GEORGIA STATE UNIVERSITY FOUNDATION, INC.

Consolidated Financial Statements

For the Years Ended June 30, 2011 and 2010

(With Independent Auditors' Report)

Georgia State University Foundation, Inc.

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Georgia State University Foundation, Inc.
Atlanta, Georgia

We have audited the accompanying consolidated statements of financial position of Georgia State University Foundation, Inc. (the "Foundation") as of June 30, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. 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 in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of June 30, 2011 and 2010, and changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Cherry, Bekaert & Holland, L.L.P.

Atlanta, Georgia
September 8, 2011

Georgia State University Foundation, Inc.

Consolidated Statements of Financial Position

June 30, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents	$ 6,776,469	$ 5,181,752
Pledges receivable, net (Note 3)	8,110,230	12,646,281
Accounts receivable	352,701	1,708,988
Investments (Note 4)	161,269,423	136,667,646
Net investment in direct financing leases (Note 6)	158,476,213	161,698,571
Restricted assets (Note 7)	36,409,593	35,003,060
Capitalized bond issuance cost (Note 8)	6,335,749	6,422,109
Cash surrender value of life insurance (Note 9)	957,804	901,899
Prepaid expenses and other assets	254,280	242,133
Real estate held for sale (Note 10)	1,232,756	-
Property and equipment, net (Note 11)	48,297,809	53,406,652
Investments held for affiliates (Note 12)	6,947,629	6,158,694
Total Assets	$ 435,420,656	$ 420,037,785
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 818,307	$ 764,144
Deferred revenue	270,608	265,533
Obligation under split-interest agreements	373,930	441,356
Obligation under leases (Note 13)	4,250,150	4,692,700
Bonds payable (Note 14)	252,106,900	257,012,586
Accrued interest on bonds payable	4,508,935	4,576,034
Investments held for affiliates (Note 12)	6,947,629	6,158,694
Total Liabilities	269,276,459	273,911,047
Net Assets		
Unrestricted (Note 17)	25,083,715	23,997,593
Temporarily restricted (Note 17)	52,910,365	47,007,466
Permanently restricted (Note 17)	88,150,117	75,121,679
Total Net Assets	166,144,197	146,126,738
Total Liabilities and Net Assets	$ 435,420,656	$ 420,037,785

See accompanying notes to consolidated financial statements.

Georgia State University Foundation, Inc.

Consolidated Statements of Activities

Year Ended June 30, 2011
(With Comparative Totals for 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011	Total 2010
Revenues, gains and other support					
Contributions	$ 356,206	$ 8,765,542	$ 2,433,090	$ 11,554,838	$ 20,694,909
Rental income	6,683,598	252,000	-	6,935,598	8,163,061
Income from investment in direct financing leases	12,661,913	-	-	12,661,913	12,308,225
Interest and dividend income	926,184	1,585,226	-	2,511,410	2,459,482
Realized gains (losses) on property	(1,347,659)	-	-	(1,347,659)	3,813,942
Realized gains (losses) on investments	157,478	(646,499)	(110)	(489,131)	(608,792)
Unrealized gains on investments	712,996	4,056,376	13,209,300	17,978,672	11,869,403
Change in:					
value of split-interest agreements	-	71,580	-	71,580	272,816
cash surrender value of life insurance	2,642	53,263	-	55,905	26,246
Other income	645,324	185,089	-	830,413	347,136
Total revenues and gains	20,798,682	14,322,577	15,642,280	50,763,539	59,346,428
Net assets released from restrictions	11,033,520	(8,419,678)	(2,613,842)	-	-
Total revenues, gains and other support	31,832,202	5,902,899	13,028,438	50,763,539	59,346,428
Expenses					
Program services					
Capital projects, equipment and repairs	18,931,713	-	-	18,931,713	22,784,413
Operations	3,857,231	-	-	3,857,231	3,002,030
Faculty and staff	2,880,069	-	-	2,880,069	2,284,512
Scholarships and awards	2,877,325	-	-	2,877,325	2,704,750
Total program services	28,546,338	-	-	28,546,338	30,775,705
Management and general	1,420,202	-	-	1,420,202	1,513,161
Fundraising	1,077,632	-	-	1,077,632	1,351,593
Total expenses	31,044,172	-	-	31,044,172	33,640,459
Excess of revenues over expenses	788,030	5,902,899	13,028,438	19,719,367	25,705,969
Gain on bond refinancing	298,092	-	-	298,092	-
Change in net assets	1,086,122	5,902,899	13,028,438	20,017,459	25,705,969
Net assets, beginning of year	23,997,593	47,007,466	75,121,679	146,126,738	120,420,769
Net assets, end of year	$ 25,083,715	$ 52,910,365	$ 88,150,117	$ 166,144,197	$ 146,126,738

See accompanying notes to consolidated financial statements.

Georgia State University Foundation, Inc.

Consolidated Statements of Activities

Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support				
Contributions	$ 293,928	$ 7,751,506	$ 12,649,475	$ 20,694,909
Rental income	7,923,061	240,000	-	8,163,061
Income from investment in direct financing leases	12,308,225	-	-	12,308,225
Interest and dividend income	846,149	1,613,333	-	2,459,482
Realized gains real estate	3,813,942	-	-	3,813,942
Realized losses on investments	(8,477)	(600,315)	-	(608,792)
Unrealized gains on investments	1,907,918	2,165,021	7,796,464	11,869,403
Change in:				
value of split-interest agreements	-	272,816	-	272,816
cash surrender value of life insurance	2,297	23,949	-	26,246
Other income	243,295	103,841	-	347,136
Total revenues and gains	27,330,338	11,570,151	20,445,939	59,346,428
Net assets released from restrictions	9,052,799	(6,756,601)	(2,296,198)	-
Total revenues, gains and other support	36,383,137	4,813,550	18,149,741	59,346,428
Expenses				
Program services				
Capital projects, equipment and repairs	22,784,413	-	-	22,784,413
Operations	3,002,030	-	-	3,002,030
Faculty and staff	2,284,512	-	-	2,284,512
Scholarships and awards	2,704,750	-	-	2,704,750
Total program services	30,775,705	-	-	30,775,705
Management and General	1,513,161	-	-	1,513,161
Fundraising	1,351,593	-	-	1,351,593
Total expenses	33,640,459	-	-	33,640,459
Change in net assets	2,742,678	4,813,550	18,149,741	25,705,969
Net assets, beginning of year	21,254,915	42,193,916	56,971,938	120,420,769
Net assets, end of year	$ 23,997,593	$ 47,007,466	$ 75,121,679	$ 146,126,738

See accompanying notes to consolidated financial statements.

Georgia State University Foundation, Inc.

