AUDITED FINANCIAL STATEMENTS

Georgia Tech Facilities, Inc.
Year Ended June 30, 2007
With Report of Independent Auditors

Georgia Tech Facilities, Inc.

Audited Financial Statements

Year Ended June 30, 2007

Contents

ERNST & YOUNG

Ernst & Young LLP
Suite 1000
55 Ivan Allen Jr. Boulevard
Atlanta, Georgia 30308

Phone: (404) 874-8300
www.ey.com

Report of Independent Auditors

The Board of Trustees
Georgia Tech Facilities, Inc.

We have audited the accompanying balance sheet of Georgia Tech Facilities, Inc. (the Organization) as of June 30, 2007, and the related statements of activities, changes in net assets, and cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Organization's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2007 financial statements referred to above present fairly, in all material respects, the financial position of Georgia Tech Facilities, Inc. as of June 30, 2007, and the changes in net assets and cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

We also audited the adjustments described in Note 11 that were applied to restate the prior year financial statements and net assets at the beginning of the year. In our opinion, such adjustments are appropriate and have been properly applied.

Ernst & Young LLP

November 5, 2007

Georgia Tech Facilities, Inc.

Balance Sheet

June 30, 2007
(In Thousands)

Assets		
Cash and cash equivalents	$	4,343
Restricted cash		13,852
Interest rate swap		896
Contribution receivable – affiliates		9,795
Accrued interest receivable		33
Non-investment real estate		1,258
Bond issuance cost		4,863
Investment in direct financing lease		157,687
Prepaid ground lease		5,813
Construction in progress		33,494
Total assets	$	232,034
Liabilities and net assets		
Liabilities:		
Accounts payable	$	975
Contract retainage payable		852
Accrued bond interest		1,761
Lease payable		9,492
Accrued bond issuance premium		1,823
Bonds payable – current portion		3,920
Bonds payable – noncurrent		206,205
Deferred revenue		607
Total liabilities		225,635
Unrestricted net assets		(7,896)
Temporarily restricted net assets		14,295
Total net assets		6,399
Total liabilities and net assets	$	232,034

See accompanying notes

Georgia Tech Facilities, Inc.

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2007
(In Thousands)

	Unrestricted	Temporarily Restricted	Total
Support from affiliates	$ 8,498	$ 4,500	$ 12,998
Interest income	1,585	–	1,585
Management fees	232	–	232
Other resources	8	–	8
Net assets released from restriction	–	–	–
Total revenue	10,323	4,500	14,823
Program expense:			
Interest	6,342		6,342
Depreciation and amortization	255		255
Trustee fees	12		12
Rent – ground lease, Electrical Substation	194		194
Insurance and bonding	93		93
Professional fees	8		8
Miscellaneous fees	102		102
Total program expense	7,006		7,006
General and administrative expense:			
Supplies and materials	38		38
Insurance and bonding	58		58
Reimbursed administrative costs and salaries – Georgia Tech	169		169
Professional fees	133		133
Total general and administrative expense	398		398
Total expenses	7,404		7,404
Change in value of interest rate swap	(335)		(335)
Change in net assets	2,584	4,500	7,084
Net assets at beginning of year, as previously reported	(8,139)	11,854	3,715
Correction of prior period errors	(2,341)	(2,059)	(4,400)
Net assets at beginning of year, as restated	(10,480)	9,795	(685)
Net assets, end of year	$ (7,896)	$ 14,295	$ 6,399

See accompanying notes

Georgia Tech Facilities, Inc.

