

**GEORGIA TECH  
FOUNDATION, INC.**  
Consolidated Financial Statements  
June 30, 2002 and 2001

**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, 2002 and 2001, 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 consolidated financial statements are the responsibility of the Foundation's management; our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.



August 27, 2002

LLP

**GEORGIA TECH FOUNDATION, INC.**  
**Consolidated Statement of Financial Position**  
**June 30, 2002 and 2001**  
**(in thousands)**

	June 30, 2002			June 30, 2001			Total 2002	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2001
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted					
<b>Assets</b>											
Cash and cash equivalents	\$ 2,925	\$ 3	\$ -	\$ 2,928	\$ 3	\$ -	\$ 2,931	\$ -	\$ -	\$ -	\$ 2,931
Certificate of deposit (Note 8)	4,800	-	-	4,800	-	-	4,800	-	-	-	4,800
Construction and bond fund investments	174,006	-	-	174,006	-	-	174,006	44,217	-	-	44,217
Investment pool											
Securities	224,626	160,022	182,824	567,472	188,091	170,425	925,987	280,042	170,425	170,425	636,558
Securities held on behalf of affiliate	50,436	-	-	50,436	-	-	50,436	15,480	-	-	15,480
Partnership interests	73,167	42,566	48,631	164,364	42,104	38,149	244,617	66,153	38,149	38,149	146,406
Real estate, net of accumulated depreciation of \$1,201 in 2002 and \$1,697 in 2001	1,401	815	931	3,147	2,852	2,584	8,584	4,480	2,584	2,584	9,916
Other investments											
Securities	171	4,538	5,321	10,030	8,354	6,368	24,713	3,210	6,368	6,368	17,952
Partnership interests	101	-	170	271	147	113	591	147	113	113	260
Real estate, net of accumulated depreciation of \$324 in 2002 and \$735 in 2001	19,488	736	684	20,908	3,486	684	25,078	30,834	684	684	35,004
Capitalized development costs	43,850	-	-	43,850	3,531	-	47,381	3,531	-	-	3,531
Notes and interest receivable	11,828	735	-	12,563	846	-	13,409	8,794	-	-	9,580
Charitable remainder trusts	-	2,570	4,664	7,234	3,385	5,371	15,994	-	5,371	5,371	8,756
Cash value of life insurance	-	1,865	183	2,068	2,333	178	4,574	-	178	178	2,509
Capital assets, net of accumulated depreciation of \$696 in 2002 and \$568 in 2001	163	-	-	163	-	-	163	226	-	-	226
Contributions receivable from remainder trusts	-	8,737	3,102	11,839	11,605	3,511	26,955	-	3,511	3,511	15,116
Contributions receivable and other assets	2,965	15,603	13,800	32,368	9,928	16,845	59,141	3,782	16,845	16,845	30,553
<b>Total assets</b>	<b>\$ 609,727</b>	<b>\$ 238,210</b>	<b>\$ 260,310</b>	<b>\$ 1,108,247</b>	<b>\$ 272,985</b>	<b>\$ 244,246</b>	<b>\$ 1,625,478</b>	<b>\$ 466,268</b>	<b>\$ 272,985</b>	<b>\$ 244,246</b>	<b>\$ 983,499</b>
<b>Liabilities and Net Assets</b>											
Accounts payable	\$ 12,447	\$ -	\$ -	\$ 12,447	\$ 7,553	\$ -	\$ 19,999	\$ 7,553	\$ -	\$ -	\$ 7,553
Unexpended grants	1,535	-	-	1,535	1,658	-	3,193	1,658	-	-	1,658
Commitments payable	16,787	8,731	-	25,518	11,194	-	36,712	11,194	-	-	11,194
Note payable	31,310	-	-	31,310	48,467	-	79,777	48,467	-	-	48,467
Bonds payable, net of discount of \$1,877 in 2002 and \$244 in 2001	227,383	-	-	227,383	44,736	-	272,119	44,736	-	-	44,736
Liability to life beneficiaries	147	1,299	2,774	4,220	128	2,876	7,424	128	2,876	2,876	4,618
Payable to affiliate	50,436	-	-	50,436	15,480	-	65,916	15,480	-	-	15,480
Other liabilities	3,130	-	-	3,130	1,846	-	4,976	1,846	-	-	1,846
<b>Total liabilities</b>	<b>343,175</b>	<b>10,030</b>	<b>2,774</b>	<b>355,979</b>	<b>131,062</b>	<b>2,876</b>	<b>369,917</b>	<b>131,062</b>	<b>2,876</b>	<b>2,876</b>	<b>135,552</b>
<b>Net assets</b>	<b>266,552</b>	<b>228,180</b>	<b>257,536</b>	<b>752,268</b>	<b>271,371</b>	<b>241,370</b>	<b>1,255,561</b>	<b>335,206</b>	<b>271,371</b>	<b>241,370</b>	<b>847,947</b>
<b>Total liabilities and net assets</b>	<b>\$ 609,727</b>	<b>\$ 238,210</b>	<b>\$ 260,310</b>	<b>\$ 1,108,247</b>	<b>\$ 466,268</b>	<b>\$ 244,246</b>	<b>\$ 1,625,478</b>	<b>\$ 466,268</b>	<b>\$ 272,985</b>	<b>\$ 244,246</b>	<b>\$ 983,499</b>

