GEORGIA STATE UNIVERSITY FOUNDATION, INC.

Consolidated Financial Statements

For the Years Ended June 30, 2009 and 2008

(With Independent Auditors' Report)

GEORGIA STATE UNIVERSITY FOUNDATION, INC.

Consolidated Financial Statements

June 30, 2009 and 2008

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CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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, 2009 and 2008, 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, 2009 and 2008, 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
October 5, 2009

Georgia State University Foundation, Inc.

Consolidated Statements of Financial Position
June 30, 2009 and 2008

	2009	2008
Assets		
Cash and cash equivalents	$ 9,596,232	$ 1,045,665
Investments (Note 3)	105,897,245	136,542,949
Pledges receivable, net (Note 6)	3,573,333	6,827,024
Investment in direct financing leases, net (Note 7)	164,731,097	167,643,115
Restricted assets (Note 8)	34,500,247	29,826,142
Cash surrender value of life insurance (Note 9)	875,653	761,158
Other assets (Note 10)	7,159,428	418,829
Deferred costs (Note 11)	6,682,336	5,767,237
Property and equipment (Note 12)	61,276,753	60,769,373
Investments held for affiliates (Note 13)	5,638,161	6,739,125
Total Assets	$ 399,930,485	$ 416,340,617
Liabilities and Net Assets		
Liabilities		
Accounts payable and other liabilities (Note 14)	$ 5,864,820	$ 6,862,302
Obligation under leases (Note 15)	7,584,559	9,000,026
Bonds payable- net (Note 16)	260,422,176	248,712,747
Interest rate swap liability (Note 17)	-	4,533,379
Investments held for affiliates (Note 13)	5,638,161	6,739,125
Total Liabilities	279,509,716	275,847,579
Net Assets		
Unrestricted	21,254,915	21,129,322
Temporarily restricted	42,193,916	45,185,029
Permanently restricted	56,971,938	74,178,687
Total Net Assets	120,420,769	140,493,038
Total Liabilities and Net Assets	$ 399,930,485	$ 416,340,617

See accompanying notes to consolidated financial statements

Georgia State University Foundation, Inc.

Consolidated Statement of Activities
Year Ended June 30, 2009
(With Comparative Totals for 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009	Total 2008
Revenues, gains (losses) and other support					
Contributions	$ 1,992,339	$ 7,231,267	$ 1,275,335	$ 10,498,941	$ 9,655,534
Rental income	9,761,499	240,000	-	10,001,499	9,801,167
Income from investment in direct financing leases	11,915,184	-	-	11,915,184	9,118,525
Interest and dividend income	1,273,925	2,287,534	-	3,561,459	6,251,644
Realized gains (losses) on investments	(351,294)	(1,769,067)	-	(2,120,361)	3,478,290
Unrealized gains (losses) on investments	(1,630,781)	(4,855,658)	(16,083,505)	(22,569,944)	(12,386,188)
Other income	328,969	300,000	-	628,969	-
Total revenues and gains (losses)	23,289,841	3,434,076	(14,808,170)	11,915,747	25,918,972
Net assets released from restrictions	8,823,768	(6,425,189)	(2,398,579)	-	-
Total revenues, gains (losses) and other support	32,113,609	(2,991,113)	(17,206,749)	11,915,747	25,918,972
Expenses					
General and departmental	26,622,889	-	-	26,622,889	26,918,513
Faculty and staff	3,246,846	-	-	3,246,846	2,934,125
Scholarships and awards	2,321,197	-	-	2,321,197	2,405,733
Total expenses	32,190,932	-	-	32,190,932	32,258,371
Deficiency in revenues over expenses	(77,323)	(2,991,113)	(17,206,749)	(20,275,185)	(6,339,399)
Loss on bond refinancing	(1,312,463)	-	-	(1,312,463)	-
Change in valuation of interest rate swap	-	-	-	-	(4,533,379)
Gain on interest rate swap termination	1,515,379	-	-	1,515,379	-
Change in net assets	125,593	(2,991,113)	(17,206,749)	(20,072,269)	(10,872,778)
Net assets, beginning of year	21,129,322	45,185,029	74,178,687	140,493,038	151,365,816
Net assets, end of year	$ 21,254,915	$ 42,193,916	$ 56,971,938	$ 120,420,769	$ 140,493,038

See accompanying notes to consolidated financial statements

Georgia State University Foundation, Inc.

