

GEORGIA TECH FACILITIES, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014
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, 2015, and the related statements of activities and changes in net assets (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.

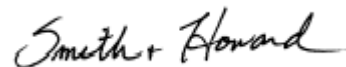
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015, and the changes in net assets (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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 12, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ending June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Smith + Howard". The signature is written in a cursive, flowing style.

September 11, 2015

GEORGIA TECH FACILITIES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

ASSETS

| | <u>2015</u> | <u>2014</u> |
|--|-----------------------|-----------------------|
| Cash and cash equivalents | \$ 3,131,141 | \$ 2,089,497 |
| Capital reserve funds | 2,066,833 | 1,208,933 |
| Restricted cash | - | 17,800 |
| Due from related parties | 242,374 | 272,830 |
| Contribution receivable - affiliates (Note 7) | 8,247,888 | 8,765,449 |
| Accounts receivable | - | 1,007,249 |
| Lease payment receivable (Note 7) | 826,465 | 1,048,965 |
| Note receivable (Note 7) | 2,737,705 | 3,225,815 |
| Non-investment real estate (Note 4) | 3,538,560 | 3,598,560 |
| Bond issuance and other financing costs, net (Notes 2 and 6) | 30,109,540 | 31,709,399 |
| Bond issuance discount, net | 12,714 | 13,204 |
| Investment in direct financing leases (Note 5) | 205,325,027 | 215,856,226 |
| Prepaid ground lease (Note 5) | 4,262,500 | 4,456,250 |
| Prepaid expense | 33,608 | 28,204 |
| Construction in progress (Note 2) | 80,247 | - |
| Total Assets | <u>\$ 260,614,602</u> | <u>\$ 273,298,381</u> |

LIABILITIES AND NET ASSETS (DEFICIT)

| | | |
|---|-----------------------|-----------------------|
| Liabilities: | | |
| Accounts payable | \$ 23,157 | \$ 15,500 |
| Due to primary government | 75,941 | 251,159 |
| Accrued bond interest | 2,047,627 | 2,116,261 |
| Accrued bond issuance premium | 11,007,454 | 11,741,000 |
| Bonds payable - current portion (Note 6) | 10,200,199 | 9,932,008 |
| Bonds payable - noncurrent (Note 6) | 265,763,983 | 275,964,182 |
| Deferred revenue | 123,221 | 153,402 |
| Total Liabilities | <u>289,241,582</u> | <u>300,173,512</u> |
| Net Assets (Deficit) | | |
| Unrestricted net deficit | (37,035,360) | (35,801,072) |
| Temporarily restricted net assets (Notes 2 and 7) | 8,408,380 | 8,925,941 |
| Total Net Assets (Deficit) | <u>(28,626,980)</u> | <u>(26,875,131)</u> |
| Total Liabilities and Net Assets (Deficit) | <u>\$ 260,614,602</u> | <u>\$ 273,298,381</u> |