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, 2002 and 2001**  
**(in thousands)**

	June 30, 2002			June 30, 2001			Total 2002	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2001
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted					
<b>CONSOLIDATED STATEMENT OF ACTIVITIES</b>											
Revenue											
Gift income	\$ 5,106	\$ 39,146	\$ 16,519	\$ 6,250	\$ 41,910	\$ 42,237	\$ 90,397				
Interest and dividends, net of investment fees (Note 1)	9,414	4,363	19	5,949	5,056	16	11,021				
Realized and unrealized gain (loss) on securities	(18,967)	(13,368)	877	(8,904)	(4,422)	(420)	(13,746)				
Realized and unrealized gain (loss) on partnership interests	(11,929)	(8,981)	37	(12,919)	(9,775)	(21)	(22,715)				
Actual gain (loss) on charitable remainder trusts	(19)	(2,966)	(992)	(3,977)	(11)	(619)	(2,996)				
Other	3,621	547	8	2,212	686	7	2,905				
Net assets released from restriction	62,234	(61,932)	(302)	28,088	(26,747)	(1,341)	-				
	48,460	(43,191)	16,186	20,865	4,340	39,859	84,864				
Expenses											
Program services	99,997	-	-	51,046	-	-	51,046				
General and administrative	5,549	-	-	7,277	-	-	7,277				
Interest expense	7,261	-	-	728	-	-	728				
Fund raising	5,307	-	-	5,123	-	-	5,123				
	118,114	-	-	64,174	-	-	64,174				
Change in net assets	\$ (68,654)	\$ (43,191)	\$ 16,186	\$ (43,509)	\$ 4,340	\$ 39,859	\$ 690				
<b>CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS</b>											
Net assets, beginning of year	\$ 335,206	\$ 271,371	\$ 241,370	\$ 847,947	\$ 378,715	\$ 201,511	\$ 847,257				
Change in net assets	(68,654)	(43,191)	16,186	(43,509)	4,340	39,859	690				
Net assets, end of year	\$ 266,552	\$ 228,180	\$ 257,556	\$ 752,268	\$ 335,206	\$ 241,370	\$ 847,947				

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, 2002 and 2001**  
**(in thousands)**

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities		
Change in net assets	\$ (95,679)	\$ 690
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	389	839
Realized and unrealized loss on partnership interests	20,873	22,715
Loss on sale of non-income producing real estate	358	-
Contribution of assets to the Board of Regents	18,785	-
Securities received as gift income	(18,247)	(16,419)
Gain on sale of income producing real estate	(792)	-
Realized and unrealized loss on securities	31,458	13,746
Actuarial loss on charitable remainder trusts	2,985	2,379
Decrease (increase) in notes and interest receivable	(2,783)	5,370
(Increase) decrease in cash value of life insurance	441	(187)
Increase (decrease) in contributions receivable and other assets	137	(22,453)
Increase in accounts payable	4,894	3,014
Increase in other liabilities	1,285	1,611
Decrease in unexpended grants	(123)	(17,369)
Increase in commitments payable	14,324	144
Net cash provided by (used in) operating activities	<u>(21,695)</u>	<u>(5,920)</u>
Cash flows from investing activities		
Proceeds from sale of investments excluding securities	18,203	86,760
Purchase of investments excluding securities	(188,223)	(86,678)
Proceeds from the sale of (purchase of) securities, net	34,483	(84,056)
Receipt of funds from affiliate	34,956	2,093
Additions to capitalized development costs	(40,319)	-
Purchase of capital assets	(65)	(114)
Net cash used in investing activities	<u>(140,965)</u>	<u>(81,995)</u>
Cash flows from financing activities		
Proceeds from line of credit	-	48,467
Repayments of line of credit	(17,157)	-
Proceeds from the issuance of bonds	184,280	44,980
Payment of bond issuance costs and discounts	(3,585)	(640)
Increase in charitable remainder trust	(111)	(5,819)
Actuarial loss on charitable remainder trusts - permanently restricted	992	619
Payments to life beneficiaries, net	534	(564)
Net cash provided by financing activities	<u>164,953</u>	<u>87,043</u>
Increase (decrease) in cash and cash equivalents	2,293	(872)
Cash and cash equivalents, beginning of year	635	1,507
Cash and cash equivalents, end of year	<u>\$ 2,928</u>	<u>\$ 635</u>

