GEORGIA TECH FACILITIES, INC.

FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

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, 2012 and 2011 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, 2012 and 2011 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 5, 2012 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 21 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 5, 2012

GEORGIA TECH FACILITIES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

ASSETS

	2012	2011
Cash and cash equivalents	$ 11,023,390	$ 13,178,903
Restricted cash	1,916,909	15,352,379
Due from related parties (Note 6)	334,356	364,443
Contribution receivable - affiliates (Note 6)	9,768,765	10,260,388
Accounts receivable	635,187	704,790
Lease payment receivable	-	607,481
Note receivable (Note 6)	4,148,355	4,569,680
Non-investment real estate (Note 3)	958,381	1,018,381
Bond issuance cost, net	7,086,917	7,482,061
Bond issuance discount, net	14,181	14,670
Investment in direct financing leases (Note 4)	238,341,506	232,140,223
Prepaid ground lease (Note 4)	4,843,750	5,037,500
Prepaid expense	23,713	27,533
Construction in progress	3,119,625	4,831,642
Total Assets	$ 282,215,035	$ 295,590,074

LIABILITIES AND NET ASSETS (DEFICIT)

	2012	2011
Liabilities:		
Accounts payable	$ 1,848,062	$ 2,113,421
Due to primary government (Note 6)	-	15,454
Contract retainage payable	1,277,706	420,323
Accrued bond interest	2,292,557	2,369,645
Lease payable (Note 4)	-	601,743
Accrued bond issuance premium	5,559,321	5,925,340
Bonds payable - current portion (Note 5)	9,290,182	8,822,246
Bonds payable - noncurrent (Note 5)	284,271,929	293,562,111
Deferred revenue	131,251	1,459,130
Total Liabilities	304,671,008	315,289,413
Net Assets (Deficit)		
Unrestricted net deficit	(33,034,737)	(29,959,727)
Temporarily restricted net assets (Notes 1 and 6)	10,578,764	10,260,388
Total Net Assets (Deficit)	(22,455,973)	(19,699,339)
Total Liabilities and Net Assets	$ 282,215,035	$ 295,590,074

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, 2012 AND 2011

	Unrestricted	Temporarily Restricted	2012 Total	Summarized Financial Information 2011
Revenues:				
Support from affiliates - rent	$ 10,131,395	$ -	$ 10,131,395	$ 9,974,469
Support from affiliates - other	350,689	1,023,434	1,374,123	1,983,153
Interest income	316,107	-	316,107	204,582
Management fees	181,440	-	181,440	115,814
Net assets released from restriction	705,058	(705,058)	-	-
Total Revenues	11,684,689	318,376	12,003,065	12,278,018
Program expense:				
Interest	13,143,613	-	13,143,613	13,820,200
Depreciation and amortization	455,633	-	455,633	455,633
Trustee fees	44,668	-	44,668	36,866
Rent - ground lease, electrical substation	193,750	-	193,750	193,750
Insurance and bonding	336,341	-	336,341	367,548
Donation expense (Note 6)	307,007	-	307,007	3,358,941
Miscellaneous fees	28,772	-	28,772	23,196
Total Program Expense	14,509,784	-	14,509,784	18,256,134
General and administrative expense:				
Supplies and materials	5,141	-	5,141	15,592
Insurance and bonding	57,797	-	57,797	58,781
Reimbursed administrative costs and salaries - Georgia Tech	107,996	-	107,996	181,489
Professional fees	78,981	-	78,981	67,183
Total General and Administrative Expense	249,915	-	249,915	323,045
Total Expenses	14,759,699	-	14,759,699	18,579,179
Change in net assets	(3,075,010)	318,376	(2,756,634)	(6,301,161)
Net assets (deficit), beginning of year	(29,959,727)	10,260,388	(19,699,339)	(13,398,178)
Net assets (deficit), end of year	$ (33,034,737)	$ 10,578,764	$ (22,455,973)	$ (19,699,339)