Consolidated Statements of Cash Flows

Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities:		
Change in net assets	$ 20,017,459	$ 25,705,969
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contributions restricted for long-term investment	(5,399,352)	(5,371,040)
Depreciation and amortization	1,970,812	2,366,413
Loss on contributions to Georgia State University	583,899	-
Gain on bond refinancing	(298,092)	-
Loss (gain) on sale of property	763,760	(3,385,951)
Gain on capital lease termination	-	(427,991)
Amortization of deferred revenue	5,123	(564,399)
Amortization of bond premium	(564,410)	(442,528)
Amortization of bond discount	63,310	57,938
Unrealized gains on investments	(18,050,252)	(12,142,219)
Decrease (increase) in pledges receivable	4,536,051	(9,072,948)
Decrease (Increase) in other assets	1,288,235	(1,521,341)
Increase (decrease) in accounts payables and other liabilities	(80,410)	746,646
Net cash provided by (used in) operating activities	4,836,133	(4,051,451)
Cash Flows from Investing Activities:		
Purchases of property and equipment	(19,440)	(23,060)
Purchase of land held for sale	(1,232,756)	-
Proceeds from sale of land	2,089,434	13,750,000
Principal payments received on direct financing leases	3,222,358	3,032,526
Purchases of investments	(63,177,772)	(91,254,631)
Proceeds on sale of investments	56,626,247	72,626,449
Increase in restricted assets	(1,406,533)	(502,813)
Net cash used in investing activities	(3,898,462)	(2,371,529)
Cash Flows from Financing Activities:		
Proceeds from contributions restricted for long-term investment	5,399,352	5,371,040
Payments on capital lease obligations	(442,550)	(337,540)
Payments for bond issuance costs	(331,922)	-
Payments on revenue bonds payable	(21,505,000)	(3,025,000)
Proceeds from issuance of bonds	17,537,166	-
Net cash provided by financing activities	657,046	2,008,500
Net Increase (Decrease) in Cash and Cash Equivalents	1,594,717	(4,414,480)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,181,752	9,596,232
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 6,776,469	$ 5,181,752
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 12,293,797	$ 11,158,804

See accompanying notes to consolidated financial statements.

Note 1 – Organization

Organization

The Georgia State University Foundation, Inc. (the "Foundation") was incorporated in the State of Georgia in 1958 as a non-profit corporation and a 501(c)(3) tax exempt organization. The Foundation serves as the official fund-raising and fund-management organization for Georgia State University (the "University"), and is committed to supporting and assisting the University in achieving its goals and objectives through soliciting and managing private gifts, and collaborating and advising on activities for the benefit and advancement of the University.

In 1992, the Foundation formed the Georgia State University Building Foundation (the "Building Foundation") as a non-profit corporation. The Building Foundation was formed to purchase a building in downtown Atlanta, Georgia, in order to lease office and classroom facilities to the University and Foundation as its primary tenants. The Foundation appoints the Board of Directors of the Building Foundation.

During the fiscal year 2001, the Foundation formed the University Lofts, LLC (the "Lofts"), with the Foundation as the sole member. The Lofts were created for the building of a student housing facility for the University.

During the fiscal year 2003, the Foundation formed Piedmont/Ellis, LLC ("Piedmont/Ellis"), with the Foundation as the sole member. Piedmont/Ellis was created for the purpose of acquiring, developing, operating and managing certain real property for the purpose of building a student housing facility for the University.

During the fiscal year 2004, the Foundation formed Rialto Center, LLC, (the "Rialto") with the Foundation as the sole member. The Rialto was formed to purchase and renovate the Rialto Theater for benefit and use by the University.

During the fiscal year 2007, the Foundation formed Panther Place, LLC ("Panther Place"), with the Foundation as the sole member. Panther Place was formed for the purpose of purchasing the SunTrust building and related property in downtown Atlanta, Georgia to provide office and classroom facilities for the University and Foundation.

During the fiscal year 2009, the Foundation formed, as the sole member, Panther Fields, LLC ("Panther Fields") for the purpose of investing in the acquisition of real property to provide a practice football field and facility for the benefit and use by the University.

During the fiscal year 2009, the Foundation formed, as the sole member, Panther Lot, LLC ("Panther Lot") for the purpose of acquiring, developing, operating and managing real property for the benefit and use by the University.

During the fiscal year 2010, the Foundation formed, as the sole member, Panther Real Estate, LLC ("Panther Real Estate") for the purpose of acquiring, developing, operating and managing real property for the benefit and use by the University.

Note 1 – Organization (continued)

Cooperative Agreement

On October 23, 2008, the Foundation entered into a five year Memorandum of Understanding agreement with the University to operate as a Cooperative Organization under the guiding principles of the agreement.

Income Tax Status

The Foundation qualifies as a tax-exempt organization, exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code (the "Code") and accordingly, there is no provision for income taxes in the accompanying consolidated financial statements. The Foundation is classified as a public charity under sections 509(a)(1) and 170(b)(1)(A)(iv) of the Code, and therefore the Foundation is not classified as a private foundation nor a supporting organization. Contributions to the Foundation qualify for the charitable contribution deduction under section 170 of the Code, and bequests, legacies, devises, transfers, or gifts to the Foundation are deductible for federal estate and gift tax purposes if they meet the applicable provisions of sections 2005, 2106, and 2522 of the Code.

Note 2 – Summary of Significant Accounting Policies

Consolidated Financial Statements

The consolidated financial statements include the accounts of the Foundation, the Building Foundation, the Lofts, Piedmont/Ellis, the Rialto, Panther Place, Panther Fields, Panther Lot and Panther Real Estate (collectively referred to as, the Foundation). All of the financial activities and balances of these organizations are included in the consolidated financial statements. All significant intercompany accounts and transactions have been eliminated in consolidation.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and are presented in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Foundation 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.

Reclassification

Certain reclassifications were made to the 2010 balances to conform to the 2011 presentation.

Income Taxes

The Foundation's policy is to record a liability for any tax position taken that is beneficial to the Foundation, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of June 30, 2011 and, accordingly, no liability has been accrued.

Note 2 – Summary of Significant Accounting Policies (continued)

Net Assets

The Foundation classifies net assets, revenues, and gains and losses on investments based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

> *Unrestricted net assets* – Net assets that are not restricted by the donor. These assets are used to support the operations of the Foundation and are at the discretion of the Foundation's Board of Trustees.
>
> *Temporarily restricted net assets* – Net assets from contributions and other inflows of assets limited by donor-imposed restrictions as to periods of time or specified purposes. Temporarily restricted net assets are released from restrictions when the related time period lapses or the restricted purpose is met. Expenditures that relate to the fulfillment of the temporary restriction are shown as a reduction in temporarily restricted revenue as net assets released from restrictions.
>
> *Permanently restricted net assets* – Net assets from contributions and other inflows of assets limited by donor-imposed restrictions that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. Permanently restricted net assets are invested in perpetuity subject to periodic allocations made for spending specified by donor stipulations and applicable state law.

Unrealized and realized gains and losses, and dividends and interest from investing activities may be included in any of these net asset classifications depending on donor-imposed restrictions and the Foundation's interpretation of relevant state law.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Fair Values of Financial Instruments

The carrying value of financial instruments such as cash and cash equivalents, other receivables, due to/from related organizations, accounts payable and accruals approximate fair value because of the terms and relative short maturity of the financial instruments. The Foundation believes the carrying values of its financial instruments are reasonable estimates of their values, unless otherwise noted.

