

**GEORGIA TECH  
FOUNDATION, INC.**  
Consolidated Financial Statements  
June 30, 2001 and 2000

**GEORGIA TECH FOUNDATION, INC.**  
**Consolidated Financial Statements**  
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**Report of Independent Accountants**

To the Board of Trustees of the  
Georgia Tech Foundation, Inc.

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of activities and changes in net assets and of cash flows present fairly, in all material respects, the financial position of the Georgia Tech Foundation, Inc. (the "Foundation") and its subsidiaries, at June 30, 2001 and 2000, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Foundation's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 audits provide a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and activities and changes in net assets of the individual companies. Accordingly, we do not express an opinion on the financial position and activities and changes in net assets of the individual companies. The supplemental consolidating information is the responsibility of the Foundation's management. However, the supplemental consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

  
August 29, 2001

**GEORGIA TECH FOUNDATION, INC.**  
**Consolidated Statement of Financial Position**  
**June 30, 2001 and 2000**  
(in thousands)

	June 30, 2001		June 30, 2000		Total 2001	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30, 2000		Total 2000
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted					Unrestricted	Temporarily Restricted	
<b>Assets</b>											
Cash and cash equivalents	\$ 632	\$ 3	\$ 3	\$ -	\$ 635	\$ 1,504	\$ 3	\$ -	\$ -	\$ 1,507	
Certificate of deposit (Note 8)	4,800	-	-	-	4,800	-	-	-	-	-	
Construction and bond fund investments	44,217	-	-	-	44,217	-	-	-	-	-	
Investment pool											
Securities	280,042	188,091	170,425	638,558	248,077	174,704	129,658	552,437			
Securities held on behalf of affiliate	15,480	-	-	15,480	13,387	-	-	13,387			
Partnership interests	66,153	42,104	38,149	146,406	97,385	65,070	46,291	210,746			
Real estate, net of accumulated depreciation of \$1,697 in 2001 and \$1,369 in 2000	4,480	2,852	2,584	9,916	4,733	3,163	2,347	10,243			
Other investments	3,210	8,354	6,388	17,952	5,522	8,441	5,476	19,439			
Securities	147	-	113	260	155	-	-	155			
Partnership interests											
Real estate, net of accumulated depreciation of \$735 in 2001 and \$520 in 2000	30,834	3,486	684	35,004	36,066	5,384	1,548	42,998			
Capitalized development costs	3,531	-	-	3,531	-	-	-	-			
Notes and interest receivable	8,734	848	-	9,580	13,866	874	83	14,953			
Charitable remainder trusts	-	3,385	5,371	8,756	-	3,210	5,850	8,860			
Cash value of life insurance	-	2,333	178	2,509	-	2,149	173	2,322			
Capital assets, net of accumulated depreciation of \$588 in 2001 and \$473 in 2000	226	-	-	226	207	-	-	207			
Contributions receivable from remainder trusts	-	11,805	3,511	15,116	-	6,741	4,114	10,855			
Contributions receivable and other assets	3,782	9,926	16,845	30,553	2,895	2,104	5,197	10,996			
<b>Total assets</b>	\$ 466,266	\$ 272,985	\$ 244,246	\$ 983,489	\$ 423,727	\$ 271,843	\$ 203,535	\$ 899,105			
<b>Liabilities and Net Assets</b>											
Accounts payable	\$ 7,553	\$ -	\$ -	\$ 7,553	\$ 2,087	\$ 2,452	\$ -	\$ 4,539			
Unexpended grants	1,659	-	-	1,658	18,421	606	-	19,027			
Commitment payable	11,194	-	-	11,194	11,050	-	-	11,050			
Note payable	48,467	-	-	48,467	-	-	-	-			
Bonds payable, net of discount of \$244	44,736	-	-	44,736	-	-	-	-			
Liability to life beneficiaries	128	1,614	2,876	4,618	67	1,754	2,024	3,845			
Payable to affiliate	15,480	-	-	15,480	13,387	-	-	13,387			
Other liabilities	1,846	-	-	1,846	-	-	-	-			
<b>Total liabilities</b>	131,062	1,614	2,876	135,552	45,012	4,812	2,024	51,848			
<b>Net assets</b>	335,206	271,371	241,370	847,947	378,715	267,031	201,511	847,257			
<b>Total liabilities and net assets</b>	\$ 466,266	\$ 272,985	\$ 244,246	\$ 983,499	\$ 423,727	\$ 271,843	\$ 203,535	\$ 899,105			

