	$	8,507,497
Purchases of Capital Assets		-115,972,801
Principal Paid on Capital Debt and Leases		-17,542,135
Interest Paid on Capital Debt and Leases		-27,709,301
Net Cash Provided (Used) by Capital and Related Financing Activities	$	-152,716,740
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	$	5,000,000
Interest on Investments		21,906,530
Purchase of Investments		-1,326,633
Net Cash Provided (Used) by Investing Activities	$	25,579,897
Net Increase (Decrease) in Cash	$	17,993,021
Cash and Cash Equivalents - Beginning of Year		52,021,402
Cash and Cash Equivalents - End of Year	$	70,014,423

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009

EXHIBIT "C"

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (Loss)	$	-229,667,833
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation		69,585,408
Change in Assets and Liabilities:		
Accounts Receivable, Net		8,268,265
Inventories		-38,130
Prepaid Items		5,728,984
Notes Receivable, Net		-667,316
Accounts Payable		4,178,156
Deferred Revenue		-626,908
Other Liabilities		8,181,678
Compensated Absences		2,052,714
Net Cash Provided (Used) by Operating Activities	$	-133,004,982
NONCASH ACTIVITY		
Fixed Assets Acquired by Incurring Capital Lease Obligations	$	10,858,736
Change in Fair Value of Investments Recognized as a Component of Interest Income	$	-8,842,016
Gift of Capital Assets Reducing Proceeds of Capital Grants and Gifts	$	-49,549,526

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

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

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

REPORTING ENTITY

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

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

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

FINANCIAL STATEMENT PRESENTATION

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The State of Georgia implemented GASB Statement No. 34 as of and for the year ended June 30, 2002. As an organizational unit of the State of Georgia, the Institute was also required to adopt GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the GASB and are presented as required by these standards to provide a comprehensive, entity-wide perspective of the Institute's assets, liabilities, net assets, revenues, expenses, changes in net assets, cash flows, and replaces the fund group perspective previously required.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

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

CASH AND CASH EQUIVALENTS

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

SHORT-TERM INVESTMENTS

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

INVESTMENTS

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

ACCOUNTS RECEIVABLE

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVENTORIES

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

NONCURRENT INVESTMENTS

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

CAPITAL ASSETS

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the Institute's capitalization policy includes all items with a unit cost of $5,000 or greater and the useful life meets or exceeds 5 years. Renovations to buildings, infrastructure, and facilities and other improvements are capitalized as betterments when the expenditure for the renovation meets or exceeds the capitalization threshold of $100,000. The Institute uses the parent/child methodology to track the costs of non-research buildings. In this instance, the original asset is considered the "parent" and any improvements that meet the capitalization criteria above are considered "children". The child asset normally takes on the remaining useful life of the parent asset unless it is determined that the child asset increases the useful life of the structure by 25 percent of the original life. In this case, the net book value of the original building is recapitalized along with the eligible improvements as a new asset and the original building asset is retired. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 50 years for buildings, 25 to 75 years for infrastructure, 20 to 50 years for facilities and other improvements, 10 years for library books, and 5 to 10 years for equipment. The Institute depreciates research buildings differently than non-research buildings. Non-research buildings are generally depreciated over 40 to 50 years as indicated above. Research buildings are depreciated by building component such as elevators, general structure, HVAC, roof, etc. The Institute defines building components and the useful lives of those components based on an independent building valuation study. The useful life of these components is generally between 20 and 50 years. Residual values will generally be 10 percent 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CAPITAL ASSETS
For projects managed by GSFIC, the GSFIC retains construction in progress on its books throughout the construction period and transfers the entire project to the Institute when complete. For projects managed by the Institute, the Institute retains construction in progress on its books and is reimbursed by GSFIC. For the year ended June 30, 2009, GSFIC transferred capital additions valued at $96,856,274 ($48,283,263 GSFIC State funded and $48,573,011 Institutional funded) primarily for the Marcus Nanotechnology Building to Georgia Institute of Technology.

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

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

COMPENSATED ABSENCES
Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences in the Statement of Net Assets, and as a component of compensation and benefit expense in the Statements of Revenues, Expenses and Changes in Net Assets. Georgia Institute of Technology had accrued liability for compensated absences in the amount of $33,283,337 as of July 1, 2008. For fiscal year 2009, $23,326,379 was earned in compensated absences and employees were paid $21,273,665, for a net increase of $2,052,714. The ending balance as of June 30, 2009 in accrued liability for compensated absences was $35,336,051.

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

NET ASSETS
The Institute's net assets are classified as follows:

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NET ASSETS

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

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

Expendable Restricted Net Assets include the following:

Restricted - E & G and Other Organized Activities	$	574,275
Federal Loans		6,610,662
Institutional Loans		5,644,938
Quasi-Endowments		17,021,051
Total Restricted Expendable	$	29,850,926

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

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the Institute, and may be used at the discretion of the governing board to meet current expenses for those purposes, except for unexpended state appropriations (surplus). Unexpended state appropriations must be refunded to the Board of Regents of the University System of Georgia, University System Office for remittance to the Office of Treasury and Fiscal Services. At June 30, 2009, there was a surplus balance of $47,719.59 to be refunded. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NET ASSETS

R & R Reserve	$ 13,307,288
Reserve for Encumbrances	12,474,723
Reserve for Inventory	359,985
Other Unrestricted	-7,023,800
Total Unrestricted Net Assets	$ 19,118,196

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

INCOME TAXES

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

CLASSIFICATION OF REVENUES

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

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

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.

