GEORGIA TECH FACILITIES, INC.

FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

with

INDEPENDENT AUDITORS' REPORT

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SMITH & HOWARD
Certified Public Accountants and Advisers

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Georgia Tech Facilities, Inc.

We have audited the accompanying statement of financial position of Georgia Tech Facilities, Inc. (the "Organization") as of June 30, 2011 and 2010 and the related statements of activities and changes in net assets (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Georgia Tech Facilities, Inc. as of June 30, 2011 and 2010 and the changes in its net assets (deficit) and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 8, 2011 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and to not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Organization taken as a whole. The accompanying schedule of expenditures of federal awards on page 22 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the basic financial statements. This schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Smith + Howard

September 8, 2011

GEORGIA TECH FACILITIES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

ASSETS

	2011	2010
Cash and cash equivalents	$ 13,178,903	$ 12,794,667
Restricted cash	15,352,379	27,483,476
Due from related parties (Note 6)	364,443	393,600
Contribution receivable - affiliates (Note 6)	10,260,388	10,566,106
Accounts receivable	704,790	53,500
Lease payment receivable	607,481	3,037,406
Note receivable (Note 6)	4,569,680	5,000,000
Non-investment real estate (Note 3)	1,018,381	1,078,381
Bond issuance cost, net	7,482,061	7,728,731
Bond issuance discount, net	14,670	15,159
Investment in direct financing leases (Note 4)	232,140,223	234,403,196
Prepaid ground lease (Note 4)	5,037,500	5,231,250
Prepaid expense	27,533	18,323
Construction in progress	4,831,642	2,755,864
Total Assets	$ 295,590,074	$ 310,559,659

LIABILITIES AND NET ASSETS (DEFICIT)

	2011	2010
Liabilities:		
Accounts payable	$ 2,113,421	$ 1,321,145
Due to primary government (Note 6)	15,454	5,747,938
Contract retainage payable	420,323	106,767
Accrued bond interest	2,369,645	2,252,700
Lease payable (Note 4)	601,743	2,952,417
Accrued bond issuance premium	5,925,340	6,291,358
Bonds payable - current portion (Note 5)	8,822,246	7,825,411
Bonds payable - noncurrent (Note 5)	293,562,111	296,984,357
Deferred revenue	1,459,130	475,744
Total Liabilities	315,289,413	323,957,837
Net Assets (Deficit)		
Unrestricted net deficit	(29,959,727)	(23,964,284)
Temporarily restricted net assets (Notes 1 and 6)	10,260,388	10,566,106
Total Net Assets (Deficit)	(19,699,339)	(13,398,178)
Total Liabilities and Net Assets	$ 295,590,074	$ 310,559,659

The accompanying notes are an integral part of these financial statements.

GEORGIA TECH FACILITIES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
YEARS ENDED JUNE 30, 2011 AND 2010

	Unrestricted	Temporarily Restricted	2011 Total	Summarized Financial Information 2010
Revenues:				
Support from affiliates - rent	$ 9,974,469	$ -	$ 9,974,469	$ 10,763,134
Support from affiliates - other	381,999	1,601,154	1,983,153	863,755
Interest income	204,582	-	204,582	21,652
Management fees	115,814	-	115,814	32,312
Contribution revenue	-	-	-	1,765,000
Net assets released from restriction	1,906,872	(1,906,872)	-	-
Total Revenues	12,583,736	(305,718)	12,278,018	13,445,853
Program expense:				
Interest	13,820,200	-	13,820,200	12,625,460
Depreciation and amortization	455,633	-	455,633	431,717
Trustee fees	36,866	-	36,866	33,375
Rent - ground lease, electrical substation	193,750	-	193,750	193,750
Insurance and bonding	367,548	-	367,548	401,575
Donation expense (Note 6)	3,358,941	-	3,358,941	17,546
Letter of credit/remarketing fees	-	-	-	64,954
Miscellaneous fees	23,196	-	23,196	26,326
Total Program Expense	18,256,134	-	18,256,134	13,794,703
General and administrative expense:				
Supplies and materials	15,592	-	15,592	21,952
Insurance and bonding	58,781	-	58,781	53,528
Reimbursed administrative costs and salaries - Georgia Tech	181,489	-	181,489	141,627
Professional fees	67,183	-	67,183	138,935
Total General and Administrative Expense	323,045	-	323,045	356,042
Total Expenses	18,579,179	-	18,579,179	14,150,745
Loss on extinguishment of debt	-	-	-	(1,628,623)
Change in value of interest rate swap	-	-	-	(416,648)
Change in net assets	(5,995,443)	(305,718)	(6,301,161)	(2,750,163)
Net assets (deficit), beginning of year	(23,964,284)	10,566,106	(13,398,178)	(10,648,015)
Net assets (deficit), end of year	$ (29,959,727)	$ 10,260,388	$ (19,699,339)	$ (13,398,178)

