

CONSOLIDATED FINANCIAL STATEMENTS, SUPPLEMENTAL SCHEDULES
AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**GEORGIA TECH RESEARCH CORPORATION AND ITS SUBSIDIARY,
GEORGIA TECH APPLIED RESEARCH CORPORATION**

Year ended June 30, 2004

CONTENTS

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	3
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	4
CONSOLIDATED STATEMENT OF ACTIVITIES	6
CONSOLIDATED STATEMENT OF CASH FLOWS	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8
SUPPLEMENTAL INFORMATION	
CONSOLIDATING STATEMENT OF FINANCIAL POSITION	15
CONSOLIDATING STATEMENT OF ACTIVITIES	17
CONSOLIDATING SCHEDULE OF ADMINISTRATIVE AND GENERAL EXPENSES	18

Report of Independent Certified Public Accountants

Board of Trustees
Georgia Tech Research Corporation
Atlanta, Georgia

We have audited the accompanying consolidated statement of financial position of Georgia Tech Research Corporation (a not-for-profit component of the Georgia Institute of Technology) and its subsidiary, Georgia Tech Applied Research Corporation, as of June 30, 2004, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Georgia Tech Research Corporation and its subsidiary, Georgia Tech Applied Research Corporation, as of June 30, 2004, and the consolidated changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2004 on our consideration of Georgia Tech Research Corporation and its subsidiary, Georgia Tech Applied Research Corporation, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements of Georgia Tech Research Corporation and its subsidiary, Georgia Tech Applied Research Corporation, taken as a whole, for the year ended June 30, 2004. The supplemental information, on pages 15 through 18, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the audit procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Atlanta, Georgia
September 10, 2004

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**Georgia Tech Research Corporation and its Subsidiary,
Georgia Tech Applied Research Corporation**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2004

ASSETS

CURRENT ASSETS

Cash and cash equivalents (Note B-3)	\$ 31,590,389
Investments (Note B-4)	1,456,300
Accounts receivable:	
Research contracts	26,870,167
Travel advances and other receivables	273,846
Less allowance for doubtful accounts	<u>(2,712,563)</u>
	24,431,450
Prepaid rent	2,227
Research projects in process (Note B-7)	<u>27,912,384</u>
Total current assets	85,392,750

PROPERTY AND EQUIPMENT (Note B-6)

Accumulated depreciation	5,575,972
	<u>(2,527,501)</u>
	<u>3,048,471</u>

Total assets \$ 88,441,221

The accompanying notes are an integral part of this statement.

**Georgia Tech Research Corporation and its Subsidiary,
Georgia Tech Applied Research Corporation**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2004

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	
Georgia Institute of Technology	\$ 28,628,139
Other	1,607,294
	<u>30,235,433</u>

Deferred research contract revenue (Note B-7)	<u>26,276,925</u>
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Total current liabilities 56,512,358

COMMITMENTS (Notes C and D) -

NET ASSETS - UNRESTRICTED (Note B-2)

Net assets allocated to research pursuant to Board of Regents Agreement	30,345,277
Net assets designated for grants to Georgia Institute of Technology	550,416
Net assets designated for working capital	992,212
Net assets from contributions	<u>40,958</u>

Total net assets 31,928,863

Total liabilities and net assets \$ 88,441,221

The accompanying notes are an integral part of this statement.