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

**GEORGIA TECH FOUNDATION, INC.**  
**Consolidated Statement of Activities and Changes in Net Assets**  
**For the Years Ended June 30, 2001 and 2000**  
(in thousands)

	June 30, 2001			June 30, 2000				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>CONSOLIDATED STATEMENT OF ACTIVITIES</b>								
Revenue								
Gift income	\$ 6,250	\$ 41,910	\$ 42,237	\$ 90,397	\$ 5,248	\$ 41,061	\$ 24,083	\$ 70,402
Interest and dividends, net of investment fees, Note 1	5,949	5,066	16	11,021	8,164	4,459	-	10,623
Realized and unrealized gain (loss) on securities	(8,904)	(4,422)	(420)	(13,746)	10,087	5,194	(1,288)	14,000
Realized and unrealized gain (loss) on partnership interests	(12,919)	(9,775)	(21)	(22,715)	91,731	62,881	-	154,612
Actual gain (loss) on charitable remainder trusts	(11)	(2,368)	(619)	(2,898)	(14)	939	409	1,334
Other	2,212	686	7	2,905	1,554	1,314	-	2,868
Net assets released from restriction	28,088	(26,747)	(1,341)	-	23,584	(23,112)	(452)	-
	<u>20,665</u>	<u>4,340</u>	<u>39,859</u>	<u>64,864</u>	<u>138,344</u>	<u>92,736</u>	<u>22,762</u>	<u>253,842</u>
Expenses								
Program services	51,046	-	-	51,046	38,494	-	-	38,494
General and administrative	7,277	-	-	7,277	5,128	-	-	5,128
Interest expense	728	-	-	728	333	-	-	333
Fund raising	5,123	-	-	5,123	4,564	-	-	4,564
	<u>64,174</u>	<u>-</u>	<u>-</u>	<u>64,174</u>	<u>48,519</u>	<u>-</u>	<u>-</u>	<u>48,519</u>
Change in net assets	<u>\$(43,509)</u>	<u>\$ 4,340</u>	<u>\$ 39,859</u>	<u>\$ 680</u>	<u>\$ 89,825</u>	<u>\$ 92,736</u>	<u>\$ 22,762</u>	<u>\$ 205,323</u>
<b>CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS</b>								
Net assets, beginning of year	\$ 378,715	\$ 267,031	\$ 201,511	\$ 847,257	\$ 286,880	\$ 174,295	\$ 178,749	\$ 641,834
Changes in net assets	<u>(43,509)</u>	<u>4,340</u>	<u>39,859</u>	<u>680</u>	<u>89,825</u>	<u>92,736</u>	<u>22,762</u>	<u>205,323</u>
Net assets, end of year	<u>\$ 335,206</u>	<u>\$ 271,371</u>	<u>\$ 241,370</u>	<u>\$ 847,947</u>	<u>\$ 378,715</u>	<u>\$ 267,031</u>	<u>\$ 201,511</u>	<u>\$ 847,257</u>

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

**GEORGIA TECH FOUNDATION, INC.**  
**Consolidated Statement of Cash Flows**  
**For the Years Ended June 30, 2001 and 2000**  
(in thousands)