The accompanying notes are an integral part of these financial statements.

GEORGIA TECH FACILITIES, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Cash Flows from Operating Activities:		
Change in net assets (deficit)	$ (6,301,161)	$ (2,750,163)
Adjustments to reconcile change in net assets (deficit) to net cash required by operating activities:		
Depreciation and amortization	60,000	60,000
Amortization of bond issuance costs and discount	395,633	371,717
Amortization of bond premium costs	(366,018)	(327,942)
Changes in operating assets and liabilities:		
Accounts receivable	(651,290)	(53,500)
Due from related parties	29,157	31,233
Contribution receivable - affiliates	305,718	(1,427,537)
Lease payment receivable	2,429,925	2,429,924
Note receivable	430,320	(5,000,000)
Investment in direct financing leases	2,262,973	9,040,078
Prepaid ground lease	193,750	193,750
Prepaid expense	(9,210)	54,644
Accrued bond interest	116,945	281,674
Accounts and contract retainage payable	1,105,832	(1,450,138)
Due to primary government	(5,732,484)	3,283,307
Interest rate swap	-	(5,138,353)
Deferred revenue	983,386	(335,594)
Net Cash Required by Operating Activities	(4,746,524)	(736,900)
Cash Flows from by Investing Activities:		
Deletions from (additions to) capitalized development costs, net	(2,075,778)	46,013
Net Cash Provided (Required) by Investing Activities	(2,075,778)	46,013
Cash Flows from Financing Activities:		
Payments on lease payable	(2,350,674)	(2,263,117)
Repayments of bonds payable	(7,825,411)	(7,498,411)
Proceeds from bonds payable	5,251,526	28,175,762
Loss on extinguishment of debt	-	1,628,623
Net Cash Provided (Required) by Financing Activities	(4,924,559)	20,042,857
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	(11,746,861)	19,351,970
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	40,278,143	20,926,173
Cash and Cash Equivalents and Restricted Cash, End of Year	$ 28,531,282	$ 40,278,143

Supplemental Disclosures of Cash Flow Information

	2011	2010
Cash paid during the year for interest	$ 13,703,255	$ 12,343,786

The accompanying notes are an integral part of these financial statements.

GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Georgia Tech Facilities, Inc. (the "Organization") was incorporated as Georgia Tech Foundation Facilities, Inc. in the State of Georgia in 1985 as a not-for-profit corporation. The Organization dropped "Foundation" from its name in 1999 to highlight that it is separate from and not affiliated with the Georgia Tech Foundation, Inc. The purpose of the Organization is to construct buildings and other facilities as appropriate to meet the needs and goals of the Georgia Institute of Technology ("GIT"). Funding for construction is obtained by the Organization from contributions or from financing with debt service funded by support from various sources.

Basis of Accounting and Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("GAAP").

The financial statements of the Organization have been prepared on the accrual basis of accounting. The financial statement presentation follows the recommendations of GAAP. Under GAAP, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Temporarily restricted net assets include purpose restricted gifts of $10,260,388 and $10,566,106 at June 30, 2011 and 2010, respectively (see Note 6).

Contributions Received

The Organization accounts for contributions received in accordance with GAAP. Under GAAP, contributions and unconditional promises to give are required to be recognized as revenue in the period received at their fair value. All promises to give and gifts received were donated by other cooperative organizations of GIT. These amounts were restricted by the donors to be used for projects administered by the Organization.