Statement of Cash Flows

Year Ended June 30, 2007
(In Thousands)

Operating activities		
Change in net assets	$	7,084
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization		60
Amortization of bond issue costs		195
Changes in operating assets and liabilities:		
Accounts receivable		79
Contribution receivable - affiliates		259
Interest receivable		739
Direct financing leases		(13,678)
Prepaid ground lease		193
Interest payable		116
Accounts payable		(2,020)
Deferred revenue		(49,797)
Net cash used in operating activities		(56,770)
Investing activities		
Additions to capitalized developments costs		30,573
Net cash provided by investing activities		30,573
Financing activities		
Proceeds from lease payable – Telecom project		(242)
Repayment of debt		(2,550)
Net cash used in financing activities		(2,792)
Net increase in cash and cash equivalents		(28,989)
Cash and cash equivalents at beginning of year		47,184
Cash and cash equivalents at end of year	$	18,195
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	$	11,067

See accompanying notes.

1. Summary of Significant Accounting Policies

Organization

Georgia Tech Facilities, Inc. (the Organization) was incorporated in the State of Georgia in 1985 as a not-for-profit corporation. 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 Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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 includes a time restricted gift of $9,795 and a purpose restricted gift of $4,500 for the Molecular Science and Engineering Building (see Note 5) at June 30, 2007.

Contributions Received

The Organization accounts for contributions received in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. SFAS 116 requires contributions and unconditional promises to give 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.

Cash and Cash Equivalents

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

1. Summary of Significant Accounting Policies (continued)

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 based over a useful life of 20 years.

Bond Issue Costs

Bond issue 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 at June 30, 2007, of $970.

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.

Capitalized Development Costs

The Organization records capitalized development costs for construction expenditures and capitalized interest related to uncompleted construction projects. As of June 30, 2007, the amounts capitalized were $33,494. Construction of the Molecular Science and Engineering Building was completed during the year ended June 30, 2007, and the project was leased to the Board of Regents of the University System of Georgia (see Note 5, Leasing Arrangements – Molecular Science and Engineering Building).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. Summary of Significant Accounting Policies (continued)

Tax Status

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

2. Concentrations

The Organization is potentially subject to concentrations of credit risk in its cash balances. Cash is held on deposit at one bank, and is insured by the Federal Deposit Insurance Corporation (FDIC) to a maximum of $100,000. The Organization also utilizes a repurchase agreement with the bank which involves sweeping balances from the account overnight, and these balances are not insured by the FDIC. The total amount of cash in excess of FDIC insurance at June 30, 2007 is $4,243.

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

3. Interest Rate Swap

In order to mitigate interest rate risk associated with the 2005 Series A bonds described in Note 6, the Organization entered into an interest rate swap agreement with UBS AG. Pursuant to the agreement, the Organization pays a fixed 3.584% rate, based upon the outstanding principal of the bond issue, to UBS AG in exchange for UBS AG's payment of a floating rate based upon 68% of the one-month USD-LIBOR-BBA rate, determined weekly. The agreement is settled monthly as the party obligated for the larger amount pays the net difference of these two payment streams. The Organization may terminate this agreement at any time upon settlement of any amounts due under the agreement. During the year ended June 30, 2007, the value of the interest rate swap agreement decreased by approximately $335. This amount is included in the Statement of Activities and Changes in Net Assets for the year ended June 30, 2007.

3. Interest Rate Swap (continued)

In order to monitor the effectiveness of the interest rate swap as a hedge against interest rate risk and to determine the current value of the interest rate swap, the Organization retains an independent entity to provide periodic valuations of the interest rate swap. At June 30, 2007, the value is $896.

4. 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, 2007, is as follows:

Land	$ 598
Building	1,200
	1,798
Less accumulated depreciation	(540)
	$ 1,258

Depreciation expense was $60 during the year ended June 30, 2007.

5. Leasing Arrangements

Series 1997B – Bioengineering and Biosciences Building

In connection with the issuance of Series 1997B Bonds, the Organization entered into the following leasing arrangements:

Ground Lease

The Organization leased land on the campus of GIT from the Board of Regents of the University System of Georgia (Board of Regents) under a ground lease, on which it constructed a new Bioengineering and Biosciences Complex (the Complex). The ground lease was signed on November 13, 1997, and has a term from inception until 30 years from the completion of the Complex at a nominal rental cost. Use of the land reverts back to the Board of Regents at the end of the lease term.