Note 2 – Summary of Significant Accounting Policies (continued)

In determining fair value, the Foundation uses various valuation approaches. The fair value hierarchy for inputs used in measuring fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect the Foundation's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is classified in one of the following three levels based on the inputs:

Level 1: Financial instruments with unadjusted, quoted prices listed on active market exchanges.

Level 2: Financial instruments valued using inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Financial instruments that are not actively traded on a market exchange and require using significant unobservable inputs in determining fair value.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristic particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Foundation in determining fair value is greatest for securities categorized in level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined by the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Foundation's own assumptions are set to reflect those that the market participants would use in pricing the asset or liability at the measurement date. The Foundation uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

Revenue Recognition

Revenue from exchange transactions, investment activities, rental and property management activities, management fees, royalties, other fees and charges, and other non-contribution related revenue are recognized as earned.

Note 2 – Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Foundation's management considers cash and cash equivalents to include demand deposits, money market accounts and other assets of high liquidity except those amounts designated and classified as investments. In July 2010, the Federal Deposit Insurance Corporation ("FDIC") permanently increased insurance coverage to $250,000 for substantially all depository accounts. Additionally, through December 31, 2012, deposits held in non-interest bearing transaction accounts will be fully insured, regardless of the amount in the account, at all FDIC-insured depository institutions. The Foundation from time to time may have amounts on deposit in excess of the insured limits.

Concentrations of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of investments. Management recognizes this risk as a cost of doing business and manages risk through the investment policy objectives and asset allocation strategy as adopted by the Foundation.

Investments

All investments in debt and equity securities with a readily determinable market value are reported at fair value with gains and losses included in the consolidated statements of activities based on quotations obtained from national securities exchanges. Alternative investments, which are not readily marketable, are carried at estimated fair values as provided by external investment managers. The Foundation reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in estimating the fair value of the alternative investments. The estimated fair values may differ significantly from the values that would have been used had ready markets for these securities existed.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated in the values of investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Foundation's consolidated financial statements.

The Foundation's Board of Trustees approved investment policy defines the asset allocation for the operating and endowment investment pools and also the spending allocation from the endowment investment pool. With the exception of certain restricted contributions that are separately invested, all restricted endowment contributions are invested on a pooled accounting basis.

Based on the interpretation of donor-imposed restrictions and applicable state law, the endowment investment pool total investment return including appreciation, depreciation, income, expenses and fees is allocated to each endowment based on the ratio of that endowment's investment balance to the total endowment investment pool. The approved endowment spending allocation is defined in greater detail in Note 5.

Note 2 – Summary of Significant Accounting Policies (continued)

The Foundation has ownership of certain cash equivalents that are not in the possession of the Foundation but are held, along with other investment securities, by outside investment managers. Although these cash equivalents are readily available, it is the intent of the Foundation to hold these cash equivalents for investment purposes and therefore has classified them as investments.

Cost of Services

The cost of services rendered by the Development Division of the University for fundraising activities is borne both by the Foundation and the University. The portion of the costs borne by the University is not included in the Foundation's consolidated financial statements, as these costs would have been incurred by the University even if the Foundation did not exist. The cost of services provided by the University was $2,804,296 and $2,255,616 for the years ended June 30, 2011 and 2010, respectively.

Administrative Fees

Administrative fees are utilized to cover operating costs of the Foundation, assist with development activities and provide additional funds to the University. The fees include 1% of the fair value of endowments annually, plus the net income earned from the non-endowed investment portfolio.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Pledges Receivable

Unconditional promises to give (pledges receivable) are recognized as revenue and asset in the period the promise is received. Pledges receivable are recorded at their net realizable value. Pledges expected to be collected in future years are discounted based on the present value of the estimated future cash flows. The discounts on those amounts are computed using estimated risk-free interest rates. An allowance for uncollectable pledges is estimated based on the Foundation's collection history and is netted against the gross pledges receivable.

Contributed Goods and Services

Contributions of securities, land, buildings and other nonmonetary assets which can be objectively measured are recorded at their fair value at the date of contribution. Certain nonmonetary assets such as art objects, equipment and books that are donor designated for the direct use by the University or one of its departments are not included in the consolidated financial statements. Donated services of volunteers have not been recorded in the consolidated financial statements since they do not meet the recognition criteria established in GAAP.

Note 2 – Summary of Significant Accounting Policies (continued)

Split-Interest Agreements

The Foundation is trustee for two types of split-interest agreements which are irrevocable charitable remainder trusts and charitable gift annuities, whereby donors contribute assets to the Foundation in exchange for the right of a named beneficiary to receive a fixed dollar amount or a specific percentage of the fair value of the trust assets during the beneficiary's lifetime.

The contributed assets are recorded at fair value when received and a liability is recognized at the present value of future cash flows expected to be paid to the beneficiary. The amount in which the fair value of assets at the date received exceeds the payment liability is recognized as a contribution in accordance with the intent expressed in the agreement.

The assets in the split-interest agreements are invested in common trust funds classified as Level 2 investment stated at fair value and included in investments in the combined statement of financial position. The liability in the split-interest agreements is reviewed and revalued annually based on actuarially computed present values and reported as obligation under split-interest agreements in the consolidated statement of financial position, with the resulting actuarial gain (loss) recorded as a change in value of split-interest agreements in the combined statement of activities.

The assets of each charitable remainder trust may be invaded in cases where investment earnings are not sufficient to make the required periodic payments. If the assets of the charitable remainder trust are invaded to the extent that it is depleted, the Foundation has no further financial obligation to the donors, beneficiaries or other remaindermen, if any. When the trust matures, any remaining assets of the trust revert to the Foundation as specified in each agreement.

The charitable gift annuities consist of assets donated to the Foundation through an agreement under which the Foundation is obligated to pay the beneficiary a fixed amount for the remainder of their lives even if the assets of the charitable gift annuity have been depleted.

Life Insurance

Life insurance consists of life insurance policies purchased by the donor where the Foundation is named as owner and beneficiary of the policy. The assets contributed under these life insurance policies are carried at fair value approximated by the cash surrender value, net of any policy loans.

The life insurance policy cash surrender value is updated annually and changes in value are recorded as a change in cash surrender value of life insurance in the combined statement of activities.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 45 years. Equipment, betterments or renewals in excess of $5,000 are capitalized. Normal repairs and maintenance costs are expensed as incurred.

Note 2 – Summary of Significant Accounting Policies (continued)

Impairment of Long-lived Assets

The Foundation reviews the carrying value of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of assets to be held and used may not be recoverable. Management does not believe there are any indications of impairment of any long-lived property and equipment at June 30, 2011.

Reclassification of Donor Intent

At times the Foundation receives requests by donors or their designees to change the use for which the donor's original gift was intended. These donor requests are reviewed by the Foundation for approval, and if approved, may result in the reclassification of net assets between unrestricted, temporarily restricted, or permanently restricted net assets.

