GEORGIA TECH FACILITIES, INC.

FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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, 2019, and the related statements of activities and changes in net assets, 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.

Suite 1600, 271 17th Street, N.W., Atlanta, GA 30363
Tel 404.874.6244 Fax 404.874.1658 www.smith-howard.com

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, 2019, and the changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2019, the Organization adopted new accounting guidance on the manner in which it presents net assets and reports certain aspects of its financial statements as a not-for-profit entity, the manner in which it accounts for revenues from contracts with customers and the manner in which it accounts for leases. Furthermore, as discussed in Note 2 to the financial statements, the Organization changed its accounting policy relating to the amortization of bond issuance costs and bond issuance premium as well as its treatment for investment in sales-type leases. Our opinion is not modified with respect to these matters.

Smith & Howard

September 12, 2019

GEORGIA TECH FACILITIES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

Cash and cash equivalents (Note 2 and 3)	$	8,923,964
Capital reserve funds (Note 2 and 3)		6,827,237
Restricted cash - projects (Note 2 and 3)		8,531,119
Restricted cash - bond proceeds (Note 2 and 3)		117,341,501
Due from related parties (Note 7)		2,440,911
Contribution receivable - affiliates (Note 7)		6,041,028
Note receivable (Note 7)		589,720
Investment in sales-type leases (Note 5)		212,354,248
Non-investment real estate, net (Note 4)		3,358,560
Prepaid ground lease (Note 5)		3,487,500
Prepaid expense		64,697
Construction in progress (Note 2)		55,964,912
Total Assets	$	425,925,397

LIABILITIES AND NET ASSETS

Liabilities		
Accounts and contract retainage payable	$	10,703,205
Accrued bond interest		2,135,052
Bonds payable, net - current portion (Note 6)		11,250,725
Bonds payable, net - noncurrent (Note 6)		351,853,632
Deferred revenue - rent		4,369,946
Deferred revenue (Note 2)		5,228,971
Total Liabilities		385,541,531
Net Assets		
Without donor restrictions		30,691,020
With donor restrictions (Note 2 and 8)		9,692,846
Total Net Assets		40,383,866
Total Liabilities and Net Assets	$	425,925,397

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

GEORGIA TECH FACILITIES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support from affiliates - rent	$ 13,506,475	$ -	$ 13,506,475
Support from affiliates - other	524,505	-	524,505
Grant revenue	571,661	-	571,661
Interest income	600,851	-	600,851
Management fees	594,896	-	594,896
Net assets released from restriction	17,888,584	(17,888,584)	-
Total Revenues	33,686,972	(17,888,584)	15,798,388
Program expense:			
Interest expense (Note 2)	11,832,439	-	11,832,439
Trustee fees	25,657	-	25,657
Rent - ground lease, electrical substation (Note 5)	193,750	-	193,750
Insurance and bonding	495,961	-	495,961
Donation expense (Note 7)	1,931,061	-	1,931,061
Miscellaneous fees	30,274	-	30,274
Total Program Expense	14,509,142	-	14,509,142
General and administrative expense:			
Supplies and materials	12,724	-	12,724
Insurance and bonding	20,158	-	20,158
Reimbursed administrative costs and salaries - Georgia Tech	78,598	-	78,598
Professional fees	161,444	-	161,444
Total General and Administrative Expense	272,924	-	272,924
Total Expenses	14,782,066	-	14,782,066
Loss on extinguishment of debt (Note 6)	18,211	-	18,211
Increase (decrease) in net assets	18,886,695	(17,888,584)	998,111
Net assets, beginning of year (Note 2)	11,804,325	27,581,430	39,385,755
Net assets, end of year	$ 30,691,020	$ 9,692,846	$ 40,383,866