Consolidated Statement of Activities
Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains (losses) and other support				
Contributions	$ 335,653	$ 7,787,460	$ 1,532,421	$ 9,655,534
Rental income	9,801,167	-	-	9,801,167
Income from investment in direct financing leases	9,118,525	-	-	9,118,525
Interest and dividend income	2,883,749	3,367,895	-	6,251,644
Realized gains (losses) on investments	(1,752,911)	5,231,201	-	3,478,290
Unrealized gains (losses) on investments	289,488	(8,808,090)	(3,867,586)	(12,386,188)
Total revenues and gains (losses)	20,675,671	7,578,466	(2,335,165)	25,918,972
Net assets released from restrictions	14,025,866	(11,837,314)	(2,188,552)	-
Total revenues, gains (losses) and other support	34,701,537	(4,258,848)	(4,523,717)	25,918,972
Expenses				
General and departmental	26,918,513	-	-	26,918,513
Faculty and staff	2,934,125	-	-	2,934,125
Scholarship and awards	2,405,733	-	-	2,405,733
Total expenses	32,258,371	-	-	32,258,371
Excess (deficiency) in revenues over expenses	2,443,166	(4,258,848)	(4,523,717)	(6,339,399)
Change in valuation of interest rate swap	(4,533,379)	-	-	(4,533,379)
Change in net assets	(2,090,213)	(4,258,848)	(4,523,717)	(10,872,778)
Net assets, beginning of year	23,219,535	49,443,877	78,702,404	151,365,816
Net assets, end of year	$ 21,129,322	$ 45,185,029	$ 74,178,687	$ 140,493,038

See accompanying notes to consolidated financial statements

Georgia State University Foundation, Inc.

Consolidated Statements of Cash Flows
Years Ended June 30, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities		
Change in net assets	$ (20,072,269)	$ (10,872,778)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,057,518	2,651,116
Gain on interest rate swap termination	(1,515,379)	
Loss on bond refinancing	1,312,463	
Amortization of deferred revenue	(127,883)	(120,235)
Amortization of bond premium	(360,043)	(346,963)
Amortization of bond discount	7,709	
Unrealized gains(losses) on investments	22,569,944	12,386,188
Change in interest rate swap valuation		4,533,379
Decrease in pledges receivable	3,253,691	2,641,405
Increase in other assets	(130,999)	(181,967)
Decrease in accounts payables and other liabilities	(869,596)	(14,591,721)
Net cash provided by (used in) operating activities	7,125,156	(3,901,576)
Cash Flows from Investing Activities:		
Purchases of property and equipment	(3,099,718)	(997,307)
Purchase of land held for sale	(6,703,402)	-
Additions to direct financing leases	-	(9,480,977)
Principal payments received on direct financing leases	2,912,018	3,113,704
Purchases of investments	(87,567,498)	(82,708,955)
Sales of investments	95,643,258	83,697,347
(Increase) Decrease in restricted assets	(4,694,798)	13,428,400
Net cash (used in) provided by investing activities	(3,510,139)	7,052,212
Cash Flows from Financing Activities:		
Payments on capital lease obligations	(6,333,618)	(722,430)
Proceeds from capital lease obligations	4,918,150	
Payment to terminate interest rate swap	(3,018,000)	
Payments for bond issuance costs	(2,692,745)	
Payments on line of credit	(8,612,859)	
Proceeds from line of credit	8,612,859	
Payments on revenue bonds payable	(60,065,000)	(1,615,000)
Proceeds from issuance of bonds	72,126,763	-
Net cash provided by (used in) financing activities	4,935,550	(2,337,430)
Net Increase in Cash and Cash Equivalents	8,550,567	813,206
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,045,665	232,459
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 9,596,232	$ 1,045,665
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 15,100,627	$ 11,293,000
Transfer of constructed assets to investments in direct financing leases	$ -	$ 125,700,200

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 Trustees 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.

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.

Note 1 – Organization (continued)

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 and Panther Lot (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 accordance with FASB Statement ("SFAS") No. 117, *Financial Statements of Not-For-Profit Organizations*. The Foundation is required to report information regarding its consolidated financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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, 2009 and, accordingly, no liability has been accrued.

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.

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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.

Use of Estimates
The preparation of the consolidated 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 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.

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 October and November 2008 the Federal Deposit Insurance Corporation (FDIC) temporarily increased coverage to $250,000 for substantially all depository accounts and temporarily provides unlimited coverage for certain qualifying and participating non-interest bearing transaction accounts. The increased coverage is scheduled to expire on December 31, 2013, at which time it is anticipated amounts insured by the FDIC will return to $100,000. The Foundation's cash deposits at financial institutions may exceed insured limits at various times during the year. At June 30, 2009, the Foundation had $9,346,232 which exceeded these insured amounts.

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

The Foundation recognizes its investment transactions in accordance with SFAS No. 124,"*Accounting for Certain Investments Held by Not-for-Profit Organizations*." Therefore, 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 4.

