

GEORGIA TECH FACILITIES, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017
with
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

**The Board of Trustees
Georgia Tech Facilities, Inc.**

Report on the Financial Statements

We have audited the accompanying financial statements of Georgia Tech Facilities, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net deficit, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

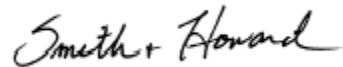
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Georgia Tech Facilities, Inc. as of June 30, 2018, and the changes in net deficit and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 7, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ending June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Smith + Howard".

September 5, 2018

GEORGIA TECH FACILITIES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents (Note 2 and 3)	\$ 7,332,456	\$ 4,927,778
Capital reserve funds (Note 2 and 3)	4,639,631	3,794,031
Restricted cash - projects (Note 2 and 3)	23,537,940	1,074,360
Restricted cash - bond proceeds (Note 2 and 3)	32,883,378	-
Due from related parties (Note 7)	1,144,359	182,152
Due from Georgia Institute of Technology (Note 7)	-	116,704
Contribution receivable - affiliates (Note 7)	6,614,807	7,177,592
Note receivable (Note 7)	1,157,555	1,704,314
Non-investment real estate, net (Note 4)	3,358,560	3,418,560
Investment in direct financing leases (Note 5)	173,505,055	184,261,255
Prepaid ground lease (Note 5)	3,681,250	3,875,000
Prepaid expense	62,439	62,142
Construction in progress (Note 2)	10,462,016	1,150,639
Total Assets	<u>\$ 268,379,446</u>	<u>\$ 211,744,527</u>

LIABILITIES AND NET DEFICIT

Liabilities:

Accounts and contract retainage payable	\$ 4,771,861	\$ 165,491
Due to related party (Note 7)	1,034,347	-
Accrued bond interest	2,219,186	1,888,031
Bonds payable, net - current portion (Note 6)	10,594,112	9,987,997
Bonds payable, net - noncurrent (Note 6)	253,654,980	228,005,970
Prepaid rents	2,823,331	747,825
Total Liabilities	<u>275,097,817</u>	<u>240,795,314</u>

Net Assets (Deficit)

Unrestricted net deficit	(34,299,801)	(37,302,739)
Temporarily restricted net assets (Note 2)	27,581,430	8,251,952
Total Net Deficit	<u>(6,718,371)</u>	<u>(29,050,787)</u>
Total Liabilities and Net Deficit	<u>\$ 268,379,446</u>	<u>\$ 211,744,527</u>

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

GEORGIA TECH FACILITIES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET DEFICIT
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018 Total</u>	<u>Summarized Financial Information 2017 (Note 8)</u>
Support from affiliates - rent	\$ 11,854,026	\$ -	\$ 11,854,026	\$ 12,093,141
Support from affiliates - other	533,377	-	533,377	596,467
Grant revenue	371,940	22,775,000	23,146,940	1,980,000
Interest income	216,576	-	216,576	123,965
Management fees	128,535	-	128,535	8,784
Other revenue	29,205	-	29,205	-
Net assets released from restriction	<u>3,445,522</u>	<u>(3,445,522)</u>	<u>-</u>	<u>-</u>
Total Revenues	16,579,181	19,329,478	35,908,659	14,802,357
Program expense:				
Interest expense (Note 2)	12,417,915	-	12,417,915	12,905,063
Depreciation (Note 4)	60,000	-	60,000	60,000
Trustee fees	26,687	-	26,687	29,050
Rent - ground lease, electrical substation (Note 5)	193,750	-	193,750	193,750
Insurance and bonding	494,695	-	494,695	494,428
Donation expense (Note 7)	164,450	-	164,450	-
Miscellaneous fees	<u>30,274</u>	<u>-</u>	<u>30,274</u>	<u>30,274</u>
Total Program Expense	13,387,771	-	13,387,771	13,712,565
General and administrative expense:				
Supplies and materials	9,621	-	9,621	8,865
Insurance and bonding	18,546	-	18,546	24,870
Reimbursed administrative costs and salaries - Georgia Tech	69,335	-	69,335	65,000
Professional fees	<u>90,970</u>	<u>-</u>	<u>90,970</u>	<u>96,647</u>
Total General and Administrative Expense	188,472	-	188,472	195,382
Total Expenses	<u>13,576,243</u>	<u>-</u>	<u>13,576,243</u>	<u>13,907,947</u>
Increase in net assets	3,002,938	19,329,478	22,332,416	894,410
Net assets (deficit), beginning of year	<u>(37,302,739)</u>	<u>8,251,952</u>	<u>(29,050,787)</u>	<u>(29,945,197)</u>
Net assets (deficit), end of year	<u>\$ (34,299,801)</u>	<u>\$ 27,581,430</u>	<u>\$ (6,718,371)</u>	<u>\$ (29,050,787)</u>