	2001	2000
Cash flows from operating activities		
Change in net assets	\$ 690	\$ 205,323
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	839	738
Realized and unrealized loss (gain) on partnership interests	22,715	(154,612)
Loss on sale of non-income producing real estate	-	407
Gain on sale of income producing real estate	-	(5,248)
Realized and unrealized loss (gain) on securities	13,746	(14,003)
Actuarial loss (gain) on charitable remainder trusts	2,379	(925)
Decrease in notes and interest receivable	5,370	1,253
Increase in cash value of life insurance	(187)	(317)
Increase in contributions receivable and other assets	(22,453)	(3,903)
(Decrease) increase in accounts payable	3,014	(2,944)
Increase in other liabilities	1,611	-
(Decrease) increase in unexpended grants	(17,369)	1,316
(Decrease) increase in commitment payable	144	(619)
Increase in payable to affiliate	2,093	3,804
Net cash provided by operating activities	<u>12,592</u>	<u>30,270</u>
Cash flows from investing activities		
Proceeds from sale of investments excluding securities	86,760	74,244
Purchase of investments excluding securities	(86,678)	(66,079)
Purchase of securities, net	(100,475)	(34,876)
Purchase of capital assets	(114)	(254)
Net cash used in investing activities	<u>(100,507)</u>	<u>(26,965)</u>
Cash flows from financing activities		
Proceeds from line of credit	48,467	-
Repayments of line of credit	-	(1,659)
Proceeds from bonds	44,980	-
Payment of bond issuance costs and discounts	(640)	-
Decrease (increase) in charitable remainder trust	(5,819)	609
Actuarial loss (gain) on charitable remainder trusts - permanently restricted	619	(409)
Payments to life beneficiaries, net	(564)	(497)
Net cash provided by (used in) financing activities	<u>87,043</u>	<u>(1,956)</u>
Increase (decrease) in cash and cash equivalents	(872)	1,349
Cash and cash equivalents, beginning of year	1,507	158
Cash and cash equivalents, end of year	<u>\$ 635</u>	<u>\$ 1,507</u>

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

**GEORGIA TECH FOUNDATION, INC.**  
**Notes to the Consolidated Financial Statements**  
**Years Ended June 30, 2001 and 2000**

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**1. Summary of Significant Accounting Policies**

**Organization**

The Georgia Tech Foundation, Inc. (the "Foundation") was incorporated in the state of Georgia in 1932 as a not-for-profit corporation. The purpose of the Foundation is to promote higher education in the state of Georgia, to raise and receive funds for the support and enhancement of the Georgia Institute of Technology (the "Institute") and to aid the Institute in its development as a leading educational institution.

The Georgia Tech Foundation Real Estate Holding Corporation ("GTFREHC"), a wholly-owned subsidiary of the Foundation, was formed in 1990 to hold title to real estate and similar property donated to the Foundation. The financial statements of GTFREHC have been consolidated with the financial statements of the Foundation. All material intercompany accounts and transactions have been eliminated.

The Georgia Tech Foundation Funding Corporation ("GTFFC"), a wholly-owned subsidiary of the Foundation, was formed in 2000 to serve as the borrower of most debt. The financial statements of GTFFC have been consolidated with the financial statements of the Foundation. All material intercompany accounts and transactions have been eliminated.

**New accounting pronouncements**

During 2000, the Foundation elected early adoption of SFAS No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others* ("SFAS 136"). Adoption of SFAS 136 did not have a material effect on the financial position or change in net assets of the Foundation as of and for the year ended June 30, 2000.

During 2001, the Foundation adopted SFAS No. 133, *Accounting for Derivative Instruments and Hedging Transactions* ("SFAS 133"). Adoption of SFAS 133 did not have a material effect on the financial position or change in net assets of the Foundation as of and for the year ended June 30, 2001.

**Contributions received**

The Foundation records contributions consistent with Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made" ("SFAS 116"). SFAS 116 requires contributions and unconditional promises to give to be recognized as revenue in the period received at their fair value. Restricted contributions or promises to give for which restrictions are met in the same accounting period as that in which they are received are presented as unrestricted revenue. Contributions receivable recorded at June 30, 2001 and 2000 were \$29,052,551 and \$10,444,446, respectively. At June 30, 2001, contributions receivable due in less than one year, in one to five years and in more than five years were \$13,797,620, \$13,423,706 and \$1,831,225, respectively.