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.

Administrative Fees
Administrative fees are utilized to cover operating cost 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 are recorded in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. 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. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Pledges receivable are recorded at their net realizable value. An allowance for uncollectable pledges is estimated based on the collection history, the type of contribution and other relevant factors. Pledges receivable to be received after one year is discounted using the risk free rate of return based on the yield of 10 year U.S. Treasury Notes.

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 SFAS No. 116, *Accounting for Contributions Received and Contributions Made*.

Split Interest Agreements
The Foundation's split-interest agreements consist primarily of irrevocable charitable remainder trusts and charitable gift annuities.

> *Charitable remainder trusts* – Remainder trusts consist of assets donated to the Foundation and held by the Foundation as the sole or one of the remaindermen of the trusts. The portion of the trust attributable to the present value of the future benefits to be received by the Foundation is recorded as a temporarily restricted contribution in the period the trust is established. The Foundation's assets held in trust are determined by multiplying the Foundation's remainder interest in the trust by the fair value of the assets held in each trust. Earnings from the underlying investments of each trust corpus and the trust corpus are used to pay certain periodic payments to beneficiaries under the terms of each trust agreement. The corpus of each trust may be invaded in cases where investment earnings are not sufficient to make the required periodic payments.

Note 2 – Summary of Significant Accounting Policies (continued)

If the corpus of the trust is invaded to the extent that it is depleted, the Foundation has no further financial obligation to the donors, beneficiaries or other remaindermen, if any. Upon the death of the beneficiaries, any remaining corpus of the trust reverts to the Foundation and/or the other charitable remaindermen, if any, as specified in each trust agreement. A corresponding liability, based upon actuarial tables, is recorded to reflect the present value of the future periodic payments due to the beneficiaries in the consolidated statements of financial position.

Charitable gift annuities – Gift annuities consist of assets donated to the Foundation through an agreement under which the Foundation is obligated to pay annuitants periodic fixed amounts for the remainder of their lives. The Foundation invests the assets in investments that 1) provide interest and dividend income, as well as gains or losses, and 2) are used to meet the required payments. The assets received are recognized at fair value when received along with an annuity payment liability, based upon actuarial tables, which represents the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The amount by which the fair value of the assets received exceeds the present value of the periodic payment liability at the time of the gifts is recorded as either unrestricted or temporarily restricted contribution revenue in accordance with the intent expressed by the contributors in the gift annuity agreements. The original contribution and the investment earnings may not be sufficient to make the required periodic payments. If these amounts are not sufficient, the Foundation has a continuing financial commitment to each annuitant until their death.

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.

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, 2009.

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 - Investments

A summary of the aggregate cost and fair value of investment securities as of June 30, 2009 and 2008 (exclusive of securities held in agency accounts) and realized and unrealized gains and losses are as follows:

	June 30, 2009		June 30, 2008	
	Cost	Fair Value	Cost	Fair Value
Money market funds	$ 33,905,538	$ 33,905,538	$ 23,711,782	$ 23,711,782
Equities and equity funds	61,663,082	48,676,391	64,349,345	70,825,752
Fixed income securities and funds	19,601,621	19,124,056	37,191,485	36,644,994
Real estate investment trust funds	5,454,569	4,191,260	3,744,498	5,360,421
Total	$ 120,624,810	$ 105,897,245	$ 128,997,110	$ 136,542,949

	Realized Gains/(Losses)	Unrealized Gains/(Losses)	Realized Gains/(Losses)	Unrealized Gains/(Losses)
Equities and equity funds	$ (1,429,042)	$ (19,568,290)	$ 5,203,628	$ (11,995,006)
Fixed income securities and funds	(635,265)	(122,423)	(1,725,338)	377,943
Real estate investment trust funds	(56,054)	(2,879,231)	-	(769,125)
Total	$ (2,120,361)	$ (22,569,944)	$ 3,478,290	$ (12,386,188)

The investment return and allocation of the endowment investment pools as of June 30, 2009 and 2008 are summarized below:

	June 30, 2009		June 30, 2008	
	Endowment Pool	Operating Pool	Endowment Pool	Operating Pool
Dividends and interest income	$ 2,477,320	$ 386,092	$ 3,671,155	$ 1,215,411
Net realized gains (losses)	(1,768,562)	(383,910)	5,231,201	(1,725,338)
Net unrealized gains (losses)	(20,767,591)	(1,484,163)	(12,675,676)	289,488
Investment management fees	(213,419)	(124,997)	(303,260)	(124,539)
Total investment return	(20,272,252)	(1,606,978)	(4,076,580)	(344,978)
Administrative fees	(726,141)	1,606,978	(967,282)	344,978
Endowment spending allocation	(3,369,972)	3,369,972	(3,703,391)	3,703,391
Net investment return after fees and allocations	$ (24,368,365)	$ 3,369,972	$ (8,747,253)	$ 3,703,391

Note 3 – Investments (continued)

Split Interest Agreements
The Foundation administers and is the beneficiary of certain charitable remainder trusts and charitable gift annuities. Investments held in these split interest agreements are invested in equities and bonds and reported at fair value. Changes in the value of split interest agreements are included as a component of unrealized gains (losses) on investments in the consolidated statements of activities. The value of the split interest agreements as of June 30, 2009 and 2008 were $2,246,340 and $448,026 respectively.