5. Leasing Arrangements (continued)

Facility

During 1997, the Organization entered into a Facility Lease Agreement with Georgia Tech Research Corporation (GTRC) whereby the Organization agreed to lease the Complex and to sublease the land on which the Complex is built to GTRC. The Complex was completed in July 1999. Under the 30-year lease arrangement, GTRC's lease payments began on September 1, 1999, and are equal to the debt service, including interest and redemption premiums due, on the 1997B Bonds.

The Complex and the land are leased by GTRC to the Board of Regents. In the event the Complex and land are leased to someone other than the Board of Regents, the Organization is required to pay to the Board of Regents all rentals received over the amount paid under the ground lease.

The lease is included in the Organization's balance sheet as an Investment in Direct Financing Lease based on the costs to construct the building. The balance of the minimum lease payments and the unearned income decrease by the straight-line method over the life of the lease. The components of the net investment in the direct financing lease as of June 30, 2007, are as follows:

Minimum lease payment receivable	$ 29,926
Less unearned income	(7,473)
Net investment in direct financing lease	$ 22,453

5. Leasing Arrangements (continued)

Series 2003 – Family Housing and Klaus Parking

In connection with the issuance of Series 2003 Bonds, the Organization entered into the following leasing arrangements:

Family Housing Agreements:

Ground Lease

The Organization leased land on the GIT campus from the Board of Regents under a ground lease on which to construct the new Family Housing Complex including a parking deck. The ground lease was signed on June 24, 2003, and has a term from inception until 25 years from the completion of the complex at a nominal rental cost. Use of the land reverts to the Board of Regents at the end of the lease term.

Facility Rental

During July 2003, the Organization entered into a Facility Rental Agreement with the Board of Regents whereby the Organization agreed to lease the Family Housing Complex and related parking structure to the Board of Regents upon completion of the complex and issuance of a certificate of occupancy. During the year ended June 30, 2005, the certificate of occupancy was issued and the lease term commenced. The Board of Regents has the right to renew the rental agreement on a year-to-year basis for twenty-five (25) consecutive years. In the event of such renewal, the Board of Regents is obligated to pay a fixed annual rental which will be sufficient, when combined with the rental payment due under the Klaus Parking Facility Rental Agreement, to enable the Organization to pay debt service on the 2003 bonds. At June 30, 2007, the Board of Regents has exercised its right to renew the Facility Rental Agreement for the year ended June 30, 2008.

5. Leasing Arrangements (continued)

Klaus Parking Facility Agreements

Parking Facility Lease

The Organization entered into a Parking Facility Lease with the Board on Regents on July 17, 2003, for the premises upon which the Klaus Parking Facility was constructed. The Parking Facility Lease is for an initial term commencing upon execution of the lease and continuing until the first day of the first month after the issuance of a certificate of occupancy, followed by a primary term of twenty (20) years and one (1) month. The certificate of occupancy was issued in August 2006 and the primary term commenced on September 1, 2006. The initial term payment of $9 million was used by the Georgia State Financing and Investment Commission for the purpose of constructing the Klaus Advanced Computing Building, which includes the Parking Facility. Use of the Parking Facility reverts back to the Board of Regents at the end of the lease term.

Facility Rental

On July 17, 2003, the Organization entered into a Rental Agreement with the Board of Regents pursuant to which the Board of Regents will lease the Klaus Parking Facility from the Organization. The initial term of the Rental Agreement commences on the first day of the first month after the issuance of the certificate of occupancy and ends on the last day of the commencement month. The Board of Regents has the option to renew the Rental Agreement following the initial term on a year-to-year basis for twenty (20) consecutive years. In the event of such annual renewals, the Board of Regents will be obligated to pay an annual rental which, when combined with rental payments due under the Family Housing Facility Rental Agreement described above, will be sufficient to enable the Organization to pay debt service on the 2003 Bonds. The certificate of occupancy was issued in August 2006, and the initial term of the Rental Agreement ran from September 1, 2006 to September 30, 2006. The Board of Regents has exercised its renewal option for the period from October 1, 2006 through September 30, 2007.