**GEORGIA TECH FOUNDATION, INC.**  
**Notes to the Consolidated Financial Statements**  
**Years Ended June 30, 2001 and 2000**

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The financial statements do not include conditional pledges and bequests which have not been recognized as revenue pursuant to SFAS 116. These amounts totaled \$188,107,951 and \$148,868,497 at June 30, 2001 and 2000, respectively. The amounts pledged represent gross amounts and include bequests which are not payable until the death of the donor.

**Contributions made**

SFAS 116 also requires contributions and unconditional promises to give to be recognized as expenses in the period made at their fair values. The commitment payable recorded at June 30, 2001 and 2000 is \$11,193,958 and \$11,050,235, respectively, and represent amounts due under a guarantee to fund the debt obligation of Georgia Tech Facilities, Inc. (see Note 8). At June 30, 2001, the commitment payable due in less than one year, in one to five years and in more than five years is \$383,958, \$920,000 and \$9,890,000, respectively.

**Cash and cash equivalents**

The Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents, except for those short-term financial instruments included in the Foundation's investment accounts.

**Life insurance contracts**

Life insurance contracts in force owned by the Foundation are recorded at their cash surrender value. The face value of these contracts totaled approximately \$17,539,000 and \$16,292,000 at June 30, 2001 and 2000, respectively.

**Depreciation**

Depreciation is provided on a straight-line basis for depreciable income-producing real estate and capital assets based on useful lives ranging from 3-40 years.

**Fair value of financial instruments**

Cash and cash equivalents, receivables, other assets, accounts payable and unexpended grants are carried at amounts which reasonably approximate their fair value due to the short-term nature of these instruments. Long-term contributions receivable amounts are estimated by discounting future cash flows at market interest rates.

**Investments**

Investments consist of marketable securities, privately-held limited partnerships and real estate. Investments are classified by the Foundation as either Investment Pool Investments, or as Other Investments. The Investment Pool consists of contributed investments and the reinvestment of those investments that are separately accounted for on the Foundation's records, but the investment activity has been combined for investment purposes. Other Investments consist of assets that are less liquid in nature, or have other reasons to be accounted for separately.

**GEORGIA TECH FOUNDATION, INC.**  
**Notes to the Consolidated Financial Statements**  
**Years Ended June 30, 2001 and 2000**

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The Foundation accounts for its investment securities under the provisions of Statement of Financial Accounting Standards No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations" ("SFAS 124"). SFAS 124 requires investments in equity securities with readily determinable fair values and all investments in debt securities to be reported at fair value with unrealized gains and losses included in the Statement of Activities.

Donated gifts of securities are recorded based on estimated fair value at the date the donation is received. Realized gains and losses on sales of securities represent the difference between net proceeds received and the carrying value of the investments.

Interest and dividend income is presented net of investment fees which totaled \$1,357,787 and \$1,599,334 for the years ended June 30, 2001 and 2000, respectively. For the year ended June 30, 2001, \$781,471 in investment fees was allocated to the unrestricted net asset class, and \$576,316 were allocated to the temporarily restricted net asset class. For the year ended June 30, 2000, \$961,333 in investment fees was allocated to the unrestricted net asset class, and \$638,001 was allocated to the temporarily restricted net asset class. Pooled investment earnings and related expenses are allocated quarterly among the classes based on the pro rata market value of each class's current investment balance.

Investments in private partnership interests are accounted for under the equity method using the most recent available financial information. The equity in income of partnership interests is presented as realized and unrealized gain and loss based upon the estimated fair value of each partnership as determined by the General Partner.

Investments in real estate are stated at cost, net of accumulated depreciation. Management periodically reviews its properties to determine if its carrying costs will be recovered from future undiscounted operating cash flows. In cases where the Foundation does not expect to recover its carrying costs, the Foundation will recognize an impairment loss. No such loss was recognized during 2001 or 2000. The Foundation's investment in real estate consists of ownership of thirteen office and residential structures with a total cost basis of approximately \$16,546,000 and land with a cost basis of \$30,788,000.