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

GEORGIA TECH FACILITIES, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019

Cash Flows from Operating Activities:	
Increase in net assets	$ 998,111
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Amortization of bond issuance and other financing costs and discount	2,281,136
Amortization of bond premium costs	(1,652,564)
Loss on extinguishment of debt	18,211
Changes in operating assets and liabilities:	
Due from related parties	(1,296,552)
Contribution receivable - affiliates	573,779
Note receivable	567,835
Investment in sales-type leases	12,596,194
Prepaid ground lease	193,750
Prepaid expense	(2,258)
Accrued bond interest	(84,134)
Accounts and contract retainage payable	(2,446,464)
Due to related party	(1,034,347)
Deferred revenue - rent	1,546,615
Deferred revenue	1,992,977
Net Cash Provided by Operating Activities	14,252,289
Cash Flows from Investing Activities:	
Additions to capitalized development costs, net	(37,125,088)
Net Cash Required by Investing Activities	(37,125,088)
Cash Flows from Financing Activities:	
Repayments of bonds payable	(15,195,590)
Proceeds from bonds payable, net	111,219,479
Reimbursement of bond issuance costs	79,326
Net Cash Provided by Financing Activities	96,103,215
Net Increase in Cash and Cash Equivalents, Capital Reserve Funds, and Restricted Cash,	73,230,416
Cash and Cash Equivalents, Capital Reserve Funds, and Restricted Cash, Beginning of Year	68,393,405
Cash and Cash Equivalents, Capital Reserve Funds, and Restricted Cash, End of Year	$ 141,623,821

(Continued)

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

GEORGIA TECH FACILITIES, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019

(Continued)

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for interest	$ 10,664,590

Non Cash Investing Activity

For the year ended June 30, 2019, cash flows from investing activities do not include purchases and capitalized interest of $10,805,437 as the corresponding invoices were included in accounts and contract retainage payable and accrued bond interest. Additionally, cash flows from investing activities do include purchases of $2,427,629 as the corresponding invoices were included in accounts and contract retainage payable at June 30, 2018.

Non Cash Financing Activity

During the year ended June 30, 2019, the Organization had a change in accounting principle (Note 2) that resulted in an adjustment to net assets, beginning of the year, of $46,104,126. This net adjustment resulted in non-cash activity of $3,379,782 and $1,274,513 being excluded from amortization of bond issuance cost and bond premiums, respectively.

During the year ended June 30, 2019, the Organization received payment of all amounts owed under the sales-type lease related to the Academy of Medicine (Note 6). The proceeds were used to pay off the outstanding debt and resulted in eliminating $79,326 of associated bond issuance cost.

During the year ended June 30, 2019, the Organization issued $96,655,000 of Series 2019-Campus Center bonds and, as a result, capitalized bond issuance costs of $1,277,997 which were paid through borrowings under the financing agreement. The bonds were issued at a premium in the amount of $15,842,476. Bond issuance cost and premium are included in bonds payable, net on the accompanying Statement of Financial Position and further described in Note 6.

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

GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 and, accordingly, reflect all significant receivables, payables, and other liabilities.

Change in Accounting Policy

During 2019, the Organization changed its accounting method for recording the net investment in sales type leases and the amortization of debt issuance cost and premiums from the straight-line method to the effective-interest method. The Organization believes the effective interest method provides a more meaningful presentation. The change has been applied retrospectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of Not-for-Profit Financial Statement Presentation ASU 2016-14

The Organization has elected to adopt ASU 2016-14 as of and for the year ended June 30, 2019.

In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14 Presentation of Financial Statements of Not-for-Profit Entities. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a nonprofit's liquidity and availability of resources, expenses and investment returns, and cash flows. Main provisions of this guidance include: (a) presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose a summary of the allocation methods used to allocate costs, (d) presenting investment return net of external and direct internal investment expenses, and (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources.

Adoption of Leases ASU 2016-02

In January 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This standard requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize in the statement of financial position an Operating Lease Liability, a liability to make lease payments, and an Operating Lease Right of Use ("ROU") Asset, representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. The Organization has elected to early adopt this ASU in its June 30, 2019 financial statements.

Upon adoption of ASU 2016-02, a lessor is required to separate lease and non-lease components of a contract. The non-lease components follow guidance under ASU 2014-09. The adoption of ASU 2016-02 and ASU 2014-09 had an impact on the opening net assets balance as the Organization is required to recognize payments related to major repairs and replacements ("MRR") as non-lease components in accordance with the revenue model under ASU 2014-09, as described below. Prior to adopting ASU 2016-02, the Organization recorded MRR payments as rental income per standards in effect at that time.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of Leases ASU 2016-02 (Continued)

Based on the Organization's evaluation process and review of its contracts, the timing and amount of lease component revenue recognized previously is consistent with how revenue is recognized under the new standard.