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, 2009 and 2008 were $ 223,648 and $322,185, respectively.

Note 4 – 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.

Note 4 – Endowments (continued)

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 Georgia State 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.

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 funds:

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 3.93% for the year ended June 30, 2009. The current year spending allocation rate of 3.93% is 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, 2009 and 2008 was $3,369,972 and $3,703,391, 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.

Note 4 – Endowments (continued)

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.

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, 2009:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 56,971,938	$ 56,971,938
Quasi-endowment funds	-	16,369,914	-	16,369,914
Total endowment net assets	$ -	$ 16,369,914	$ 56,971,938	$ 73,341,852

Endowment Net Assets Composition by Type of Fund as of June 30, 2008:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 74,178,687	$ 74,178,687
Quasi-endowment funds	-	21,618,267	-	21,618,267
Total endowment net assets	$ -	$ 21,618,267	$ 74,178,687	$ 95,796,954

Note 4 – Endowments (continued)

Endowment Related Activities by Type of Fund as of June 30, 2009:

	Donor-restricted Endowment Funds	Quasi-Endowment Funds	Total
Endowment net assets, July 1, 2008	$ 74,178,687	$ 21,618,267	$ 95,796,954
Net realized and unrealized gains (losses)	(16,083,505)	(4,914,889)	(20,998,394)
Contributions	1,275,335	238,415	1,513,750
Allocation of endowment assets for expenditure	(2,592,827)	(777,146)	(3,369,973)
Transfers to comply with donor intent	66,989	332,526	399,515
Reclassification of donor intent	127,259	(127,259)	-
Endowment net assets, June 30, 2009	$ 56,971,938	$ 16,369,914	$ 73,341,852

Endowment Related Activities by Type of Fund as of June 30, 2008:

	Donor-restricted Endowment Funds	Quasi-Endowment Funds	Total
Endowment net assets, July 1, 2007	$ 78,702,404	$ 23,140,287	$ 101,842,691
Net realized and unrealized gains (losses)	(3,867,586)	(1,173,589)	(5,041,175)
Contributions	1,532,421	455,266	1,987,687
Allocation of endowment assets for expenditure	(2,847,662)	(855,729)	(3,703,391)
Transfers to comply with donor intent	345,854	365,288	711,142
Reclassification of donor intent	313,256	(313,256)	-
Endowment net assets, June 30, 2008	$ 74,178,687	$ 21,618,267	$ 95,796,954

Note 4 – Endowments (continued)

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

	2009	2008
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	$ 56,971,938	$ 74,178,687
Total endowment funds classified as permanently restricted net assets	$ 56,971,938	$ 74,178,687
Temporarily Restricted Net Assets		
Quasi-endowment funds	$ 16,369,914	$ 21,618,267
Total endowment funds classified as temporarily restricted net assets	$ 16,369,914	$ 21,618,267

Note 5 – Fair Value Measurements of Assets and Liabilities

Effective July 1, 2008, the Foundation adopted the provisions of Financial Accounting Standards Board ("FASB") Statement No. 157, *Fair Value Measurements*, for financial assets and liabilities measured at fair value. This statement requires fair value measurements be classified and disclosed in one of the following three categories ("Fair Value Hierarchy"):

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 following table summarizes the valuation of the Foundation's financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2009, based on the level of input utilized to measure fair value:

	Fair Value Measurements at June 30, 2009 Using:			
	Level 1	Level 2	Level 3	Total
Investments:				
Money Market Funds	$ -	$ 33,905,538	$ -	$ 33,905,538
Fixed income securities	-	10,940,607	8,183,449	19,124,056
Equity securities	624,721	35,649,491	8,906,100	45,180,312
Limited partnerships	-	-	3,496,079	3,496,079
REIT's	-	4,081,030	110,230	4,191,260
	$ 624,721	$ 84,576,666	$ 20,695,858	$ 105,897,245

Note 5 – Fair Value Measurements of Assets and Liabilities (continued)

The following summarizes the activities in the Level 3 category of investments for the year ended June 30, 2009:

Description	Beginning Balance	Realized or unrealized gains (losses)	Purchases and Sales	Ending Balance
Fixed Income	$ 16,333,729	$ (8,151,744)	$ 1,464	$ 8,183,449
Equity Securities	9,340,609	(434,509)		8,906,100
Limited Partnerships	3,877,944	(969,402)	587,537	3,496,079
REIT's	177,107	(66,877)	-	110,230
Total Level 3 investments	$ 29,729,389	$ (9,622,532)	$ 589,001	$ 20,695,858

Note 6 – Pledges Receivable

Pledges receivable at June 30, 2009 and 2008, consists of the following:

	2009	2008
Unconditional promises expected to be collected in:		
Less than one year	$ 2,258,932	$ 4,790,092
One to five years	1,303,793	2,030,169
More than five years	211,250	311,000
Total unconditional promises to give	3,773,975	7,131,261
Less discounts to net present value discount (rate 3.52% in 2009, 3.98% in 2008)	(132,007)	(206,372)
Less allowance for uncollectable promises to give	(68,635)	(97,865)
Net pledges receivable	$ 3,573,333	$ 6,827,024

Note 7 – Net Investment in Direct Financing Leases

The components of the net investment in direct financing lease at June 30, 2009 and 2008 are as follows:

	2009	2008
Future minimum lease receipts – Alpharetta	$ 14,283,225	$ 15,487,508
Future minimum lease receipts – Student Recreation Center	40,002,460	43,074,582
Future minimum lease receipts – Piedmont Ellis	358,181,898	367,518,022
Gross investment in direct financing leases	412,467,583	426,080,112
Less unearned interest income	(247,736,486)	(258,436,997)
Net investment in direct financing leases	$ 164,731,097	$ 167,643,115

Future minimum net amounts receivable under direct financing leases at June 30, 2009 are as follows:

Year Ending June 30,	
2010	$ 14,104,637
2011	14,437,700
2012	14,779,553
2013	15,140,317
2014	15,485,700
2015-2019	82,448,587
2010-2024	69,181,989
2025-2029	61,374,757
2030-2034	62,194,998
2035-2039	63,319,345
Gross investment in direct financing lease	412,467,583
Less unearned interest income	(247,736,486)
Net investment in direct financing leases	$ 164,731,097

Note 8 – 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:

	2009	2008
Alpharetta Center	$ 337,514	$ 603,976
Student Recreation Center	2,828,003	2,834,413
Piedmont Ellis	18,192,571	19,942,899
Panther Place	11,285,155	6,444,754
Charitable trusts held by others	1,857,004	100
Total restricted assets	$ 34,500,247	$ 29,826,142

Note 9 – Cash Surrender Value

The Foundation is the owner and beneficiary of numerous insurance policies. As of June 30, 2009 the total face value of the policies was $3,870,119. These policies were utilized to endow the Kenneth Black Chair of Insurance and the President's Excellence funds. 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 financial statements, the face value of the policies will be recognized upon receipt of the insurance proceeds. The cash surrender value of the policies as of June 30, 2009 and 2008, were $875,653 and $761,158, respectively.

Note 10 – Other Assets

Other assets as of June 30, 2009 and 2008 consist of the following:

	2009	2008
Accounts receivable	$ 312,374	$ 323,968
Prepaid expenses	143,652	94,861
Property held for sale	6,703,402	-
Total other assets	$ 7,159,428	$ 418,829

On October 27, 2008, Panther Fields purchased certain land at a purchase price of $6,600,000 for the purpose of constructing a football practice field for the University. Panther Fields intends to sell the property to the University.

Note 11 – Deferred Costs

Deferred costs include unamortized bond issuance costs as of June 30, 2009 and 2008 consisting of:

	2009	2008
Alpharetta Campus - original issuance cost	$ -	$ 26,285
Alpharetta Campus - bond issuance cost	164,661	-
Student Recreation Center - orginal issuance cost	168,540	186,438
Piedmont Ellis - bond issuance costs	3,836,824	3,978,057
Panther Place - bond issuance costs	2,512,311	1,576,457
Total deferred costs	$ 6,682,336	$ 5,767,237

Note 12 - Property and Equipment

Property and equipment as of June 30, 2009 and 2008 consist of the following:

	2009	2008
Land	$ 8,249,592	$ 7,221,500
Donated land held for investment	6,400	6,400
Building	55,513,263	53,632,433
Building improvements	17,796,557	17,688,965
Computer system	1,064,554	981,352
Property and equipment - at cost	82,630,366	79,530,650
Less accumulated depreciation	(21,353,613)	(18,761,277)
Property and equipment - net	$ 61,276,753	$ 60,769,373

Depreciation expense for the years ended June 30, 2009 and 2008 was $2,592,337 and $2,461,588, respectively.

