

GEORGIA TECH FACILITIES, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022
with
INDEPENDENT AUDITORS' REPORT

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	3-4
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	6
STATEMENT OF CASH FLOWS	7-8
NOTES TO FINANCIAL STATEMENTS	9-21



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

Opinion

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, 2023, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the results of their operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP; 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date of this report.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 8, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ending June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith and Howard

Atlanta, GA
August 31, 2023

GEORGIA TECH FACILITIES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents (Note 2 and 3)	\$ 13,178,085	\$ 8,877,623
Capital reserve funds (Note 2 and 3)	10,702,633	11,829,166
Restricted cash - projects (Note 2 and 3)	5,390,695	1,241,111
Restricted cash - bond proceeds (Note 2 and 3)	4,792,981	15,799,138
Investment in sales-type leases (Note 5)	281,698,316	292,792,246
Non-investment real estate, net (Note 4)	2,760,178	24,668,838
Prepaid ground lease (Note 5)	2,712,500	2,906,250
Prepaid expense	133,466	211,907
Construction in progress (Note 2)	493,601	588,155
Total Assets	\$ 321,862,455	\$ 358,914,434

LIABILITIES AND NET ASSETS

Liabilities

Accounts and contract retainage payable	\$ 799,170	\$ 4,084,609
Due to related party	-	1,879,371
Accrued bond interest	1,350,290	1,441,878
Bonds payable, net - current portion (Note 6)	13,382,575	11,782,778
Bonds payable, net - noncurrent (Note 6)	271,457,900	284,840,475
Deferred revenue - rent	1,285,269	1,211,132
Deferred revenue - special projects	5,053,179	921,600
Deferred revenue - repairs & replacement (Note 2)	9,180,989	10,307,522
Total Liabilities	302,509,372	316,469,365

Net Assets

Without donor restrictions	19,353,083	42,242,378
With donor restrictions (Note 2 and 8)	-	202,691
Total Net Assets	19,353,083	42,445,069
Total Liabilities and Net Assets	\$ 321,862,455	\$ 358,914,434

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, 2023, WITH SUMMARIZED FINANCIAL INFORMATION
FOR YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>	<u>Summarized Financial Information 2022 (Note 10)</u>
Support from affiliates - rent (Note 2)	\$ 18,207,184	\$ -	\$ 18,207,184	\$ 10,938,687
Support from affiliates - other	1,525,054	-	1,525,054	674,278
Interest income (loss)	692,702	-	692,702	(231,222)
Management fees (Note 7)	212,453	-	212,453	356,582
Net assets released from restriction (Note 8)	<u>202,691</u>	<u>(202,691)</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>20,840,084</u>	<u>(202,691)</u>	<u>20,637,393</u>	<u>11,738,325</u>
Program expense:				
Interest expense (Note 2)	11,773,336	-	11,773,336	8,139,558
Depreciation (Note 4)	820,013	-	820,013	1,209,922
Broker fees	4,902	-	4,902	28,105
Trustee fees	15,254	-	15,254	14,396
Rent - ground lease, electrical substation (Note 5)	193,750	-	193,750	193,750
Insurance and bonding	758,623	-	758,623	721,594
Donation expense (Note 7)	29,769,369	-	29,769,369	1,058,981
Miscellaneous fees	<u>55,152</u>	<u>-</u>	<u>55,152</u>	<u>56,668</u>
Total Program Expense	<u>43,390,399</u>	<u>-</u>	<u>43,390,399</u>	<u>11,422,974</u>
General and administrative expense:				
Supplies and materials	8,624	-	8,624	8,240
Insurance and bonding	22,564	-	22,564	22,185
Reimbursed administrative costs and salaries - Georgia Tech	188,200	-	188,200	123,300
Professional fees	<u>119,592</u>	<u>-</u>	<u>119,592</u>	<u>203,585</u>
Total General and Administrative Expense	<u>338,980</u>	<u>-</u>	<u>338,980</u>	<u>357,310</u>
Total Expenses	<u>43,729,379</u>	<u>-</u>	<u>43,729,379</u>	<u>11,780,284</u>
Loss on extinguishment of debt, net (Note 6)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,310)</u>
Change in net assets	(22,889,295)	(202,691)	(23,091,986)	(85,269)
Net assets, beginning of year	<u>42,242,378</u>	<u>202,691</u>	<u>42,445,069</u>	<u>42,530,338</u>
Net assets, end of year	<u>\$ 19,353,083</u>	<u>\$ -</u>	<u>\$ 19,353,083</u>	<u>\$ 42,445,069</u>