5. Leasing Arrangements (continued)

The Family Housing and Klaus parking leases are included in the Organization's balance sheet as an Investment in Direct Financing Lease based on the costs to construct the building. The balance of the minimum lease payments and the unearned income decrease by the straight-line method over the life of the lease. The components of the net investment in the direct financing lease as of June 30, 2007, are as follows:

Minimum lease payment receivable	$ 110,993
Less unearned income	(49,773)
Net investment in direct financing lease	$ 61,220

Series 2004 – Molecular Science and Engineering Building

In connection with the Series 2004 Revenue Bonds, the Organization entered into the following leasing arrangements:

Ground Lease

The Organization leased land on the GIT campus from the Board of Regents on which to construct a new Molecular Science and Engineering Building (MSE Building) under a ground lease dated May 17, 2004, for a nominal amount. The ground lease is for a construction term commencing upon execution of the lease and continuing until the first day of the first month after the issuance of a certificate of occupancy, followed by a primary term for a period of thirty (30) years. The certificate of occupancy was issued in August 2006, and the primary term commenced on September 1, 2006. Use of the land and building reverts back to the Board of Regents at the end of the lease term.

5. Leasing Arrangements (continued)

Facility Rental

On May 17, 2004, the Organization entered into a Rental Agreement with the Board of Regents pursuant to which the Board of Regents will lease the MSE Building from the Organization. The initial term of the Rental Agreement commences on the first day of the first month after the issuance of the certificate of occupancy and ends on the following June 30. The Board of Regents has the option to renew the Rental Agreement following the initial term on a year-to-year basis for thirty (30) consecutive years, with the thirtieth renewal term to expire on the thirtieth anniversary of commencement of the initial term. In the event of such annual renewals, the Board of Regents will be obligated to pay an annual rent which will be sufficient to enable the Organization to pay debt service on the 2004 Bonds. The certificate of occupancy was issued in August 2006, and the initial term commenced on September 1, 2006, and ended on June 30, 2007. Prior to June 30, 2007, the Board of Regents had exercised its renewal option for the period from July 1, 2007 through June 30, 2008.

The lease is included in the Organization's balance sheet as an Investment in Direct Financing Lease based on the costs to construct the building. The balance of the minimum lease payments and the unearned income decrease by the straight-line method over the life of the lease. The components of the net investment in the direct financing lease as of June 30, 2007, are as follows:

Minimum lease payment receivable	$ 150,000
Less unearned income	(75,986)
Net investment in direct financing lease	$ 74,014

5. Leasing Arrangements (continued)

Series 2005 Electrical Substation and System

In connection with the Series 2005 Revenue Bonds, the Organization entered into the following leasing arrangements:

Ground Lease

The Organization leased land adjacent to the GIT campus, with easements and other rights to connect to the campus, from the Board of Regents, on which to construct a new Electrical Power Substation and a related distribution system. The ground lease was signed on August 31, 2005, and has a primary term from issuance of certificate of occupancy until 30 years from the completion of the Electrical Power Substation. Use of the land reverts back to the Board of Regents at the end of the lease term.

During the year ended June 30, 2006, in accordance with the terms of the lease, the Organization made a payment of $6,200 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 the year ended June 30, 2007, rental expense under this agreement was $194, and at June 30, 2007, the related prepaid expense was $5,813.

Facility Rental

On August 31, 2005, the Organization entered into a Rental Agreement with the Board of Regents whereby the Organization agreed to lease the Electrical Power Substation and the related distribution system to the Board of Regents. The initial agreement term commences with the completion of the Electrical Power Substation and issuance of a certificate of occupancy. A certificate of occupancy has not been issued at June 30, 2007, 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 2005 bonds.