On February 27, 2009, Panther Lot purchased certain land and building for a total cost of $2,908,822 for the benefit and use of the University. The purchase transaction included a hold over tenant for the existing building on the property. The tenant was on a month to month lease during the year ended June 30, 2009. A new lease was executed effective July 1, 2009 through October 31, 2009. A sign location lease for the billboard located on the property was also included. Subsequent to June 30, 2009, the Foundation agreed to sell the land and building to the Board of Regents for approximately $2,100,000. The sale is expected to close by the end of November 2009.

Note 13 – 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, 2009 and 2008 were $2,738,241 and $3,459,711, respectively.

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 government 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, 2009 and 2008 were $2,320,918 and $2,543,690, 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, 2009 and 2008 were $579,002 and $735,724, respectively.

The total fair value of investment held for affiliates is reported as an asset and a liability in the consolidated statements of financial position. The balances as of June 30, 2009 and 2008 were $5,638,161 and $6,739,125.

Note 14 – Accounts Payable and Other Liabilities

Accounts payable and other liabilities at June 30, 2009 and 2008 consist of the following:

	2009	2008
Accounts payable and accrued expenses	$ 1,562,511	$ 1,210,309
Deferred revenue	829,884	957,767
Accrued interest on bonds payable	3,175,333	4,441,866
Split interest agreements obligations	297,092	252,360
Total accounts payable and other liabilities	$ 5,864,820	$ 6,862,302

Note 15 – 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.

The following is a schedule by years of future minimum lease payments required under the Alpharetta Campus and the Rialto Center facilities leases together with their present value as of June 30, 2009:

Year Ending June 30,	
2010	$ 942,350
2011	1,146,869
2012	1,146,159
2013	1,148,108
2014	1,145,157
2015-2019	3,873,281
Total minimum lease payments	9,401,924
Less amount representing interest	(1,817,365)
Present value of minimum lease payments	$ 7,584,559

Interest expense related to the capital lease obligation for Alpharetta for the years ended June 30, 2009 and 2008 totaled $256,811 and $281,064, respectively.

Interest expense related to the TUFF lease obligation for Rialto for the years ended June 30, 2009 and 2008 totaled $191,166 and $212,029, respectively.

Note 15 – Obligations Under Leases (continued)

Rialto Center Facilities Lease

During 1994, the Foundation purchased and has since renovated facilities currently occupied by the University's School of Music. The project included the purchase and renovation of two existing office buildings. The Foundation also entered into a long term land lease for the renovation and use of an existing performing arts theater, the Rialto Theater. The project was financed through contributions to the Foundation and through bonds issued by the Downtown Development Authority of the City of Atlanta (Authority), the proceeds of which were loaned to The University Financing Foundation (TUFF). The Foundation has entered into long term lease commitments with TUFF to provide for the debt service payments on the bonds and other bond financing related expenses. The Foundation then leases the facilities to the University through a series of one year renewable lease agreements. At the end of the lease period or the retirement of the bonds, whichever occurs first, the title to the two office buildings will pass to the Foundation, and therefore the Foundation has classified this lease as a capital lease and has recorded it as an asset under property and equipment in the consolidated statements of financial position.

During 2004, the 1994 bonds issued by the Authority were refunded to obtain savings in debt service and to obtain funds for improvements to the Rialto Theater. Accordingly, the Authority entered into a new loan agreement with TUFF and a new agreement with the Foundation as the guarantor of the bonds. The guarantee is expressly limited to the unrestricted income and unrestricted assets of the Foundation. The terms of the long-term lease commitment between TUFF and the Foundation were modified to reflect the new interest rate of the bonds, the additional proceeds available for capital improvements, the additional bond financing related expenses and the extension of the term of the lease through November 30, 2015.

Rialto Ground Lease

Pursuant to the lease agreement between the Foundation and TUFF, the lease payments include the cost of an underlying ground lease on the Rialto Theater property. At the end of the lease term, TUFF will transfer all interests in the ground lease to the Foundation. The Foundation has the option to renew the ground lease with the owner through December 31, 2045, once the Authority bond obligations are satisfied.

Future minimum lease payments under the ground lease as of June 30, 2009, are as follows:

Year Ending June 30,	
2010	$ 79,304
2011	79,304
2012	79,304
2013	79,304
2014	79,304
2015-2016	112,347
Total	$ 508,867

Note 15 – Obligations Under Leases (continued)

Operating Leases (Foundation as Lessor)

Rialto Lease
A rental agreement was entered into in September 1995 and amended December 2002 between the Foundation, landlord, and the Board of Regents for and on the behalf of the University, tenant, for certain space in the performing arts buildings known as the Rialto Complex. The lease expired on June 30, 2008; however it was renegotiated for three (3) one-year renewal periods. The annual increase is determined by the change in CPI comparing April of the preceding year to April of the current year. However, the annual increase cannot exceed 5% or fall below 3%.