**Georgia Tech Research Corporation and its Subsidiary,
Georgia Tech Applied Research Corporation**

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2004

	Unrestricted	Temporarily Restricted	Total
Gross billing on research contracts (Note B-2)	\$ -	\$ 303,344,019	\$ 303,344,019
Direct costs	-	211,680,251	211,680,251
Georgia Institute of Technology overhead charges	-	71,049,369	71,049,369
	-	282,729,620	282,729,620
Excess of billings over direct costs and Georgia Institute of Technology overhead charges	-	20,614,399	20,614,399
Net assets released from restrictions	20,614,399	(20,614,399)	-
Administrative and general expenses	8,424,501	-	8,424,501
Operating revenue	12,189,898	-	12,189,898
Other revenue (expense)			
Interest income	361,712	-	361,712
License income	2,315,024	-	2,315,024
License expense	(3,310,748)	-	(3,310,748)
Unrealized loss on investments (Note B-4)	(307,088)	-	(307,088)
Loss on disposal of property and equipment	(10,967)	-	(10,967)
Indirect cost recoveries	(3,361,960)	-	(3,361,960)
Miscellaneous income	955,967	-	955,967
Total other (expense) revenue, net	(3,358,060)	-	(3,358,060)
Change in net assets before grants to Georgia Institute of Technology	8,831,838	-	8,831,838
Grants to Georgia Institute of Technology (Note B-8)	(7,064,000)	-	(7,064,000)
Change in net assets	1,767,838	-	1,767,838
Net assets, beginning of year	30,161,025	-	30,161,025
Net assets, end of year	\$ 31,928,863	\$ -	\$ 31,928,863

The accompanying notes are an integral part of this statement.

**Georgia Tech Research Corporation and its Subsidiary,
Georgia Tech Applied Research Corporation**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2004

Cash flows used by operating activities:

Change in net assets	\$	1,767,838
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense		615,200
Unrealized loss on investments		307,088
Loss on disposal of property and equipment		10,967
Increase in accounts receivable		(1,107,329)
Decrease in research projects in process		6,236,362
Increase in investments in corporations		(1,456,269)
Increase in prepaid assets		(2,227)
Decrease in accounts payable and accrued liabilities		(5,801,363)
Increase in advance payments		3,166,154
Total adjustments		1,968,583
Net cash provided by operating activities		3,736,421

Cash flows from investing activities:

Capital expenditures		(857,165)
Net cash used in investing activities		(857,165)
Net increase in cash and cash equivalents		2,879,256

Cash and cash equivalents, beginning of year		28,711,133
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Cash and cash equivalents, end of year		\$ 31,590,389
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The accompanying notes are an integral part of this statement.

**Georgia Tech Research Corporation and its Subsidiary,
Georgia Tech Applied Research Corporation**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2004

NOTE A - NATURE OF ORGANIZATION

The Georgia Tech Research Corporation ("GTRC") was chartered on April 13, 1937 as the Industrial Development Council, a state chartered not-for-profit corporation affiliated with the Georgia Institute of Technology ("GIT"), a unit of the University System of the State of Georgia. GTRC was established for the purpose of engaging in sponsored research for scientific, literary, and educational purposes, or any one or more of any such stated purposes. On April 6, 1984 Georgia Tech Research Institute ("GTRI") amended its corporate charter to change the Industrial Development Council's name to Georgia Tech Research Corporation.

Effective July 1, 1998, Georgia Tech Applied Research Corporation ("GTARC") was established as a wholly-controlled subsidiary of GTRC. GTARC was organized as the contracting arm to engage in sponsored research for scientific purposes for work to be performed by GTRI.

GTRC, and its wholly-controlled subsidiary, GTARC, (collectively hereinafter referred to as the "Corporation") enter into contracts and grant agreements with various organizations, including Federal agencies, and subcontracts with GIT to provide services in connection with these agreements. The Corporation is largely a conduit organization, subcontracting performance of all contracts it enters into to GIT. As such, the Corporation is an affiliated entity of GIT. As part of the relationship, transfers of funds occur between GIT and the Corporation for certain sponsor project expenditures and research administration.

The Board of Regents of the University System of Georgia and Georgia Institute of Technology are required to implement Governmental Accounting Standards Board ("GASB") Statement No. 39, *Determining Whether Certain Organizations are Component Units, an amendment of Statement No. 14*, for the year ended June 30, 2004. This statement requires the inclusion of the financial statements for foundations and affiliated organizations that qualify as component units in the annual report of the institution. These statements are reported as a discretely presented component unit in the Georgia Institute of Technology's Annual Financial Report.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. The following is a summary of certain significant accounting policies followed in the preparation of the consolidated financial statements:

1. Principles of Consolidation

The consolidated financial statements of the Corporation include the accounts of GTRC and its wholly-controlled subsidiary, GTARC, after the elimination of intercompany transactions.