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

GEORGIA TECH FACILITIES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
YEARS ENDED JUNE 30, 2015 AND 2014

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>2015 Total</u> | <u>Summarized Financial Information 2014 (Note 9)</u> |
|---|------------------------|-----------------------------------|------------------------|---|
| Revenues: | | | | |
| Support from affiliates - rent | \$ 12,124,840 | \$ - | \$ 12,124,840 | \$ 10,941,697 |
| Support from affiliates - other | 517,873 | - | 517,873 | 492,653 |
| Interest income | 166,433 | - | 166,433 | 171,570 |
| Management fees (Note 7) | 4,965 | - | 4,965 | 18,357 |
| Other revenue | 10,000 | - | 10,000 | 10,000 |
| Net assets released from restriction | <u>517,561</u> | <u>(517,561)</u> | <u>-</u> | <u>-</u> |
| Total Revenues | 13,341,672 | (517,561) | 12,824,111 | 11,634,277 |
| Program expense: | | | | |
| Interest, net of amortization of bond premium and deferred swaption premium (Note 6) | 12,029,782 | - | 12,029,782 | 8,842,309 |
| Amortization and depreciation | 1,662,849 | - | 1,662,849 | 1,685,831 |
| Trustee fees | 27,125 | - | 27,125 | 37,360 |
| Rent - ground lease, electrical substation (Note 5) | 193,750 | - | 193,750 | 193,750 |
| Insurance and bonding | 484,149 | - | 484,149 | 441,732 |
| Donation expense (Note 7) | - | - | - | 583,076 |
| Miscellaneous fees | <u>31,227</u> | <u>-</u> | <u>31,227</u> | <u>30,274</u> |
| Total Program Expense | 14,428,882 | - | 14,428,882 | 11,814,332 |
| General and administrative expense: | | | | |
| Supplies and materials | 3,893 | - | 3,893 | 1,552 |
| Insurance and bonding | 20,595 | - | 20,595 | 19,178 |
| Reimbursed administrative costs and salaries - Georgia Tech | 72,600 | - | 72,600 | 72,600 |
| Professional fees | <u>49,990</u> | <u>-</u> | <u>49,990</u> | <u>90,970</u> |
| Total General and Administrative Expense | <u>147,078</u> | <u>-</u> | <u>147,078</u> | <u>184,300</u> |
| Total Expenses | <u>14,575,960</u> | <u>-</u> | <u>14,575,960</u> | <u>11,998,632</u> |
| Decrease in net assets | (1,234,288) | (517,561) | (1,751,849) | (364,355) |
| Net assets (deficit), beginning of year | <u>(35,801,072)</u> | <u>8,925,941</u> | <u>(26,875,131)</u> | <u>(26,510,776)</u> |
| Net assets (deficit), end of year | <u>\$ (37,035,360)</u> | <u>\$ 8,408,380</u> | <u>\$ (28,626,980)</u> | <u>\$ (26,875,131)</u> |

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

GEORGIA TECH FACILITIES, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|---|----------------------|----------------------|
| Cash Flows from Operating Activities: | | |
| Decrease in net assets (deficit) | \$ (1,751,849) | \$ (364,355) |
| Adjustments to reconcile change in net assets (deficit) to net cash provided by operating activities: | | |
| Depreciation | 60,000 | 60,000 |
| Amortization of bond issuance and other financing costs and discount | 1,602,850 | 1,626,320 |
| Amortization of bond premium costs | (733,546) | (650,778) |
| Amortization of deferred swaption premium | - | (4,104,535) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 1,007,249 | (1,007,249) |
| Earnest money | - | 25,000 |
| Due from related parties | 30,456 | 30,151 |
| Contribution receivable - affiliates | 517,561 | 506,675 |
| Lease payment receivable | 222,500 | 203,279 |
| Note receivable | 488,110 | 469,992 |
| Investment in direct financing leases | 10,531,199 | 12,136,694 |
| Prepaid ground lease | 193,750 | 193,750 |
| Prepaid expense | (5,404) | 19,125 |
| Accrued bond interest | (68,634) | (100,324) |
| Accounts payable | 7,657 | (60,985) |
| Due to primary government | (175,218) | 162,299 |
| Deferred revenue | (30,181) | (30,180) |
| Net Cash Provided by Operating Activities | <u>11,896,500</u> | <u>9,114,879</u> |
| Cash Flows from Investing Activities: | | |
| Acquisition of non-investment real estate | - | (2,760,179) |
| Additions to capitalized development costs, net | (80,247) | - |
| Net Cash Required by Investing Activities | <u>(80,247)</u> | <u>(2,760,179)</u> |
| Cash Flows from Financing Activities: | | |
| Repayments of bonds payable | (9,932,008) | (7,146,204) |
| Proceeds from bonds payable | - | 20,073,476 |
| Payments of bond issuance and other financing costs | (2,501) | (26,518,954) |
| Net Cash Required by Financing Activities | <u>(9,934,509)</u> | <u>(13,591,682)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents, Capital Reserve Funds and Restricted Cash | 1,881,744 | (7,236,982) |
| Cash and Cash Equivalents, Capital Reserve Fund and Restricted Cash, Beginning of Year | <u>3,316,230</u> | <u>10,553,212</u> |
| Cash and Cash Equivalents, Capital Reserve Fund and Restricted Cash, End of Year | <u>\$ 5,197,974</u> | <u>\$ 3,316,230</u> |
| <u>Supplemental Disclosures of Cash Flow Information</u> | | |
| Cash paid during the year for interest | <u>\$ 12,831,965</u> | <u>\$ 13,659,213</u> |