Support From Affiliates – Rent

The organization recognizes facility rental revenue as it accrues. Rental payments received in advance are deferred until earned.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates and Assumptions

The Organization uses estimates and assumptions in preparing consolidated financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents and Restricted Cash

The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Restricted cash relates to funds that are restricted for use only on the North Avenue Apartments Dining facility, the Carbon-Neutral Energy Solution Laboratory building, the 14th Street Building renovation, and the Academy of Medicine renovation.

Long-Lived Assets

Gifts associated with the construction of long-lived assets are reported as restricted support until the asset is placed in service. Buildings are depreciated on a straight-line basis over a useful life of 30 years.

Bond Issuance Costs

Bond issuance costs directly attributable to securing financing and the related discounts are amortized over the period the bonds are outstanding, and are presented net of accumulated amortization of $1,597,642 and $1,202,497 at June 30, 2011 and 2010, respectively.

Fair Value of Financial Instruments

Cash and cash equivalents, restricted cash, interest rate swaps, receivables, accounts and contract retainage payable and lease payables are carried at amounts which approximate their fair value due to the short-term nature of these instruments. Bonds payable are carried at the amount owed, less the discount, which approximates fair value.

Construction in Progress

The Organization records capitalized development costs for construction expenditures and capitalized interest related to uncompleted construction projects. As of June 30, 2011 and 2010, the amounts capitalized were $4,831,642 and $2,755,864, respectively.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through September 8, 2011, the date which the financial statements were available to be issued.

Tax Status

The Organization has received a ruling from the Internal Revenue Service that it is exempt from Federal income tax under Section 501(a) as an organization described in Section 501 (c)(3) of the Internal Revenue Code.

The Organization annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Organization takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. The Organization is no longer subject to tax examinations for tax years ending before June 30, 2008.

NOTE 2 – CONCENTRATIONS

The Organization is potentially subject to concentrations of credit risk in its cash and cash equivalents balances. Cash and cash equivalents are held on deposit at various banks, and are insured by the Federal Deposit Insurance Corporation (“FDIC”) to a maximum of $250,000. The total amount of cash in excess of FDIC insurance at June 30, 2011 is $12,928,903.

As a result of liquidity issues experienced in the global credit and capital markets, it is at least reasonably possible that changes in risks in the near term could occur which in turn could further materially affect the amounts reported in the accompanying financial statements.

The Organization receives significant resources from GIT and related organizations. An interruption of this support could cause substantial doubt in the Organization's ability to continue as an independent entity.

NOTE 3 – NON-INVESTMENT REAL ESTATE

The Organization's real estate consists of the Habersham Building, which is located on the GIT campus. The building was placed into service in 1997. A summary of real estate at June 30 is as follows:

	2011	2010
Land	$ 598,381	$ 598,381
Building	1,200,000	1,200,000
	1,798,381	1,798,381
Less accumulated depreciation	(780,000)	(720,000)
	$ 1,018,381	$ 1,078,381

Depreciation expense was $60,000 during the years ended June 30, 2011 and 2010.

NOTE 4 – LEASING ARRANGEMENTS

The Organization's Statement of Financial Position includes Investments in Direct Financing Leases based on the cost of construction. The balance of the minimum lease payments and the unearned income (present-valued interest component) decrease by the straight-line method over the life of the lease. The components of the net investment in direct financing leases as of June 30 are as follows:

2011	Minimum lease payment receivable	Less unearned income	Net investment in direct financing lease
Series 1997B/2008-Bioengineering and Bioscience Building	$ 24,224,250	$ (6,114,124)	$ 18,110,126
Series 2003-Family Housing and Klaus Parking	90,665,818	(41,116,581)	49,549,237
Series 2004-Molecular Science and Engineering Building	130,000,000	(65,854,905)	64,145,095
Series 2005-Electrical Substation and System	85,500,000	(55,509,563)	29,990,437
Series 2007-North Avenue Apartments	110,880,000	(48,784,672)	62,095,328
Series 2010A-North Avenue Apartments - Dining	14,700,000	(6,450,000)	8,250,000
Total	$ 455,970,068	$ (223,829,845)	$ 232,140,223