5. Leasing Arrangements (continued)

Telecommunications

On February 17, 2006, the Organization entered into an installment sale agreement with GIT for telecommunications equipment and installation. The agreement commences on the date the equipment is accepted and 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. Should GIT fail to exercise its options to renew, it must pay the remaining principal balance plus accrued interest as additional rent. At June 30, 2007, installation had not been completed, the equipment had not been accepted by GIT, and the agreement had not yet commenced.

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 $9,734. Future minimum lease payments due in each of the next five years and in the aggregate are as follows:

Year Ending June 30	Principal
2008	$ 2,098
2009	2,179
2010	2,263
2011	2,350
2012	602
	$ 9,492

6. Bond Issues

Series 1997

During December 1997, the Organization issued $11,580 of Series 1997A Bonds and $21,560 Series 1997B Bonds. The Series 1997A Bonds provided funds to repay outstanding Variable Rate Demand Bonds, Series 1992A and 1992B, and to finance the acquisition of a building, known as the Habersham Building, which is located on the campus of GIT. The Series 1997B Bonds were issued to provide funds to finance the costs of acquisition, construction and installation of the Complex described in Note 5.

The following represents the applicable interest rates and mandatory bond principal redemptions remaining on the Series 1997A Bonds until maturity on September 1, 2027

Year Ending June 30	Principal	Rate
2008	$ 270	4.63%
2009	280	4.75%
2010	295	4.80%
2011	310	5.00%
2012	325	5.00%
Thereafter	8,155	5.00%
	$ 9,635	

The following represents the applicable interest rates and mandatory bond principal redemptions remaining on the Series 1997B Bonds until maturity on September 1, 2027:

Year Ending June 30	Principal	Rate
2008	$ 515	4.63%
2009	540	4.75%
2010	565	4.80%
2011	595	5.00%
2012	625	5.00%
Thereafter	15,695	5.00%
	$ 18,535	

6. Bond Issues (continued)

Series 2003

During July 2003, the Organization issued $70,320 of Series 2003 Revenue Bonds. The proceeds from these bonds are being used to finance the construction of the Family Housing Complex and related parking facility structure, and a parking facility for the Klaus Advanced Computing Building on the campus of GIT.

The Series 2003 Revenue Bonds were issued to provide funds to finance the costs of acquisition, construction, and installation of the above projects.

The following represents the applicable interest rates and mandatory bond principal redemptions remaining on the Series 2003 bonds until maturity on November 1, 2029:

Year Ending June 30	Principal	Rate
2008	$ 1,845	2.300%
2009	1,890	2.625%
2010	1,950	3.000%
2011	2,020	3.500% to 5.000%
2012	2,115	3.750% to 5.250%
Thereafter	57,260	3.875% to 5.250%
	$ 67,080	

Series 2004

During July 2004, the Organization issued $75,205 of Series 2004 Revenue Bonds. The proceeds from these bonds are being used to finance the construction of the Molecular Science and Engineering Building on the GIT campus. The Series 2004 Revenue Bonds were issued to provide funds to finance the costs of acquisition, construction, and installation of the above project.

6. Bond Issues (continued)

The following represents the applicable Interest rates and mandatory bond principal redemptions on the Series 2004 bonds until maturity on May 1, 2036:

Year Ending June 30	Principal	Rate
2008	$ 1,290	3.00%
2009	1,330	3.25%
2010	1,375	3.50%
2011	1,420	3.75%
2012	1,475	4.00%
Thereafter	68,315	4.00% to 5.25%
	$ 75,205	

Series 2005

During November 2005, the Organization issued $32,375 of Series 2005A Revenue Bonds (non-taxable) and $7,295 of Series 2005B Revenue Bonds (taxable). The proceeds from these bonds are being used to finance the cost of constructing, installing and equipping an electrical power substation and related distribution system to serve the campus of GIT, as described in Note 5.