SCHOLARSHIP ALLOWANCES

Student tuition and fee revenues, and certain other revenues from students, are reported at gross with a contra revenue account of scholarship allowances in the Statement of Revenues, Expenses and Changes in Net Assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the Institute, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs are recorded as either operating or nonoperating revenues in the Institute's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the Institute has recorded contra revenue for scholarship allowances. Auxiliary Intercollegiate Athletics revenue of $1,715,892 is reported net of discounts and allowances of $124,500.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

RESTATEMENT OF ACCUMULATED DEPRECIATION AND NET ASSETS
During fiscal year 2009, the Institute initiated a project to manage cost and depreciation for Buildings, Facilities and Other Improvements (FOI) and Infrastructure using PeopleSoft Financials. This change was facilitated by the Institute receiving an audit misstatement in fiscal year 2007 for "Understatement of Depreciation Expense and Accumulated Depreciation" for Buildings from the Georgia Department of Audits and Accounts (DOAA) and the Institute receiving an audit recommendation in fiscal year 2008 to "Ensure Capital Assets are Properly Depreciated" by the Board of Regents (BOR). In its internal audit, the BOR recommended that Georgia Institute of Technology utilize PeopleSoft Financials to manage cost and depreciation of buildings.

During the review of cost and depreciation for these assets, the Institute recognized that the methodology being used to calculate asset cost and depreciation for non-research buildings did not follow BOR policy. Thus, during this project, the Institute changed the methodology used to account for cost and depreciation of non-research buildings to the parent/child relationship.

As a result of this review, it was determined that Capital Assets had been overstated by $28,791,989. Capital Assets, being depreciated had been overstated in prior years by an amount of $21,059,336, with Building assets bearing the entire burden for this overstatement. Building depreciation expense had been understated by $6,595,239, Infrastructure depreciation expense being understated by $1,050,001 and Facilities and Other Improvement depreciation expense being understated by $87,413. To correctly reflect carrying values:

1. The beginning balance for Capital Assets, Being Depreciated for Buildings and Building Improvements was restated and reduced by $21,059,336.

2. The beginning balance for Accumulated Depreciation for Buildings and Building Improvements was restated and increased by $6,595,239.

3. The beginning balance for Accumulated Depreciation for Infrastructure was restated and increased by $1,050,001.

4. The beginning balance for Accumulated Depreciation for Facilities and Other Improvement was restated and increased by $87,413.

5. Net Assets - Invested in Capital Assets, Net of Related Debt will be $28,791,989.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

RESTATEMENT OF ACCUMULATED DEPRECIATION AND NET ASSETS
Note 6 and Note 8 reflects these changes in the Restated Beginning Balance column. These changes are in accordance with generally accepted accounting principles.

NOTE 2: DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

At June 30, 2009, the carrying value of deposits was $15,762,489 and the bank balance was $26,657,057. Of the Institute's deposits, $26,596,275 was uninsured. Of these uninsured deposits, $23,007,775 was collateralized with securities held by the pledging financial institution's trust department or agent, and $3,588,500 were uncollateralized.

NOTE 2: DEPOSITS AND INVESTMENTS

INVESTMENTS

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

The Institute's investments as of June 30, 2009 are presented below. All investments are presented by investment type and debt securities are presented by maturity.

Investment Type	Fair Value	Investment Maturity: Less Than 1 Year	1 - 5 Years	6 - 10 Years	More than 10 Years
Debt Securities					
U. S. Treasuries	$ 5,790,894	$ 92,338	$ 2,781,192	$ 2,825,385	$ 91,979
U. S. Agencies					
Explicitly Guaranteed	8,336		297		8,039
Implicitly Guaranteed	4,174,765		2,687,945	383,192	1,103,628
Corporate Debt	2,186,983	108,478	1,114,603	960,746	3,156
	$ 12,160,978	$ 200,816	$ 6,584,037	$ 4,169,323	$ 1,206,802
Other Investments					
Bond/Equity Mutual Funds	649,985				
Equity Mutual Funds	291,202				
Equity Securities - Domestic	800,484				
Real Estate Held for Investment Purposes	341,996				
Investment Pools					
Board of Regents					
Short-Term Fund	26,437,285				
Diversified Fund	36,765,485				
Office of Treasury and Fiscal Services					
Georgia Fund 1	27,763,031				
Georgia Extended Asset Pool	149,039				
	$ 105,359,485				

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 - University System Office (oversight unit). This audit can be obtained from the Georgia Department of Audits - Education Audit Division or on their web site at http://www.audits.state.ga.us/internet/searchRpts.html.

NOTE 2: DEPOSITS AND INVESTMENTS

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

The Georgia Extended Asset Pool, managed by the Office of Treasury and Fiscal Services, is not registered with the Securities and Exchange Commission as an investment company. Net Asset Value (NAV) is calculated daily to determine current share price, which was $2.04 at June 30, 2009. The Georgia Extended Asset Pool is an AAA rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is .97 years.

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

The Effective Duration of the Short-Term Fund is .72 years. Of the Institute's total investment of $26,437,285 in the Short-Term Fund, $26,437,285 is invested in debt securities.