**Georgia Tech Research Corporation and its Subsidiary,
Georgia Tech Applied Research Corporation**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE B - SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Revenue

Substantially all of the Corporation's revenues are derived from temporarily restricted grants and cost reimbursement contracts which provide for the recovery of direct and indirect costs. The Corporation recognizes temporarily restricted revenue associated with direct and indirect costs as the related costs are incurred. The recovery of indirect costs are generally recorded at fixed rates negotiated with the sponsoring agency. When sponsor restrictions expire, that is, when a stipulated time restriction ends or the purpose for the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

3. Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposit accounts and highly liquid investments with original maturities of less than 90 days. Cash equivalents are stated at cost, which approximates market value. The Corporation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits.

The Corporation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At June 30, 2004 the Corporation had approximately \$31,490,000 in excess of FDIC insured limits. The Corporation has not experienced any losses in such accounts.

4. Investments

Investments consist of equity securities and stock warrants, which are stated at fair value. Realized and unrealized gains and losses on these investments are reflected in the statement of activities.

On February 11, 2003 the Corporation entered into an agreement with Mphase Technologies to exchange past due accounts receivable of \$1,760,911 for stock warrants totaling 5,069,242 shares, exercisable at one cent per share. The transaction was valued as of the commencement date using the Black-Scholes model, and at June 30, 2004 to mark the warrants to market. At fiscal year-end the warrants have not been exercised by the Corporation. The estimated value of the warrants at June 30, 2004 computed using the Black-Scholes Model is \$1,447,808.

5. Major Clients and Concentration of Credit Risk

During the fiscal year ended June 30, 2004, the Corporation derived approximately 78 percent of its revenue from contracts with the U.S. government. At June 30, 2004, approximately 80 percent of accounts receivable were from the U.S. government. Management does not believe significant credit risk exists at June 30, 2004.

**Georgia Tech Research Corporation and its Subsidiary,
Georgia Tech Applied Research Corporation**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Federal Income Taxes

The Corporation is exempt from income taxes as provided by Section 501(c)(3) of the Internal Revenue Code.

7. Equipment

Equipment is capitalized at cost. Donated assets are recorded at their estimated fair market value at the date of the gift. The Corporation has established a threshold of \$25,000 for capitalizing assets purchased under the terms of equipment and facilities grants and a \$5,000 threshold for capitalizing non-grant related assets. All capitalized equipment purchased under the terms of equipment and facilities grants are donated to GIT when fully depreciated. The Corporation donated \$297,542 of fully depreciated equipment to GIT during fiscal 2004.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. The straight-line method of depreciation is followed for all fixed assets.

8. Research Projects in Process and Deferred Research Contract Revenue

Research contracts in process represent costs incurred and charged to projects in excess of amounts invoiced on those projects. Deferred research contract revenue represents amounts invoiced on various projects in excess of costs incurred and charged to those projects.

9. Grants

Grants of funds are made from time to time to GIT, as authorized by the Board of Trustees. Pursuant to an agreement between the Corporation and the Board of Regents of the University System of the State of Georgia, dated April 1, 1953, the Corporation shall hold in trust all unrestricted net assets for GIT who shall use such revenue from time to time, and in such manner as the Board of Trustees of the Corporation may see fit, for the promotion of research at GIT.

10. Use of Estimates in Preparation of Consolidated Financial Statements

The preparation of 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Georgia Tech Research Corporation and its Subsidiary,
Georgia Tech Applied Research Corporation**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE C - LEASE COMMITMENTS

Research Facilities

The Corporation is committed to two operating leases with The University Financing Foundation, Inc. for the Cobb County Research Facility and Centennial Research Building. The leases carry successive two-year lease terms that are automatically renewed at prevailing market rates in effect at the time of the renewal. The Corporation may cancel either lease upon notice given during July of any lease year to be effective as of June 30 of the then-current lease year. The present monthly rentals for the Cobb County Research Facility and the Centennial Research Building are \$105,056 and \$125,870, respectively.

In connection with these lease agreements, both facilities have been subleased to GIT. The subleases carry successive one-year terms that may be renewed upon notice given at least sixty (60) days prior to the end of the sublease term. The present monthly rental receipts on these subleases for the Cobb County Research Facility and the Centennial Research Building are \$105,056 and \$125,870, respectively.