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

**GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

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 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”). 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 \$8,408,380 and \$8,925,941 at June 30, 2015 and 2014, respectively (see Note 7).

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, 2015 AND 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Cash and Cash Equivalents and Capital Reserve Funds

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

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.

Long-Lived Assets

Gifts associated with the construction of long-lived assets are reported as restricted support until the asset is placed in service. Buildings are depreciated on a straight-line basis over a useful life of 30 years.

Bond Issuance and Other Financing Costs

Bond issuance costs directly attributable to securing financing and the related discounts are amortized over the period the bonds are outstanding, and are presented net of accumulated amortization of \$2,122,227 and \$1,758,038 at June 30, 2015 and 2014, respectively.

During the year ended June 30, 2014, the Organization capitalized \$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 net of accumulated amortization of \$1,864,251 and \$626,080 at June 30, 2015 and 2014, respectively.

Construction in Progress

The Organization records capitalized development costs for construction expenditures and capitalized interest related to uncompleted construction projects. As of June 30, 2015, the amount capitalized was \$80,247.

GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, which approximates fair value.

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.

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, 2012.

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 total amount of cash in excess of FDIC insurance at June 30, 2015 is \$4,947,974.

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, 2015 AND 2014

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>2015</u> | <u>2014</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>(1,020,000)</u> | <u>(960,000)</u> |
| | <u>\$ 3,538,560</u> | <u>\$ 3,598,560</u> |

Depreciation expense was \$60,000 during the years ended June 30, 2015 and 2014.

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>2015</u> | <u>Minimum lease payment receivable</u> | <u>Less unearned income</u> | <u>Net investment in direct financing lease</u> |
|---|---|---------------------------------|---|
| Bioengineering & Bioscience Building | \$ 18,526,375 | \$ (4,755,430) | \$ 13,770,945 |
| Family Housing and Klaus Parking | 75,396,038 | (37,120,420) | 38,275,618 |
| Molecular Science and Engineering Building | 127,022,500 | (72,715,017) | 54,307,483 |
| Electrical Substation and System | 73,500,000 | (47,853,072) | 25,646,928 |
| North Avenue Apartments | 89,760,000 | (39,492,353) | 50,267,647 |
| North Avenue Apartments - Dining | 12,348,000 | (5,418,000) | 6,930,000 |
| Carbon-Neutral Energy Solutions Laboratory | 24,549,000 | (12,551,594) | 11,997,406 |
| Academy of Medicine | <u>6,665,000</u> | <u>(2,536,000)</u> | <u>4,129,000</u> |
| Total | <u>\$ 427,766,913</u> | <u>\$ (222,441,886)</u> | <u>\$ 205,325,027</u> |

**GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 5 – LEASING ARRANGEMENTS (Continued)

| <u>2014</u> | <u>Minimum lease payment receivable</u> | <u>Less unearned income</u> | <u>Net investment in direct financing lease</u> |
|---|--|--|--|
| Bioengineering & Bioscience Building | \$ 19,950,750 | \$ (5,095,102) | \$ 14,855,648 |
| Family Housing and Klaus Parking | 80,523,538 | (39,605,827) | 40,917,711 |
| Molecular Science and Engineering Building | 131,939,500 | (75,905,639) | 56,033,861 |
| Electrical Substation and System | 76,500,000 | (49,767,195) | 26,732,805 |
| North Avenue Apartments | 95,040,000 | (41,815,433) | 53,224,567 |
| North Avenue Apartments - Dining | 12,936,000 | (5,676,000) | 7,260,000 |
| Carbon-Neutral Energy Solutions Laboratory | 25,431,000 | (12,999,866) | 12,431,134 |
| Academy of Medicine | <u>7,095,000</u> | <u>(2,694,500)</u> | <u>4,400,500</u> |
| Total | <u>\$ 449,415,788</u> | <u>\$ (233,559,562)</u> | <u>\$ 215,856,226</u> |

Electrical Substation and System

During the year ended June 30, 2006, in accordance with the terms of the 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, 2015 and 2014, rental expense under this agreement was \$193,750, and at June 30, 2015 and 2014, the related prepaid expense was \$4,262,500 and \$4,456,250, respectively.

Molecular Science and Engineering Building

During the year ended June 30, 2014, the lease for the Molecular Science and Engineering Building was amended. The purpose of the amendment was to match the lease to the related bonds payable which were refinanced during the year ended June 30, 2014.

**GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 6 – BONDS PAYABLE

Bonds payable at June 30 consists of the following:

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| Taxable bonds payable at June 30 consists of the follow: | | |
| \$19,015,000 Series 2014 B-Molecular Science and Engineering Building bonds, payable in annual interest installments until 2036 at a rate of 4.73% (b). | \$18,380,000 | \$19,015,000 |
| \$7,295,000 Series 2005B-Electrical Substation and System bonds, payable in annual interest installments until 2017 at rates between 4.92% and 5.30%. | <u>1,220,000</u> | <u>2,220,000</u> |
| Taxable bonds total | <u>\$19,600,000</u> | <u>\$21,235,000</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 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 2027 at a fixed rate of 3.93%. | 14,593,000 | 15,441,000 |
| \$37,175,000 Series 2009A-Electrical Substation and System bonds, payable in annual interest installments until 2040 at rates between 3.25% and 5.00%. | 37,175,000 | 37,175,000 |
| \$30,580,000 Series 2009B-1-North Avenue Apartments bonds, payable in annual interest installments until 2032 at rates between 2.50% and 5.00%. | 29,780,000 | 30,535,000 |
| \$15,280,000 Series 2009B-2-North Avenue Apartments bonds, payable in annual interest installments until 2020 at rates between 3.00% and 5.00%. | 3,620,000 | 5,110,000 |

**GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 6 – BONDS PAYABLE (Continued)

| | <u>2015</u> | <u>2014</u> |
|--|----------------------|----------------------|
| \$27,270,000 Series 2010A-Carbon-Neutral Laboratory/ North Avenue Apartments-Dining Hall/14th Street Building bonds, payable in annual interest installments until 2041 at rates between 2.00% and 5.00%. | 23,200,000 | 24,150,000 |
| \$10,555,000 Series 2010B-Wardlaw/Habersham/ Success Center bonds, payable in annual interest installments until 2027 at rates between 2.00% and 4.00%. | 8,200,000 | 8,715,000 |
| \$5,400,000 Series 2010C-Academy of Medicine bonds, payable in annual interest installments until 2031 at a fixed rate of 4.35%. | 4,706,182 | 4,915,190 |
| \$57,250,000 Series 2013-Married Family Housing bonds, payable in annual interest installments until 2029 at rates between 3.00% and 5.00% (a). | 54,690,000 | 57,250,000 |
| \$56,830,000 Series 2014 A Molecular Science and Engineering Building bonds, payable in annual interest installments until 2041 at a rate of 4.25% (b). | <u>55,860,000</u> | <u>56,830,000</u> |
| Tax-exempt bonds total | <u>\$256,364,182</u> | <u>\$264,661,190</u> |
| Total bonds payable | <u>\$275,964,182</u> | <u>\$285,896,190</u> |