The following represents the mandatory bond principal redemptions on the Series 2005A Bonds until maturity on May 1, 2037.

Year Ending June 30	Principal
2008	$ –
2009	–
2019	–
2011	–
2012	–
Thereafter	32,375
	$ 32,375

The Series A bonds were issued as Auction Rate Certificates, and bear interest at a rate determined by a weekly auction process. The rate for the final weekly period of the year ended June 30, 2007, was 3.65%. In conjunction with the issuance of the 2005A bonds, the Organization entered into the interest rate swap agreement described in Note 3.

6. Bond Issues (continued)

The following represents the applicable interest rates and mandatory bond principal redemptions on the Series 2005B Bonds until maturity on May 1 2017:

Year Ending June 30	Principal	Rate
2008	$ –	
2009	755	4.79%
2010	765	4.88%
2011	825	4.92%
2012	865	4.96%
Thereafter	4,085	4.99% to 5.20%
	$ 7,295	

7. Related Parties

Payment of the principal and related interest and fees on the Series 1997A Bonds has been guaranteed by Georgia Tech Foundation, Inc. (the Foundation) through a Commitment of Support dated December 1, 1997. 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 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 SFAS 116. The total contribution receivable recorded at June 30, 2007, is $9,795 on the Series 1997A Bonds and is paid according to the debt schedule above after the use of any cash held by the Organization.

Payment of the principal and related interest and fees on the Series 1997B Bonds will be funded by any cash held by the Organization and by lease payments made under the Facility Lease Agreement between the Organization and GTRC. GTRC is a separate not-for-profit corporation formed in 1937 for the purpose of serving GIT and is operated exclusively for scientific, literary and education purposes, to engage in scientific research, and to distribute and disseminate information resulting from research. In accordance with the Board Agreement, the Organization has assigned all interests in the Facility Lease Agreement to SunTrust Bank, the trustee.

7. Related Parties (continued)

On March 17, 2003, to accommodate the Foundation, the Organization entered into an interest rate swap transaction agreement (the Agreement) with UBS AG with regard to the 1997A bond issue described in Note 6. Under the agreement, UBS AG has the option, ten years after the date of bond issuance, to require the Organization to enter into a variable to fixed rate swap. By a Memorandum of Understanding dated March 12, 2003, the Foundation expands the Commitment of Support described to guarantee any new bonds issues as a result of the Agreement to replace the current bonds.

On August 20, 2003, the Organization entered into a binding Memorandum of Understanding with GIT to confirm the responsibilities in connection with the financing and construction of the MSE Building on the GIT campus. The Organization is responsible for the financing, design, and construction of the $66,000 project and assesses a management fee of three-quarters percent payable by the project funding. The Organization funded the project through issuance of tax-exempt bonds.

On April 14, 2004, the Organization entered into a binding Memorandum of Understanding with GIT to confirm the responsibilities in connection with the financing and construction of the Electrical Power Substation and related distribution systems and other capital needs on the GIT campus. The Organization is responsible for the financing, design, and construction of the $35,500 project and assesses a management fee of three-quarters percent payable by the project funding. The Organization funded the project through issuance of tax-exempt and taxable bonds.

In conjunction with the above Memoranda of Understanding for the MSE Building and the Electrical Power Substation projects, the Organization has entered into Development Management Services Agreements with GIT under which the GIT has agreed to provide services such as project management and coordination, technical direction, and other services for a fee based on each service.

On February 15, 2006, the Organization entered into a binding Memorandum of Understanding with GIT to confirm the responsibilities of the parties in connection with the acquisition, installation and financing of telecommunications equipment and services for use by GIT. The Organization is responsible for the acquisition and financing of the $9,734 project and assesses a management fee of three-quarters percent payable by the project funding. The Organization funded the project through a tax-exempt lease.