Institute for BioEngineering and BioSciences Complex

The Complex was developed by Georgia Tech Foundation Facilities, Inc. ("GTFF") and funded by the issuance of thirty year, fixed rate, Series B bonds through the Fulton County Development Authority. On December 1, 1997, the Corporation agreed to guarantee these bonds by entering into an agreement to lease the Complex from GTFF. The lease term extends from December 1, 1997 until 30 years after the issuance of a certificate of occupancy. GTRC is obligated to pay rent in an amount equal to the principal, premium (if any) and interest on the Series 1997B Bonds when due and upon any redemption or acceleration thereunder.

In connection with this lease agreement, the Corporation subleased the complex to GIT. The sublease carries successive one-year terms that may be renewed upon notice given at least sixty (60) days prior to the end of the sublease term. The timing and amount of rental payments under the sublease are substantially the same as those under the lease agreement between the Corporation and GTFF.

Office Space

The Corporation leases office space under operating leases for research activities in Fairborn, Ohio and Arlington, Virginia. The Arlington lease requires a base rent of \$15,170 per month for the year ended June 30, 2004 and expires June 30, 2008. The Fairborn lease requires a base rent of \$15,463 per month for the year ended June 30, 2004 and the lease expires June 30, 2005.

The Corporation also leases office space in Orlando, Florida. The Orlando lease term began October 1, 2001 and will expire June 30, 2005. For the year ended June 30, 2004, the Orlando lease requires a base rent of \$3,057 per month.

**Georgia Tech Research Corporation and its Subsidiary,
Georgia Tech Applied Research Corporation**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE C - LEASE COMMITMENTS - CONTINUED

Residential Space

The majority of GTRC's leases are subleased to GIT. The subleases carry successive one-year terms that may be renewed upon notice given at least sixty (60) days prior to the end of the sublease term. The timing and amount of rental payments under the subleases are substantially the same as those under their corresponding lease agreements between the Corporation and third-party lessor.

<u>Year ending June 30,</u>	<u>Commitments</u>	<u>Sublease Rental Receipts</u>	<u>Net Rental Commitment</u>
2005	\$ 4,628,350	\$ 4,606,840	\$ 21,510
2006	4,408,063	-	4,408,063
2007	4,413,043	-	4,413,043
2008	4,399,691	-	4,399,691
2009	4,196,805	-	4,196,805
Thereafter	33,377,784	-	33,377,784
Total	<u>\$ 55,423,736</u>	<u>\$ 4,606,840</u>	<u>\$ 50,816,896</u>

Net rent expense for the year ended June 30, 2004 was computed as follows:

Minimum rentals	\$ 4,628,350
Less: sublease rentals	(4,606,840)
Less: grant reimbursements	<u>(21,510)</u>
Net rent expense	<u>\$ -</u>

NOTE D - CONTINGENT LIABILITIES

In connection with the lease of the Centennial Research Building (Note C) from The University Financing Foundation, Inc., (formerly, Georgia Scientific and Technical Research Foundation, Inc.) which was financed by Fulton County Industrial Development Revenue Bonds held by the Bank of America, the Corporation is contingently liable to the Bank of America for payments of \$8,285,000 as of December 31, 2003 relative to these bonds in the event that bond holders are required to draw against a letter of credit issued by the Bank of America as additional security for payment of the bonds.

**Georgia Tech Research Corporation and its Subsidiary,
Georgia Tech Applied Research Corporation**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE D - CONTINGENT LIABILITIES - CONTINUED

As of June 30, 2004, the Corporation guarantees approximately \$111,810 of home mortgages of new research faculty members.

Federal and state funded research projects are subject to special audits. Such audits could result in some allocated costs being disallowed or indirect cost rates adjusted. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

SUPPLEMENTAL INFORMATION

**Georgia Tech Research Corporation and its Subsidiary,
Georgia Tech Applied Research Corporation**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2004