Note 3 – Pledges Receivable

Pledges receivable at June 30, 2011 and 2010 consists of the following:

	2011	2010
Unconditional promises expected to be collected in:		
Less than one year	$ 3,208,223	$ 5,619,319
One to five years	5,142,156	7,482,964
More than five years	81,250	107,500
Total unconditional promises to give	8,431,629	13,209,783
Less discounts to net present value discount (rate 3.16% in 2011, 2.95% in 2010)	(276,948)	(440,629)
Less allowance for uncollectable promises to give	(44,451)	(122,873)
Net pledges receivable	$ 8,110,230	$ 12,646,281

The Foundation's pledges receivables recorded at fair value have been categorized based upon a fair value hierarchy (See Note 2). All valuations are classified as Level 3 within the fair value hierarchy based on observable and unobservable inputs. The Foundation took into account historical and projected cash flow, collectability and default rates.

Note 3 – Pledges Receivable (continued)

The following summarizes the activities in the Level 3 pledges receivable measured at fair value for the years ended June 30, 2011 and 2010:

	2011	2010
Beginning balance	$ 12,646,281	$ 3,573,333
New pledges	924,696	13,948,522
Pledges payments	(5,702,850)	(4,512,714)
Net fair valuation adjustment	242,103	(362,860)
Total level 3 pledges receivable	$ 8,110,230	$ 12,646,281

Note 4 - Investments

A summary of the aggregate cost and fair value of investment securities as of June 30, 2011 and 2010 (exclusive of securities held in agency accounts) and realized and unrealized gains and losses are as follows:

	June 30, 2011		June 30, 2010	
	Cost	Fair Value	Cost	Fair Value
Money market funds	$ 42,461,259	$ 42,461,286	$ 43,622,981	$ 43,623,125
Equities and equity funds	67,009,572	78,660,773	60,739,738	56,566,416
Fixed income securities and funds	33,290,021	34,750,241	31,805,412	32,498,178
Real estate investment trust funds	3,518,748	5,397,123	3,417,299	3,979,927
Total	$ 146,279,600	$ 161,269,423	$ 139,585,430	$ 136,667,646

	Realized Gains/(Losses)	Unrealized Gains/(Losses)	Realized Gains/(Losses)	Unrealized Gains/(Losses)
Equities and equity funds	$ (1,118,223)	$ 15,817,580	$ (2,046,074)	$ 9,243,693
Fixed income securities and funds	629,092	845,346	1,478,187	799,771
Real estate investment trust funds	-	1,315,746	(40,905)	1,825,939
Total	$ (489,131)	$ 17,978,672	$ (608,792)	$ 11,869,403

Note 4 – Investments (continued)

The investment return and allocation of the endowment investment pools as of June 30, 2011 and 2010 are summarized below:

	June 30, 2011		June 30, 2010	
	Endowment Pool	Operating Pool	Endowment Pool	Operating Pool
Dividends and interest income	$ 1,868,353	$ 452,989	$ 1,860,928	$ 273,126
Net realized gains (losses)	(629,254)	146,794	(600,035)	(858,040)
Net unrealized gains (losses)	17,146,274	712,996	9,902,011	1,907,918
Investment management fees	(302,633)	(124,184)	(266,923)	(98,617)
Total investment return	18,082,740	1,188,595	10,895,981	1,224,387
Administrative fees	(981,065)	(1,237,849)	(812,646)	(1,224,292)
Endowment spending allocation	(3,722,629)	3,722,629	(3,461,214)	3,461,214
Net investment return after fees and allocations	$ 13,379,046	$ 3,673,375	$ 6,622,121	$ 3,461,309

The following table summarizes the fair value measurements of certain investments that calculate net asset value per share (or its equivalent) as of June 30, 2011:

Description	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity - multi-strategy hedge funds (a)	$ 10,879,392	$ -	quarterly, annually	60 days
Limited partnerships - private equity (b)	5,426,568	7,076,839		
Real estate (REIT) funds (c)	71,980	215,770		
Total	$ 16,377,940	$ 7,292,609		

(a) This category employs a fund of hedge funds portfolio construction. This category invests in multiple strategy hedge funds to add diversification and reduce volatility of the portfolio. The fund of fund managers allocate across a broad range of hedge fund categories including long/short, event driven and arbitrage strategies that provide low correlation to other asset classes in the portfolio. The fair values of the investments in this category have been estimated using net asset value per share of the investments.

Note 4 – Investments (continued)

(b) This category includes several private equity funds that employ a fund of funds approach that invests both domestic and international in venture capital, buyouts, mezzanine, secondary markets and other areas within private equity. These investments are less liquid and, generally, cannot be redeemed with the funds through normal redemption procedures. Instead, the nature of the investments in this category is that the distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2011, it is probable that all of the investments in this category will be sold at an amount different from the net asset value of the Foundation's ownership interest in partner' capital. Therefore, the fair values of the investments in this category have been estimated using recent observable transaction information for similar investments.

(c) This category includes real estate funds that invests primarily in U.S. commercial real estate. The fair values of the investment in this category have been estimated using the net asset value of the Foundation's ownership interest in partners' capital. These investments are less liquid and, generally, cannot be redeemed with the funds through normal redemption procedures. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

The Foundation's investment assets recorded at fair value have been categorized based upon a fair value hierarchy (See Note 2). The following tables summarize the valuation of the Foundation's financial assets and liabilities measured at fair value as of June 30, 2011 and 2010:

Fair Value Measurements at June 30, 2011:

	Level 1	Level 2	Level 3	Total
Investments:				
Money Market Funds	$ -	$ 42,461,286	$ -	$ 42,461,286
Fixed income securities	-	34,750,241	-	34,750,241
Equity securities	307,567	62,047,246	10,879,392	73,234,205
Limited partnerships	-	-	5,426,568	5,426,568
REIT's	-	5,325,143	71,980	5,397,123
	$ 307,567	$ 144,583,916	$ 16,377,940	$ 161,269,423

Fair Value Measurements at June 30, 2010:

	Level 1	Level 2	Level 3	Total
Investments:				
Money Market Funds	$ 800,000	$ 42,823,125	$ -	$ 43,623,125
Fixed income securities	-	32,498,178	-	32,498,178
Equity securities	244,645	42,611,082	9,228,601	52,084,328
Limited partnerships	-	-	4,482,086	4,482,086
REIT's	-	3,905,029	74,900	3,979,929
	$ 1,044,645	$ 121,837,414	$ 13,785,587	$ 136,667,646

Note 4 – Investments (continued)

The following summarizes the activities in the Level 3 category of investments for the year ended June 30, 2011:

Description	Beginning Balance	Realized or unrealized gains (losses)	Purchases and Sales	Ending Balance
Fixed Income	$ -	$ -	$ -	$ -
Equity Securities	9,228,601	651,891	998,900	10,879,392
Limited Partnerships	4,482,086	365,059	579,423	5,426,568
REIT's	74,900	(2,920)	-	71,980
Total Level 3 investments	$ 13,785,587	$ 1,014,030	$ 1,578,323	$ 16,377,940

The following summarizes the activities in the Level 3 category of investments for the year ended June 30, 2010:

Description	Beginning Balance	Realized or unrealized gains (losses)	Purchases and Sales	Ending Balance
Fixed Income	$ 8,183,449	$ 111,010	$ (8,294,459)	$ -
Equity Securities	8,906,100	797,201	(474,700)	9,228,601
Limited Partnerships	3,496,079	227,334	758,673	4,482,086
REIT's	110,230	(35,330)	-	74,900
Total Level 3 investments	$ 20,695,858	$ 1,100,215	$ (8,010,486)	$ 13,785,587

Split-Interest Agreements

The Foundation is the trustee and remainder beneficiary of certain split-interest agreements. The assets of these split-interest agreements are invested in equities and bonds and reported as Level 2 investments and are recorded at fair value. The value of the split interest agreements as of June 30, 2011 and 2010 were $503,657 and $493,563, respectively.