**Charitable remainder trusts**

The Foundation has been named the beneficiary of cash and property under charitable remainder trust agreements. Under certain agreements, the Foundation has been named trustee for the trusts. For trusts where the Foundation is the trustee, a liability has been recorded at estimated present value for the life interest amount payable to the beneficiary. The estimated present value of amounts due to beneficiaries is determined by the Foundation using certain actuarial assumptions. At June 30, 2001 and 2000, the Foundation recorded life interest liabilities in the amounts of \$4,617,829 and \$3,844,982, respectively. For trusts where the Foundation is not the trustee, the charitable remainder trust agreements are recorded at the estimated fair value of the trust's net assets.

**GEORGIA TECH FOUNDATION, INC.**  
**Notes to the Consolidated Financial Statements**  
**Years Ended June 30, 2001 and 2000**

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**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**2. Investments in Securities**

Investments in securities at June 30, 2001 and 2000 are summarized as follows (in thousands):

	June 30,	
	2001	2000
Money market funds	\$ 66,442	\$ 17,686
Bonds	112,609	106,023
Common stock	<u>492,939</u>	<u>461,554</u>
	<u>\$ 671,990</u>	<u>\$ 585,263</u>

**Derivatives**

The Foundation may enter into various collar arrangements from time to time to hedge against market volatility of certain marketable equity securities. These arrangements are used to manage the Foundation's exposure to market risk. The Foundation does not use these arrangements for trading or speculative purposes. These arrangements are recorded in the financial statements at market value, consistent with other investments of the Foundation. Any changes in value of the arrangement are recorded in the Statement of Activities and Changes in Net Assets.

During 2000 and 2001, the Foundation had entered into several collar arrangements with three financial institutions. The counterparties to these arrangements are three financial institutions of high credit quality; therefore, the risk of nonperformance by the counterparties is considered to be negligible. The arrangements are tied to certain marketable securities in the form of puts and calls. The fair values of the collar arrangements are estimated by obtaining quotes from an investment broker. At June 30, 2001 and 2000, the carrying value of these collar arrangements is \$32,060,830 and \$(10,498,684), respectively.

**GEORGIA TECH FOUNDATION, INC.**  
**Notes to the Consolidated Financial Statements**  
**Years Ended June 30, 2001 and 2000**

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**3. Investments in Partnership Interests**

The Foundation has investments, as a limited partner, in 51 partnerships. Capital contributions are committed to certain partnerships (see Note 9). The ownership interests in these partnerships range from .07% to 9.98%. The Foundation accounts for its investments in these partnerships under the equity method.

The balance of the investment in the Limited Partnerships is as follows (in thousands):

	<u>2001</u>	<u>2000</u>
Balance, beginning of year	\$ 210,901	\$ 73,264
Capital contributions	31,407	50,594
Distributions from partnership interests	(72,927)	(67,569)
Realized and unrealized gain (loss) on partnership interests	<u>(22,715)</u>	<u>154,612</u>
Balance, end of year	<u>\$ 146,666</u>	<u>\$ 210,901</u>

**4. Notes and Interest Receivable**

Notes and interest receivable at June 30, 2001 and 2000 are summarized as follows (in thousands):

	June 30,	
	2001	2000
Related party and other notes receivable	\$ 8,614	\$ 13,947
Interest receivable for securities	<u>966</u>	<u>1,006</u>
Total notes and interest receivable	<u>\$ 9,580</u>	<u>\$ 14,953</u>

**5. Debt**

**Bond Issuance**

During May 2001, the Foundation issued \$44,980,000 Series 2001A Bonds. The Series 2001A Bonds were issued to provide funds to finance the costs of construction of the Student Athletic Complex (SAC), a facility to be constructed on the Institute's campus.