NOTE 4 – LEASING ARRANGEMENTS (Continued)

2010	Minimum lease payment receivable	Less unearned income	Net investment in direct financing lease
Series 1997B/2008-Bioengineering and Bioscience Building	$ 25,650,125	$ (6,453,798)	$ 19,196,327
Series 2003-Family Housing and Klaus Parking	95,746,702	(43,280,611)	52,466,091
Series 2004-Molecular Science and Engineering Building	135,000,000	(68,387,786)	66,612,214
Series 2005-Electrical Substation and System	88,500,000	(57,423,686)	31,076,314
Series 2007-North Avenue Apartments	116,160,000	(51,107,750)	65,052,250
Total	$ 461,056,827	$ (226,653,631)	$ 234,403,196

In connection with the Revenue Bonds, the Organization entered into the following leasing arrangements:

Carbon-Neutral Energy Solutions Laboratory

The Organization leased land on the GIT campus, from the Board of Regents, on which to construct a Carbon-Neutral Energy Solutions Laboratory. The ground lease was signed on June 23, 2010, and has a primary term from Issuance of Certificate of Occupancy until 30 years from the completion of the Carbon-Neutral Energy Solutions Laboratory. The Certificate of Occupancy is expected to be received in the year ending June 30, 2012. Use of the land reverts back to the Board of Regents at the end of the lease term.

On June 23, 2010, the Organization entered into a Rental Agreement with the Board of Regents whereby the Organization agreed to lease the Carbon-Neutral Energy Solutions Laboratory to the Board of Regents. The initial agreement term commences with the issuance of a Certificate of Occupancy. A Certificate of Occupancy has not been issued at June 30, 2011, and the lease term has not commenced. The Board of Regents has the exclusive option to annually renew the lease on a year-to-year basis, for thirty (30) consecutive years at a fixed annual rate that is sufficient to enable the Organization to pay debt service on the Series 2010A Bonds, as described in Note 5.

NOTE 4 – LEASING ARRANGEMENTS (continued)

North Avenue Apartments – Dining Hall

On June 23, 2010, the Organization amended the Rental Agreement with the Board of Regents dated July 23, 2007, whereby the Organization agreed to lease the North Avenue Apartments to the Board of Regents. The amendment extended the Board of Regents option to renew the Rental Agreement on a year-to-year basis for twenty-eight (28) consecutive years. In the event of such annual renewals, the Board of Regents will be obligated to pay an annual rent which the Organization has determined to be sufficient to pay the debt service on the Series 2007A Bonds, Series 2009B-1 Bonds, Series 2009B-2 Bonds, and Series 2010A Bonds, as described in Note 5.

14th Street Building Renovation

On June 23, 2010, the Organization entered into a Construction Loan Agreement with Georgia Advanced Technology Ventures, Inc. ("GATV") whereby the Organization agreed to renovate the 14th Street Building. The agreement commenced on July 1, 2010 with a maturity date of June 1, 2020. The Schedule of Payments for this agreement is sufficient to enable the Organization to pay debt service on the Series 2010A Bonds, as described in Note 5.

Electrical Substation and System

During the year ended June 30, 2006, in accordance with the terms of the lease, the Organization made a payment of $6,200,000 representing payment for the entire term of the lease. The payment was initially recorded as a prepaid expense, and will be recognized as an expense on a straight-line basis over the life of the ground lease. For each of the years ended June 30, 2011 and 2010, rental expense under this agreement was $193,750, and at June 30, 2011 and 2010, the related prepaid expense was $5,037,500 and $5,231,250, respectively.

Telecommunications

Effective April 15, 2007, the Organization entered into an installment sale agreement with GIT for telecommunications equipment and installation. The agreement is renewable at the option of GIT, annually on July 1 for five successive one-year terms. The total extended term of the agreement will be approximately 63 months, to July 15, 2011. Should GIT fail to exercise its options to renew, it must pay the remaining principal balance plus accrued interest as additional rent.