Note 4 – Investments (continued)

Business Student Trust Fund

During 1972, a trust fund was established to allow business students regularly enrolled at the University to gain practical experience in the fields of investment analysis and management, fund management and related areas. An initial contribution of $5,000 and supplemental contributions of $15,000 were made from unrestricted resources of the Foundation for this purpose. No further contributions to this trust are required. If this trust was terminated, any funds remaining after payment of all debts would be returned to the Foundation to be used for educational purposes. The value of the trust fund as of June 30, 2011 and 2010 was $307,567 and $244,645, respectively.

Note 5 – Endowments

The Foundation's endowment consists of approximately 300 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted the Georgia Uniform Prudent Management of Institutional Funds Act (UPMIFA) of 2008 as requiring the assets of an endowment fund be donor restricted until allocated for spending, unless otherwise specifically stated in the gift instrument.

The Board believes this interpretation is consistent with long established Board approved investment and spending policy which is specifically referenced in the Foundation's endowed gift instrument. In accordance with the investment policy and UPMIFA, with the exception of certain restricted assets that are separately invested, all restricted endowment assets are invested in the endowment pool on a pooled basis until allocated for spending.

As a result of this interpretation, the Foundation classifies permanently restricted net assets as assets that, under the terms of the gift instrument, are permanent endowments not wholly expendable by the Foundation on a current basis until a portion is allocated for spending. Permanently restricted assets are invested in perpetuity in the endowment investment pool subject to periodic spending allocations where a portion of the donor-restricted endowment fund in permanently restricted nets assets is allocated and classified as temporarily restricted net assets available for spending.

The endowment investment pool also includes donor-restricted funds classified as temporarily restricted net assets, not specifically designated as permanently restricted endowment funds but they are restricted and designated for a particular college or unit of the University. From time to time the Foundation will approve requests from a college or unit to invest a portion of these funds in the endowment investment pool. These funds are designated as quasi endowments or funds functioning as endowments. The Foundation classifies these funds and the related investment return and spending allocation as temporarily restricted net assets. There are no unrestricted net assets invested in the endowment investment pool.

Note 5 – Endowments (continued)

Based on the interpretation of the investment policy and UPMIFA, the total return of the endowment investment pool including appreciation/inflation, depreciation/deflation, income, expenses and fees shall be allocated to each endowment based on the ratio of that endowment's investment balance to the total endowment pool and included as part of the endowment net asset classification.

Endowment Spending Policy

In accordance with UPMIFA the Foundation considers the following factors in making a determination to appropriate and allocate assets for spending or accumulate assets of an endowment fund:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

According to the spending policy, the Foundation is not obliged to allocate for spending a stated percentage of its endowment assets in any given year. However, in order to achieve both reasonable stability in budgeting and a reasonable balance between near-term and distant programmatic priorities, the Board has adopted the following spending policy:

The allocation for spending in any given fiscal year shall equal:

- 70% of spending for the prior year, adjusted for cumulative changes in inflation (as measured by CPI), plus
- 30% of Foundation's long-term spending rate (currently 4.5%) applied to the endowment's market value at the beginning of the year.

This amount is divided by the endowment market value at the beginning of the year to calculate the spending allocation rate, which was 4.8% for the year ended June 30, 2010. The spending allocation rate for the year ended June 30, 2011 of 4.3% was applied to each individual endowment based on its average market value during the year.

The total endowment spending allocation distributed for the years ended June 30, 2011 and 2010 was $3,722,629 and $3,461,214, respectively. To the extent that the endowment investment pool's total return is greater or less than the allocations made for spending, the fair value of each endowment increases or decreases accordingly.

Return Objectives and Risk Parameters

The Foundation's return objective is to preserve and if possible enhance the purchasing power of its endowment, net of cost and board-approved withdrawal, over a rolling five-year period. The goal is the pursuit of a time-weighted net return on endowment assets that equals, and if possible exceeds, inflation (as measured by CPI) plus the Foundation's long-term spending allocation rate, measured over rolling five-year periods.

Note 5 – Endowments (continued)

The Foundation stands prepared to incur risks consistent with its pursuit of the return objective set forth above, subject to two overarching limits. Its endowment investment pool should be deployed in a manner that reduces to tolerable levels (defined as 25% or below) the probabilities that it will suffer (1) peak-to-trough declines in endowment purchasing power exceeding 30% or (2) a shortfall exceeding 3% in the Foundation's annualized endowment returns relative to those of an approved peer group measured over rolling 5 year periods.

Endowment Net Asset Composition by Type of Fund as of June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 81,289,365	$ 81,289,365
Quasi-endowment funds	-	24,961,706	-	24,961,706
Total endowment net assets	$ -	$ 24,961,706	$ 81,289,365	$ 106,251,071

Endowment Net Assets Composition by Type of Fund as of June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 65,294,665	$ 65,294,665
Quasi-endowment funds	-	18,365,220	-	18,365,220
Total endowment net assets	$ -	$ 18,365,220	$ 65,294,665	$ 83,659,885

Note 5 – Endowments (continued)

Endowment Related Activities by Type of Fund as of June 30, 2011:

	Donor-restricted Endowment Funds	Quasi-Endowment Funds	Total
Endowment net assets, July 1, 2010	$ 65,294,665	$ 18,365,220	$ 83,659,885
Net realized and unrealized gains	13,209,300	3,875,086	17,084,386
Contributions	5,399,353	1,867,954	7,267,307
Allocation of endowment assets for expenditure	(2,882,710)	(839,919)	(3,722,629)
Transfers to comply with donor intent	244,898	1,717,224	1,962,122
Reclassification of donor intent	23,859	(23,859)	-
Endowment net assets, June 30, 2011	$ 81,289,365	$ 24,961,706	$ 106,251,071

Endowment Related Activities by Type of Fund as of June 30, 2010:

	Donor-restricted Endowment Funds	Quasi-Endowment Funds	Total
Endowment net assets, July 1, 2009	$ 54,423,358	$ 16,369,914	$ 70,793,272
Net realized and unrealized gains	7,796,464	2,286,935	10,083,399
Contributions	5,371,040	246,376	5,617,416
Allocation of endowment assets for expenditure	(2,679,027)	(782,187)	(3,461,214)
Transfers to create board designated endowment	-	100,000	100,000
Transfers to comply with donor intent	369,443	157,569	527,012
Reclassification of donor intent	13,387	(13,387)	-
Endowment net assets, June 30, 2010	$ 65,294,665	$ 18,365,220	$ 83,659,885

Note 5 – Endowments (continued)

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only)

	2011	2010
Permanently Restricted Net Assets		
The Portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 81,289,365	$ 65,294,665
Total endowment funds classified as permanently restricted net assets	$ 81,289,365	$ 65,294,665
Temporarily Restricted Net Assets		
Quasi-endowment funds	$ 24,961,706	$ 18,365,220
Total endowment funds classified as temporarily restricted net assets	$ 24,961,706	$ 18,365,220

Note 6 – Net Investment in Direct Financing Leases

The components of the net investment in direct financing leases at June 30, 2011 and 2010 are as follows:

	2011	2010
Future minimum lease receipts – Alpharetta	$ 11,829,312	$ 13,063,890
Future minimum lease receipts – Student Recreation Center	33,742,531	36,891,936
Future minimum lease receipts – Piedmont Ellis	338,353,404	348,407,121
Gross investment in direct financing leases	383,925,247	398,362,947
Less unearned interest income	(225,449,034)	(236,664,376)
Net investment in direct financing leases	$ 158,476,213	$ 161,698,571

Note 6 – Net Investment in Direct Financing Leases (continued)

Future minimum net amounts receivable under direct financing leases at June 30, 2011 are as follows:

Year Ending June 30,	
2012	$ 14,779,554
2013	15,140,318
2014	15,485,700
2015	15,856,176
2016	16,236,225
2017-2021	83,036,457
2022-2026	60,963,745
2027-2031	61,670,184
2032-2036	62,591,209
2037-2039	38,165,679
Gross investment in direct financing lease	383,925,247
Less unearned interest income	(225,449,034)
Net investment in direct financing leases	$ 158,476,213

Note 7 – Restricted Assets

Pursuant to the terms of various bonds payable and capital lease arrangements for the construction of long-lived assets and debt services requirements, the Foundation is required to maintain amounts on deposit with a trustee, including charitable trust held by others. Restricted assets primarily represent fixed income securities with varying maturity dates and cash equivalents and are related to the following facilities and other assets:

	2011	2010
Alpharetta Center	$ 337,230	$ 590,851
Student Recreation Center	3,091,861	2,826,443
Piedmont Ellis	21,326,460	19,499,349
Panther Place	11,653,942	12,086,317
Charitable trusts held by others	100	100
Total restricted assets	$ 36,409,593	$ 35,003,060

Note 8 – Capitalized Bond Issuance Cost

Capitalized bond issuance cost includes costs incurred to secure and rate bonds and are amortized over the term of the bonds using the straight-line method (which approximates the effective interest rate method). Capitalized bonds issuance cost consists as of June 30:

	2011	2010
Alpharetta Campus - bond issuance cost	$ 137,544	$ 156,300
Student Recreation Center - original issuance cost	-	150,642
Student Recreation Center - new issuance cost	314,389	-
Piedmont Ellis - bond issuance costs	3,554,358	3,695,591
Panther Place - bond issuance costs	2,329,458	2,419,576
Total deferred costs	$ 6,335,749	$ 6,422,109

Note 9 – Cash Surrender Value of Life Insurance

The Foundation is the owner and beneficiary of numerous life insurance policies. As of June 30, 2011 the total face value of the policies was $3,795,629. Premiums on some of the policies are paid by the Foundation with the corresponding amounts received back from the donors as contributions. While the cash surrender value of the policies has been recorded in the Foundation's consolidated statements of financial position, the face value of the policies will be recognized upon receipt of the insurance proceeds. The annual change in the cash surrender value of the life insurance policies are recorded in the consolidated statement of activities. The cash surrender value of the policies as of June 30, 2011 and 2010, were $957,804 and $901,899, respectively.

Note 10 – Real Estate Held for Sale

On September 30, 2010, Panther Lot purchased certain land at a purchase price of approximately $1,233,000 for the purpose of holding and eventually selling the property to the University.

Note 11 - Property and Equipment

Property and equipment as of June 30, 2011 and 2010 consist of the following:

	2011	2010
Land	$ 6,344,000	$ 7,372,092
Donated land held for investment	6,400	6,400
Building	45,656,000	47,536,830
Building improvements	6,837,738	6,837,738
Computer system	-	1,087,614
Property and equipment - at cost	58,844,138	62,840,674
Less accumulated depreciation	(10,546,329)	(9,434,022)
Property and equipment - net	$ 48,297,809	$ 53,406,652

Depreciation expense for the years ended June 30, 2011 and 2010 was $1,691,190 and $2,014,637, respectively.

During the years ended June 30, 2011 and 2010 the Foundation sold or transferred certain property, real property, and buildings to the University. Realized gains (losses) on these transactions are as follows:

	2011	2010
Panther Lot	$ (763,760)	$ -
Computer system	(583,899)	-
Rialto Properties	-	427,991
One Park Place	-	3,253,054
Panther Fields	-	132,897
Total realized (loss) gain on property	$ (1,347,659)	$ 3,813,942

Note 12 – Investments Held for Affiliates

Georgia State University Research Foundation, Inc.

During 1996, the Foundation entered into an agreement with the Georgia State University Research Foundation, Inc. (Research Foundation) to provide investment management services for the Research Foundation. The Foundation is to manage the Research Foundation's investments in a manner consistent with the Foundation's investment policies and procedures for which the Research Foundation pays the Foundation a fee. The Research Foundation’s investment balances under management as of June 30, 2011 and 2010 were $3,917,660 and $3,209,529, respectively.

Note 12 – Investments Held for Affiliates (continued)

During 2003, the Foundation entered into an additional agreement with the Research Foundation to separately manage a $2,000,000 endowment portfolio received by the Research Foundation from a federal agency. Under the agreement, the Foundation provides investment management services for the separate portfolio to comply with the terms of the Research Foundation's agreement with the federal agency for which the separate portfolio is charged a fee. The Research Foundation's investment balances under management related to this separate portfolio as of June 30, 2011 and 2010 were $2,214,324 and $2,278,143, respectively.

Georgia State University Alumni Association

During 1997, the Foundation entered into an agreement with the Georgia State University Alumni Association (Alumni Association) to manage investments of the Alumni Association, consistent with investment policies of the Alumni Association. The Alumni Association's investment balances under management as of June 30, 2011 and 2010 were $815,645 and $671,022, respectively.

The total fair value of investments held for affiliates is reported as an asset and a liability in the consolidated statements of financial position. The balances as of June 30, 2011 and 2010 were $6,947,629 and $6,158,694, respectively.