The Effective Duration of the Diversified Fund is 6.26 years. Of the Institute's total investment of $36,765,485 in the Diversified Fund, $14,595,898 is invested in debt securities.

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

At June 30, 2009, $13,827,332 was uninsured and held by the investment's counterparty's trust department or agent, but not in the Institute's name.

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

NOTE 2: DEPOSITS AND INVESTMENTS

INVESTMENTS
The investments subject to credit quality risk are reflected below:

Credit Quality Risk	Fair Value	AAA	AA	A	BAA	Unrated
Related Debt Investments						
U. S. Agencies	$ 4,174,765	$ 4,174,765				
Corporate Debt	2,186,983	74,295	$ 536,652	$ 1,177,473	$ 395,407	$ 3,156
	$ 6,361,748	$ 4,249,060	$ 536,652	$ 1,177,473	$ 395,407	$ 3,156

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

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2008:

Student Tuition and Fees	$ 2,503,704
Auxiliary Enterprises and Other Operating Activities	1,559,401
Federal Financial Assistance	42,238,430
Georgia State Financing and Investment Commission	1,009,754
Other	37,816,346
	$ 85,127,635
Less Allowance for Doubtful Accounts	2,300,437
Net Accounts Receivable	$ 82,827,198

NOTE 4: INVENTORIES

Inventories consisted of the following at June 30, 2009:

Physical Plant	$ 288,130
Other	71,856
Total	$ 359,986

NOTE 5: NOTES/LOANS RECEIVABLE

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2009. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The Federal government reimburses the Institute for amounts cancelled under these provisions. As the Institute determines that loans are uncollectible and not eligible for reimbursement by the Federal government, the loans are written off and assigned to the U. S. Department of Education. The Institute has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2009 the allowance for uncollectible loans was approximately $72,158.

NOTE 6: CAPITAL ASSETS

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

	Beginning Balance July 1, 2008 (Restated)	Additions	Reductions	Ending Balance June 30, 2009
Capital Assets, Not Being Depreciated:				
Land	$ 53,136,446	$ 506,555		$ 53,643,001
Capitalized Collections	17,703,927	33,508		17,737,435
Construction Work-in-Progress	50,476,943	16,909,959	$ 44,177,821	23,209,081
Total Capital Assets, Not Being Depreciated	$ 121,317,316	$ 17,450,022	$ 44,177,821	$ 94,589,517
Capital Assets, Being Depreciated:				
Infrastructure	$ 100,562,400	$ 5,572,410		$ 106,134,810
Building and Building Improvements	1,302,468,280	171,971,981	$ 24,036,275	1,450,403,986
Facilities and Other Improvements	19,133,500	7,360,550		26,494,050
Equipment	358,928,865	40,241,851	30,386,472	368,784,244
Library Collections	94,693,201	4,855,932	14,946	99,534,187
Total Assets Being Depreciated	$1,875,786,246	$ 230,002,724	$ 54,437,693	$2,051,351,277
Less: Accumulated Depreciation:				
Infrastructure	$ 15,068,829	$ 3,057,377		$ 18,126,206
Building and Building Improvements	283,264,600	31,680,246	$ 15,507,656	299,437,190
Facilities and Other Improvements	7,880,425	661,201		8,541,626
Equipment	222,668,732	29,480,378	23,825,577	228,323,533
Library Collections	64,477,410	4,706,206	14,946	69,168,670
Total Accumulated Depreciation	$ 593,359,996	$ 69,585,408	$ 39,348,179	$ 623,597,225
Total Capital Assets, Being Depreciated, Net	$1,282,426,250	$ 160,417,316	$ 15,089,514	$1,427,754,052
Capital Assets, Net	$1,403,743,566	$ 177,867,338	$ 59,267,335	$1,522,343,569

NOTE 7: DEFERRED REVENUE

Current deferred revenue consisted of the following at June 30, 2009:

Prepaid Tuition and Fees	$ 12,367,500
Research	1,416,730
Other Deferred Revenue	1,027,974
Totals	$ 14,812,204

Long-Term deferred revenue totaled $5,231,250.

NOTE 8: LONG-TERM LIABILITIES

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

	Beginning Balance July 1, 2008 (Restated)	Additions	Reductions	Ending Balance June 30, 2009	Current Portion
Leases					
Lease Obligations	$ 543,120,674	$ 10,858,736	$ 17,542,135	$ 536,437,275	$ 18,806,974
Other Liabilities					
Compensated Absences	33,283,337	23,326,379	21,273,665	35,336,051	19,431,167
Total Long-Term Obligations	$ 576,404,011	$ 34,185,115	$ 38,815,800	$ 571,773,326	$ 38,238,141

NOTE 9: SIGNIFICANT COMMITMENTS

The Institute had significant unearned, outstanding, construction or renovation contracts executed in the amount of $11,404,697 as of June 30, 2009. This amount is not reflected in the accompanying basic financial statements.