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

GEORGIA TECH FACILITIES, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Increase in net assets	\$ 22,332,416	\$ 894,410
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	60,000	60,000
Amortization of bond issuance and other financing costs and discount	1,596,950	1,602,836
Amortization of bond premium costs	(749,432)	(733,546)
Changes in operating assets and liabilities:		
Due from related parties	(962,207)	31,842
Due from Georgia Tech	116,704	(116,704)
Contribution receivable - affiliates	562,785	542,686
Note receivable	546,759	526,466
Investment in direct financing leases	10,756,200	10,529,823
Prepaid ground lease	193,750	193,750
Prepaid expense	(297)	(30,222)
Accrued bond interest	(90,696)	(83,021)
Accounts and contract retainage payable	2,291,402	40,830
Due to primary government	-	(35,963)
Due to related party	1,034,347	-
Prepaid rents	<u>2,075,506</u>	<u>737,825</u>
Net Cash Provided by Operating Activities	<u>39,764,187</u>	<u>14,161,012</u>
Cash Flows from Investing Activities:		
Additions to capitalized development costs, net	<u>(6,574,558)</u>	<u>(1,034,521)</u>
Net Cash Required by Investing Activities	<u>(6,574,558)</u>	<u>(1,034,521)</u>
Cash Flows from Financing Activities:		
Repayments of bonds payable	(10,844,810)	(10,393,794)
Proceeds from bonds payable, net	<u>36,252,417</u>	<u>-</u>
Net Cash Provided (Required) by Financing Activities	<u>25,407,607</u>	<u>(10,393,794)</u>
Net Increase in Cash and Cash Equivalents, Capital Reserve Funds, and Restricted Cash,	58,597,236	2,732,697
Cash and Cash Equivalents, Capital Reserve Funds, and Restricted Cash, Beginning of Year	<u>9,796,169</u>	<u>7,063,472</u>
Cash and Cash Equivalents, Capital Reserve Funds, and Restricted Cash, End of Year	<u>\$ 68,393,405</u>	<u>\$ 9,796,169</u>
<u>Supplemental Disclosures of Cash Flow Information</u>		
Cash paid during the year for interest	<u>\$ 11,239,242</u>	<u>\$ 12,118,794</u>

Non Cash Investing Activity

For the years ended June 30, 2018 and 2017, cash flows from investing activities do not include purchases of \$2,427,629 and \$112,661, respectively, as the corresponding invoices were included in accounts and contract retainage payable. Additionally, cash flows from investing activities do not include interest payments of \$421,851 which were capitalized during the year ended June 30, 2018.

During the ended June 30, 2018, the Organization issued bonds with a face value of \$35,360,000. The bonds were issued at a premium of \$1,525,065. In connection with the issuance, the Organization capitalized bond issuance costs of \$632,648.