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

GEORGIA TECH FACILITIES, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (23,091,986)	\$ (85,269)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	820,013	1,209,922
Amortization of bond issuance and other financing costs and discount	1,682,874	1,840,000
Amortization of bond premium costs	(2,790,652)	(3,255,018)
Loss on extinguishment of debt	-	43,311
Non-cash donation expense (Note 7)	21,088,647	-
Changes in operating assets and liabilities:		
Contribution receivable - affiliates	-	4,834,848
Investment in sales-type leases	11,093,930	28,212,467
Prepaid ground lease	193,750	193,750
Prepaid expense	78,441	(175,335)
Accrued bond interest	(91,588)	(4,269,856)
Accounts and contract retainage payable	3,260,300	(5,803,326)
Due to related party	(1,879,371)	1,879,371
Deferred revenue - rent	74,137	(22,172)
Deferred revenue - special projects	4,131,579	769,506
Deferred revenue - repairs & replacement	(1,126,533)	2,179,374
Net Cash Provided by Operating Activities	<u>13,443,541</u>	<u>27,551,573</u>
Cash Flows from Investing Activities:		
Additions to capitalized development costs, net	<u>(6,451,185)</u>	<u>(27,842,099)</u>
Net Cash Required by Investing Activities	<u>(6,451,185)</u>	<u>(27,842,099)</u>
Cash Flows from Financing Activities:		
Repayments of bonds payable	<u>(10,675,000)</u>	<u>(32,175,907)</u>
Net Cash Required by Financing Activities	<u>(10,675,000)</u>	<u>(32,175,907)</u>
Net Change in Cash and Cash Equivalents, Capital Reserve Funds, and Restricted Cash,	(3,682,644)	(32,466,433)
Cash and Cash Equivalents, Capital Reserve Funds, and Restricted Cash, Beginning of Year	<u>37,747,038</u>	<u>70,213,471</u>
Cash and Cash Equivalents, Capital Reserve Funds, and Restricted Cash, End of Year	<u>\$ 34,064,394</u>	<u>\$ 37,747,038</u>

(Continued)

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

**GEORGIA TECH FACILITIES, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022**

(Continued)

Reconciliation of Cash and Cash Equivalents to the

Statement of Financial Position:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 13,178,085	\$ 8,877,623
Capital reserve funds	10,702,633	11,829,166
Restricted cash - projects	5,390,695	1,241,111
Restricted cash - bond proceeds	<u>4,792,981</u>	<u>15,799,138</u>
	<u>\$ 34,064,394</u>	<u>\$ 37,747,038</u>

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for interest	<u>\$ 12,954,823</u>	<u>\$ 10,209,565</u>
--	----------------------	----------------------

Non Cash Operating and Investing Activity

For the year ended June 30, 2022, cash flows from investing activities do not include purchases and capitalized interest of \$5,957,584 as the corresponding invoices were included in accounts and contract retainage payable and accrued bond interest.

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

**GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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”).

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, 2023 and 2022.

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.

GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023 and 2022, deferred revenue related to repair and replacement revenue (“R&R”) recorded within the Statement of Financial Position is \$9,180,989 and \$10,307,522, respectively. During the year ended June 30, 2023 and 2022, the Organization performed work related to R&R totaling \$4,564,735 and \$1,058,981, respectively, 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.

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 North Avenue Apartment Complex, the Molecular Science and Engineering building, the Electrical Substation, the Dalney Street Parking Deck and Office Building, and the Campus Center are included in deferred revenue until utilized for repairs and replacements.

Restricted Cash - Projects

Restricted cash - projects were identified as funds received from outside sources that are internally restricted. For the year ended June 30, 2023, the Organization held \$830,007 for the CRC Pool Filtration project, \$245,209 for Tech Square 3 and \$4,315,479 for the Student Athletic Performance Center. For the year ended June 30, 2022, the Organization held \$338,417 for The Living Building @ Georgia Tech and \$902,694 for the CRC Pool Filtration project.

GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023 and 2022, these funds relate to the Series 2019 – Campus Center bonds and are to be used for the construction of the building as described in Note 6.

Long-Lived Assets

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

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. In addition, during 2014, the Organization incurred \$26,505,250 to terminate two swaption agreements as part of the related refinancing of two bonds payable. Amortization related to bond issuance costs and related discounts, including swaption termination fee, is recorded within interest expense on the accompanying Statement of Activities and Changes in Net Assets and totaled \$1,682,874 and \$1,840,000 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, the amounts capitalized were \$493,601 and \$588,155, respectively.

There was no interest expense capitalized for the year ended June 30, 2023. Interest expense capitalized for the year ended June 30, 2022 totaled approximately \$3,990,000.

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.

Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform with the 2023 financial statements.

Subsequent Events

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

GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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, 2020.

NOTE 3 – RISKS AND UNCERTAINTIES

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 at June 30, 2022 included the Habersham Building, which is located on the GIT campus. The building was placed into service in 1997. On September 20, 2022, the Organization granted this land and building to the Board of Regents ("BOR") and during 2023, recorded donation expense in the accompanying statement of activities totaling \$598,381.

**GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 4 – NON-INVESTMENT REAL ESTATE (Continued)

The Organization capitalized the Living Building @ Georgia Tech with the intent to depreciate it over the life of the lease (20 years). On March 15, 2023, the BOR coordinated the termination of the ground lease and rental agreements with GTFI resulting in the transfer of the building to the BOR consistent with the long term plan for the asset.

The Organization's remaining real estate as of June 30, 2023 consisted of land purchased in 2014, located at 150 North Avenue in the amount of \$2,760,179.

A summary of non-investment real estate at June 30 is as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 2,760,178	\$ 3,358,560
Building	<u>-</u>	<u>25,614,811</u>
	2,760,178	28,973,371
Less accumulated depreciation	<u>-</u>	<u>(4,304,533)</u>
	<u>\$ 2,760,178</u>	<u>\$ 24,668,838</u>

Depreciation expense for June 30, 2023 and 2022 totaled \$820,013 and \$1,209,922, respectively.

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:

<u>2023</u>	<u>Minimum lease payment receivable</u>	<u>Less unearned income</u>	<u>Investment in sales-type leases</u>
Family Housing and Klaus Parking	\$ 33,200,001	\$ (7,945,000)	\$ 25,255,001
Molecular Science and Engineering Building	87,686,500	(34,607,282)	53,079,218
Electrical Substation and System	38,109,678	(8,212,373)	29,897,305
North Avenue Apartments Complex	38,018,771	848,314	38,867,085
Dalney Street Parking Deck and Office Building	55,248,611	(22,045,540)	33,203,071
Campus Center	<u>178,845,842</u>	<u>(77,449,206)</u>	<u>101,396,636</u>
	<u>\$ 431,109,403</u>	<u>\$ (149,411,087)</u>	<u>\$ 281,698,316</u>

**GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 5 – LEASING ARRANGEMENTS (Continued)

<u>2022</u>	<u>Minimum lease payment receivable</u>	<u>Less unearned income</u>	<u>Investment in sales-type leases</u>
Family Housing and Klaus Parking	\$ 38,550,000	\$ (9,570,000)	\$ 28,980,000
Molecular Science and Engineering Building	92,603,500	(37,873,513)	54,729,987
Electrical Substation and System	40,337,926	(9,480,481)	30,857,445
North Avenue Apartments Complex	42,234,229	43,365	42,277,594
Dalney Street Parking Deck and Office Building	57,357,380	(23,481,411)	33,875,969
Campus Center	<u>183,998,228</u>	<u>(81,926,977)</u>	<u>102,071,251</u>
Total	<u>\$ 455,081,263</u>	<u>\$ (162,289,017)</u>	<u>\$ 292,792,246</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 over the life of the ground lease. For the years ended June 30, 2023 and 2022, rental expense under this agreement was \$193,750, and at June 30, 2023 and 2022, the related prepaid expense balance was \$2,712,500 and \$2,906,250, respectively.