NOTE 10: LEASE OBLIGATIONS

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

CAPITAL LEASES

Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between 2009 and 2038. Expenditures for fiscal year 2009 were $45,261,082 of which $27,718,947 represented interest. Total principal paid on capital leases was $17,542,135 for the fiscal year ended June 30, 2009. Interest rates range from 3.36 percent to 11.0 percent. The following is a summary of the carrying values of assets held under capital lease at June 30, 2009:

NOTE 10: LEASE OBLIGATIONS

CAPITAL LEASES

Facilities and Other Improvements	$ 338,383
Infrastructure	37,560,930
Land	11,457,418
Buildings	463,493,599
Equipment	18,148,104
Total Assets Held Under Capital Lease	$ 530,998,434

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

Georgia Institute of Technology had thirteen capital leases with related parties in fiscal year 2009. In November 1997, Georgia Institute of Technology entered into a capital lease of $21,560,000 for the Parker H. Petit Institute of Bioengineering and Biosciences Building with the Georgia Tech Research Corporation and Georgia Tech Facilities, Inc., both affiliated organizations. The lease term is for a 30-year period that began November 1997 and expires May 2028. At June 30, 2009 the remaining long-term debt obligation (principal) under the lease was $17,480,000 and the amount due (principal and interest) in the next fiscal year is $1,424,310.

In August 2001, Georgia Institute of Technology entered into a capital lease of $34,335,000 with the Georgia Tech Foundation, Inc. for the "Technology Square - Global Learning Center". Georgia Tech Foundation, Inc., is an affiliated organization of the Institute. The lease term is for a 29-year period that began August 2003 and expires July 2032. At June 30, 2009 the remaining long-term debt obligation (principal) under the lease was $30,605,000 and the amount due (principal and interest) in the next fiscal year is $2,263,494.

In August 2001, Georgia Institute of Technology entered into a capital lease of $56,800,000 with the Georgia Tech Foundation, Inc. for the "Technology Square - College of Management". Georgia Tech Foundation, Inc., is an affiliated organization of the Institute. The lease term is for a 29-year period that began August 2003 and expires July 2032. At June 30, 2009 the remaining long-term debt obligation (principal) under the lease was $50,670,000 and the amount due (principal and interest) in the next fiscal year is $3,769,688.

In August 2001, Georgia Institute of Technology entered into a capital lease of $12,298,200 with the Georgia Tech Foundation, Inc. for the "Technology Square - Enterprise Innovation Institute". Georgia Tech Foundation, Inc., is an affiliated organization of the Institute. The lease term is for a 29-year period that began August 2003 and expires July 2032. At June 30, 2009 the remaining long-term debt obligation (principal) under the lease was $10,959,200 and the amount due (principal and interest) in the next fiscal year is $811,128.

NOTE 10: LEASE OBLIGATIONS

CAPITAL LEASES

In August 2001, Georgia Institute of Technology entered into a capital lease of $21,365,000 with the Georgia Tech Foundation, Inc. for the "Technology Square - Parking Complex". Georgia Tech Foundation, Inc., is an affiliated organization of the Institute. The lease term is for a 29-year period that began August 2003 and expires July 2032. At June 30, 2009 the remaining long-term debt obligation (principal) under the lease was $19,185,000 and the amount due (principal and interest) in the next fiscal year is $1,490,401.

In August 2001, Georgia Institute of Technology entered into a capital lease of $13,010,000 with the Georgia Tech Foundation, Inc., for the "Technology Square - Bookstore". Georgia Tech Foundation, Inc. is an affiliated organization of the Institute. The lease term is for a 29-year period that began August 2003 and expires July 2032. At June 30, 2009 the remaining long-term debt obligation (principal) under the lease was $10,365,000 and the amount due (principal and interest) in the next fiscal year is $1,184,121.

In August 2001, Georgia Institute of Technology entered into a capital lease of $4,490,000 with the Georgia Tech Foundation, Inc. for the "Technology Square - Retail Complex". Georgia Tech Foundation, Inc., is an affiliated organization of the Institute. The lease term is for a 29-year period that began August 2003 and expires July 2032. At June 30, 2009 the remaining long-term debt obligation (principal) under the lease was $3,685,000 and the amount due (principal and interest) in the next fiscal year is $422,497.

In February 2001, Georgia Institute of Technology entered into a capital lease of $44,980,000 with the Georgia Tech Foundation, Inc., for the Institute's Campus Recreation Center. As noted previously, Georgia Tech Foundation, Inc., is an affiliated organization of the Institute. The lease term is for a 30-year period that began February 2001 and expires February 2031. At June 30, 2009 the remaining long-term debt obligation (principal) under the lease was $39,910,000, and the amount due (principal and interest) in the next fiscal year is $3,067,213.

In May 2004, Georgia Institute of Technology entered into a capital lease of $75,205,000 with Georgia Tech Facilities, Inc., an affiliated organization, for a Molecular Sciences and Engineering Building. The lease term is for 29 years and expires in June, 2036. At June 30, 2009 the remaining long-term debt obligation under the lease was $72,585,000 and the amount due (principal and interest) in the next fiscal year is $4,982,625.

In July 2003, Georgia Institute of Technology entered into a capital lease of $60,485,000 with Georgia Tech Facilities, Inc., an affiliated organization, for the Married Family Housing building, including an adjoining parking deck. The lease term is for a 25-year period that began October 2005 and expires on June 2030. At June 30, 2009 the remaining long-term debt obligation under the lease was $54,555,000 and the amount due (principal and interest) in the next fiscal year is $4,277,935.

NOTE 10: LEASE OBLIGATIONS

CAPITAL LEASES

In July 2003, Georgia Institute of Technology entered into a capital lease of $9,835,000 with Georgia Tech Facilities, Inc., an affiliated organization, for the Klaus Advanced Computing Center. The lease term is for a 20-year period that began October 2006 and expires on June 2025. At June 30, 2009 the remaining long-term debt obligation under the lease was $8,790,000 and the amount due (principal and interest) in the next fiscal year is $807,863.

