

**GEORGIA TECH FACILITIES, INC.**

**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

**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, 2017, 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.

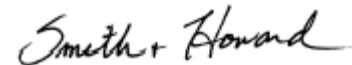
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 9, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ending June 30, 2016, 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 7, 2017

**GEORGIA TECH FACILITIES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2017 AND 2016**

**ASSETS**

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents (Note 3)	\$ 6,002,138	\$ 4,115,241
Capital reserve funds (Note 3)	3,794,031	2,948,231
Due from related parties	182,152	213,994
Due from Georgia Institute of Technology (Note 7)	116,704	-
Contribution receivable - affiliates (Note 7)	7,177,592	7,720,278
Note receivable (Note 7)	1,704,314	2,230,780
Non-investment real estate (Note 4)	3,418,560	3,478,560
Investment in direct financing leases (Note 5)	184,261,255	194,791,078
Prepaid ground lease (Note 5)	3,875,000	4,068,750
Prepaid expense	62,142	31,920
Construction in progress (Note 2)	1,150,639	3,457
Total Assets	<u>\$ 211,744,527</u>	<u>\$ 219,602,289</u>

**LIABILITIES AND NET DEFICIT**

Liabilities:

Accounts payable	\$ 165,491	\$ 12,000
Due to primary government	-	35,963
Accrued bond interest	1,888,031	1,971,052
Bonds payable, net - current portion (Note 6)	9,987,997	9,524,504
Bonds payable, net - noncurrent (Note 6)	228,005,970	237,993,967
Deferred revenue	747,825	10,000
Total Liabilities	<u>240,795,314</u>	<u>249,547,486</u>
Net Assets (Deficit)		
Unrestricted net deficit	(37,302,739)	(37,907,017)
Temporarily restricted net assets (Note 2)	8,251,952	7,961,820
Total Net Deficit	<u>(29,050,787)</u>	<u>(29,945,197)</u>
Total Liabilities and Net Deficit	<u>\$ 211,744,527</u>	<u>\$ 219,602,289</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, 2017 AND 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>Summarized Financial Information 2016 (Note 9)</u>
Support from affiliates - rent	\$ 12,093,141	\$ -	\$ 12,093,141	\$ 12,109,191
Support from affiliates - other	596,467	-	596,467	525,870
Grant revenue	-	1,980,000	1,980,000	245,000
Interest income	123,965	-	123,965	232,521
Management fees	8,784	-	8,784	726
Net assets released from restriction	<u>1,689,868</u>	<u>(1,689,868)</u>	<u>-</u>	<u>-</u>
Total Revenues	14,512,225	290,132	14,802,357	13,113,308
Program expense:				
Interest expense (Note 2)	12,905,063	-	12,905,063	13,308,174
Depreciation (Note 4)	60,000	-	60,000	60,000
Trustee fees	29,050	-	29,050	26,884
Rent - ground lease, electrical substation (Note 5)	193,750	-	193,750	193,750
Insurance and bonding	494,428	-	494,428	495,007
Donation expense (Note 7)	-	-	-	136,889
Miscellaneous fees	<u>30,274</u>	<u>-</u>	<u>30,274</u>	<u>29,321</u>
Total Program Expense	13,712,565	-	13,712,565	14,250,025
General and administrative expense:				
Supplies and materials	8,865	-	8,865	3,339
Insurance and bonding	24,870	-	24,870	21,288
Reimbursed administrative costs and salaries - Georgia Tech	65,000	-	65,000	72,600
Professional fees	<u>96,647</u>	<u>-</u>	<u>96,647</u>	<u>84,273</u>
Total General and Administrative Expense	195,382	-	195,382	181,500
Total Expenses	<u>13,907,947</u>	<u>-</u>	<u>13,907,947</u>	<u>14,431,525</u>
Increase (decrease) in net assets	604,278	290,132	894,410	(1,318,217)
Net assets (deficit), beginning of year	<u>(37,907,017)</u>	<u>7,961,820</u>	<u>(29,945,197)</u>	<u>(28,626,980)</u>
Net assets (deficit), end of year	<u>\$ (37,302,739)</u>	<u>\$ 8,251,952</u>	<u>\$ (29,050,787)</u>	<u>\$ (29,945,197)</u>