The Living Building @ Georgia Tech

Pursuant to a ground lease dated December 22, 2016, the Board of Regents (“BOR”) leased certain land on the GIT campus to the Organization for development and construction of The Living Building @ Georgia Tech. The primary term of the ground lease commences upon issuance of a Certificate of Occupancy and extends through twenty (20) years from the completion of the building. The land, including the building, transfers to the BOR at the end of the lease term. On March 15, 2023, the BOR coordinated the termination of the ground lease and the building transferred to the BOR (Note 4).

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 was issued on October 18, 2019. On March 15, 2023, the BOR terminated the rental agreement for this building and the unspent R&R funds were refunded to GIT (Note 4).

**GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 5 – LEASING ARRANGEMENTS (Continued)

Dalney Street Parking Deck and Office Building

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 was obtained and the lease term commenced on August 8, 2019 and the first rental payment was 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 was obtained and the lease term commenced on August 7, 2020. The BOR has the option to annually renew the lease on a year-to-year basis, for thirty-one (31) 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:

2024	\$ 25,083,145
2025	25,079,285
2026	24,242,783
2027	24,247,142
2028	24,257,115
Thereafter	<u>308,199,933</u>
Gross investment in sales-type leases	431,109,403
Less unearned interest income	<u>(149,411,087)</u>
Net investment in sales-type leases	<u>\$ 281,698,316</u>

**GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 6 – BONDS PAYABLE

Taxable bonds payable at June 30 consists of the following:

	<u>2023</u>	<u>2022</u>
\$19,015,000 Series 2014B-Molecular Science and Engineering Building bonds, payable in annual interest installments until May 2036 with rates between .71% and 4.73%. (b)	\$ 12,900,000	\$ 13,645,000
Tax-exempt bonds payable at June 30 consists of the following:		
\$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)	28,760,000	32,700,000
\$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)	46,465,000	47,840,000
\$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%.	33,540,000	34,175,000
\$96,655,000 Series 2019-Campus Center bonds, payable in annual interest installments until June 2052 at rates between 4.00% and 5.00%.	95,680,000	96,180,000
\$37,185,000 Series 2019A-North Avenue Apartment bonds, payable in annual interest installments until June 2032 at a fixed rate of 5.00%.	29,415,000	31,955,000
\$28,485,000 Series 2019B-Electrical Substation bonds, payable in annual interest installments until June 2040 at rates between 3.00% and 5.00%.	<u>25,215,000</u>	<u>26,155,000</u>

**GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 6 – BONDS PAYABLE (Continued)

Tax-exempt bonds total	<u>259,075,000</u>	<u>269,005,000</u>
Total bonds payable	<u>271,975,000</u>	<u>282,650,000</u>
Less unamortized discount and debt issuance costs	<u>(13,143,360)</u>	<u>(14,826,234)</u>
Plus unamortized bond issuance premium	<u>26,008,835</u>	<u>28,799,487</u>
Total bonds payable, net of discount, debt issuance costs and bond issuance premium	<u>\$ 284,840,475</u>	<u>\$ 296,623,253</u>

During the years ended June 30, 2023 and 2022, the Organization recorded amortization expense associated with the discount and debt issuance costs totaling \$1,682,874 and \$1,840,000, respectively. Amortization associated with the bond issuance premium totaled \$2,790,652 and \$3,255,018 for the years ended June 30, 2023 and 2022, respectively. The amortization expense is included within interest expense in the accompanying Statement of Activities and Changes in Net Assets.

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

2024	\$ 12,310,000
2025	12,910,000
2026	12,690,000
2027	13,285,000
2028	13,920,000
Thereafter	<u>206,860,000</u>
	<u>\$ 271,975,000</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, 2023 AND 2022

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 contribution receivable was paid in full in December 2021. The total contribution receivable recorded at June 30, 2021 was \$4,834,848 on the Series 2010B Bonds. In conjunction with the contribution receivable being paid in full, the Organization released from restriction \$4,834,848 in fiscal year ended June 30, 2022.

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).

GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 (NAA) being contracted by the Organization. The projects being performed under this agreement during the years ended June 30, 2023 and 2022, were (i) replacement of the HVAC controls, (ii) replacement of a boiler, (iii) replacement of the south masonry wall, (iv) replacement of the north masonry wall, (v) renovation of the lower courtyard, (vi) renovation of the upper plaza, (vii) replacement of the roof at the North Avenue East Building, and (viii) replacement of the roof at the North Avenue West Building. GIT will fund these projects and funds are held in the capital reserve funds on the Statement of Financial Position. The Organization received \$2,281,000 and \$2,581,000 in fiscal years ended June 30, 2023 and 2022, respectively.

The Organization entered into a formal funding commitment with the Foundation effective June 27, 2023. The Organization will be providing financing and development services to GIT for the Tech Square Phase 3 (TS3) project and the Foundation has committed to provide funding not to exceed \$76,900,000 in support of the design and construction work for the TS3 project.

During the year ended June 30, 2023, the Organization donated \$328,866 for the boiler replacement at NAA, \$557,643 for the south masonry wall replacement at NAA, \$331,750 for the north masonry wall replacement at NAA, \$485,789 for the renovation of lower courtyard at NAA, \$394,878 for the renovation of the upper plaza at NAA, \$293,963 for the NAA East Building roof replacement, \$122,176 for the NAA West Building roof replacement, \$651,471 for the HVAC controls at NAA, \$556,067 for the Azoulay lab at the Molecular Science and Engineering (MSE) building, \$272,879 for the Abramsom lab at the MSE building, \$72,687 for the replacement of the pool filtration system at the Campus Recreation Center, \$3,824,969 for the Campus Center, \$20,482,117 for the Living Building, \$598,381 for the Habersham Building and \$795,733 for the Student Athletic Performance Center. These are included as donation expense in the accompanying Statement of Activities and Changes in Net Assets.

During the year ended June 30, 2022, the Organization donated \$439,583 for the boiler replacement at NAA, \$11,586 for the south masonry wall replacement at NAA, \$22,769 for the north masonry wall replacement at NAA, \$135,990 for the renovation of the lower courtyard at NAA, \$7,053 for the renovation of the upper plaza at NAA, \$226,688 for the NAA East Building roof replacement, \$201,349 for the NAA West Building roof replacement, and \$13,963 for the chiller replacement at the Campus Center Recreation Center. These are included as donation expense in the accompanying Statement of Activities and Changes in Net Assets.

For the years ended June 30, 2023 and 2022 the Organization charged management fees of \$212,453 and \$356,582, respectively, related to certain of the aforementioned projects.

**GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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. The restricted project funds available at June 30, 2022 were spent in 2023 leaving a balance of net assets with donor restrictions of zero as of June 30, 2023. Included within net assets with donor restrictions as of June 30, 2022 are restricted project funds with a value of \$202,691.

Net assets released from donor restriction during 2023, by incurring expenses satisfying the purpose specified by donors totaled \$202,691, related to the construction of an education and research facility. Net assets released from donor restriction during 2022, by incurring expenses satisfying the purpose specified by donors totaled \$5,173,151, with \$338,303 related to the construction of an education and research facility and \$4,834,848 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 years 2023 and 2022, the Organization considers cash and cash equivalents and lease receivables that will be collected and available in the following fiscal year for activities that are ongoing and major to the Organization. Financial assets available for general expenditures, within one year are as follows at June 30:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 13,178,085	\$ 8,877,623
Restricted Cash and Capital Reserve Funds	20,886,309	28,869,415
Investment in sales-type leases	<u>281,698,316</u>	<u>292,792,246</u>
Financial assets at June 30, 2023	<u>315,762,710</u>	<u>330,539,284</u>
Less financial assets not available for expenditures within one year:		
Restricted Cash and Capital Reserve Funds	(15,495,614)	(27,628,304)
Donor Imposed Restrictions for Project Funds	(5,390,695)	(1,241,111)
Investment in sales-type leases - Noncurrent	<u>(268,916,280)</u>	<u>(281,698,313)</u>
	<u>(289,802,589)</u>	<u>(310,567,728)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 25,960,121</u>	<u>\$ 19,971,556</u>

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 2024 is approximately \$26,000,000.

GEORGIA TECH FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 10 – FINANCIAL INFORMATION FOR 2022

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, 2022, from which the summarized information was derived.