ASSETS

	Georgia Tech Research Corporation	Georgia Tech Applied Research Corporation	Total	Consolidations and Eliminations		Consolidated Totals
				Debit	Credit	
CURRENT ASSETS						
Cash and cash equivalents	\$ 13,833,127	\$ 17,757,262	\$ 31,590,389	\$ -	\$ -	\$ 31,590,389
Investments	1,456,300	-	1,456,300	-	-	1,456,300
Accounts receivable:						
Research contracts	11,798,332	15,071,835	26,870,167	-	-	26,870,167
Travel advances and other receivables	273,846	-	273,846	-	-	273,846
Less allowance for doubtful accounts	(518,788)	(2,193,775)	(2,712,563)	-	-	(2,712,563)
	<u>26,842,817</u>	<u>30,635,322</u>	<u>57,478,139</u>	<u>-</u>	<u>-</u>	<u>24,433,677</u>
Prepaid rent	2,227	-	2,227	-	-	2,227
Intercompany receivable	432,388	-	432,388	-	432,388	-
Research projects in process	<u>17,946,153</u>	<u>9,966,231</u>	<u>27,912,384</u>	<u>-</u>	<u>-</u>	<u>27,912,384</u>
Total current assets	45,223,585	40,601,553	85,825,138	-	432,388	85,392,750
EQUIPMENT						
Accumulated depreciation and amortization	5,575,972	-	5,575,972	-	-	5,575,972
	<u>(2,527,501)</u>	<u>-</u>	<u>(2,527,501)</u>	<u>-</u>	<u>-</u>	<u>(2,527,501)</u>
	<u>3,048,471</u>	<u>-</u>	<u>3,048,471</u>	<u>-</u>	<u>-</u>	<u>3,048,471</u>
	<u>\$ 48,272,056</u>	<u>\$ 40,601,553</u>	<u>\$ 88,873,609</u>	<u>\$ -</u>	<u>\$ 432,388</u>	<u>\$ 88,441,221</u>

**Georgia Tech Research Corporation and its Subsidiary,
Georgia Tech Applied Research Corporation**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2004

LIABILITIES AND NET ASSETS

	Georgia Tech Research Corporation	Georgia Tech Applied Research Corporation	Total	Consolidations and Eliminations		Consolidated Totals
				Debit	Credit	
CURRENT LIABILITIES						
Accounts payable:						
Georgia Institute of Technology	\$ 20,229,955	\$ 8,398,184	\$ 28,628,139	\$ -	\$ -	\$ 28,628,139
Other	1,376,704	230,590	1,607,294	-	-	1,607,294
	<u>21,606,659</u>	<u>8,628,774</u>	<u>30,235,433</u>	<u>-</u>	<u>-</u>	<u>30,235,433</u>
Intercompany payable	-	432,388	432,388	432,388	-	-
Accrued liabilities	-	-	-	-	-	-
Deferred research contract revenue	<u>18,269,693</u>	<u>8,007,232</u>	<u>26,276,925</u>	<u>-</u>	<u>-</u>	<u>26,276,925</u>
						<u>-</u>
Total current liabilities	39,876,352	17,068,394	56,944,746	432,388	-	56,512,358
NET ASSETS - UNRESTRICTED						
Net assets allocated to research	6,812,118	23,533,159	30,345,277	-	-	30,345,277
Net assets designated for grants to Georgia Institute of Technology	550,416	-	550,416	-	-	550,416
Net assets designated for working capital	992,212	-	992,212	-	-	992,212
Net assets from contributions	<u>40,958</u>	<u>-</u>	<u>40,958</u>	<u>-</u>	<u>-</u>	<u>40,958</u>
Total net assets	<u>8,395,704</u>	<u>23,533,159</u>	<u>31,928,863</u>	<u>-</u>	<u>-</u>	<u>31,928,863</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 48,272,056</u>	<u>\$ 40,601,553</u>	<u>\$ 88,873,609</u>	<u>\$ 432,388</u>	<u>\$ -</u>	<u>\$ 88,441,221</u>