In July 2007, Georgia Institute of Technology entered into a capital lease of $74,455,494 with Georgia Tech Facilities, Inc., an affiliated organization, for a complex of buildings collectively named "North Avenue Apartments", including an adjoining parking deck. The lease term is for 25 years and expires in June, 2032. At June 30, 2009 the remaining long-term debt obligation under the lease was $74,924,652 and the amount due (principal and interest) in the next fiscal year is $5,280,000.

In January 2008, Georgia Institute of Technology entered into a capital lease of $39,705,000 with Georgia Tech Facilities, Inc., an affiliated organization, for an Electrical Sub Station. The lease term is for 30 years and expires in December 2038. At June 30, 2009 the remaining long-term debt obligation under the lease was $39,023,600 and the amount due (principal and interest) in the next fiscal year is $3,000,000.

Georgia Institute of Technology also has one real property capital lease with an unrelated party. In June 2003, the Institute entered into a capital lease of $76,150,584 with the University Financing Foundation for the Technology Square Research Building. The lease term is for a 29-year period that began June 2003 and expires June 2032. At June 30, 2009 the remaining long-term debt obligation (principal) under the lease was $76,435,730 and the amount due (principal and interest) in the next fiscal year is $4,502,947. The Institute may cancel the lease agreement under prescribed terms if sufficient appropriations, revenues, income, grants or other funding sources are not available. The Institute is responsible for most operating costs such as repairs, utilities and insurance for this lease.

The Institute is obligated to various parties for the lease purchase of furniture, fixtures, equipment, and plant infrastructure improvements. These leases have various end dates through June 30, 2018. At June 30, 2009, the remaining long-term debt obligation under these agreements was $27,264,093. The amount due (principal and interest) in the next fiscal year is $8,914,812.

OPERATING LEASES

Georgia Institute of Technology's noncancellable operating leases with remaining terms of more than one year expire in various fiscal years from 2009 through 2010. Certain operating leases provide for renewal options for periods from one to 25 years at their fair rental value at the time of renewal. All agreements are cancelable if the State of Georgia does not provide adequate

NOTE 10: LEASE OBLIGATIONS

OPERATING LEASES

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.

DESCRIPTION OF RELATED PARTY LEASES

In 1994, Georgia Institute of Technology entered into various real property operating leases with related parties including Georgia Tech Research Corporation, (GTRC) Georgia Advanced Technology Ventures (GATV), Inc., and various subsidiaries of GATV. The current agreements are for July 1, 2009 through June 30, 2010 with most of the agreements containing a renewal option. Under these agreements, the Institute is obligated to pay these related parties a total of $7,027,593 in the next fiscal year.

Georgia Institute of Technology's fiscal year 2009 expense for rental of real property and equipment under operating leases was $9,607,995.

FUTURE COMMITMENTS

Future commitments for capital leases (which here and on the Statement of Net Assets include other installment purchase agreements) and for noncancellable operating leases having remaining terms in excess of one year as of June 30, 2009, were as follows:

	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2010	$ 46,199,034	$ 9,452,734
2011	44,913,323	
2012	41,584,863	
2013	41,817,995	
2014	40,194,421	
2015 - 2019	194,152,074	
2020 - 2024	192,968,227	
2025 - 2029	190,121,268	
2030 - 2034	109,782,404	
2035 - 2038	20,460,246	
Total Minimum Lease Payments	$ 922,193,855	$ 9,452,734
Less: Interest	385,756,580	
Principal Outstanding	$ 536,437,275	

NOTE 11: RETIREMENT PLANS

TEACHERS RETIREMENT SYSTEM OF GEORGIA

Plan Description

Georgia Institute of Technology participates in the Teachers Retirement System of Georgia (TRS), a cost-sharing multiple-employer defined benefit 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 Institute of Technology who are covered by TRS are required by State statute to contribute 5% of their gross earnings to TRS. Georgia Institute of Technology makes monthly employer contributions to TRS at rates adopted by the TRS Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2009, the employer contribution rate was 9.28% for covered employees. Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2009	100%	$ 19,485,389
2008	100%	$ 18,963,675
2007	100%	$ 18,025,456

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA

Plan Description

Georgia Institute of Technology participates in the Employees' Retirement System of Georgia (ERS), a single-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 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 benefit structure of ERS is established by the Board of Trustees under statutory guidelines. Unless the employee elects otherwise, an employee who currently maintains membership with

NOTE 11: RETIREMENT PLANS

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA

Plan Description

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

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

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

Funding Policy

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 Institute's payroll for the year ended June 30, 2009, for employees covered by ERS was $568,957. The Institute's total payroll for all employees was $548,201,053.

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

NOTE 11: RETIREMENT PLANS

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA

Funding Policy

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

Fiscal Year	Percentage Contributed	Required Contribution
2009	100%	$ 59,534
2008	100%	$ 59,300
2007	100%	$ 57,305

Actuarial and Trend Information

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

REGENTS RETIREMENT PLAN

Plan Description

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

Funding Policy

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

NOTE 11: RETIREMENT PLANS

REGENTS RETIREMENT PLAN

Funding Policy

Georgia Institute of Technology and the covered employees made the required contributions of \$19,731,472 (8.15% or 9.24%) and \$11,309,687 (5%), respectively.