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

GEORGIA TECH FACILITIES, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Cash Flows from Operating Activities:		
Change in net assets (deficit)	$ (2,756,634)	$ (6,301,161)
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	395,633
Amortization of bond premium costs	(366,018)	(366,018)
Changes in operating assets and liabilities:		
Accounts receivable	69,603	(651,290)
Due from related parties	30,087	29,157
Contribution receivable - affiliates	491,623	305,718
Lease payment receivable	607,481	2,429,925
Note receivable	421,325	430,320
Investment in direct financing leases	(6,201,283)	2,262,973
Prepaid ground lease	193,750	193,750
Prepaid expense	3,820	(9,210)
Accrued bond interest	(77,088)	116,945
Accounts and contract retainage payable	592,024	1,105,832
Due to primary government	(15,454)	(5,732,484)
Deferred revenue	(1,327,880)	983,386
Net Cash Required by Operating Activities	(7,879,011)	(4,746,524)
Cash Flows from Investing Activities:		
Deletions from (additions to) capitalized development costs, net	1,712,017	(2,075,778)
Net Cash Provided (Required) by Investing Activities	1,712,017	(2,075,778)
Cash Flows from Financing Activities:		
Payments on lease payable	(601,743)	(2,350,674)
Repayments of bonds payable	(8,822,246)	(7,825,411)
Proceeds from bonds payable	-	5,251,526
Net Cash Required by Financing Activities	(9,423,989)	(4,924,559)
Net Decrease in Cash and Cash Equivalents and Restricted Cash	(15,590,983)	(11,746,861)
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	28,531,282	40,278,143
Cash and Cash Equivalents and Restricted Cash, End of Year	$ 12,940,299	$ 28,531,282

Supplemental Disclosures of Cash Flow Information

	2012	2011
Cash paid during the year for interest	$ 13,220,700	$ 13,703,255

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

GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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 $10,578,764 and $10,260,388 at June 30, 2012 and 2011, 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 Carbon-Neutral Energy Solutions Laboratory building.

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 $1,992,785 and $1,597,642 at June 30, 2012 and 2011, respectively.

Fair Value of Financial Instruments

Cash and cash equivalents, restricted cash, 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, 2012 and 2011, the amounts capitalized were $3,119,625 and $4,831,642, respectively.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through the date of this report, which is the date 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, 2009.

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, 2012 is $10,773,390.

The Organization receives significant resources from GIT and related organizations pursuant to various agreements, including a memorandum of understanding between the Organization and GIT. 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:

	2012	2011
Land	$ 598,381	$ 598,381
Building	1,200,000	1,200,000
	1,798,381	1,798,381
Less accumulated depreciation	(840,000)	(780,000)
	$ 958,381	$ 1,018,381

Depreciation expense was $60,000 during the years ended June 30, 2012 and 2011.

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:

2012	Minimum lease payment receivable	Less unearned income	Net investment in direct financing lease
Bioengineering & Bioscience Building	$ 22,798,875	$ (5,774,451)	$ 17,024,424
Family Housing and Klaus Parking	85,586,907	(38,952,550)	46,634,357
Molecular Science and Engineering Building	125,000,000	(63,322,024)	61,677,976
Electrical Substation and System	82,500,000	(53,595,441)	28,904,559
North Avenue Apartments	105,600,000	(46,461,590)	59,138,410
North Avenue Apartments - Dining	14,112,000	(6,192,000)	7,920,000
Carbon-Neutral Energy Solutions Laboratory	27,342,000	(15,243,720)	12,098,280
Academy of Medicine	7,955,000	(3,011,500)	4,943,500
Total	$ 470,894,782	$ (232,553,276)	$ 238,341,506

2011	Minimum lease payment receivable	Less unearned income	Net investment in direct financing lease
Bioengineering & Bioscience Building	$ 24,224,250	$ (6,114,124)	$ 18,110,126
Family Housing and Klaus Parking	90,665,818	(41,116,581)	49,549,237
Molecular Science and Engineering Building	130,000,000	(65,854,905)	64,145,095
Electrical Substation and System	85,500,000	(55,509,563)	29,990,437
North Avenue Apartments	110,880,000	(48,784,672)	62,095,328
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)

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 thirty (30) years from the completion of the Carbon-Neutral Energy Solutions Laboratory. The Certificate of Occupancy was issued on April 27, 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 term of the Rental Agreement commenced on April 27, 2012. 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.

Academy of Medicine

The Organization leased land and a building on the GIT campus, from the Board of Regents, on which to renovate and enhance the Academy of Medicine under a ground lease dated August 1, 2010. The ground lease is for a term of twenty (20) years commencing January 1, 2012. Use of the land and building reverts back to the Board of Regents at the end of the lease term.

On August 1, 2010, the Organization entered into a Rental Agreement with the Board of Regents whereby the Organization agreed to lease the Academy of Medicine to the Board of Regents. The initial term of the Rental Agreement commenced on January 1, 2012. The Board of Regents has the exclusive option to annually renew the lease on a year-to-year basis, for twenty (20) consecutive years at a fixed annual rate that is sufficient to enable the Organization to pay debt service on the Series 2010C Bonds, as described in Note 5.

NOTE 4 – LEASING ARRANGEMENTS (Continued)

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, 2012 and 2011, rental expense under this agreement was $193,750, and at June 30, 2012 and 2011, the related prepaid expense was $4,843,750 and $5,037,500, respectively.