Note 13 – Obligations Under Leases

Alpharetta Campus Facilities Lease

On September 23, 1998, $10,600,000 of revenue bonds were issued by the Development Authority of Alpharetta, Georgia, (Development Authority) for the purpose of financing the costs of acquiring, constructing and installing educational facilities which are located in the City of Alpharetta and are leased by the Foundation. On May 12, 2009, the Series 1998 Bonds were refunded by a new lower fixed-rate bond issuance. The tax-exempt revenue bonds of $5,890,000 plus premium of $654,706 were issued by the Development Authority of Alpharetta, Georgia. Principal and interest payments schedule will remain in force as under the 1998 issuance. Interest payments will continue to be made semi-annually starting November 1, 2009 at a rate specified in the revenue bonds ranging from 3.0% to 5.0%.

The lease obligates the Foundation, on a limited recourse basis, to make lease payments sufficient to pay 83.5% of principal and interest on the bonds with the balance to be paid by the Development Authority. The Foundation in turn subleased the facilities to the Board of Regents of the University System of Georgia (Board of Regents) for the use of the University. The liability of the Foundation is limited to the interest of the Foundation in the project and the rents, profits, issues, products and proceeds thereof. The City of Alpharetta is obligated to make 100% of the principal and interest payments on the bonds to the extent rental payments derived from the project are insufficient for such purposes. The Foundation has entered into a lease with the University on this property. As the lease is classified as a capital lease by the University, the Foundation has recorded the asset as a net investment in direct financing lease on the consolidated statements of financial position.

Note 13 – Obligations Under Leases (continued)

The following is a schedule by year of the future minimum lease payments required under the Alpharetta Campus facilities lease as of June 30, 2011:

Year Ending June 30,	
2012	$ 633,375
2013	635,324
2014	632,373
2015	634,544
2016	630,063
2017-2019	1,882,229
Total minimum lease payments	5,047,908
Less amount representing interest	(797,758)
Present value of minimum lease payments	$ 4,250,150

Interest expense related to the capital lease obligation for Alpharetta for the years ended June 30, 2011 and 2010 totaled $191,535 and $204,116, respectively.

Rialto Center Facilities Lease

On December 1, 2009, the Foundation assigned all of its rights under the lease agreement (the Amended and Restated Lease Agreement dated July 1, 1994) (the "Lease") with TUFF Rialto LLC to the University. This assignment terminated the leasehold interest of the Rialto Center, LLC in the Rialto Center, the Haas-Howell Building and the Standard Building. The Foundation then derecognized the costs, accumulated depreciation and capital lease obligation related to the termination of this lease and recognized a gain on the transactions. The interest expense related to the capital lease obligation for Rialto for the year ended June 30, 2010 totaled $58,839. See Note 11 for the gain recognized in the statement of activities for the year ended June 30, 2010 related to this transaction. The University, as new tenant under the Lease, then defeased the remaining principal on the bonds and became fee simple owner of the Haas-Howell Building and the Standard Building.

Rialto Ground Lease

On December 1, 2009, TUFF transferred its interest in the Rialto Theater ground lease to the Foundation. The Foundation will continue to sub-lease the Rialto Theater facility to the University.

Note 13 – Obligations Under Leases (continued)

Future minimum lease payments under the ground lease as of June 30, 2011, are as follows:

Year Ending June 30,	
2012	$ 79,304
2013	79,304
2014	79,304
2015	79,304
2016	79,304
2017-2021	396,520
2022-2026	396,520
2027-2031	396,520
2032-2036	396,520
2037-2041	396,520
2042-2046	356,869
Total	$ 2,735,989

Operating Leases (Foundation as Lessor)

Lofts Lease
A rental agreement was entered into in January 2005 between the Foundation, landlord, and the Board of Regents for and on the behalf of the University, tenant, for student housing known as the University Lofts. The lease is renewable annually through fiscal year 2033 and ends in September 2032.

Panther Place Lease
On May 31, 2007, the Foundation purchased certain land, buildings and fixtures owned by SunTrust Bank, Inc. for $52 million using proceeds of revenue bonds (See Note 14). On the same day, the Foundation entered into a lease agreement with SunTrust Bank, Inc. for a five-year period with annual basic rental income of $3,000,000 for the first year and a 2% increase each year thereafter.

Brookhaven Lease
During the year ended June 30, 2005, the Foundation entered into a lease with a third party for office space for the benefit and use of the University's Executive MBA Program. The lease is renewable annually through June 30, 2015. The University reimburses the Foundation on a monthly basis in an amount equal to the monthly rent payment.

Westbridge Lease
A rental agreement was entered into in July 2007 for a period of five (5) years with a third party for office space for the benefit and use of the University's College of Business graduate programs. After the lease expired in June 2011, it was extended for one additional year through June, 2012. The University pays the monthly rental payment directly to the landlord.

Note 14 – Bonds Payable

Bonds payable at June 30, 2011 and 2010 consisted of the following:

Series	Original Principal Issued	Interest Rates	Balance June 30, 2011	Balance June 30, 2010
Student Recreation Center Bonds (Series 1998) - The series 1998 revenue bonds were refunded during the fiscal year ended 2011 with series 2011 bonds.	$ 33,430,000	3.60% - 4.60%	$ -	$ 19,925,000
Student Recreation Center Bonds (Series 2011) - Tax-exempt revenue bonds of $163,035,000 plus premium of $1,065,000. Principal payments are to be made annually starting October 1, 2011 and ending October 1, 2018. Interest is paid semi-annually through 2018.	$ 16,035,000	4.00% - 5.00%	16,035,000	-
Piedmont Ellis Revenue Bonds (Series 2005) - Tax-exempt and taxable revenue bonds, principal payments are to be made annually starting September 1, 2009 and ending September 1, 2036. Interest is paid semi - annually through 2036.	$ 161,330,000	3.875% - 5.00%	158,480,000	160,060,000
Panther Place Revenue Bonds (Series 2009) - Revenue bonds on $73,235,000 (tax–exempt $60,215,000 and taxable $13,020,000) net of discount of $1,654,917. Principal payments are to be made annually starting July 1, 2013 and ending July 1, 2037. Interest is to be paid semi-annually starting July 1, 2009.	$ 73,325,000	4.00% - 6.15%	73,235,000	73,235,000
Subtotal			247,750,000	253,220,000
Plus unamortized bond premium			5,882,859	5,381,856
Less unamortized bond discount			(1,525,959)	(1,589,270)
Total			$ 252,106,900	$ 257,012,586

Note 14 – Bonds payable (continued)

Student Recreation Center

On October 15, 1998, $33,430,000 of revenue bonds were issued by the Atlanta Development Authority ("ADA") with the proceeds loaned to the Foundation for the purpose of financing the acquisition, construction, improvement and equipping of a student recreation center for the benefit of the University. The bonds are special limited obligation bonds of the ADA, payable from funds received from the Foundation pursuant to a promissory note between the ADA and the Foundation. The Foundation leases the facilities to the Board of Regents for the use of the University. The Foundation's liability on the note is limited to its interest in the project and the rents and revenues from the project, including amounts received pursuant to the rental agreement with the Board of Regents. Payment of principal and interest on the bonds are insured by AMBAC Assurance Corporation. Principal payments are to be made annually until October 1, 2018. Interest is paid semi-annually through 2018 at a rate specified in the revenue bonds ranging from 3.60% to 4.60%. The series 1998 revenue bonds were refunded on January 31, 2011. The interest expense on the series 1998 revenue bonds for the years ended June 30, 2011 and 2010 totaled $585,130 and $942,004, respectively.