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

GEORGIA DEFINED CONTRIBUTION PLAN

Plan Description

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

Benefits

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

Contributions

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

Total contributions made by employees during fiscal year 2009 amounted to \$731,526 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 Institute of Technology 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 Institute of Technology, as an organizational unit of the Board of Regents of the University System of Georgia, is part of the State of Georgia reporting entity, and as such, is covered by the State of Georgia risk management program administered by DOAS. Premiums for the risk management program are charged to the various state organizations by DOAS to provide claims servicing and claims payment.

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

Georgia Institute of Technology is responsible for pollution remediation, including asbestos abatement, for all Institute facilities. Asbestos abatement is performed during renovation/construction projects when deemed necessary by Institute management. As of June 30, 2009, the Institute recorded a liability and expense in the amount of $21,507 for asbestos

NOTE 12: RISK MANAGEMENT

abatement projects in the Boggs Chemistry Building and Weber Space Science and Technology Building. The liability is reflected on the Statement of Net Assets in Accounts Payable and on the Statement of Revenues, Expenses and Changes in Net Assets in Supplies and Other Services. The liability was determined using the Expected Cash Flow Measurement Technique, which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. The Institute does not anticipate any significant changes to the expected remediation outlay. There are no expected recoveries that have reduced the liability. Pollution remediation liability activity in fiscal year 2009 was as follows:

	Beginning Balance July 1, 2008	Additions	Reductions	Ending Balance June 30, 2009	Current Portion
Pollution Remediation Obligations	$ 0	$ 21,507	$ 0	$ 21,507	$ 21,507

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 Institute of Technology expects such amounts, if any, to be immaterial to its overall financial position.

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

NOTE 14: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

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

NOTE 14: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

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 Institute 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 2008 and 2009 plan years, the employer rate was approximately 70-75% of the total health insurance cost for eligible retirees and the retiree rate was between 25-30%.

As of June 30, 2009, there were 1,275 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2009, Georgia Institute of Technology recognized as incurred $6,314,554 of expenditures, which was net of $2,748,805 of participant contributions.

NOTE 15: NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

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

	Functional Classification				
Natural Classification	Instruction	Research	Public Service	Academic Support	Student Services
Salaries					
Faculty	$ 103,237,995	$ 144,419,871	$ 6,275,218	$ 5,894,041	$ 242,780
Staff	51,117,124	108,095,273	19,877,443	19,399,794	11,741,454
Employee Benefits	32,983,058	45,739,306	5,861,203	5,933,432	2,476,031
Other Personal Services	50,729	33,726	537,237	9,998	35,751
Travel	3,115,908	10,677,019	883,439	528,780	150,385
Scholarships and Fellowships					
Utilities	2,001,690	2,182,105	312,473	527,708	204,619
Supplies and Other Services	20,409,778	113,336,438	13,127,508	5,159,725	10,813,947
Depreciation	9,529,737	28,171,775	1,694,735	6,914,018	971,767
Total Operating Expenses	$ 222,446,019	$ 452,655,513	$ 48,569,256	$ 44,367,496	$ 26,636,734

	Functional Classification				
Natural Classification	Institutional Support	Plant Operations and Maintenance	Scholarships and Fellowships	Auxiliary Enterprises	Total Operating Expenses
Salaries					
Faculty	$ 1,485,148	$ 105,409			$ 261,660,462
Staff	34,679,302	23,923,678		$ 17,706,523	286,540,591
Employee Benefits	6,809,509	6,238,847		4,125,650	110,167,036
Other Personal Services	13,899	2,095		4,659	688,094
Travel	207,485	72,579		110,444	15,746,039
Scholarships and Fellowships			$ 12,353,479		12,353,479
Utilities	562,241	22,175,074		11,084,752	39,050,662
Supplies and Other Services	9,136,730	16,129,541		40,016,809	228,130,476
Depreciation	7,534,677	5,768,058		9,000,641	69,585,408
Total Operating Expenses	$ 60,428,991	$ 74,415,281	$ 12,353,479	$ 82,049,478	$1,023,922,247

NOTE 16: AFFILIATED ORGANIZATIONS

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement No. 14, *The Reporting Entity*, which became effective for the year ended June 30, 2004, Georgia Tech Athletic Association, Georgia Tech Facilities, Inc., Georgia Tech Foundation, Inc., and Georgia Tech Research Corporation have been determined to be legally separate, tax exempt organizations whose activities primarily support Georgia Institute of Technology, a unit of the University System of Georgia (an organizational unit of the State of Georgia). The State Accounting Office has determined Component Units of the State of Georgia, as required by GASB Statement No. 39, should be assessed in relation to their significance to the State of Georgia. Accordingly, Georgia Institute of Technology has not included financial activity for these affiliated organizations in these financial statements.

Georgia Tech Athletic Association, Georgia Tech Facilities, Inc., Georgia Tech Foundation, Inc., and Georgia Tech Research Corporation have been determined significant to the State of Georgia for the year ended June 30, 2009, and as such, are reported as discretely presented component units in the Comprehensive Annual Financial Report of the State of Georgia (CAFR). The significant discretely presented component units issue separate audited financial statements that can be obtained from the Board of Regents of the University System of Georgia.