Telecommunications

Effective April 15, 2007, the Organization entered into an installment sale agreement with GIT for telecommunications equipment and installation. The agreement was renewable at the option of GIT, annually on July 1 for five successive one-year terms. The total extended term of the agreement was approximately 63 months, to July 15, 2011. At June 30, 2012, no amounts are due from GIT.

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. The lease expired on July 15, 2011 and was not renewed.

NOTE 5 – BONDS PAYABLE

Bonds payable at June 30 consists of the following:

	2012	2011
$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%.	$ 57,260,000	$ 59,375,000
$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%.	68,315,000	69,790,000
$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%.	4,085,000	4,950,000

NOTE 5 – BONDS PAYABLE (Continued)

$24,540,000 Series 2007A-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%.	17,042,000	17,798,000
$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%.	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%.	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%.	9,255,000	11,210,000
$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%. (a)	25,980,000	26,850,000
$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%. (b)	9,715,000	10,205,000
$5,400,000 Series 2010C Academy of Medicine bonds, payable in annual interest installments until 2031 at a fixed rate of 4.35%. (c)	5,307,165	5,400,000
	289,254,165	297,873,000
Series 2003 interest rate swaption premium (d)	1,721,739	1,817,391
Series 2004 interest rate swaption premium (e)	2,586,207	2,693,966
	$293,562,111	$302,384,357

NOTE 5 – BONDS PAYABLE (Continued)

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

2013	$ 9,086,772
2014	9,476,204
2015	9,872,008
2016	10,260,198
2017	10,533,793
Thereafter	240,025,190
	$289,254,165

(a) 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.

(b) 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.

(c) 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.

NOTE 5 – BONDS PAYABLE (Continued)

(d) 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, 2012 and 2011, the unamortized value on the accompanying Statement of Financial Position is $1,721,739 and $1,817,391, respectively.

(e) 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.

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, 2012 and 2011, the unamortized value on the accompanying Statement of Financial Position is $2,586,207 and $2,693,966, 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, 2012 and 2011 is $9,768,765 and $10,260,388, 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 May 1, 2010, the Organization entered into a Construction Loan Agreement for $5,000,000 with Georgia Advanced Technology Ventures, Inc. ("GATV") for the renovation of the 14th Street Building. The Organization and GATV share common officers. The Organization recorded a liability for $5,000,000 in Due to Primary Government at June 30, 2010. The Due to Primary Government recorded at June 30, 2011 was $15,454 and the renovation of the 14th Street Building was completed during 2012. At June 30, 2012 and 2011, the Note Receivable included for the amount due to the Organization from GATV is $4,135,300 and $4,569,680, respectively. Interest receivable associated with this Note is $13,055 and is recorded in the Note Receivable balance in the accompanying statement of financial position at June 30, 2012.

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.

NOTE 6 – RELATED PARTIES (Continued)

On October 16, 2002, the Organization entered into a Memorandum of Understanding with GIT to confirm the responsibilities of the parties in connection with the construction of graduate and family housing, including childcare and parking accommodations for use by GIT (the "Family Housing Project"). At the request of GIT, the Family Housing Project was completed without the child care facilities and GIT has operated the facility since its completion. On November 16, 2011, the Organization and GIT amended the Memorandum of Understanding for the Family Housing Project for the construction of a Child Development Center within one of the buildings (Married Family Building) constructed as part of the Family Housing Project. This building is currently leased by GIT for a twenty-five (25) year period that began October 2005 and expires June 2030. The annual lease payments received from GIT will be increased for a period not to exceed eight (8) years for the construction of the Child Development Center. GIT will pay a total of $1,605,212 through April 2019 for this project. The annual rental payments will not exceed the maximum annual amount provided in the rental agreement.

On February 10, 2012, the Organization amended the Development Management Services Agreement with GIT for the construction of the Child Development Center as part of the Family Housing Project.

During the year ended June 30, 2012, the Organization donated $307,007 to GIT for the Academy of Medicine and the 2nd floor of the West Tower of the Molecular Science & Engineering Building. This is included as donation expense in the accompanying Statement of Activities and Changes in Net Assets (Deficit).

For the years ended June 30, 2012 and 2011, the Organization charged management fees of $181,440 and $115,814, respectively, related to certain of the aforementioned projects.

NOTE 7 – SUBSEQUENT EVENT

On July 11, 2012, the Certificate of Occupancy was issued for the Child Development Center as part of the Family Housing Project.

NOTE 8 – FINANCIAL INFORMATION FOR 2011

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, 2011, 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, 2012

GEORGIA TECH FACILITIES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

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	$ 9,086,860
Total Department of Commerce				$ 9,086,860

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, 2012, and have issued our report thereon dated September 5, 2012. 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 5, 2012

**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, 2012. 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, 2012.

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 5, 2012

GEORGIA TECH FACILITIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

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, 2012

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