NOTE 4 – LEASING ARRANGEMENTS (continued)

Telecommunications (Continued)

In order to finance this equipment, the Organization (as sub-lessee) entered into a Master Lease and Sublease Agreement with SunTrust Leasing Corporation (as lessor) and the Development Authority of Fulton County (as lessee) in the amount of $9,733,571. Future minimum lease payments consist of $601,743 due in 2012.

NOTE 5 – BONDS PAYABLE

Bonds payable at June 30 consists of the following:

	2011	2010
$70,320,000 Series 2003-Family Housing and Klaus Parking bonds, payable in annual interest installments until 2030 at rates between 3.50% and 5.25%.	$ 59,375,000	$ 61,395,000
$75,205,000 Series 2004-Molecular Science and Engineering Building bonds, payable in annual interest installments until 2036 at rates between 3.75% and 5.25%.	69,790,000	71,210,000
$7,295,000 Series 2005B-Electrical Substation and System bonds, payable in annual interest installments until 2017 at rates between 4.92% and 5.30%.	4,950,000	5,775,000
$24,540,000 Series 2007-North Avenue Apartments bonds, payable in annual interest installments until 2032 at a fixed rate of 5.00%.	24,540,000	24,540,000
$19,900,000 Series 2008-Bioengineering and Bioscience Building bonds, payable in annual interest installments until 2027 at a fixed rate of 3.93%.	17,798,000	18,525,000

NOTE 5 – BONDS PAYABLE (Continued)

	2011	2010
$37,175,000 Series 2009A-Electrical Substation and System bonds, payable in annual interest installments until 2040 at rates between 3.25% and 5.00%. (a)	37,175,000	37,175,000
$30,580,000 Series 2009B-1-North Avenue Apartments bonds, payable in annual interest installments until 2032 at rates between 2.50% and 5.00%. (b)	30,580,000	30,580,000
$15,280,000 Series 2009B-2-North Avenue Apartments bonds, payable in annual interest installments until 2020 at rates between 3.00% and 5.00%. (c)	11,210,000	13,070,000
$27,270,000 Series 2010A-Carbon-Neutral Laboratory/ North Avenue Apartments-Dining Hall/14th Street Building bonds, payable in annual interest installments until 2041 at rates between 2.00% and 5.00%. (d)	26,850,000	27,270,000
$10,555,000 Series 2010B Wardlaw/Habersham/ Success Center bonds, payable in annual interest installments until 2027 at rates between 2.00% and 4.00%. (e)	10,205,000	10,555,000
$5,400,000 Series 2010C Academy of Medicine bonds, payable in annual interest installments until 2031 at a fixed rate of 4.35%. (f)	5,400,000	-
	297,873,000	300,095,000
Series 2003 interest rate swaption premium (g)	1,817,391	1,913,043
Series 2004 interest rate swaption premium (h)	2,693,966	2,801,725
	$302,384,357	$304,809,768

NOTE 5 – BONDS PAYABLE (Continued)

The following represents the mandatory bond principal redemptions on the above bonds payable for the years ending June 30:

2012	$ 8,619,000
2013	9,087,000
2014	9,476,000
2015	9,872,000
2016	10,260,000
Thereafter	250,559,000
	$297,873,000

(a) Series 2009A

In July 2009, the Organization issued $37,175,000 Series 2009A Refunding Revenue Bonds. The proceeds of the bonds were used to refund the Series 2008A variable rate bonds (the “Electrical Substation project”) and to pay certain cost of issuance of the bonds.

(b) Series 2009B-1

In July 2009, the Organization issued $30,580,000 Series 2009B-1 Refunding Revenue Bonds. The proceeds of the bonds were used to refund the Series 2008B variable rate bonds (the “North Avenue Apartment Complex project”) and to pay certain cost of issuance of the bonds.

(c) Series 2009B-2

In August 2009, the Organization issued $15,280,000 Series 2009B-2 Refunding Revenue Bonds. The proceeds of the bonds were used to refund the Series 2008D variable rate bonds (the “North Avenue Apartment Complex project – GSU”) and to pay certain cost of issuance of the bonds.