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SUPPLEMENTARY INFORMATION

GEORGIA INSTITUTE OF TECHNOLOGY
BALANCE SHEET (NON-GAAP BASIS)
BUDGET FUND
JUNE 30, 2009

SCHEDULE "1"

ASSETS		
Accounts Receivable		
Federal Financial Assistance	$	42,238,430.44
Other		26,037,671.38
Prepaid Expenditures		8,004,136.12
Inventories		288,129.91
Other Assets		8,408,343.40
Total Assets	$	84,976,711.25
LIABILITIES AND FUND EQUITY		
Liabilities		
Cash Overdraft	$	10,149,125.28
Accounts Payable		30,292,005.40
Encumbrance Payable		17,242,867.34
Deferred Revenue		16,666,184.47
Other Liabilities		8,886,410.88
Total Liabilities	$	83,236,593.37
Fund Balances		
Reserved		
Capital Outlay	$	116,724.55
Restricted/Sponsored Funds		231,765.41
Uncollectible Accounts Receivable		1,060,756.60
Inventories		283,151.73
Unreserved		
Surplus		47,719.59
Total Fund Balances	$	1,740,117.88
Total Liabilities and Fund Balances	$	84,976,711.25

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

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF PROGRAM REVENUES AND EXPENDITURES BY FUNDING SOURCE COMPARED TO BUDGET
(NON-GAAP BASIS) BUDGET FUND
YEAR ENDED JUNE 30, 2009

	Original Appropriation	Final Budget	Funds Available Compared to Budget: Current Year Revenues	Prior Year Carry-Over	Total Funds Available	Variance Positive (Negative)
Special Funding Initiatives						
State Appropriation						
State General Funds	$ 649,361.00	$ 1,595,892.00	$ 1,595,892.00	$ 0.00	$ 1,595,892.00	$ 0.00
Research Consortium						
State Appropriation						
State General Funds	$ 9,209,835.00	$ 13,764,992.00	$ 13,764,992.00	$ 0.00	$ 13,764,992.00	$ 0.00
Advanced Technology Development Center						
State Appropriation						
State General Funds	$ 17,891,736.00	$ 11,649,536.00	$ 11,411,678.00	$ 0.00	$ 11,411,678.00	$ -237,858.00
Other Funds	12,875,000.00	12,975,000.00	6,714,535.94	0.00	6,714,535.94	-6,260,464.06
Total Advanced Technology Development Center	$ 30,766,736.00	$ 24,624,536.00	$ 18,126,213.94	$ 0.00	$ 18,126,213.94	$ -6,498,322.06
Georgia Tech Research Institute						
State Appropriation						
State General Funds	$ 8,052,902.00	$ 7,278,208.00	$ 7,129,604.00	$ 0.00	$ 7,129,604.00	$ -148,604.00
Other Funds	133,917,958.00	172,853,420.00	172,020,512.67	0.00	172,020,512.67	-832,907.33
Total Georgia Tech Research Institute	$ 141,970,860.00	$ 180,131,628.00	$ 179,150,116.67	$ 0.00	$ 179,150,116.67	$ -981,511.33
Teaching						
State Appropriation						
State General Funds	$ 253,504,540.00	$ 221,414,858.00	$ 221,414,858.00	$ 0.00	$ 221,414,858.00	$ 0.00
Federal Funds						
American Recovery and Reinvestment Act of 2009						
Federal Stabilization Funds	0.00	2,280,374.00	2,280,374.00	0.00	2,280,374.00	0.00
Other Funds	624,362,220.00	654,687,220.00	584,055,351.90	2,086,730.58	586,142,082.48	-68,745,137.52
Total Teaching	$ 877,866,760.00	$ 878,582,452.00	$ 807,750,583.90	$ 2,086,730.58	$ 809,837,314.48	$ -68,745,137.52
Grand Totals - All Programs	$ 1,060,463,552.00	$ 1,098,699,500.00	$ 1,020,387,798.51	$ 2,086,730.58	$ 1,022,474,529.09	$ -76,224,970.91

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

Expenditures Compared to Budget		Actual							
Actual	Variance Positive (Negative)	Funds Available Over/(Under) Expenditures	Prior Period Adjustments	Other Adjustments	Program Fund Balances	Transfers	Program Fund Balances Reserve	Program Fund Balances Surplus	Total Fund Balance
$ 1,595,892.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
$ 13,764,992.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
$ 11,411,678.00	$ 237,858.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
6,759,629.87	6,215,370.13	-45,093.93	0.00	45,093.93	0.00	0.00	0.00	0.00	0.00
$ 18,171,307.87	$ 6,453,228.13	$ -45,093.93	$ 0.00	$ 45,093.93	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
$ 7,129,604.00	$ 148,604.00	$ 0.00	$ 1,256.02	$ 0.00	$ 1,256.02	$ 0.00	$ 0.00	$ 1,256.02	$ 1,256.02
172,020,512.67	832,907.33	0.00	1.89	0.00	1.89	0.00	0.00	1.89	1.89
$ 179,150,116.67	$ 981,511.33	$ 0.00	$ 1,257.91	$ 0.00	$ 1,257.91	$ 0.00	$ 0.00	$ 1,257.91	$ 1,257.91
$ 221,035,534.68	$ 379,323.32	$ 379,323.32	$ 0.00	$ 0.00	$ 379,323.32	$ -379,323.32	$ 0.00	$ 0.00	$ 0.00
2,280,374.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
594,771,245.83	60,115,974.17	-8,629,163.35	46,461.68	8,598,329.99	15,628.32	379,323.32	348,489.96	46,461.68	394,951.64
$ 818,087,154.51	$ 60,495,297.49	$ -8,249,840.03	$ 46,461.68	$ 8,598,329.99	$ 394,951.64	$ 0.00	$ 348,489.96	$ 46,461.68	$ 394,951.64
$ 1,030,769,463.05	$ 67,930,036.95	$ -8,294,933.96	$ 47,719.59	$ 8,643,423.92	$ 396,209.55	$ 0.00	$ 348,489.96	$ 47,719.59	$ 396,209.55