Adoption of Revenue Recognition ASU 2014-09

Effective July 1, 2018, the Organization adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU and all subsequently issued clarifying ASUs replace most existing revenue recognition guidance in GAAP. The ASU also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Organization adopted the new ASU using the modified retrospective approach. Adoption of the ASU resulted in a decrease to net assets as of July 1, 2019 of $3,235,992. All of the Organization's revenue is recognized at a point in time based on transfer of control. The Organization's contracts do not contain variable consideration provisions.

The Organization's revenue arrangements consist mainly of lease contracts. The new standard does not apply to lease contracts. However, under the aforementioned adoption of ASU 2016-02, non-lease components of lease contracts are required to be evaluated under ASU 2014-09. Effective July 1, 2018, the Organization separates the non-lease components which include collections of amounts for MRR. MRR payments are recorded as deferred revenue until all performance obligations have been met. Performance obligations under the contract are met when a MRR is completed by the Organization on behalf of the tenant. The Organization then records revenue in an amount equal to the cost incurred when a MRR project is completed.

Adoption of Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made ASU 2018-08

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this update provide a framework for evaluating whether the transfer of assets constitutes a contribution or an exchange transaction. This amendment also provides additional clarification as to whether or not a contribution is conditional. The Organization adopted ASU 2018-08 in 2019. There was no material impact to the financial position, statement of activities or net assets of the Organization as a result of implementation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a result of the change in accounting policies and adoption of the aforementioned ASU's, the impact to opening net asset balance at July 1, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets July 1, 2018, as originally reported	$ (34,299,801)	$ 27,581,430	$ (6,718,371)
Change in accounting policy related to investment in sales-type leases	51,445,387	-	51,445,387
Change in accounting policy related to bond issuance costs/premium	(2,105,269)	-	(2,105,269)
Change in revenue recognition under ASU 2014-09	(3,235,992)	-	(3,235,992)
Net assets July 1, 2018	$ 11,804,325	$ 27,581,430	$ 39,385,755

Financial Statement Presentation

Net assets, along with revenues, expenses, gains and losses, are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.

- Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. The Organization did not have any net assets that were perpetual in nature as of June 30, 2019.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions Received

The Organization accounts for contributions received, including grant revenue, 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. If the contribution or grant revenue received has a right of return or release of funds and a barrier, then the amount is not included in revenue until the barriers have been overcome. 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.

Repair and Replacement Revenue

The Organization considers amounts received for major repairs and replacement to be a non-lease component. These amounts are recorded as deferred revenue when received. At the time a tenant improvement is made, the performance obligation has been satisfied by the Organization and revenue is recognized. As of June 30, 2019, deferred revenue related to MRR recorded within the Statement of Financial Position is $5,228,971. During the year ended June 30, 2019, the Organization performed MRR totaling $217,460 which is recorded within Support from Affiliates – Rent in the accompanying Statement of Activities and Changes in Net Assets.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Capital reserve funds on the Statement of Financial Position for the Molecular Science and Engineering building and the Carbon Neutral Energy Solutions building are included in deferred revenue until utilized for repairs and replacements.

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, 2019 is as follows:

The Living Building	$ 7,978,121
Georgia Tech Athletic Association	552,998
	$ 8,531,119

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, 2019, these funds relate to the Series 2018 – Dalney Street Parking Deck and Office Building and Series 2019 – Campus Center bonds and are to be used for the construction of these buildings 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 or the lease term.

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 using the effective interest method. Amortization related to bond issuance costs and related discounts is recorded within interest expense on the accompanying Statement of Activities and Changes in Net Assets and totaled approximately $1,043,000 for the year ended June 30, 2019.

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 Assets and totaled approximately $1,238,200 for the year ended June 30, 2019.

Construction in Progress

The Organization records capitalized development costs for construction expenditures and capitalized interest related to uncompleted construction projects. As of June 30, 2019, the amounts capitalized were $55,964,912.

Interest expense capitalized for the year ended June 30 totaled approximately $1,143,000.

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.

Subsequent Events

Management has evaluated subsequent events through the date of this report, the date the financial statements were issued.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The Organization includes their expenses on a functional basis within the Statement of Activities and Changes in Net Assets. Program expenses consist mainly of interest expense on properties used in delivering program services. The Organization has minimal expenses that are allocated between program and general and administrative.

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, 2016.

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.