On January 31, 2011 revenue bonds (tax-exempt $165,035,000 plus premium of $1,065,413) were issued by the Development Authority of Fulton County. Proceeds of the series 2011 bonds were used to refund the series 1998 revenue bonds. Principal payments are to be made annually until October 1, 2018. Interest is paid semi-annually through 2018 at a rate specified in the revenue bonds ranging from 4.00% to 5.00%. Interest expense on the series 2011 revenue bonds for the year ended June 30, 2011 totaled $320,141. Moody's Investor Services, Inc. had assigned the Series 2011 bonds the rating of Aa3.

Piedmont/Ellis

On September 8, 2005, a total of $161,330,000 revenue bonds (tax-exempt $158,410,000 and taxable $2,920,000) were issued at a premium of $6,620,809 by the ADA on behalf of the Foundation with the proceeds used for the purpose of financing the acquisition, construction and equipping of certain land, buildings and personal property to be used as a student housing project. The project has 1,994 beds, including community activity facilities, site amenities and parking for 786 vehicles. The real property upon which the project is located is owned by the Board of Regents and leased to the Foundation pursuant to a Ground Lease. After construction was completed, the Foundation leased the facility to the Board of Regents on an annually-renewable basis for a term of 33 years for the use and benefit of the University. Moody's Investors Services Inc. has assigned the Series 2005 Bonds the rating of Aa3. Principal payments are to be made annually starting September 1, 2009 and ending September 1, 2036. Interest is paid semi-annually through 2036 at a rate specified in the revenue bonds ranging from 3.875% to 5.0%. Interest expense for the years ended June 30, 2011 and 2010 was $7,642,822 and $7,713,784, respectively.

Note 14 – Bonds payable (continued)

Panther Place

On May 31, 2007, $58,385,000 of revenue bonds (tax-exempt $49,175,000 and taxable $9,210,000) were issued by the ADA on behalf of the Foundation with the proceeds used to finance the costs of acquiring land, buildings, improvements, machinery, fixtures, furnishings, equipment and other real and personal property to be used for office space. SunTrust Banks, Inc. as the seller and the current tenant may remain in the building for up to five years. Upon expiration of the lease or early termination by SunTrust Banks, Inc., the Foundation will lease the property to the Board of Regents on an annually renewable basis. The Foundation began making semi-annual swap interest payments on January 1, 2008 at a rate of 4.289% on tax-exempt bonds and 5.409% on taxable bonds.

On May 29, 2009 the outstanding balance of the bank bonds of $47,630,000 and the line of credit of $8,612,859 were refunded by a new fixed-rate bond issuance. Revenue bonds on $73,235,000 (tax–exempt $60,215,000 and taxable $13,020,000) net of discount of $1,654,917 were issued by the ADA on behalf of the Foundation. Moody's Investors Services, Inc. has assigned the Series 2009 Bonds the rating of A2. Principal payments are to be made annually starting July 1, 2013 and ending July 1, 2037. Interest is to be paid semi-annually starting July 1, 2009 at a rate specified in the revenue bonds ranging from 4.00% to 6.15%. Interest expense for the years ended June 30, 2011 and 2010 was $3,487,070 and $3,487,070, respectively.

Future maturities of the Student Recreation Center, Piedmont/Ellis and Panther Place revenue bonds at June 30, 2011 are as follows:

Year ending June 30,	Tax-Exempt	Taxable	Total
2012	$ 3,850,000	$ 70,000	$ 3,920,000
2013	4,120,000	-	4,120,000
2014	4,470,000	1,595,000	6,065,000
2015	4,970,000	1,650,000	6,620,000
2016	5,510,000	1,725,000	7,235,000
2017-2021	30,500,000	8,050,000	38,550,000
2022-2026	41,520,000	-	41,520,000
2027-2031	52,575,000	-	52,575,000
2032-2036	66,855,000	-	66,855,000
2037-2038	20,290,000	-	20,290,000
Total	$ 234,660,000	$ 13,090,000	$ 247,750,000

Note 15 – Net Assets Released from Restrictions

Net assets were released from restrictions for the years ended June 30, 2011 and 2010 for the following purposes:

	2011	2010
Management fees	$ 981,065	$ 812,582
General and departmental expenses	692,629	250,909
Program Service - General and departmental	4,261,681	3,124,021
Program Service - Fundraising expenses	155,704	69,675
Program Service - Faculty and staff expenses	2,880,069	2,284,512
Program Service - Scholarships and awards	2,062,373	2,511,100
Total net assets released from restrictions	$ 11,033,520	$ 9,052,799

Note 16 – Commitments and Contingencies

The Foundation has future commitments with various limited partnership agreements with investment managers of real estate investment trusts and venture capital funds for the endowment portfolio. Payments under the various partnership agreements are made over a period of years based on specified capital calls by the respective partnerships. The purpose of these agreements is to provide endowment funds and nonprofit organizations the opportunity to invest in private limited partnerships, which in turn, make venture capital investments primarily in emerging growth companies, international private equity investments and in equity securities, warrants or other options that are generally not actively traded at the time of investment with the objective of obtaining long-term growth of capital. Capital calls are drawn from other liquid assets of the endowment investment pool as part of the asset allocation process. Investment commitments for the years ended June 30, 2011 and 2010 totaled $7,292,609 and $8,401,853, respectively.

Note 17 – Summary of Net Assets

Net assets as of June 30, 2011 and 2010, were available for the following purposes:

	2011	2010
Unrestricted Net Assets:		
General	$ 16,339,579	$ 15,961,941
Investment in land and buildings	8,744,136	8,035,652
Total unrestricted net assets	25,083,715	23,997,593
Temporarily Restricted Net Assets:		
Academic support	4,168,441	6,021,285
Scholarships	4,481,470	4,347,623
Program support	8,403,797	7,807,509
Pledge receivables	1,248,980	2,811,806
Program and activities	9,208,577	7,357,171
Charitable trust - deferred gifts	129,827	52,207
Student investment portfolio	307,567	244,645
Funds functioning as endowments	24,961,706	18,365,220
Total temporarily restricted net assets	52,910,365	47,007,466
Permanently Restricted Net Assets:		
Endowment - pledge receivables	6,860,752	9,827,014
Endowment - Scholarships	22,686,757	18,944,864
Endowment - Program support	58,602,608	46,349,801
Total permanently restricted net assets	88,150,117	75,121,679
Total Net Assets	$ 166,144,197	$ 146,126,738

Note 18 – Subsequent Events

The Foundation has evaluated subsequent events through September 8, 2011, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued. As of this date, there were no additional material subsequent events requiring adjustment to or disclosure in the consolidated financial statements for the year ended June 30, 2011.

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