GEORGIA TECH FACILITIES, INC.

FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2013 AND 2012

with

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Georgia Tech Facilities, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Georgia Tech Facilities, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Suite 900, 171 17th Street, N.W., Atlanta, GA 30363
Tel 404.874.6244   Fax 404.874.1658   www.smith-howard.com

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, 2013 and 2012, and the changes in net assets (deficit) and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis 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 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2013 on our consideration of the Organization's internal control over financial reporting and on 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 not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Smith + Howard

September 12, 2013

GEORGIA TECH FACILITIES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

ASSETS

	2013	2012
Cash and cash equivalents	$ 10,548,150	$ 11,023,390
Restricted cash	5,062	1,916,909
Earnest money	25,000	-
Due from related parties	302,981	334,356
Contribution receivable - affiliates (Note 6)	9,272,124	9,768,765
Accounts receivable	-	635,187
Lease payment receivable (Note 6)	1,252,244	-
Note receivable (Note 6)	3,695,807	4,148,355
Non-investment real estate (Note 3)	898,381	958,381
Bond issuance cost, net	6,816,277	7,086,917
Bond issuance discount, net	13,692	14,181
Investment in direct financing leases (Note 4)	227,992,920	238,341,506
Prepaid ground lease (Note 4)	4,650,000	4,843,750
Prepaid expense	47,329	23,713
Construction in progress	-	3,119,625
Total Assets	$ 265,519,967	$ 282,215,035

LIABILITIES AND NET ASSETS (DEFICIT)

	2013	2012
Liabilities:		
Accounts payable	$ 76,485	$ 1,848,062
Due to primary government	88,860	-
Contract retainage payable	-	1,277,706
Accrued bond interest	2,216,585	2,292,557
Accrued bond issuance premium	5,193,302	5,559,321
Bonds payable - current portion (Note 5)	9,679,615	9,290,182
Bonds payable - noncurrent (Note 5)	274,592,314	284,271,929
Deferred revenue	183,582	131,251
Total Liabilities	292,030,743	304,671,008
Net Assets (Deficit)		
Unrestricted net deficit	(36,526,468)	(33,034,737)
Temporarily restricted net assets (Notes 1 and 6)	10,015,692	10,578,764
Total Net Assets (Deficit)	(26,510,776)	(22,455,973)
Total Liabilities and Net Assets	$ 265,519,967	$ 282,215,035

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, 2013 AND 2012

	Unrestricted	Temporarily Restricted	2013 Total	Summarized Financial Information 2012
Revenues:				
Support from affiliates - rent	$ 10,583,818	$ -	$ 10,583,818	$ 10,131,395
Support from affiliates - other	429,142	-	429,142	1,374,123
Interest income	254,534	-	254,534	316,107
Management fees	30,668	-	30,668	181,440
Net assets released from restriction	563,072	(563,072)	-	-
Total Revenues	11,861,234	(563,072)	11,298,162	12,003,065
Program expense:				
Interest	13,080,712	-	13,080,712	13,143,613
Amortization and depreciation	455,633	-	455,633	455,633
Trustee fees	44,728	-	44,728	44,668
Rent - ground lease, electrical substation	193,750	-	193,750	193,750
Insurance and bonding	374,240	-	374,240	336,341
Donation expense (Note 6)	968,819	-	968,819	307,007
Miscellaneous fees	28,774	-	28,774	28,772
Total Program Expense	15,146,656	-	15,146,656	14,509,784
General and administrative expense:				
Supplies and materials	12,930	-	12,930	5,141
Insurance and bonding	23,272	-	23,272	57,797
Reimbursed administrative costs and salaries - Georgia Tech	87,372	-	87,372	107,996
Professional fees	82,735	-	82,735	78,981
Total General and Administrative Expense	206,309	-	206,309	249,915
Total Expenses	15,352,965	-	15,352,965	14,759,699
Change in net assets	(3,491,731)	(563,072)	(4,054,803)	(2,756,634)
Net assets (deficit), beginning of year	(33,034,737)	10,578,764	(22,455,973)	(19,699,339)
Net assets (deficit), end of year	$ (36,526,468)	$ 10,015,692	$ (26,510,776)	$ (22,455,973)