(d) Series 2010A

In June 2010, the Organization issued $27,270,000 Series 2010A Revenue Bonds. The proceeds of the bonds were used to finance the costs of issuance of the bonds and the construction, improvements and renovation of the:

i. North Avenue Apartment Dining Hall and complex improvements;
ii. Carbon-Neutral Energy Solution Laboratory;
iii. 14th Street Building renovation.

NOTE 5 – BONDS PAYABLE (Continued)

(e) Series 2010B

In June 2010, the Organization issued $10,555,000 Series 2010B Refunding Revenue Bonds. The proceeds of the bonds were used to refund the variable rate Series 2008C bonds to pay certain costs associated with the termination of a swap related to the Refunded bonds as well as certain cost of issuance of the bonds.

(f) Series 2010C

In August 2010, the Organization issued $5,400,000 Series 2010C Revenue Bonds. The proceeds of the bonds were used to finance the renovations and improvements for the Academy of Medicine Building as well as certain costs of issuance and capitalized interest.

(g) Series 2003

On October 19, 2007, the Organization entered into an interest rate swap option agreement (swaption) with UBS AG with regard to the Series 2003 Revenue Bonds. Under the agreement, UBS AG has the option, exercisable ten years after the date of bond issuance and six consecutive six-month periods thereafter, to enter into a variable to fixed rate swap. The swaption premium generated by this agreement was an upfront payment to the Organization of $2,200,000.

The swaption premium is recorded as a component of bonds payable in the Statement of Financial Position and is being amortized on a straight-line basis over the remaining life of the bonds. The amortization of the swaption premium is recorded as a component of interest expense in the Statement of Activities and Changes in Net Assets (Deficit). At June 30, 2011 and 2010, the unamortized value on the accompanying Statement of Financial Position is $1,817,391 and $1,913,043, respectively.

(h) Series 2004

On October 15, 2007, the Organization entered into an interest rate swap option agreement (swaption) with UBS AG with regard to the Series 2004 Revenue Bonds. Under the agreement, UBS has the option, exercisable ten years after the date of bond issuance and six consecutive six month periods thereafter, to enter into a variable to fixed rate swap. The swaption premium generated by this agreement was an upfront payment to the Organization of $3,125,000.

NOTE 5 – BONDS PAYABLE (Continued)

(h) Series 2004 (Continued)

The swaption premium is recorded as a component of bonds payable in the Statement of Financial Position and is being amortized on a straight-line basis over the remaining life of the bonds. The amortization of the swaption premium is recorded as a component of interest expense in the Statement of Activities and Changes in Net Assets (Deficit). At June 30, 2011 and 2010, the unamortized value on the accompanying Statement of Financial Position is $2,693,966 and $2,801,725, respectively.

NOTE 6 – RELATED PARTIES

Payment of the principal and related interest and fees on the Series 2010B Bonds has been guaranteed by Georgia Tech Foundation, Inc. (the "Foundation") through a Commitment of Support dated as of May 10, 2010. The Foundation is a separate not-for-profit corporation, which was formed in 1932 primarily to raise and receive funds to support GIT. Certain members of the Board of Directors (the "Board") of the Organization also serve as trustees of the Foundation. The unconditional promise to pay future bond payments from the Foundation is recorded as contributions receivable in the financial statements in accordance with GAAP. The total contribution receivable recorded at June 30, 2011 and 2010 is $10,260,388 and $10,566,106, respectively, on the Series 2010B Bonds and is paid according to the debt schedule in Note 5 after the use of any cash held by the Organization.

On December 15, 2009, the Organization entered into a binding Memorandum of Understanding with GIT to confirm the responsibilities in connection with the planning, design, financing, and construction of a Carbon-Neutral Energy Solutions Lab Building on the GIT campus. The Organization is responsible for the financing, design, and construction of the $24,000,000 project and assesses a management fee of three-quarters percent payable by the project funding. This project is jointly funded with a tax exempt bond issue by the Organization and a federal grant from the National Institute of Standards & Technology.