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, 2019 is as follows:

Land	$ 3,358,560
Building	1,200,000
	4,558,560
Less accumulated depreciation	(1,200,000)
	$ 3,358,560

NOTE 5 – LEASING ARRANGEMENTS

The Organization's Statement of Financial Position includes Investments in Sales-Type Leases based on the cost of construction. At the inception of the lease, the Organization records the minimum future lease payments receivable and the unearned lease income. Unearned interest income will be recognized as revenue over the life of the lease using the effective interest method which applies a constant rate of interest equal to the internal rate of return on the lease. The components of the net investment in sales-type leases as of June 30 are as follows:

	Minimum lease payment receivable	Less unearned income	Investment in sales-type leases
Bioengineering & Bioscience Building	$ 12,825,750	$ (2,495,750)	$ 10,330,000
Family Housing and Klaus Parking	54,600,000	(15,530,000)	39,070,000
Molecular Science and Engineering Building	107,354,500	(48,209,365)	59,145,135
Electrical Substation and System	61,500,000	(28,118,927)	33,381,073
North Avenue Apartments	68,640,000	(17,020,194)	51,619,806
North Avenue Apartments - Dining	9,996,000	(3,369,798)	6,626,202
Carbon-Neutral Energy Solutions Laboratory	21,021,000	(8,838,968)	12,182,032
Total	$ 335,937,250	$ (123,583,002)	$ 212,354,248

NOTE 5 – LEASING ARRANGEMENTS (Continued)

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 over the life of the ground lease. For the year ended June 30, 2019, rental expense under this agreement was $193,750, and at June 30, 2019, the related prepaid expense was $3,487,500.

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.

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, 2019, and the lease term has not commenced. The BOR has the 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.

NOTE 5 – LEASING ARRANGEMENTS (Continued)

Dalney Street Parking Deck and Office Building (Continued)

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, 2019, and the lease term has not commenced. Subsequent to June 30, 2019, a certificate of occupancy was obtained and the lease term will commence in August 2019 and the first rental payment will be received in September 2019. The BOR has the 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.

Campus Center

On April 17, 2018, the Organization entered into a Rental Agreement with the BOR whereby the Organization agreed to lease the Campus Center 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, 2019, and the lease term has not commenced. The BOR has the option to annually renew the lease on a year-to-year basis, for thirty-three (33) consecutive years at an annual rate that is sufficient to enable the Organization to pay debt service on the Series 2019 Bonds, as described in Note 6.

Future minimum net amounts receivable under sales-type leases at June 30 are as follows:

2020	$ 21,440,250
2021	21,442,500
2022	21,442,250
2023	21,444,375
2024	21,443,750
Thereafter	228,724,125
Gross investment in sales-type leases	335,937,250
Less unearned interest income	(123,583,002)
Net investment in sales-type leases	$ 212,354,248

NOTE 6 – BONDS PAYABLE

Taxable bonds payable at June 30, 2019 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).	$15,770,000
Tax-exempt bonds payable at June 30, 2019 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
$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%.	10,853,000
$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%.	34,675,000
$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%.	22,095,000
$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%.	1,410,000
$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%.	19,010,000
$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%.	6,005,000

NOTE 6 – BONDS PAYABLE (Continued)

$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).	43,400,000
$56,830,000 Series 2014A-Molecular Science and Engineering Building bonds, payable in annual interest installments until May 2041 at rates between 3.00% and 5.00% (b).	51,590,000
$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%.	35,360,000
$96,655,000 Series 2019-Campus Center bonds, payable in annual interest installments until June 2052 at rates between 4.00% and 5.00%.	96,655,000
Tax-exempt bonds total	345,593,000
Total bonds payable	361,363,000
Less unamortized discount and debt issuance costs	(21,490,038)
Plus unamortized bond issuance premium	23,231,395
Total bonds payable, net of discount, debt issuance costs and bond issuance premium	$363,104,357

During the year ended June 30, 2019, the Organization recorded amortization expense associated with the discount and debt issuance costs totaling $2,281,136. Amortization associated with the bond issuance premium totaled $1,652,564 for the year ended June 30, 2019. The amortization expense is included within interest expense in the accompanying Statement of Activities and Changes in Net Assets.

NOTE 6 – BONDS PAYABLE (Continued)

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

2020	$ 11,818,000
2021	12,349,000
2022	13,361,000
2023	13,980,000
2024	15,710,000
Thereafter	294,145,000
	$ 361,363,000

(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.