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

GEORGIA TECH FACILITIES, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Cash Flows from Operating Activities:		
Change in net assets (deficit)	$ (4,054,803)	$ (2,756,634)
Adjustments to reconcile change in net assets (deficit) to net cash provided (required) by operating activities:		
Amortization and depreciation	60,000	60,000
Amortization of bond issuance costs and discount	395,633	395,633
Amortization of bond premium costs	(366,019)	(366,018)
Changes in operating assets and liabilities:		
Accounts receivable	635,187	69,603
Earnest money	(25,000)	-
Due from related parties	31,375	30,087
Contribution receivable - affiliates	496,641	491,623
Lease payment receivable	(1,252,244)	607,481
Note receivable	452,548	421,325
Investment in direct financing leases	10,348,586	(6,201,283)
Prepaid ground lease	193,750	193,750
Prepaid expense	(23,616)	3,820
Accrued bond interest	(75,972)	(77,088)
Accounts and contract retainage payable	(3,049,283)	592,024
Due to primary government	88,860	(15,454)
Deferred revenue	52,331	(1,327,880)
Net Cash Provided (Required) by Operating Activities	3,907,974	(7,879,011)
Cash Flows from Investing Activities:		
Deletions from capitalized development costs, net	3,119,625	1,712,017
Net Cash Provided by Investing Activities	3,119,625	1,712,017
Cash Flows from Financing Activities:		
Payments on lease payable	-	(601,743)
Repayments of bonds payable	(9,290,182)	(8,822,246)
Payments of bond costs	(124,504)	-
Net Cash Required by Financing Activities	(9,414,686)	(9,423,989)
Net Decrease in Cash and Cash Equivalents and Restricted Cash	(2,387,087)	(15,590,983)
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	12,940,299	28,531,282
Cash and Cash Equivalents and Restricted Cash, End of Year	$ 10,553,212	$ 12,940,299

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for interest	$ 13,156,684	$ 13,220,700

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

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 $10,015,692 and $10,578,764 at June 30, 2013 and 2012, 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 $2,387,930 and $1,992,785 at June 30, 2013 and 2012, 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, the amount capitalized was $3,119,625. These amounts were released in 2013 as the related developments were completed.

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, 2010.

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, 2013 is $10,298,150.

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:

	2013	2012
Land	$ 598,381	$ 598,381
Building	1,200,000	1,200,000
	1,798,381	1,798,381
Less accumulated depreciation	(900,000)	(840,000)
	$ 898,381	$ 958,381

Depreciation expense was $60,000 during the years ended June 30, 2013 and 2012.

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:

2013	Minimum lease payment receivable	Less unearned income	Net investment in direct financing lease
Bioengineering & Bioscience Building	$ 21,375,500	$ (5,434,777)	$ 15,940,723
Family Housing and Klaus Parking	80,502,826	(36,788,519)	43,714,307
Molecular Science and Engineering Building	120,000,000	(60,789,143)	59,210,857
Electrical Substation and System	79,500,000	(51,681,318)	27,818,682
North Avenue Apartments	100,320,000	(44,138,512)	56,181,488
North Avenue Apartments - Dining	13,524,000	(5,934,000)	7,590,000
Carbon-Neutral Energy Solutions Laboratory	26,313,000	(13,448,137)	12,864,863
Academy of Medicine	7,525,000	(2,853,000)	4,672,000
Total	$ 449,060,326	$ (221,067,406)	$ 227,992,920

NOTE 4 – LEASING ARRANGEMENTS (Continued)

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

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.

NOTE 4 – LEASING ARRANGEMENTS (Continued)

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.

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, 2013 and 2012, rental expense under this agreement was $193,750, and at June 30, 2013 and 2012, the related prepaid expense was $4,650,000 and $4,843,750 respectively.

NOTE 5 – BONDS PAYABLE

Bonds payable at June 30 consists of the following:

	2013	2012
$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%. (See Note 7)	$ 55,035,000	$ 57,260,000
$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%.	66,780,000	68,315,000

NOTE 5 – BONDS PAYABLE (Continued)

	2013	**2012**
$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%.	3,175,000	4,085,000
$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%.	16,257,000	17,042,000
$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%.	7,205,000	9,255,000
$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%.	25,085,000	25,980,000
$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%.	9,220,000	9,715,000
$5,400,000 Series 2010C Academy of Medicine bonds, payable in annual interest installments until 2031 at a fixed rate of 4.35%.	5,115,394	5,307,165
	280,167,394	289,254,165

NOTE 5 – BONDS PAYABLE (Continued)

	2013	2012
Series 2003 interest rate swaption premium (a) (See Note 7)	1,626,087	1,721,739
Series 2004 interest rate swaption premium (b)	2,478,448	2,586,207
	$284,271,929	$293,562,111

The following represents the mandatory bond principal redemptions on the above bonds payable and the expected amortization of the swaption premium for the years ending June 30:

	Bonds Payable Principal	Unamortized Swaption Premium (a) (b) (Note 7)	Bonds Payable, Net
2014	$ 9,476,204	$ 203,411	$ 9,679,615
2015	9,872,008	203,411	10,075,419
2016	10,260,198	203,411	10,463,609
2017	10,533,793	203,411	10,737,204
2018	11,044,810	203,411	11,248,221
Thereafter	228,980,381	3,087,480	232,067,861
	$280,167,394	$ 4,104,535	$ 284,271,929

(a) 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, 2013 and 2012, the unamortized value on the accompanying Statement of Financial Position is $1,626,087 and $1,721,739, respectively.