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

| | |
|------------|-----------------------|
| 2016 | \$ 10,200,199 |
| 2017 | 10,393,792 |
| 2018 | 10,844,810 |
| 2019 | 11,403,267 |
| 2020 | 12,077,184 |
| Thereafter | <u>221,044,930</u> |
| | <u>\$ 275,964,182</u> |

GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 6 – BONDS PAYABLE (Continued)

(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 has been recorded on the Statement of Financial Position and is being amortized over the term of the Series 2013 bonds payable. For the year ended June 30, 2014, the previously deferred swaption premium of \$1,626,087 was recorded as a reduction of interest expense in the accompanying financial statements.

(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 has been recorded on the Statement of Financial Position and is being amortized over the term of the Series 2014 A & B bonds payable. For the year ended June 30, 2014, the previously deferred swaption premium of \$2,478,448 was recorded as a reduction of interest expense in the accompanying financial statements.

NOTE 7 – RELATED PARTIES

Payment of the principal and related interest and fees on the Series 2010B Bonds has been guaranteed by Georgia Tech Foundation, Inc. (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, 2015 and 2014 is \$8,247,888 and \$8,765,449, 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.

GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 7 – RELATED PARTIES (Continued)

On May 1, 2010, the Organization entered into a Construction Loan Agreement for \$5,000,000 with Georgia Advanced Technology Ventures, Inc. (“GATV”) for the renovation of the 14th Street Building. The Organization and GATV share common officers. The Organization recorded a liability for \$5,000,000 in Due to Primary Government at June 30, 2010 and satisfied this liability during 2011 and 2012 as the renovation of the 14th Street Building was completed. At June 30, 2015 and 2014, the Note Receivable included for the amount due to the Organization from GATV (including associated interest receivable) is \$2,737,705 and \$3,225,815, respectively.

On October 16, 2002, the Organization entered into a Memorandum of Understanding (“MOU”) with GIT to confirm the responsibilities of the parties in connection with the construction of graduate and family housing, including childcare and parking accommodations for use by GIT (the "Family Housing Project"). On November 16, 2011, the Organization and GIT amended the MOU for the Family Housing Project for the construction of a Child Development Center. On February 10, 2012, the Organization amended the Development Management Services Agreement with GIT for the construction of the Child Development Center as part of the Family Housing Project. On July 11, 2012, the Certificate of Occupancy was issued for the Child Development Center. In accordance with the MOU, GIT pays annual lease payments of \$222,500 for a total payment of \$1,605,212 through April 2019. The total lease receivable recorded at June 30, 2015 and 2014 is \$826,465 and \$1,048,965, respectively.

During the year ended June 30, 2014, the Organization donated \$583,076 to GIT for the Carbon Neutral Energy Solutions Laboratory. This is included as donation expense in the accompanying Statement of Activities and Changes in Net Assets (Deficit).

For the years ended June 30, 2015 and 2014, the Organization charged management fees of \$4,965 and \$18,357, respectively, related to certain of the aforementioned projects.

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NOTE 8 – SUBSEQUENT EVENT

Subsequent to June 30, 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 will be disbursed over six key phases beginning with design and consulting; and ending with the final disbursement delivered to the Organization upon its execution of a guaranteed maximum price construction contract.

It is expected that the Board of Regents will ground lease certain property to the Organization for construction of the facility. Upon construction completion, the Organization will lease the facility back to GIT to be used for education and research to include student learning and laboratory environments; and for operation in accordance with the International Living Future Institute's Living Building Challenge 3.0 standards. The Living Building Challenge is a sustainable building certification program advocacy tool and philosophy that promotes the most advanced measurement of sustainability in the built environment.

NOTE 9 – FINANCIAL INFORMATION FOR 2014

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, 2014, from which the summarized information was derived.