For the year ended June 30, 2007, the Organization charged management fees of $232, related to certain of the aforementioned projects.

7. Related Parties (continued)

On March 21, 2007, the Organization entered into a binding Memorandum of Understanding with GIT to confirm responsibilities in connection with the acquisition of the University Village Apartments previously utilized by Georgia State University and the renovation and construction there of student housing, dining, recreation, parking, and related facilities for use by GIT as the North Avenue Apartments. The Organization is responsible for the financing, design, and construction of the $70 million project and expects to fund the project through the issuance of tax-exempt bonds. (See Note 10 – Subsequent Event)

8. Commitments

During the year ended June 30, 2006, the Organization entered into agreements with contractors for the construction of the MSE Building. At June 30, 2007, outstanding commitments under these agreements total $1,800. During the year ended June 30, 2007, the Organization entered into agreements with contractors for the construction and installation of the Electrical Power Substation and telecommunication system. At June 30, 2007, the outstanding commitment under these arrangements total $13,000.

9. Contingencies and Litigation

On September 17, 2004, the construction manager for the Family Housing project filed a Complaint for Declaratory Judgment against the Organization seeking a determination that it was entitled to an increase in the contract amount and an extension of time for completion of the project. On December 9, 2004, the construction manager amended its complaint to add claims for money damages. In January 2006, the Organization was awarded a partial summary judgment in its favor. The construction manager appealed the trial court's decision and in October 2006, the Georgia Court of Appeals affirmed the trial court's ruling. Trial on the construction manager's remaining claims of approximately $612 is set for May 2008. The construction manager has also indicated informally that it may seek up to approximately $2,300 in damages at the trial of this matter. Facilities denies that the construction manager is entitled to an extension of time or money damages, except as previously granted through change order, and is vigorously defending the claims. No provision for any estimated loss is reflected in the accompanying financial statements.

10. Subsequent Event

The Development Authority of Fulton County, Georgia (the "Authority") issued $24,540 of Series 2007A Revenue Bonds on July 24, 2007, $33,225 of Series 2007B Revenue Bonds on August 9, 2007, and $18,200 of Series 2007C Revenue Bonds on August 28, 2007. The Authority entered into an agreement to loan the proceeds from the three series of Bonds, totaling $75,965, to the Organization for the purpose of financing the cost of the acquisition of the University Village Apartments previously utilized by Georgia State University and the renovation and construction there of student housing, dining, recreation, parking and related facilities for use by GIT as the North Avenue Apartments, as described in Note 7, as well as to pay interest on the Bonds, fund a debt service reserve, and to pay certain costs of issuance. The loan from the Authority matures in 2020 as to the Series 2007C proceeds, and in 2032 as to the Series 2007A and the Series 2007B proceeds.

11. Restatement and Correction of Prior Period Errors

The Organization did not properly record capitalized interest for certain projects during relevant construction periods. In addition, the Organization did not appropriately account for direct financing leases with the Georgia Institute of Technology. Accordingly, the financial statements have been restated to properly capitalize interest and reflect the Organization’s investment in direct financing leases. The effect of the correction of these prior period errors was to decrease net assets by $4,400, decrease bond issue costs by $70, decrease bond issuance premium by $22, decrease investment in direct financing lease by $51,589, decrease construction in progress by $318 and decrease deferred revenue by $47,555. The effect of these prior period errors for the fiscal year ended June 30, 2006, was a decrease in net assets of $65.

	June 30, 2006 As Reported*	Restatement	June 30, 2006 As Restated
Lease receivable	$ 115,364	$ (115,364)	$ –
Investment in direct financing lease	28,645	63,775	92,420
Construction in progress	68,166	(318)	67,848
Bond issue costs	5,122	(70)	5,052
Bond issuance premium	1,921	22	1,899
Deferred revenue	50,404	47,555	2,849
Net assets	3,715	(4,400)	(685)

*As audited by another public accounting firm.