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

**GEORGIA TECH FACILITIES, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Increase (decrease) in net assets	\$ 894,410	\$ (1,318,217)
Adjustments to reconcile increase (decrease) 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	1,602,836	1,602,833
Amortization of bond premium costs	(733,546)	(733,546)
Non-cash donation expense	-	136,889
Changes in operating assets and liabilities:		
Due from related parties	31,842	28,380
Due from Georgia Tech	(116,704)	-
Contribution receivable - affiliates	542,686	527,610
Lease payment receivable	-	826,465
Note receivable	526,466	506,925
Investment in direct financing leases	10,529,823	10,533,949
Prepaid ground lease	193,750	193,750
Prepaid expense	(30,222)	1,688
Accrued bond interest	(83,021)	(76,575)
Accounts payable	40,830	(11,157)
Due to primary government	(35,963)	(39,978)
Deferred revenue	737,825	(113,221)
Net Cash Provided by Operating Activities	<u>14,161,012</u>	<u>12,125,795</u>
Cash Flows from Investing Activities:		
Additions to capitalized development costs, net	<u>(1,034,521)</u>	<u>(60,099)</u>
Net Cash Required by Investing Activities	<u>(1,034,521)</u>	<u>(60,099)</u>
Cash Flows from Financing Activities:		
Repayments of bonds payable	<u>(10,393,794)</u>	<u>(10,200,198)</u>
Net Cash Required by Financing Activities	<u>(10,393,794)</u>	<u>(10,200,198)</u>
Net Increase in Cash and Cash Equivalents and Capital Reserve Funds	2,732,697	1,865,498
Cash and Cash Equivalents and Capital Reserve Fund, Beginning of Year	<u>7,063,472</u>	<u>5,197,974</u>
Cash and Cash Equivalents and Capital Reserve Fund, End of Year	<u>\$ 9,796,169</u>	<u>\$ 7,063,472</u>
<b><u>Supplemental Disclosures of Cash Flow Information</u></b>		
Cash paid during the year for interest	<u>\$ 12,118,794</u>	<u>\$ 12,515,462</u>

**Non Cash Investing Activity**

For the year ended June 30, 2017, cash flows from investing activities does not include purchases of \$112,661 as the cooresponding invoices were included in accounts payable at June 30, 2017.

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

**GEORGIA TECH FACILITIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**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 \$8,251,952 and \$7,961,820 at June 30, 2017 and 2016 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, 2017 AND 2016**

**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 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, expected in January 2018.

The Grant has contingencies including the execution of a ground lease and rental agreement with the Board of Regents (BOR). If the contingencies stated within the Grant are not met then the foundation and the Organization have the right to terminate the Grant. Since the Grant has contingencies, the Organization will recognize revenue as received. The Organization received \$1,980,000 and \$245,000 at June 30, 2017 and 2016, respectively, to be used for pre-consulting, pre-design, schematic design, and bidding and construction purposes. These funds are recorded 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 \$1,147,182 and \$3,457 in fiscal years ended June 30, 2017 and 2016, respectively.

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.

**GEORGIA TECH FACILITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 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 \$364,700 for the years ended June 30, 2017 and 2016.

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, 2017 and 2016, 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, 2017 and 2016, the amounts capitalized were \$1,150,639 and \$3,457, 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, 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.

**GEORGIA TECH FACILITIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**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, 2014.

**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, 2017 is \$9,546,169.

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 is as follows:

	<u>2017</u>	<u>2016</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>(1,140,000)</u>	<u>(1,080,000)</u>
	<u>\$ 3,418,560</u>	<u>\$ 3,478,560</u>

Depreciation expense was \$60,000 during the years ended June 30, 2017 and 2016.

**GEORGIA TECH FACILITIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**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:

<b><u>2017</u></b>	<b><u>Minimum lease payment receivable</u></b>	<b><u>Less unearned income</u></b>	<b><u>Net investment in direct financing lease</u></b>
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>

**GEORGIA TECH FACILITIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 5 – LEASING ARRANGEMENTS (Continued)**

<b><u>2016</u></b>	<b><u>Minimum lease payment receivable</u></b>	<b><u>Less unearned income</u></b>	<b><u>Net investment in direct financing lease</u></b>
Bioengineering & Bioscience Building	\$ 17,099,250	\$ (4,415,756)	\$ 12,683,494
Family Housing and Klaus Parking	70,268,538	(34,635,013)	35,633,525
Molecular Science and Engineering Building	122,105,500	(69,524,395)	52,581,105
Electrical Substation and System	70,500,000	(45,938,949)	24,561,051
North Avenue Apartments	84,480,000	(37,169,274)	47,310,726
North Avenue Apartments - Dining	11,760,000	(5,160,000)	6,600,000
Carbon-Neutral Energy Solutions Laboratory	23,667,000	(12,103,323)	11,563,677
Academy of Medicine	<u>6,235,000</u>	<u>(2,377,500)</u>	<u>3,857,500</u>
Total	<u>\$ 406,115,288</u>	<u>\$ (211,324,210)</u>	<u>\$ 194,791,078</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, 2017 and 2016, rental expense under this agreement was \$193,750, and at June 30, 2017 and 2016, the related prepaid expense was \$3,875,000 and \$4,068,750, respectively.