During fiscal 2002 and 2001, the Foundation received contributions of securities of approximately \$18,247,000 and \$16,419,000, respectively. During fiscal 2002, the Foundation contributed approximately \$18,785,000 of real estate to the Board of Regents of the University System of Georgia.

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, 2002 and 2001**

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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. GTFREHC is included in the consolidation of the Foundation and 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. GTFFC is included in the consolidation of the Foundation and all material intercompany accounts and transactions have been eliminated.

**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 discounted 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, 2002 and 2001 were \$29,361,008 and \$29,052,551, respectively. At June 30, 2002, contributions receivable due in less than one year, in one to five years and in more than five years were \$19,919,230, \$9,284,207 and \$157,571, respectively.

The consolidated financial statements do not include conditional pledges and bequests which have not been recognized as revenue pursuant to SFAS 116. These amounts totaled \$190,374,615 and \$188,107,951 at June 30, 2002 and 2001, 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 commitments payable recorded at June 30, 2002 and 2001 is \$25,518,372 and \$11,193,958, respectively, and represent amounts due under a guarantee to fund the debt obligation of Georgia Tech Facilities, Inc. (see Note 8) and unconditional promises to give related to 505 10<sup>th</sup> Street, the Student Health Center, and the Biomedical Engineering building (see Note 9). At June 30, 2002, the commitment payable due in less than one year, in one to five years and in more than five years is \$14,923,372, \$960,000, and \$9,635,000, respectively.

**GEORGIA TECH FOUNDATION, INC.**  
**Notes to the Consolidated Financial Statements**  
**Years Ended June 30, 2002 and 2001**

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**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.

**Construction and bond fund**

The Foundation classifies the unexpended proceeds received from its bond offerings as the construction and bond fund. The assets of the fund are invested in short-term investments and highly-liquid debt securities. As of June 30, 2002, approximately \$136,343,000 from the Series 2002A and 2002B issuance and \$37,663,000 from the Series 2001A issuance remain in the construction and bond fund. As of June 30, 2001, approximately \$44,217,000 from the Series 2001A issuance remained in the construction and bond fund.

**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 \$13,965,000 and \$17,539,000 at June 30, 2002 and 2001, 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 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 actively managed assets which do not have a donor stipulation or requirement as to the type of investment by the Foundation. Other investments consist of assets that generally have a donor stipulation.

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.

**GEORGIA TECH FOUNDATION, INC.**  
**Notes to the Consolidated Financial Statements**  
**Years Ended June 30, 2002 and 2001**

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Interest and dividend income is presented net of investment fees which totaled \$1,344,495 and \$1,357,787 for the years ended June 30, 2002 and 2001, respectively. For the year ended June 30, 2002, \$767,046 in investment fees was allocated to the unrestricted net asset class, \$574,842 was allocated to the temporarily restricted net asset class, and \$2,607 was allocated to the permanently restricted net asset class. For the year ended June 30, 2001, \$781,471 in investment fees was allocated to the unrestricted net asset class, and \$576,316 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 2002 and 2001. The Foundation's investment in real estate consists of ownership of five office and residential structures with a total net book value of \$2,668,286 and land with a cost basis of \$21,386,732.

**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 and the IRS discount rate in place at the time of the donation. At June 30, 2002 and 2001, the Foundation recorded life interest liabilities in the amounts of \$4,219,432 and \$4,617,829, 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.

**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. Significant estimates include the allowance for contributions receivable, assumptions made in recording liabilities to life beneficiaries, and the fair value of certain investments.