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**Notes to the Consolidated Financial Statements**  
**Years Ended June 30, 2001 and 2000**

The following represents the applicable interest rates and mandatory principal redemptions on the Series 2001A bonds until maturity on various dates through November 2030.

Fiscal Year	Principal Amount	Interest Rate
2002	\$ -	-
2003	760,000	4%
2004	790,000	4%
2005	825,000	4%
2006	860,000	4%
Thereafter	<u>41,745,000</u>	ranging from 4.25% to 5.75%
	<u>\$ 44,980,000</u>	

**Line of Credit**

The Foundation established a \$50,000,000 line of credit in the name of the Georgia Tech Foundation Funding Corporation. As of June 30, 2001, \$48,467,233 has been drawn on the line of credit. Interest is calculated using the thirty-day LIBOR rate plus .25%. The line of credit expires on June 30, 2002.

The Foundation also has available two other lines of credit for \$20,000,000 and \$25,000,000. As of June 30, 2001, no amounts have been drawn on these credit facilities. The lines of credit expire on August 29, 2001 and September 16, 2002, respectively.

**6. Net Assets Released from Restrictions**

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Foundation reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the acquired long-lived assets are placed in service.

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**Notes to the Consolidated Financial Statements**  
**Years Ended June 30, 2001 and 2000**

Net assets were released from restrictions for the years ending June 30, 2001 and 2000 as follows (in thousands):

	June 30,	
	2001	2000
Georgia Institute of Technology	\$ 27,503	\$ 22,950
Alexander-Tharpe Fund, Inc.	585	614
	<u>\$ 28,088</u>	<u>\$ 23,564</u>
Total net assets released from restrictions	<u>\$ 28,088</u>	<u>\$ 23,564</u>

Expenses by functional classification for the years ended June 30, 2001 and 2000 are as follows (in thousands):

	2001	2000
Program services		
Georgia Institute of Technology	\$ 46,195	\$ 32,920
Georgia Tech Alumni Association	3,830	3,832
Georgia Tech Facilities, Inc.	185	929
Alexander-Tharpe Fund, Inc.	836	813
	<u>51,046</u>	<u>38,494</u>
General and administrative	7,277	5,128
Interest expense	728	333
Fund raising	5,123	4,564
	<u>\$ 64,174</u>	<u>\$ 48,519</u>
Total expenses	<u>\$ 64,174</u>	<u>\$ 48,519</u>

**7. Tax Status**

The Foundation 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.

**8. Related Parties**

Georgia Tech Facilities, Inc. ("Facilities") is a separate corporation formed to oversee and obtain financing for specified construction projects for the Institute. One member of the Board of Directors of Facilities is also a trustee of the Foundation.

During 1998, the trustees of the Foundation agreed to guarantee, through a commitment of support dated December 1, 1997, an \$11,580,000 bond ("1997 A Bond") which was issued by Facilities during fiscal year 1999 to 1) refinance the 1992 A and B Bonds on the Bill Moore Student Success Center and the William C. Wardlaw Center, and 2) fund the purchase of the Habersham Building from the Foundation. These 30 year bonds mature September 1, 2027, require mandatory sinking fund principal payments until maturity, and are guaranteed by the Foundation. At June 30, 2001 and 2000,

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**Notes to the Consolidated Financial Statements**  
**Years Ended June 30, 2001 and 2000**

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respectively, \$11,015,000 and \$11,210,000 was outstanding on the 1997 A Bond. Contributions made by the Foundation to Facilities during fiscal years 2001 and 2000 to assist Facilities in debt service requirements totaled \$400,407 and \$928,610, respectively.

During 2001 and 2000, the Foundation paid \$35,212,867 and \$25,347,067, respectively, for costs incurred by the Institute for salaries, fringe benefits, travel and other general expenses.

The Foundation maintains and invests certain investments for the Alexander-Tharpe Fund, Inc. These investments, which can be reclaimed by this organization at any time, amount to \$15,480,152 and \$13,387,004 at June 30, 2001 and 2000, respectively, and are recorded as a payable to affiliate in the Statement of Financial Position.