**GEORGIA TECH FACILITIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 5 – LEASING ARRANGEMENTS (Continued)**

*The Living Building @ Georgia Tech*

Pursuant to a ground lease dated December 22, 2016, the Board of Regents 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 Board of Regents at the end of the lease term.

On December 22, 2016, the Organization entered into a Rental Agreement with the Board of Regents whereby the Organization agreed to lease The Living Building @ Georgia Tech to the Board of Regents. The initial agreement term commences upon issuance of a Certificate of Occupancy. A Certificate of Occupancy has not been issued at June 30, 2017, and the lease term has not commenced. The Board of Regents 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.

**NOTE 6 – BONDS PAYABLE**

	<u>2017</u>	<u>2016</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).	\$17,090,000	\$17,740,000
\$7,295,000 Series 2005B-Electrical Substation and System bonds, payable in annual interest installments until May 2017 at rates between 4.92% and 5.30%.	<u>-</u>	<u>200,000</u>
Taxable bonds total	<u>\$17,090,000</u>	<u>\$17,940,000</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

**GEORGIA TECH FACILITIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 6 – BONDS PAYABLE (Continued)**

	<u>2017</u>	<u>2016</u>
\$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%.	12,795,000	13,711,000
\$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%.	36,515,000	37,175,000
\$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%.	26,950,000	29,035,000
\$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%.	1,730,000	2,055,000
\$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%.	21,200,000	22,225,000
\$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%.	7,135,000	7,675,000
\$5,400,000 Series 2010C-Academy of Medicine bonds, payable in annual interest installments until August 2030 at a fixed rate of 4.35%.	4,260,190	4,487,984
\$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).	49,325,000	52,055,000

**GEORGIA TECH FACILITIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 6 – BONDS PAYABLE (Continued)**

	<u>2017</u>	<u>2016</u>
\$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).	<u>53,830,000</u>	<u>54,865,000</u>
Tax-exempt bonds total	<u>\$238,280,190</u>	<u>\$247,823,984</u>
Total bonds payable	<u>\$255,370,190</u>	<u>\$265,763,984</u>
Less unamortized discount and debt issuance costs	(26,916,585)	(28,519,421)
Plus unamortized bond issuance premium	<u>9,540,362</u>	<u>10,273,908</u>
Total bonds payable, net of discount, debt issuance costs and bond issuance premium	<u>\$237,993,967</u>	<u>\$247,518,471</u>

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

2018	\$ 10,844,810
2019	11,403,267
2020	12,077,184
2021	12,039,582
2022	12,563,480
Thereafter	<u>196,441,867</u>
	<u>\$ 255,370,190</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.



**GEORGIA TECH FACILITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 6 – BONDS PAYABLE (Continued)**

(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 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, 2017 and 2016 is \$7,177,592 and \$7,720,278, 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.

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 simultaneously recorded a note receivable from GATV and a corresponding liability of Due to Primary Government for \$5,000,000. During 2012, the Organization satisfied this liability as the renovation of the 14<sup>th</sup> Street Building was completed. At June 30, 2017 and 2016, the Note Receivable included for the amount due to the Organization from GATV (including associated interest receivable) is \$1,704,314 and \$2,230,780, respectively. The Organization and GATV share common officers.

**GEORGIA TECH FACILITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**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 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 fund. At June 30, 2017, no bonds had been issued on this project.

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 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; and will assess a management fee at three-quarters percent payable from project funds. At June 30, 2017, no bonds had been issued on this project.

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, 2017, the Organization had recorded \$77,252 due from GIT related to the aforementioned project.

The Organization entered into an Interim Development Management Services Agreement with GATV and GIT, effective as of February 22, 2017. Under the agreement, the Organization will be responsible for overall management and contracting; GATV will fund the cost of predevelopment work in an amount not to exceed \$1,300,000; and GIT will provide development management services during the pre-development period of the Cobb County Transaction. GATV is a Georgia non-profit corporation and cooperative organization of GIT.

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.

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, 2017, the Organization had recorded \$39,452 due from GIT related to the aforementioned project.

**GEORGIA TECH FACILITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 7 – RELATED PARTIES (Continued)**

During the year ended June 30, 2016, the Organization donated \$136,889 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 Deficit.

For the years ended June 30, 2017 and 2016, the Organization charged management fees of \$8,784 and \$726, respectively, related to certain of the aforementioned projects.

**NOTE 8 – SUBSEQUENT EVENTS**

The Organization entered into a Development Management Services Agreement 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 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 initial projects being performed under this agreement include (i) the installation of certain LED lighting at the North Avenue South Parking Deck, (ii) the installation of a make-up Water Well; (iii) replacement of a domestic water heater; and (iv) replacement of another chiller at North Avenue Apartments (Chiller #1).

**NOTE 9 – FINANCIAL INFORMATION FOR 2016**

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, 2016, from which the summarized information was derived.