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.

One Park Place Lease
A rental agreement was entered into in December 1991 and amended December 2002 between the Foundation, landlord, and the Board of Regents for and on the behalf of the University, tenant, for educational facilities known as One Park Place. The lease is renewable through fiscal year 2012. Annual increases are determined by the change in CPI comparing March of the preceding year to March of the current year. However, annual increase cannot exceed 5% or fall below 3%. (See Note 21)

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 16). 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.

Brookwood Lease
In 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, 2010. The University reimburses the Foundation on a monthly basis in an amount equal to the monthly rent payment.

Bestway Copy Center Lease
A rental agreement was entered into in July 2000 for a period of five (5) years. After the lease expired in June 2005, it was converted to a month-to-month lease through June, 2010.

Pawn Shop Lease
A month to month lease with a hold over tenant was included in the Panther Lot purchase transaction. A new short-term lease was executed with this tenant for July 1, 2009 through October 31, 2009. (See Note12)

Note 16 – Bonds Payable

Bonds payable at June 30, 2009 and 2008 consisted of the following:

Series	Original Principal Issued	Interest Rates	Balance June 30, 2009	Balance June 30, 2008
Student Receation Center Bonds - Limited obligation variable rate revenue bonds, principal payments are to be made annually until October 1, 2018. Interest is paid semi annually through 2018.	$ 33,430,000	3.60% - 4.60%	$ 21,680,000	$ 23,360,000
Piedmont Ellis Revenue Bonds - Tax-exempt and taxable variable rate 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% - 5.000%	161,330,000	161,330,000
Panther Place Revenue Bonds -Revenue bonds on $58,385,000 (tax –exempt $49,175,000 and taxable $9,210,000). Principal payments are to be made annually starting July 1, 2009 and ending July 1, 2013. Interest is to be paid semi-annually starting January 1, 2008.	58,385,000	4.289% - 5.409%		58,385,000
Panther Place Revenue Bonds -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% - 6.150%	73,235,000	-
Subtotal			256,245,000	243,075,000
Plus unamortized bond premium			5,824,384	5,637,747
Less unamortized bond discount			(1,647,208)	-
Total			$ 260,422,176	$ 248,712,747

Note 16 – 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%. Interest expense for the year ended June 30, 2009 and 2008 totaled $1,015,585 and $1,085,059 respectively.

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 "Aaa" based upon the issuance of the policy by the Bond Insurer. 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, 2009 and 2008 was $7,762,468.

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 (See Note 15). 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.

During the year ended June 30, 2008, all of the tax-exempt revenue bonds became bank bonds held by JP Morgan Chase Bank as the liquidity provider. During the year ended June 30, 2009, the taxable revenue bonds likewise became bank bonds.

Note 16 – Bonds Payable (continued)

Pursuant to the Standby Bond Purchase Agreement with JP Morgan Chase Bank, a mandatory redemption clause with accelerated principal payments went into effect on July 30, 2008. During the year ended June 30, 2009, to provide the funding to make the accelerated principal payments, make certain deposits into the Debt Service Reserve Fund and to fund other short term financing needs Panther Place entered in to a line of credit agreement with SunTrust Bank, NA for up to $12,500,000. Interest accrued on the unpaid balance of the line of credit at a rate equal to the LIBOR rate plus 1.40% per annum.

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 (Atlanta Development Authority) on behalf of the Foundation. Moody's Investors Services, Inc. has assigned the Series 2009 Bonds the rating of A2 based upon the issuance of the policy by the Bond Insurer. 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 net of swap interest receipts from Ambac (see Note 17) for the years ended June 30, 2009 and 2008 totaled $4,236,576 and $3,186,562, respectively.

Future maturities of the Student Recreation Center, Piedmont/Ellis and Panther Place revenue bonds at June 30, 2009 are as follows:

Year ending June 30,	Tax-Exempt	Taxable	2009 Total
2009			
2010	$ 1,755,000	$ 1,270,000	$ 3,025,000
2011	1,830,000	1,580,000	3,410,000
2012	3,765,000	70,000	3,835,000
2013	4,270,000		4,270,000
2014	4,660,000	1,595,000	6,255,000
2015-2019	31,110,000	9,075,000	40,185,000
2020-2024	35,420,000	2,350,000	37,770,000
2025-2029	47,800,000		47,800,000
2030-2034	60,705,000		60,705,000
2035-2038	48,990,000		48,990,000
Total	$ 240,305,000	$ 15,940,000	$ 256,245,000

Note 17 - Interest Rate Swap Agreement

On May 29, 2007, Panther Place entered into an interest rate swap agreement related to the revenue bond issue utilized to purchase the SunTrust building. Panther Place had accounted for the interest rate swap agreement in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended.