NOTE 5 – BONDS PAYABLE (Continued)

(b) 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, 2013 and 2012, the unamortized value on the accompanying Statement of Financial Position is $2,478,448 and $2,586,207, 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 receive, manage and disburse 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, 2013 and 2012 is $9,272,124 and $9,768,765, 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 (“MOU”) 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.

NOTE 6 – RELATED PARTIES (Continued)

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 and satisfied this liability during 2011 and 2012 as the renovation of the 14th Street Building was completed. At June 30, 2013 and 2012, the Note Receivable included for the amount due to the Organization from GATV is $3,695,807 and $4,148,335, respectively. Interest receivable associated with this Note Receivable is $11,630 and $13,055 and is recorded in the Note Receivable balance in the accompanying statement of financial position at June 30, 2013 and 2012, respectively.

On February 17, 2010, the Organization entered into a binding MOU 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.

On October 16, 2002, the Organization entered into a Memorandum of Understanding (“MOU”) 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"). On November 16, 2011, the Organization and GIT amended the MOU for the Family Housing Project for the construction of a Child Development Center. 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. On July 11, 2012, the Certificate of Occupancy was issued for the Child Development Center. In accordance with the MOU, GIT pays annual lease payments of $222,500 for a total payment of $1,605,212 through April 2019. The total lease receivable recorded at June 30, 2013 is $1,252,244.

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).

NOTE 6 – RELATED PARTIES (Continued)

During the year ended June 30, 2013, the Organization donated $968,819 to GIT for the Child Development Center and the Carbon Neutral Energy Solutions Laboratory. This is included as donation expense in the accompanying Statement of Activities and Changes in Net Assets (Deficit).

For the years ended June 30, 2013 and 2012, the Organization charged management fees of $30,668 and $181,440, respectively, related to certain of the aforementioned projects.

NOTE 7 – SUBSEQUENT EVENT

After June 30, 2013, the Organization purchased the property, for the benefit of GIT, located at the corner of North Avenue and Centennial Olympic Park Drive for $2,708,125. The purchase was made using cash and cash equivalents. The Organization granted a non-exclusive license to GIT on July 10, 2013, which permits GIT to temporarily occupy and use the property for educational and auxiliary purposes until June 30, 2014. GIT shall be responsible for the maintenance and repair of the property and shall also be responsible for taxes, utilities and security, as applicable. GIT shall be entitled to and responsible for any income derived from its use of the property. The Organization also granted a non-exclusive license to Verizon Wireless (VAW) until December 2013, which allows VAW to occupy the northeast corner of the property to construct and operate a cell phone tower during GIT's football season.

After June 30, 2013, the Organization issued Series 2013 Revenue Refunding Bonds in the amount of $57,250,000 for the purpose of refunding the Series 2003 fixed demand bonds and the related interest rate swaption described in Note 5. The Series 2003 Bonds were originally issued to finance the cost of constructing, installing and equipping the Married Family Housing project and the Klaus Parking Deck.

The following represents the mandatory bond principal redemptions remaining on the Series 2013 Bonds until maturity on November 1, 2029 for the years ending June 30:

Year ending June 30,	Principal
2014	$ -
2015	2,560,000
2016	2,635,000
2017	2,730,000
2018	2,855,000
Thereafter	46,470,000
	$ 57,250,000

NOTE 8 – FINANCIAL INFORMATION FOR 2012

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, 2012, 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, 2013

GEORGIA TECH FACILITIES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

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	$ 1,726,568
Total Department of Commerce				$ 1,726,568

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, in accordance with the 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, the financial statements of Georgia Tech Facilities, Inc. (a nonprofit organization) (the "Organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and changes in net assets (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 12, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 a 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Smith + Howard

September 12, 2013

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.

Report on Compliance for Each Major Federal Program

We have audited Georgia Tech Facilities, Inc.'s (a nonprofit organization) (the "Organization") compliance 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 each of the Organization's major federal programs for the year ended June 30, 2013. The Organization's major federal programs are identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 over compliance 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 over compliance, 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Smith + Howard

September 12, 2013

GEORGIA TECH FACILITIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

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, 2013

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