Unexpendable Reserves	
Uncollectible Accounts Receivable	1,060,756.60
Inventories	283,151.73
	$ 1,740,117.88

GEORGIA INSTITUTE OF TECHNOLOGY
SUMMARY BUDGET COMPARISON AND SURPLUS ANALYSIS REPORT (NON-GAAP BASIS)
BUDGET FUND
YEAR ENDED JUNE 30, 2009

SCHEDULE "2"

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES			
State Appropriation			
State General Funds	$ 255,703,486.00	$ 255,317,024.00	$ -386,462.00
Federal Funds	2,280,374.00	2,280,374.00	0.00
Other Funds	840,715,640.00	762,790,400.51	-77,925,239.49
Total Revenues	$ 1,098,699,500.00	$ 1,020,387,798.51	$ -78,311,701.49
CARRY-OVER FROM PRIOR YEAR			
Transfer from Reserved Fund Balance	0.00	2,086,730.58	2,086,730.58
Total Funds Available	$ 1,098,699,500.00	$ 1,022,474,529.09	$ -76,224,970.91
EXPENDITURES			
Special Funding Initiative	$ 1,595,892.00	$ 1,595,892.00	$ 0.00
Research Consortium	13,764,992.00	13,764,992.00	0.00
Advanced Technology Development Center	24,624,536.00	18,171,307.87	6,453,228.13
Georgia Tech Research Institute	180,131,628.00	179,150,116.67	981,511.33
Teaching	878,582,452.00	818,087,154.51	60,495,297.49
Total Expenditures	$ 1,098,699,500.00	$ 1,030,769,463.05	$ 67,930,036.95
Excess of Funds Available over Expenditures	$ 0.00	$ -8,294,933.96	$ -8,294,933.96
FUND BALANCE JULY 1			
Reserved		3,387,245.25	
Unreserved		379,323.32	
ADJUSTMENTS			
Prior Year Payables/Expenditures		94,308.12	
Prior Year Receivables/Revenues		-46,588.53	
Increase (Decrease) in Inventories		-3,067.35	
Non-Mandatory Transfer		8,689,884.93	
Unreserved Fund Balance (Surplus) Returned to Board of Regents - University System Office Year Ended June 30, 2008		-379,323.32	
Prior Year Reserved Fund Balance Included in Funds Available		-2,086,730.58	
FUND BALANCE JUNE 30		$ 1,740,117.88	
SUMMARY OF FUND BALANCE			
Reserved			
Capital Outlay		$ 116,724.55	
Restricted/Sponsored Funds		231,765.41	
Uncollectible Accounts Receivable		1,060,756.60	
Inventories		283,151.73	
Total Reserved		$ 1,692,398.29	
Unreserved			
Surplus		47,719.59	
Total Fund Balance		$ 1,740,117.88	

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

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GEORGIA INSTITUTE OF TECHNOLOGY
RECONCILIATION OF SALARIES AND TRAVEL
YEAR ENDED JUNE 30, 2009

SCHEDULE "4"

		SALARIES	TRAVEL
Totals per Annual Supplement		$ 545,321,527	$ 15,746,039
Accruals - Payroll			
June 30, 2009		1,427,932	
June 30, 2008		-1,179,452	
Compensated Absences			
June 30, 2009		32,824,943	
June 30, 2008		-30,918,102	
Adjustments			
Shared Services on Jointly Staffed Personnel			
Atlanta Metropolitan College			
James,	Laura	63,750	
Board of Regents of the University System of Georgia			
Barnes,	Rosalind	81,515	
Bearden,	Alison	2,585	
Bradley,	Allison	5,639	
Brown,	JoAnn	41,675	
Engelhard,	David	1,540	
Ervin,	Juanita	6,250	
Hughes,	Michael	22,458	
Jean-Baptiste,	Jimmy	10,834	
Jean-Baptiste,	Rebecca	20,359	
Johnson,	Joy	22,795	
Jones,	Shelia	92,482	
Kilpatrick,	Toyna	2,335	
Mogusa,	Janet	12,420	
Ngari,	Maryclaire	14,575	
Paterson,	Patricia	25,211	
Pevey,	Mark	11,308	
Reaves,	Jonathan	1,400	
Sommer,	Candice	9,243	
Stewart,	Janet	5,961	
Thomas,	Cheryl	30,021	
White,	Jehmia	998	
Wolf-Ward,	Tina	16,180	
North Georgia College and State University			
Monsaas,	Judith	3,983	
Deferred Compensation Plan Dr. Schuster		180,000	
Unidentified Variance		38,688	
		$ 548,201,053	$ 15,746,039

SECTION II

CURRENT YEAR FINDINGS AND QUESTIONED COSTS

GEORGIA INSTITUTE OF TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.