On December 15, 2009, the Organization entered into a binding Memorandum of Understanding with GIT to confirm the responsibilities in connection with the planning, design, financing, and construction of the North Avenue Apartments Student Dining Hall on the GIT campus. The Organization is responsible for the financing, design, and construction of the $8,250,000 project and assesses a management fee of three-quarters percent payable by the project funding. At June 30, 2010, amounts due from GIT totaled approximately $829,000 and were included in Due to Primary Government in the accompanying Statement of Financial Position. At June 30, 2011, no amounts were due from GIT.

NOTE 6 – RELATED PARTIES (Continued)

On May 1, 2010, the Organization entered into a Construction Loan Agreement for $5,000,000 with GATV for the renovation of the 14th Street Building. The Organization and GATV share common officers. As of June 30, 2010, the Organization recorded a Note Receivable of $5,000,000 in the accompanying Statement of Financial Position. The Organization has provided $4,984,546 of improvements to the property as of June 30, 2011 and has recorded a liability of $15,454 which is included in Due to Primary Government in the accompanying Statement of Financial Position. At June 30, 2010 the amounts due to Primary Government were $4,918,938.

During the year ended June 30, 2011, construction was completed on the Physiological Research Laboratory and the 2nd floor of the West Tower of the Molecular Science & Engineering Building. The Organization donated these assets to GIT based on the construction cost of $3,358,941, which is included as donation expense in the accompanying Statement of Activities and Changes in Net Assets (Deficit).

On February 17, 2010, the Organization entered into a binding Memorandum of Understanding with GIT to confirm the responsibilities in connection with the planning, design, financing, and construction of renovations and improvements to the Academy of Medicine Building on the GIT campus. The Organization is responsible for the planning, design, financing and construction of the $5,400,000 project and assesses a management fee of three-quarters percent payable by the project funding. This project is jointly funded with a tax exempt bond issue by the Organization and private funds received from the Georgia Tech Foundation, Inc.

For the years ended June 30, 2011 and 2010, the Organization charged management fees of $115,814 and $32,312, respectively, related to certain of the aforementioned projects.

NOTE 7 – FINANCIAL INFORMATION FOR 2010

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

SUPPLEMENTARY INFORMATION

GEORGIA TECH FACILITIES, INC.

REPORTS AND OTHER SCHEDULES AND INFORMATION

AS REQUIRED BY OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2011

GEORGIA TECH FACILITIES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Award Number	Pass-Through Identifying Number	Total Expenditures
Department of Commerce				
ARRA - National Institute of Standards and Technology Construction Grant Program	11.618	60NANB10D034	N/A	$ 816,616
Total Department of Commerce				$ 816,616

Notes to Schedule of Expenditures of Federal Awards

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Georgia Tech Facilities, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Trustees
Georgia Tech Facilities, Inc.

We have audited the financial statements of Georgia Tech Facilities, Inc. (the "Organization") as of and for the year ended June 30, 2011, and have issued our report thereon dated September 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the internal controls of the Organization over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Organization are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Trustees, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Smith + Howard

September 8, 2011

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**The Board of Trustees
Georgia Tech Facilities, Inc.**

We have audited the compliance of Georgia Tech Facilities, Inc. (the "Organization") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2011. The major federal program of the Organization is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Organization's management. Our responsibility is to express an opinion on the compliance of the Organization based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the compliance of the Organization with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the internal control of the Organization over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of the Board of Trustees, management, and the federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Smith + Howard

September 8, 2011

GEORGIA TECH FACILITIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ yes	X no
Significant deficiencies identified that are not considered to be material weakness(es)?	none reported	
Noncompliance material to financial statements noted?	____ yes	X no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	____ yes	X no
Significant deficiencies identified that are not considered to be material weakness(es)?	none reported	
Type of auditor's report issued on compliance of major programs:	Unqualified	
Any audit findings disclosed that are required to be Reported in accordance with Section 510(a) of OMB Circular A-133?	____ yes	X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
11.618	ARRA – National Institute of Standards and Technology Construction Grant Program

GEORGIA TECH FACILITIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Section I – Summary of Auditor's Results (Continued)

Dollar threshold used to distinguish between type A and type B programs:	$ 300,000	
Auditee qualified as low-risk auditee?	____ yes	X no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Summary Schedule of Prior Audit Findings and Questioned Costs

None