**Georgia Tech Research Corporation and its Subsidiary,
Georgia Tech Applied Research Corporation**

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended June 30, 2004

	Unrestricted			Temporarily Restricted			Consolidations and Eliminations		Consolidated Totals
	Georgia Tech Research Corporation	Georgia Tech Applied Research Corporation	Total	Georgia Tech Research Corporation	Georgia Tech Applied Research Corporation	Total	Debit	Credit	
Gross billing on research contracts	\$ -	\$ -	\$ -	\$ 194,167,506	\$ 109,176,513	\$ 303,344,019	\$ -	\$ -	\$ 303,344,019
Direct costs	-	-	-	147,303,014	64,377,237	211,680,251	-	-	211,680,251
Georgia Institute of Technology overhead charges	-	-	-	35,989,456	35,059,913	71,049,369	-	-	71,049,369
	-	-	-	183,292,470	99,437,150	282,729,620	-	-	282,729,620
Excess of billings over direct costs and Georgia Institute of Technology overhead charges	-	-	-	10,875,036	9,739,363	20,614,399	-	-	20,614,399
Net assets released from restrictions	10,875,036	9,739,363	20,614,399	(10,875,036)	(9,739,363)	(20,614,399)	-	-	-
Administrative and general expenses	5,743,467	2,681,034	8,424,501	-	-	-	-	-	8,424,501
Operating revenue	5,131,569	7,058,329	12,189,898	-	-	-	-	-	12,189,898
Other revenue (expense)									
Interest income	150,732	210,980	361,712	-	-	-	-	-	361,712
License income	2,315,024	-	2,315,024	-	-	-	-	-	2,315,024
License expense	(3,135,477)	(175,271)	(3,310,748)	-	-	-	-	-	(3,310,748)
Unrealized loss on investments	(307,088)	-	(307,088)	-	-	-	-	-	(307,088)
Loss on disposal of property and equipment	(10,967)	-	(10,967)	-	-	-	-	-	(10,967)
Indirect cost recoveries	-	(3,361,960)	(3,361,960)	-	-	-	-	-	(3,361,960)
Miscellaneous income	953,351	2,616	955,967	-	-	-	-	-	955,967
Total other (expense) revenue, net	(34,425)	(3,323,635)	(3,358,060)	-	-	-	-	-	(3,358,060)
Change in net assets before grants to Georgia Institute of Technology	5,097,144	3,734,694	8,831,838	-	-	-	-	-	8,831,838
Grants to Georgia Institute of Technology	(7,064,000)	-	(7,064,000)	-	-	-	-	-	(7,064,000)
Change in net assets	(1,966,856)	3,734,694	1,767,838	-	-	-	-	-	1,767,838
Net assets, beginning of year	10,362,560	19,798,465	30,161,025	-	-	-	-	-	30,161,025
Net assets, end of year	\$ 8,395,704	\$ 23,533,159	\$ 31,928,863	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,928,863

**Georgia Tech Research Corporation and its Subsidiary,
Georgia Tech Applied Research Corporation**

**CONSOLIDATING SCHEDULE OF ADMINISTRATIVE
AND GENERAL EXPENSES**

Year ended June 30, 2004

	<u>Georgia Tech Research Corporation</u>	<u>Georgia Tech Applied Research Corporation</u>	<u>Total</u>	<u>Consolidations and Eliminations</u>		<u>Consolidated Totals</u>
				Debit	Credit	
Personal services	\$ 696,958	\$ 380,276	\$ 1,077,234	\$ -	\$ -	\$ 1,077,234
Staff benefits	162,084	89,478	251,562	-	-	251,562
Audit expense	60,496	60,496	120,992	-	-	120,992
Contract development	314,746	409,645	724,391	-	-	724,391
Insurance expense	155,315	184,139	339,454	-	-	339,454
Legal expense	60,871	1,094	61,965	-	-	61,965
Equipment replacement	720,009	-	720,009	-	-	720,009
Materials and supplies	90,263	43,933	134,196	-	-	134,196
Miscellaneous expense	-	132	132	-	-	132
Moving expense	508,187	57,320	565,507	-	-	565,507
Professional development	40,390	-	40,390	-	-	40,390
Promotion of research and scientific study	1,785,120	681,336	2,466,456	-	-	2,466,456
Systems design service and equipment	254,406	44,548	298,954	-	-	298,954
Travel expense	39,545	-	39,545	-	-	39,545
Provision for bad debts	200,004	655,000	855,004	-	-	855,004
Depreciation expense	541,563	73,637	615,200	-	-	615,200
Lease expense	113,510	-	113,510	-	-	113,510
	<u>\$ 5,743,467</u>	<u>\$ 2,681,034</u>	<u>\$ 8,424,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,424,501</u>