The Foundation leased land on the campus of Georgia Tech from the Board of Regents of the University System of Georgia ("Board of Regents") under a ground lease on which the Student Athletic Complex (the "Complex") is located. The lease was signed in February 2001 and has a term of one year renewable on a year by year basis at a nominal rental cost. Use of the land reverts back to the Board of Regents at the end of the term.

In February 2001, the Foundation entered into a leasing arrangement with the Board of Regents whereby the Board of Regents agreed to lease the Complex for one year for the use and benefit of Georgia Tech. The lease is renewable on a year by year basis at the option of either party. Under the lease arrangement, lease payments are not to exceed \$4,000,000. As of June 30, 2001, Georgia Tech has paid \$1,500,000 in lease payments to the Foundation.

On April 30, 2001, the Foundation agreed to guarantee the Georgia Advanced Technology Ventures (GATV) lease for five years. As collateral for the GATV lease, the Foundation invested \$4,800,000 in a certificate of deposit. Interest earned on the account will accrue to the Foundation.

**9. Commitments and Contingencies**

On October 13, 1988, the Foundation established a Faculty Mortgage Program in which the Foundation guarantees the amounts of mortgage loans to eligible faculty in excess of 80% of the lesser of the purchase price or the appraised value of the property to be purchased, up to a maximum of 95%. The total amount guaranteed under this program was approximately \$896,000 as of June 30, 2001 and 2000. The Foundation will guarantee qualifying loans up to an aggregate total of \$1,500,000.

On June 4, 1992, the Foundation established a Campus Housing Loan Guarantee Program in which the Foundation guarantees the amounts of loans to eligible owners of qualifying campus residential housing up to a maximum of \$400,000. The Foundation will guarantee qualifying loans up to an aggregate total of \$5,000,000. At June 30, 2001

**GEORGIA TECH FOUNDATION, INC.**  
**Notes to the Consolidated Financial Statements**  
**Years Ended June 30, 2001 and 2000**

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and 2000, the total loans guaranteed under this program was \$1,822,865 and \$1,970,833, respectively.

The Foundation has invested in certain partnerships that call for future capital contributions in accordance with the related agreements. Capital contributions committed to the partnerships by the Foundation at June 30, 2001 and 2000 totaled \$111,991,699 and \$85,084,086, respectively.

On December 4, 1998, the Board of Trustees of the Foundation authorized the internal designation of up to \$15,000,000 of unrestricted funds for advanced funding of endowed chairs. As of June 30, 2001, \$12,184,342 was internally designated.

On June 4, 1999, the Foundation advanced \$15 million for the construction of the Environmental Science and Technology Building, a facility to be constructed on the Institute's campus for a total of \$58 million. This commitment was made with the understanding that the entire amount would be repaid within 5 years of the date the funds were advanced. As of June 30, 2001, \$6,819,824 has been repaid. Amounts due in less than one year and in one to three years at June 30, 2001, were \$2,716,500 and \$5,463,676, respectively.

On December 8, 2000, the Foundation committed \$6,600,000 to fund Fifth Street development costs. As of June 30, 2001, \$3,240,000 has been expended. The Foundation is evaluating the issuance of bonds to provide funds to finance the costs of construction of the Fifth Street Project.

**Supplemental Consolidating Information**

**GEORGIA TECH FOUNDATION, INC.**  
**Consolidating Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2001**  
**(in thousands)**