By using a derivative financial instrument to hedge exposure to a change in interest rates, the financing is exposed to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the additional funds, which creates repayment risk for the financing. The financing policy also requires that all derivative contracts be governed by an International Swaps and Derivatives Association Master Agreement. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates.

The bond financing was constructed with an interest rate swap contract to convert the variable rate bonds into a synthetic fixed rate debt at the time the debt was offered, with the intent to reduce borrowing costs. Interest rate swaps used with the issuance of tax-exempt debt must be recorded as assets or liabilities in the statements of financial position, depending on whether the swap is in a gain or a loss position, at fair value. Unrealized gains or losses for a given period must be reflected in the earnings for that period. In volatile environments, this can result in large differences from one period to the next.

The swap provider, Ambac Financial Services, calculated the fair value in accordance with generally accepted accounting principles in the United States of America using a proprietary valuation model, which they developed and had tested by external auditors. The model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value. All rates used in valuation are mid-market levels (mid-way between bid and ask) or are model based mid-market levels when mid-market levels are not available. The fair value provided takes certain factors into consideration, including the liquidity of the swap market and the uniqueness of the deal structure. The fair value of the interest rate swap agreement was recognized in the accompanying statements of financial position at $4,533,379 at June 30, 2008.

On May 29, 2009 the Interest Rate Swap Agreement with Ambac was terminated in full and the value of the swap on termination date was paid with proceeds from the bond refunding (see Note 8). A realized gain on the termination of the interest rate swap of $1,515,379 was recognized during the year ended June 30, 2009.

Note 18 – Summary of Net Assets

Net assets as of June 30, 2009 and 2008, were available for the following purposes:

	2009	2008
Unrestricted Net Assets:		
General	$ 13,253,913	$ 8,890,302
Investment in land and buildings	8,001,002	12,239,020
Total unrestricted net assets	21,254,915	21,129,322
Temporarily Restricted Net Assets:		
Academic support	3,731,631	3,088,771
Scholarships	5,137,174	5,298,524
Program support	6,136,844	6,230,181
Pledge receivables	1,007,869	3,057,774
Program and activities	7,637,588	5,035,534
Charitable trust - deferred gifts	1,949,248	533,793
Student investment portfolio	223,648	322,185
Funds functioning as endowments	16,369,914	21,618,267
Total temporarily restricted net assets	42,193,916	45,185,029
Permanently Restricted Net Assets:		
Pledge recievables	2,548,580	3,746,677
Scholarships	15,481,534	19,754,640
Program support	38,941,824	50,677,370
Total permanently restricted net assets	56,971,938	74,178,687
Total Net Assets	$ 120,420,769	$ 140,493,038

Note 19 – Net Assets Released from Restrictions

Net assets were released from restrictions for the years ended June 30, 2009 and 2008 for the following purposes:

	2009	2008
Management fees	$ 726,142	$ 967,282
Real estate projects	778,421	3,250,000
General and departmental expenses	3,135,033	5,545,457
Faculty and staff expenses	2,294,350	2,253,117
Scholarships and awards	1,889,822	2,010,010
Total net assets released from restrictions	$ 8,823,768	$ 14,025,866

Note 20 – Commitments and Contingencies

Investment Commitments

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, 2009 and 2008 totaled $9,245,436 and $9,490,194 respectively.

Note 21 – Subsequent Events

On June 10, 2009 the Foundation's Board approved the assignment of all of its rights under such a lease agreement (the Amended and Restated Lease Agreement dated July 1, 1994) (the "Lease") with TUFF Rialto LLC to the University. Once the assignment document is fully executed, Rialto Center, LLC will no longer have a leasehold interest in the Rialto Center, the Haas-Howell Building or the Standard Building. The University, as new tenant under the Lease, will work with TUFF Rialto LLC to defease the remaining principle on the bonds. The University will become fee simple owner of the Haas-Howell Building and Standard Building. TUFF will then transfer their interest in the Rialto Theater ground lease to the Foundation. The Foundation will continue to sub-lease the Rialto Theater facility to the University. This transaction is expected to be completed by the end of October 2009.

On August 24, 2009, the Foundation sold the One Park Place building to the Board of Regents for $7,000,000, which is approximately $3,000,000 more than the carrying value as of June 30, 2009.

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