NOTE 6 – BONDS PAYABLE (Continued)

Academy of Medicine

On June 27, 2019, the Organization received a payment of all amounts owed under the sales-type lease related to the Academy of Medicine. The sales-type lease was eliminated and the Organization recorded $903,081 in rent revenue. The proceeds were utilized to pay off the outstanding debt and resulted in a loss on extinguishment of debt of $18,211.

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, 2019 is $6,041,028 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 $573,779 in fiscal year ended June 30, 2019.

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, 2019, the Note Receivable included for the amount due to the Organization from GATV (including associated interest receivable) is $589,720. The Organization and GATV share common officers.

NOTE 7 – RELATED PARTIES (Continued)

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).

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. In March 2019, Series 2019 bonds for this project were issued for $96,655,000 (see Note 6).

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, 2019, the Organization has recorded $2,186,398 related to the aforementioned project within due from related parties in the accompanying Statement of Financial Position.

NOTE 7 – RELATED PARTIES (Continued)

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 the Organization. The projects being performed under this agreement during the year ended June 30, 2019, 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 #2). For the year ended June 30, 2019, the Organization has a receivable from GIT for $82,356 related to the South Parking Deck LED lighting project

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. The project was completed during 2019 and the Organization settled the liability owed to GTAA in the amount of $1,034,037.

During the year ended June 30, 2019, the Organization donated $770,000 to GIT towards furniture, fixture, and equipment to be used within The Living Building @ Georgia Tech, $217,460 for the domestic water heater at North Avenue Apartments, and $943,601 for the Backend – Phase 2 project at Carbon Neutral Energy Solutions. These are included as donation expense in the accompanying Statement of Activities and Changes in Net Assets.

Georgia Tech Research Corporation ("GTRC") has provided an Equipment, Facilities and Matching Funds grant for 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, 2019, the Organization had expended $571,661. These funds are recorded within Grant Revenue in the accompanying Statement of Activities and Changes in Net Assets. At June 30, 2019, the Organization has recorded $47,028 related to the aforementioned grant within due from related parties in the accompanying Statement of Financial Position.

NOTE 7 – RELATED PARTIES (Continued)

For the year ended June 30, 2019, the Organization has a receivable from GTRC for $122,379, related to the Bioengineering & Bioscience Building lease. This is included as due from related parties in the accompanying Statement of Financial Position.

For the year ended June 30, 2019, the Organization charged management fees of $594,896 related to certain of the aforementioned projects.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions contain donor-imposed restrictions that permit the Organization to use or expend the donated assets as specified and are satisfied either by the passage of time or by actions of the Organization. Included within net assets with donor restrictions as of June 30, 2019 are restricted project funds with a value of $3,651,818 and contribution receivable from the Foundation of $6,041,028.

Net assets released from donor restriction during 2019 by incurring expenses satisfying the purpose specified by donors totaled $17,888,584, with $17,314,805 related to the construction of an education and research facility and $573,779 related to a gift from the Foundation, restricted for time.

NOTE 9 – LIQUIDITY AND AVAILABILITY

For purposes of analyzing resources available to meet general expenditures for fiscal year 2020, the Organization considers cash and cash equivalents and lease receivables that will be collected and available in fiscal year 2020 for activities that are ongoing and major to the Organization. Financial assets available for general expenditures, within one year are as follows:

Cash and Cash Equivalents	$ 8,923,964
Restricted Cash and Capital Reserve Funds	132,699,857
Due from Related Parties	2,440,911
Contribution and Note Receivable	6,630,748
Investment in sales-type leases	212,354,248
Financial assets at June 30, 2019	363,049,728
Less financial assets not available for expenditures within one year:	
Restricted Cash and Capital Reserve Funds	(132,699,857)
Donor Imposed Restrictions for Project Funds	(3,651,818)
Contribution and Note Receivable	(6,630,748)
Investment in sales-type leases - Noncurrent	(190,913,998)
	(333,896,421)
Financial assets available to meet cash needs for general expenditures within one year	$ 29,153,307

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The anticipated amount to be spent in fiscal year 2020 is approximately $23,000,000.

NOTE 10 – SUBSEQUENT EVENTS

The Organization intends to refinance the bonds associated with the Electrical Substation and System as well as the bonds associated with the North Avenue Apartments. The refinancing is expected to close in September 2019 and result in reduced interest rates. The refinancing is not expected to significantly change maturity dates or any other significant terms of the underlying debt.