	Georgia Tech Foundation Funding Corporation	Georgia Tech Foundation Real Estate Holding Corporation	Georgia Tech Foundation	Eliminations	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4	\$ 828	\$ 5	\$ -	\$ 835
Certificate of deposit	-	-	4,800	-	4,800
Construction and bond fund	-	-	44,217	-	44,217
Investments					
Investment pool:					
Securities	40,420	-	598,138	-	638,558
Securities, held on behalf of affiliate	-	-	15,480	-	15,480
Partnership interests	-	-	148,408	-	148,408
Real estate, net of accumulated depreciation	-	6,844	3,272	-	9,816
Other investments:					
Securities	-	-	17,952	-	17,952
Partnership interests	-	84	178	-	260
Real estate, net of accumulated depreciation	-	30,094	4,910	-	35,004
Capitalized development costs	-	-	3,531	-	3,531
Notes and interest receivable	-	-	9,580	-	9,580
Charitable remainder trusts	-	-	8,758	-	8,758
Cash value of life insurance	-	-	2,509	-	2,509
Capital assets, net of accumulated depreciation	-	-	228	-	228
Contributions receivable from remainder trusts	-	-	15,118	-	15,118
Contributions receivable and other assets	-	341	30,212	-	30,553
Receivable from related organization	8,384	-	-	(8,384)	-
<b>Total assets</b>	<b>\$ 48,808</b>	<b>\$ 37,789</b>	<b>\$ 905,286</b>	<b>\$ (8,384)</b>	<b>\$ 983,499</b>
<b>LIABILITIES AND FUND BALANCE</b>					
Accounts payable	\$ -	\$ 23	\$ 7,530	\$ -	\$ 7,553
Payable to related organization	-	-	8,384	(8,384)	-
Unexpended grants	-	-	1,658	-	1,658
Commitment payable	-	-	11,194	-	11,194
Note payable	48,487	-	-	-	48,487
Bonds payable	-	-	44,738	-	44,738
Liability to life beneficiaries	-	-	4,818	-	4,818
Payable to affiliate	-	-	15,480	-	15,480
Other liabilities	337	-	1,608	-	1,848
<b>Total liabilities</b>	<b>\$ 48,804</b>	<b>\$ 23</b>	<b>\$ 95,109</b>	<b>\$ (8,384)</b>	<b>\$ 135,552</b>
<b>Net assets</b>					
Unrestricted	4	34,470	300,732	-	335,208
Temporarily restricted	-	3,286	268,075	-	271,371
Permanently restricted	-	-	241,370	-	241,370
<b>Total net assets</b>	<b>\$ 4</b>	<b>\$ 37,789</b>	<b>\$ 810,177</b>	<b>\$ -</b>	<b>\$ 847,947</b>
<b>Total liabilities and net assets</b>	<b>\$ 48,808</b>	<b>\$ 37,789</b>	<b>\$ 905,286</b>	<b>\$ (8,384)</b>	<b>\$ 983,499</b>

**GEORGIA TECH FOUNDATION, INC.**  
**Consolidating Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2001**  
(in thousands)

	Georgia Tech Foundation Funding Corporation	Georgia Tech Foundation Real Estate Holding Corporation	Georgia Tech Foundation	Eliminations	Total
<b>Revenue</b>					
Gift income	\$ -	\$ 500	\$ 89,897	\$ -	\$ 90,397
Interest and dividends, net of fees	137	14	10,870	-	11,021
Realized/unrealized gain (loss) on investments	-	-	(13,746)	-	(13,746)
Realized/unrealized gain (loss) on partnership interests	-	-	(22,715)	-	(22,715)
Actuarial gain on trusts and annuities	-	-	(2,998)	-	(2,998)
Other	-	494	2,411	-	2,905
Support from related organization	204	3,774	-	(3,978)	-
Net assets released from restriction	-	-	-	-	-
Total revenues	341	4,782	63,719	(3,978)	64,864
<b>Expenses</b>					
Program services	-	12,316	38,730	-	51,046
Support to related organization	-	-	3,978	(3,978)	-
General and administrative	-	928	6,349	-	7,277
Interest expense	337	-	391	-	728
Fund raising	-	-	5,123	-	5,123
Total expenses	337	13,244	54,571	(3,978)	64,174
Changes in net assets	4	(8,462)	9,148	-	690
Net assets, beginning of year	-	46,228	801,029	-	847,257
Changes in net assets	4	(8,462)	9,148	-	690
Net assets, end of year	4	37,766	810,177	-	847,947