**GEORGIA TECH FOUNDATION, INC.**  
**Notes to the Consolidated Financial Statements**  
**Years Ended June 30, 2002 and 2001**

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**2. Investments in Securities**

Investments in securities at June 30, 2002 and 2001 are summarized as follows (in thousands):

	June 30,	
	2002	2001
Money market funds	\$ 30,198	\$ 66,442
Bonds	121,664	112,609
Common stock and common stock options	476,075	492,939
	<u>\$ 627,937</u>	<u>\$ 671,990</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 fair 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 2002 and 2001, the Foundation 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/or calls. The fair values of the collar and call arrangements are estimated by obtaining quotes from an investment broker. At June 30, 2002 and 2001, the carrying value of these collar arrangements is \$323,609 and \$32,060,830, respectively.

**3. Investments in Partnership Interests**

The Foundation has investments, as a limited partner, in 57 partnerships. Capital contributions are committed to certain partnerships (see Note 9). The ownership interests in these partnerships range from .11% to 17.70%. The Foundation accounts for its investments in these partnerships under the equity method, based upon the estimated fair value of each partnership as determined by the General Partner.

**GEORGIA TECH FOUNDATION, INC.**  
**Notes to the Consolidated Financial Statements**  
**Years Ended June 30, 2002 and 2001**

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

	<u>2002</u>	<u>2001</u>
Balance, beginning of year	\$ 146,666	\$ 210,901
Capital contributions	53,675	31,407
Distributions from partnership interests	(14,833)	(72,927)
Realized and unrealized gain (loss) on partnership interests	<u>(20,873)</u>	<u>(22,715)</u>
Balance, end of year	<u>\$ 164,635</u>	<u>\$ 146,666</u>

**4. Notes and Interest Receivable**

Notes and interest receivable at June 30, 2002 and 2001 are summarized as follows (in thousands):

	<u>June 30,</u>	
	<u>2002</u>	<u>2001</u>
Related party and other notes receivable	\$ 9,590	\$ 8,614
Interest receivable for securities	<u>2,773</u>	<u>966</u>
Total notes and interest receivable	<u>\$ 12,363</u>	<u>\$ 9,580</u>

**5. Debt**

**Series 2001A 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. As of June 30, 2002, \$6,999,146 has been expended and capitalized as development costs related to SAC.

**GEORGIA TECH FOUNDATION, INC.**  
**Notes to the Consolidated Financial Statements**  
**Years Ended June 30, 2002 and 2001**

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	<u>Principal Amount</u>	<u>Interest Rate</u>
2003	\$ -	-
2004	760,000	4%
2005	790,000	4%
2006	825,000	4%
2007	860,000	4%
Thereafter	<u>41,745,000</u>	4.25% - 5.75%
	<u>\$ 44,980,000</u>	

**Series 2002A and 2002B Bond Issuance**

During January 2002, the Foundation issued \$111,090,000 Series 2002A (tax exempt) Bonds and \$73,190,000 Series 2002B (taxable) Bonds. The 2002 Bonds were issued to provide funds to finance the costs of the acquisition, construction, and installation of an addition to the Institute's campus to be known as Technology Square. Technology Square will include a new College of Management building for the Institute, a hotel and conference center, a global learning center, a parking deck, and a bookstore. The Foundation has leased the hotel and conference center to a third-party to manage the operations, effective upon completion. The Foundation has also leased the other components of Technology Square to the Board of Regents of the University System of Georgia, on behalf of the Institute, on a year-to-year basis, subject to annual renewal and appropriation, effective upon completion. Technology Square is expected to be completed during fiscal year 2004. As of June 30, 2002, \$36,850,612 has been expended and capitalized as development costs related to Technology Square.

The following represents the applicable interest rates and mandatory principal redemptions on the Series 2002 bonds until maturity on various dates through November 2031:

Fiscal Year	<u>Series 2002A</u>		<u>Series 2002B</u>	
	Principal	Interest Rate	Principal	Interest Rate
2003	\$ -	-	\$ -	-
2004	1,835,000	4.00%	605,000	3.62%
2005	1,900,000	2.99%	1,315,000	4.27%
2006	1,975,000	4.60%	1,380,000	4.85%
2007	2,065,000	4.81%	1,460,000	5.23%
Thereafter	<u>103,315,000</u>	3.98% - 5.25%	<u>68,430,000</u>	5.54% - 6.66%
	<u>\$ 111,090,000</u>		<u>\$ 73,190,000</u>	

**GEORGIA TECH FOUNDATION, INC.**  
**Notes to the Consolidated Financial Statements**  
**Years Ended June 30, 2002 and 2001**

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The following table represents the Foundation's pooled investment assets by category under the provisions of the Bond Issuance Disclosure Agreements as of June 30, 2002:

	<u>Percentage</u>	<u>Amount</u>
Domestic equities	49.5%	\$ 388,794,971
International equities	12.8%	100,379,007
Venture capital, buyout funds and distressed securities	18.6%	146,096,796
Real estate and real estate funds	3.2%	25,230,020
Fixed income	15.9%	124,917,617
Total		<u>\$ 785,418,411</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, 2002 and 2001, \$31,310,062 and \$48,467,000, respectively, was outstanding on the line of credit. Interest is calculated using the thirty-day LIBOR rate plus .25%, which was 2.09% and 4.11% at June 30, 2002 and 2001, respectively. The line of credit was renewed on July 1, 2002 in the amount of \$60,000,000.

The Foundation also has available two other lines of credit for \$10,000,000 and \$25,000,000. As of June 30, 2002 and 2001, no amounts have been drawn on these credit facilities. The lines of credit expire on August 29, 2002 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.

**GEORGIA TECH FOUNDATION, INC.**  
**Notes to the Consolidated Financial Statements**  
**Years Ended June 30, 2002 and 2001**

Net assets were released from restrictions for the years ending June 30, 2002 and 2001 as follows (in thousands):

	June 30,	
	2002	2001
Georgia Institute of Technology	\$ 35,655	\$ 27,503
Alexander-Tharpe Fund, Inc.	982	585
Georgia Tech Facilities, Inc.	25,295	-
Total net assets released from restrictions	<u>\$ 61,932</u>	<u>\$ 28,088</u>

Expenses by functional classification for the years ended June 30, 2002 and 2001 are as follows (in thousands):

	2002	2001
Program services		
Georgia Institute of Technology	\$ 63,819	\$ 46,195
Georgia Tech Alumni Association	3,830	3,830
Georgia Tech Facilities, Inc.	31,095	185
Alexander-Tharpe Fund, Inc.	1,253	836
	99,997	51,046
General and administrative	5,549	7,277
Interest expense	7,261	728
Fund raising	5,307	5,123
Total expenses	<u>\$ 118,114</u>	<u>\$ 64,174</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 1998 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, 2002 and 2001, respectively, \$10,810,000 and \$11,015,000 was outstanding on the 1997 A Bond. Contributions made by the

**GEORGIA TECH FOUNDATION, INC.**  
**Notes to the Consolidated Financial Statements**  
**Years Ended June 30, 2002 and 2001**

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Foundation to Facilities during fiscal years 2002 and 2001 to assist Facilities in debt service requirements totaled \$743,953 and \$400,407, respectively.

During 2002 and 2001, the Foundation paid \$40,972,394 and \$35,212,867, respectively, for costs incurred by the Institute for salaries, fringe benefits, scholarships, fellowships, 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 \$50,436,145 and \$15,480,152 at June 30, 2002 and 2001, 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 upon payment in full of the Series 2001A Bonds.

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. During fiscal 2002, Georgia Tech paid \$2,111,478 in lease payments to the Foundation.

On April 30, 2001, the Foundation agreed to guarantee the Georgia Advanced Technology Ventures (GATV) facility 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 \$594,000 and \$896,000 as of June 30, 2002 and 2001, respectively. 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, 2002 and 2001, the total loans guaranteed under this program was approximately \$1,660,000 and \$1,823,000, respectively.

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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, 2002 and 2001 totaled \$122,936,300 and \$111,991,699, 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, 2002, unrestricted funds of \$11,249,674 were 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, 2002, \$6,899,274 has been repaid. Amounts due in less than one year and in one to three years at June 30, 2002, were \$4,036,000 and \$4,064,726, respectively.

On March 27, 2002, the Foundation entered into a binding Memorandum of Understanding with the Institute and Facilities to confirm responsibilities in connection with a \$4,600,000 project to renovate the facilities at 505 10<sup>th</sup> Street, a \$6,700,000 project to construct a Student Health Center on the campus of the Institute, and a \$23,000,000 project to fund the development costs of the Biomedical Engineering building on the campus of the Institute. As of June 30, 2002, the full \$4,600,000 related to 505 10<sup>th</sup> Street has been recognized as a contribution made, \$5,025,000 related to the Student Health Center has been recognized as a contribution made, and \$21,300,000 has been recognized as a contribution made related to the Biomedical Engineering building. As of June 30, 2002, \$4,625,000 has been expended for the Student Health Center, \$11,768,823 for the Biomedical Engineering building, and \$0, for 505 10<sup>th</sup> Street.