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

**GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 – NATURE OF ORGANIZATION

Organization

Georgia Tech Facilities, Inc. (the “Organization”) was incorporated as Georgia Tech Foundation Facilities, Inc. in the State of Georgia in 1985 as a not-for-profit corporation. The Organization dropped “Foundation” from its name in 1999 to highlight that it is separate from and not affiliated with the Georgia Tech Foundation, Inc. (the “Foundation”). The purpose of the Organization is to construct buildings and other facilities as appropriate to meet the needs and goals of the Georgia Institute of Technology (“GIT” or “Georgia Tech”). Funding for construction is obtained by the Organization from contributions or from financing with debt service funded by support from various sources.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board (“FASB”). The FASB sets accounting principles generally accepted in the United States of America (“GAAP”).

The financial statements of the Organization have been prepared on the accrual basis of accounting. The financial statement presentation follows the recommendations of GAAP. Under GAAP, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Temporarily restricted net assets include purpose restricted gifts of \$27,581,430 and \$8,251,952 at June 30, 2018 and 2017, respectively.

Contributions Received

The Organization accounts for contributions received in accordance with GAAP. Under GAAP, contributions and unconditional promises to give are required to be recognized as revenue in the period received at their fair value. All promises to give and gifts received were donated by other cooperative organizations of GIT. These amounts were restricted by the donors to be used for projects administered by the Organization.

Support From Affiliates – Rent

The Organization recognizes facility rental revenue as it accrues. Rental payments received in advance are deferred until earned.

GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grant Revenue Recognition

On August 31, 2015, the Organization executed a Disbursement Agreement with a local foundation to receive up to Twenty-Five Million Dollars (\$25,000,000) (the “Grant”) for the design, development and construction of an education and research facility on the campus of GIT. The Grant was disbursed over six key phases beginning with design and consulting and ended with the final disbursement delivered to the Organization upon its execution of a guaranteed maximum price construction contract. During the years ended June 30, 2018 and 2017, the Organization recorded \$22,775,000 and \$1,980,000, respectively, within Grant Revenue in the accompanying Statement of Activities and Changes in Net Deficit as temporarily restricted. In conjunction with this Grant, the Organization released from restriction \$2,882,737 and \$1,147,182 in fiscal years ended June 30, 2018 and 2017, respectively.

Georgia Tech Research Corporation (“GTRC”) has provided an Equipment, Facilities and Matching Funds grant up to \$999,949 from funds it holds for the purpose of expanding or improving the Carbon Neutral Energy Solutions (CNES) building. These funds are to be remitted to the Organization as reimbursement for qualifying expenditures. As of June 30, 2018, the Organization had expended \$371,940. These funds are recorded within Grant Revenue in the accompanying Statement of Activities and Changes in Net Deficit. At June 30, 2018, the Organization has recorded \$212,425 related to the aforementioned grant within due from related parties in the accompanying Statement of Financial Position.

Estimates and Assumptions

The Organization uses estimates and assumptions in preparing financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Capital Reserve Funds

Capital reserve funds relate to certain lease agreements which require the Organization to transfer specified amounts to a separate account which can be used only for specific purposes related to certain property leased by the Organization.

Restricted Cash - Projects

Restricted cash - projects are identified as funds received from outside sources that are internally restricted for specific projects. A summary of restricted cash - projects at June 30 is as follows:

	<u>2018</u>	<u>2017</u>
The Living Building	\$ 21,006,613	\$ 1,074,360
Georgia Tech Athletic Association	<u>2,531,327</u>	<u>-</u>
	<u><u>\$ 23,537,940</u></u>	<u><u>\$ 1,074,360</u></u>

Restricted Cash – Bond Proceeds

Restricted cash - bond proceeds are identified as funds received from the issuance of bonds and are restricted for specific projects as stated in the related bond offering documents. Bond proceeds are required to be maintained in separate accounts. At June 30, 2018, these funds relate to the Series 2018 – Dalney Street Parking Deck and Office Building bonds and are to be used for the construction of the Dalney Street Parking Deck and Office Building as described in Note 6.

Long-Lived Assets

Gifts associated with the construction of long-lived assets are reported as restricted support and are released as expenses are incurred. Buildings are depreciated on a straight-line basis over a useful life of 30 years.

GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Issuance and Other Financing Costs

Bond issuance costs and the related discounts are amortized over the period the bonds are outstanding. Amortization related to bond issuance costs and related discounts is recorded within interest expense on the accompanying Statement of Activities and Changes in Net Deficit and totaled approximately \$358,800 and \$364,700 for the years ended June 30, 2018 and 2017, respectively.

During the year ended June 30, 2014, the Organization incurred \$26,505,250 to terminate two swaption agreements as part of a related refinancing of two bonds payable. The costs are being amortized over the terms of the new bonds payable and are presented as a deduction from the bonds payable amount. Amortization of the swaption agreements is included within interest expense on the accompanying Statement of Activities and Changes in Net Deficit and totaled approximately \$1,238,200 for the years ended June 30, 2018 and 2017.

Construction in Progress

The Organization records capitalized development costs for construction expenditures and capitalized interest related to uncompleted construction projects. As of June 30, 2018 and 2017, the amounts capitalized were \$10,462,016 and \$1,150,639, respectively.

Fair Value of Financial Instruments

Cash and cash equivalents, restricted cash, receivables, and accounts payable are carried at amounts which approximate their fair value due to the short-term nature of these instruments. Bonds payable are carried at the amount owed, less the discount or plus the premium, which approximates fair value.

Reclassification of Prior Period Presentation

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the Statement of Activities and Changes in Net Deficit.

Subsequent Events

Management has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued.

GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Status

The Organization has received a ruling from the Internal Revenue Service that it is exempt from Federal income tax under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code.

The Organization annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Organization takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. The Organization is no longer subject to tax examinations for tax years ending before June 30, 2015.

During December 2017, the President of the United States of America signed into law the Tax Cuts and Jobs Act. Under this Act, maximum corporate tax rates were reduced from a rate of 35% to a flat rate of 21%. There are other changes to the tax law that may affect the Organization, but the magnitude of such changes has not been determined. The Organization's tax liability for any potential unrelated business income tax should not be significant.

NOTE 3 – CONCENTRATIONS

The Organization is potentially subject to concentrations of credit risk in its cash and cash equivalents balances. Cash and cash equivalents are held on deposit at various banks, and are insured by the Federal Deposit Insurance Corporation ("FDIC") to a maximum of \$250,000. The Organization at times have amounts on deposit in excess of the insured limits.

The Organization receives significant resources from GIT and related organizations pursuant to various agreements, including a memorandum of understanding between the Organization and GIT. An interruption of this support could cause substantial doubt in the Organization's ability to continue as an independent entity.

GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 – NON-INVESTMENT REAL ESTATE

The Organization's real estate consists of the Habersham Building, which is located on the GIT campus. The building was placed into service in 1997. During the year ended June 30, 2014, the Organization purchased land located at 150 North Avenue in the amount of \$2,760,179. A summary of real estate at June 30 is as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 3,358,560	\$ 3,358,560
Building	<u>1,200,000</u>	<u>1,200,000</u>
	4,558,560	4,558,560
Less accumulated depreciation	<u>(1,200,000)</u>	<u>(1,140,000)</u>
	<u>\$ 3,358,560</u>	<u>\$ 3,418,560</u>

Depreciation expense was \$60,000 during the years ended June 30, 2018 and 2017.

NOTE 5 – LEASING ARRANGEMENTS

The Organization's Statement of Financial Position includes Investments in Direct Financing Leases based on the cost of construction. The balance of the minimum lease payments and the unearned income (present-valued interest component) decrease by the straight-line method over the life of the lease. The components of the net investment in direct financing leases as of June 30 are as follows:

<u>2018</u>	<u>Minimum lease payment receivable</u>	<u>Less unearned income</u>	<u>Net investment in direct financing lease</u>
Bioengineering & Bioscience Building	\$ 14,249,375	\$ (3,736,409)	\$ 10,512,966
Family Housing and Klaus Parking	59,791,038	(29,664,199)	30,126,839
Molecular Science and Engineering Building	112,271,500	(63,143,152)	49,128,348
Electrical Substation and System	64,500,000	(42,110,703)	22,389,297
North Avenue Apartments	73,920,000	(32,523,114)	41,396,886
North Avenue Apartments - Dining	10,584,000	(4,644,000)	5,940,000
Carbon-Neutral Energy Solutions Laboratory	21,903,000	(11,206,781)	10,696,219
Academy of Medicine	<u>5,375,000</u>	<u>(2,060,500)</u>	<u>3,314,500</u>
Total	<u>\$ 362,593,913</u>	<u>\$ (189,088,858)</u>	<u>\$ 173,505,055</u>

**GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 5 – LEASING ARRANGEMENTS (Continued)

<u>2017</u>	<u>Minimum lease payment receivable</u>	<u>Less unearned income</u>	<u>Net investment in direct financing lease</u>
Bioengineering & Bioscience Building	\$ 15,676,250	\$ (4,076,083)	\$ 11,600,167
Family Housing and Klaus Parking	65,141,038	(32,149,605)	32,991,433
Molecular Science and Engineering Building	117,188,500	(66,333,773)	50,854,727
Electrical Substation and System	67,500,000	(44,024,826)	23,475,174
North Avenue Apartments	79,200,000	(34,846,194)	44,353,806
North Avenue Apartments - Dining	11,172,000	(4,902,000)	6,270,000
Carbon-Neutral Energy Solutions Laboratory	22,785,000	(11,655,052)	11,129,948
Academy of Medicine	<u>5,805,000</u>	<u>(2,219,000)</u>	<u>3,586,000</u>
Total	<u>\$ 384,467,788</u>	<u>\$ (200,206,533)</u>	<u>\$ 184,261,255</u>

Electrical Substation and System

During the year ended June 30, 2006, in accordance with the terms of the ground lease, the Organization made a payment of \$6,200,000 representing payment for the entire term of the lease. The payment was initially recorded as a prepaid expense, and will be recognized as an expense on a straight-line basis over the life of the ground lease. For each of the years ended June 30, 2018 and 2017, rental expense under this agreement was \$193,750, and at June 30, 2018 and 2017, the related prepaid expense was \$3,681,250 and \$3,875,000, respectively.

The Living Building @ Georgia Tech

Pursuant to a ground lease dated December 22, 2016, the Board of Regents (“BOR”) leased certain land on the GIT campus to the Organization for development and construction of The Living Building @ Georgia Tech. The primary term of the ground lease commences upon issuance of a Certificate of Occupancy and extends through twenty (20) years from the completion of the building. The land, including the building, reverts back to the BOR at the end of the lease term.

GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 5 – LEASING ARRANGEMENTS (Continued)

The Living Building @ Georgia Tech (Continued)

On December 22, 2016, the Organization entered into a Rental Agreement with the BOR whereby the Organization agreed to lease The Living Building @ Georgia Tech to the BOR. The initial agreement term commences upon issuance of a Certificate of Occupancy. A Certificate of Occupancy has not been issued at June 30, 2018, and the lease term has not commenced. The BOR has the exclusive option to annually renew the lease on a year-to-year basis, for twenty (20) consecutive years at a nominal annual rate, plus an amount for major repair and renovation.

Dalney Street Parking Deck and Office Building

Pursuant to a ground lease dated March 28, 2018, the BOR leased certain land on the GIT campus to the Organization for development and construction of the Dalney Street Parking Deck and Office Building. The primary term of the ground lease commences upon issuance of a Certificate of Occupancy and extends thirty (30) years from the completion of the building. The land, including the building, reverts back to the BOR at the end of the lease term.

On March 28, 2018, the Organization entered into a Rental Agreement with the BOR whereby the Organization agreed to lease the Dalney Street Parking Deck and Office Building to the BOR. The initial agreement term commences upon issuance of a Certificate of Occupancy. A Certificate of Occupancy has not been issued at June 30, 2018, and the lease term has not commenced. The BOR has the exclusive option to annually renew the lease on a year-to-year basis, for thirty (30) consecutive years at an annual rate that is sufficient to enable the Organization to pay debt service on the Series 2018 Bonds, as described in Note 6.

**GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 6 – BONDS PAYABLE

	<u>2018</u>	<u>2017</u>
Taxable bonds payable at June 30 consists of the following:		
\$19,015,000 Series 2014B-Molecular Science and Engineering Building bonds, payable in annual interest installments until May 2036 at a rate of 4.73% (b).	<u>\$16,440,000</u>	<u>\$17,090,000</u>
Tax-exempt bonds payable at June 30 consists of the following:		
\$24,540,000 Series 2007A-North Avenue Apartments bonds, payable in annual interest installments until June 2032 at a fixed rate of 5.00%.	24,540,000	24,540,000
\$19,900,000 Series 2008-Bioengineering and Bioscience Building bonds, payable in annual interest installments until September 2027 at a fixed rate of 3.93%.	11,843,000	12,795,000
\$37,175,000 Series 2009A-Electrical Substation and System bonds, payable in annual interest installments until June 2040 at rates between 3.25% and 5.00%.	35,615,000	36,515,000
\$30,580,000 Series 2009B-1-North Avenue Apartments bonds, payable in annual interest installments until June 2032 at rates between 2.50% and 5.00%.	24,580,000	26,950,000
\$15,280,000 Series 2009B-2-North Avenue Apartments bonds, payable in annual interest installments until June 2020 at rates between 3.00% and 5.00%.	1,575,000	1,730,000
\$27,270,000 Series 2010A-Carbon-Neutral Laboratory/ North Avenue Apartments-Dining Hall/14th Street Building bonds, payable in annual interest installments until June 2041 at rates between 2.00% and 5.00%.	20,130,000	21,200,000
\$10,555,000 Series 2010B-Wardlaw/Habersham/ Success Center bonds, payable in annual interest installments until November 2027 at rates between 2.00% and 4.00%.	6,575,000	7,135,000

**GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 6 – BONDS PAYABLE (Continued)

	<u>2018</u>	<u>2017</u>
\$5,400,000 Series 2010C-Academy of Medicine bonds, payable in annual interest installments until August 2030 at a fixed rate of 4.35%.	4,022,380	4,260,190
\$57,250,000 Series 2013-Married Family Housing bonds, payable in annual interest installments until November 2029 at rates between 3.00% and 5.00% (a).	46,470,000	49,325,000
\$56,830,000 Series 2014A-Molecular Science and Engineering Building bonds, payable in annual interest installments until May 2041 at a rate of 4.25% (b).	52,735,000	53,830,000
\$35,360,000 Series 2018- Dalney Street Parking Deck and Office Building bonds, payable in annual interest installments until June 2050 at rates between 3.25% and 5.00%.	<u>35,360,000</u>	<u>-</u>
Tax-exempt bonds total	<u>263,445,380</u>	<u>238,280,190</u>
Total bonds payable	<u>279,885,380</u>	<u>255,370,190</u>
Less unamortized discount and debt issuance costs	(25,952,283)	(26,916,585)
Plus unamortized bond issuance premium	<u>10,315,995</u>	<u>9,540,362</u>
Total bonds payable, net of discount, debt issuance costs and bond issuance premium	<u>\$264,249,092</u>	<u>\$237,993,967</u>

During the years ending June 30, 2018 and 2017, the Organization recorded amortization expense associated with the discount and debt issuance costs totaling \$1,596,950 and \$1,602,835, respectively. Amortization associated with the bond issuance premium totaled \$749,432 and \$733,546 for the years ended June 30, 2018 and 2017, respectively. The amortization expense is included within interest expense in the accompanying Statement of Activities and Changes in Net Deficit.

**GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 – BONDS PAYABLE (Continued)

The following represents the mandatory bond principal redemptions on the above bonds payable for the years ending June 30:

2019	\$ 11,403,267
2020	12,077,184
2021	12,619,582
2022	13,168,480
2023	13,774,901
Thereafter	<u>216,841,966</u>
	<u>\$ 279,885,380</u>

(a) Series 2013

In September 2013, the Organization issued \$57,250,000 Series 2013 Refunding Revenue Bonds. The proceeds of the bonds were used to refund the Series 2003 fixed demand bonds and the related interest rate swaption (the “Married Family Housing project”) and to pay certain costs of the bonds issuance.

The Organization paid \$10,073,250 to terminate an existing swaption agreement. The purpose of the payment was to exit the existing bonds payable and refinance the bonds with improved terms. The payment and the unamortized portion is included within the unamortized discount and debt issuance costs above and is being amortized over the term of the Series 2013 bonds payable.

(b) Series 2014 A & B

In May 2014, the Organization issued \$75,845,000 Series 2014 A & B Refunding Revenue Bonds. The proceeds of the bonds were used to refund the Series 2004 fixed demand bonds and the related interest rate swaption (the “Molecular Science and Engineering project”) and to pay certain costs of the bonds issuance.

The Organization paid \$16,432,000 to terminate an existing swaption agreement. The purpose of the payment was to exit the existing bonds payable and refinance the bonds with improved terms. The payment and the unamortized portion is included within the unamortized discount and debt issuance costs above and is being amortized over the term of the Series 2014 A & B bonds payable.

GEORGIA TECH FACILITIES, INC.
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NOTE 7 – RELATED PARTIES

Payment of the principal and related interest and fees on the Series 2010B Bonds has been guaranteed by the Foundation through a Commitment of Support dated as of May 10, 2010. The Foundation is a separate not-for-profit corporation, which was formed in 1932 primarily to receive, manage and disburse funds to support GIT. Certain members of the Board of Directors (the “Board”) of the Organization also serve as trustees of the Foundation. The unconditional promise to pay future bond payments from the Foundation is recorded as contributions receivable in the financial statements in accordance with GAAP. The total contribution receivable recorded at June 30, 2018 and 2017 is \$6,614,807 and \$7,177,592, respectively, on the Series 2010B Bonds and is paid according to the debt schedule in Note 6 after the use of any cash held by the Organization. In conjunction with this Commitment of Support, the Organization released from restriction \$562,785 and \$542,686 in fiscal years ended June 30, 2018 and 2017, respectively.

On May 1, 2010, the Organization entered into a Construction Loan Agreement for \$5,000,000 with Georgia Advanced Technology Ventures, Inc. (“GATV”), a Georgia non-profit corporation and cooperative organization of GIT, for the renovation of the 14th Street Building. The Organization simultaneously recorded a note receivable from GATV and a corresponding liability for \$5,000,000. During 2012, the Organization satisfied this liability as the renovation of the 14th Street Building was completed. At June 30, 2018 and 2017, the Note Receivable included for the amount due to the Organization from GATV (including associated interest receivable) is \$1,157,555 and \$1,704,314, respectively. The Organization and GATV share common officers.

The Organization entered into a binding Memorandum of Understanding (“MOU”) with GIT, effective as of March 29, 2017, to confirm their respective responsibilities in connection with financing the design and construction of the Dalney Street Parking Deck and Office Building on the GIT campus. The Organization is responsible for the financing, design, and construction of the project, in an amount not to exceed \$40,000,000; and will assess a management fee at three-quarters percent payable from project funds. On May 16, 2017, the Organization signed a Development Management Services Agreement (“DMSA”) with GIT to proceed with the project under the conditions set forth in the MOU. Pursuant to the DMSA, the facilities division of GIT will provide project management services for the project. The Organization will assess a project management fee at three-quarters percent payable from the project fund. In March 2018, Series 2018 bonds for this project were issued for \$35,360,000 (see Note 6).

GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 7 – RELATED PARTIES (Continued)

The Organization entered into a binding MOU with GIT, effective as of March 29, 2017, to confirm their respective responsibilities in connection with financing the design and renovation of the existing Student Center Building on the GIT campus. The Organization is responsible for the financing, design, and construction of the project, in an amount not to exceed \$111,000,000. On May 16, 2017, the Organization signed a DMSA to proceed with the project under the conditions set forth in the MOU. Pursuant to the DMSA, the facilities division of GIT will provide project management services for the project. The Organization will assess a project management fee at three-quarters percent payable from the project fund. At June 30, 2018, no bonds had been issued on this project, therefore, no obligations under the DMSA have been triggered.

The Organization entered into a Project Management Services Agreement with GIT, effective as of January 19, 2017, for GIT's provision of project management services in connection with the replacement of a chiller at the North Avenue Apartments (Chiller #2) by the Organization. At June 30, 2018, all funds had been received and this project was complete. At June 30, 2017, the Organization had recorded \$77,252 due from GIT related to the aforementioned project.

The Organization entered into an interim DMSA with GATV and GIT, effective as of February 22, 2017 for design, development, and construction of the Cobb County Development Project. The Organization entered into an MOU with GATV and GIT on July 1, 2017 and a DMSA on December 6, 2017 with substantially the same terms as the interim DMSA. Under the agreements, the Organization will be responsible for overall management and contracting; GATV will fund the cost of the project in an amount not to exceed \$42,000,000, including predevelopment work in an amount not to exceed \$1,300,000; and GIT will provide development management services during the pre-development period. At June 30, 2018, the Organization has recorded \$777,751 related to the aforementioned project within due from related parties in the accompanying Statement of Financial Position.

The Organization entered into a Project Management Services Agreement, effective as of February 22, 2017, for GIT's provision of project management services in connection with the upgrade of one of the boilers at the North Avenue Apartments by the Organization. At June 30, 2018, this project was complete.

GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 7 – RELATED PARTIES (Continued)

The Organization entered into a Project Management Services Agreement, effective as of March 29, 2017, for GIT's provision of project management services in connection with the installation of certain LED lighting at the North Avenue North Parking Deck by the Organization. At June 30, 2018, all funds had been received and this project was complete. At June 30, 2017, the Organization had recorded \$39,452 due from GIT related to the aforementioned project.

The Organization entered into an annually renewable Master Project Management Services Agreement with GIT, effective as of July 26, 2017. Under this agreement, GIT will provide project management services for capital improvement projects at North Avenue Apartments being contracted by GTFI. The projects being performed under this agreement during the year ended June 30, 2018, were (i) the installation of certain LED lighting at the North Avenue South Parking Deck, (ii) replacement of a domestic water heater, and (iii) replacement of another chiller at North Avenue Apartments (Chiller #1).

The Organization entered into a DMSA with Georgia Tech Athletic Association (GTAA) and GIT, effective as of July 26, 2017. Under the Agreement, GTFI will be responsible for overall management and contracting; GTAA will fund the cost of the renovation work in an amount not to exceed \$4,500,000; and GIT will provide development management services in connection with the renovation of the football locker rooms in the Bobby Dodd Stadium at Grant Field. GTAA is a Georgia non-profit corporation and cooperative organization of GIT. At June 30, 2018, \$1,034,347 was owed to GTAA and is included as due to related party in the accompanying Statement of Financial Position.

During the year ended June 30, 2018, the Organization donated \$164,450 to GIT from an existing award towards furniture, fixture, and equipment to be used within The Living Building @ Georgia Tech. This is included as donation expense in the accompanying Statement of Activities and Changes in Net Deficit.

For the years ended June 30, 2018 and 2017, the Organization has a receivable from GTRC for \$154,183 and \$182,152, respectively, related to the Bioengineering & Bioscience Building lease. This is included as due from related parties in the accompanying Statement of Financial Position.

For the years ended June 30, 2018 and 2017, the Organization charged management fees of \$128,535 and \$8,784, respectively, related to certain of the aforementioned projects.

GEORGIA TECH FACILITIES, INC.
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NOTE 8 – FINANCIAL INFORMATION FOR 2017

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.