GEORGIA INSTITUTE OF TECHNOLOGY

ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2019
INCLUDING INDEPENDENT AUDITOR'S REPORT

Georgia Tech
CREATING THE NEXT

GEORGIA INSTITUTE OF TECHNOLOGY
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INTRODUCTORY SECTION

Message from the President

I am honored to be back at the Georgia Institute of Technology serving as its 12th president. While I just came on board in September 2019, it is my privilege to highlight some of the ways the Georgia Tech community served the state of Georgia, the nation, and the world in fiscal year 2019. We are committed to serving as a strategic asset for Atlanta and Georgia in education, research, and public service, a national resource for science and technology, and a global hub of innovation.

Almost 33,000 students enrolled at Georgia Tech in fall 2018 representing a majority of Georgia counties, all 50 states, and 139 countries. We have developed a presence in key locations internationally, and we are leading the way in using technology to reach students regardless of geography. Much of our enrollment growth is at the graduate level. Five years ago, we revolutionized graduate education in computer science with a low-cost, high-quality online master's program that, today, serves more than 9,000 students representing all 50 states and 118 countries. It is the largest master's program in computer science by far in the U.S. and possibly the world. Now we have launched the online master's degree programs in analytics and in cybersecurity.

Through a concerted focus on student success, Georgia Tech continues to meet its goals for Complete College Georgia. Our first-to-second-year retention rate was 97% for the fourth year in a row. Our six-year graduation rate was a record high 87%. Historic highs were attained for the five-year graduation rate at 85% and the four-year graduation rate at 46%, placing Georgia Tech among the leaders in the University System of Georgia.

In 2018-19, a record high 7,485 degrees were awarded, and 84% of the degrees earned by undergraduates were in STEM disciplines. Strong programs in areas such as public policy, international affairs, economics, and business complement the STEM disciplines to prepare students for leadership in their communities and their careers.

Graduates continue to be in demand. Employment offers were made to 88% of our undergraduates at the time they graduated, with 81% having a job lined up at the time surveyed. The median starting salary for Georgia Tech bachelor's degree recipients in fiscal year 2019 was $75,000.

We are committed to access and affordability. In June 2019, the Georgia Tech Foundation announced the largest single scholarship endowment fund in Georgia Tech's history, honoring retiring President G.P. "Bud" Peterson and his wife, Val. Totaling $17 million, the G.P. "Bud" and Valerie H. Peterson Scholarship Endowment Fund was established to help students with demonstrated financial need from across the nation. It complements the G. Wayne Clough Georgia Tech Promise program, which makes it possible for academically qualified in-state students with family incomes below $33,000 to earn a Georgia Tech degree debt-free.

Our research is leading to breakthroughs in areas ranging from artificial intelligence to sustainability, biomedical engineering, policy, and a wide spectrum of social and cultural issues. With research awards now surpassing $1 billion, the magnitude of our research enterprise is simply extraordinary, especially for a public institution without a medical school.

That intensive research activity is producing new solutions and new technologies to help us live more productive, healthy, safe, and pleasant lives. It is also fueling a new wave of innovation and entrepreneurial activity that is creating economic opportunity and turning Atlanta into a globally connected place to live, learn, and work. That effect is most visible in the innovation neighborhoods surrounding the campus.

For example, there are 35 corporate innovation centers and labs in and around Tech Square, along with corporate headquarters, startups, the Scheller College of Business, and retail establishments.

Georgia Tech became the anchor tenant of Coda, a collaborative 755,000-square-foot mixed-use project in Tech Square that opened in May 2019. Coda will house Tech's high-performance computing center, helping further propel the region and Midtown as one of the nation's leading innovation ecosystems.

Tech Square is also home to our Enterprise Innovation Institute, or EI^2. In 2018, EI^2 programs served more than 10,700 businesses, communities, and entrepreneurs. Among the highlights: EI^2 programs evaluated launched 24 startups from faculty research innovations. EI^2 also helped its clients create or save more than 15,700 jobs and secure more than $2.3 billion in contracts and sales. The Georgia Manufacturing Extension Partnership (GaMEP) program, the largest and longest running of EI^2's dozen economic development offerings, served more than 800 manufacturers, helping them reduce operating costs and generate new and retained sales of $440 million. Technology startups in our Advanced Technology Development Center (ATDC) program reported more than $495 million in investment funds raised by current and graduate companies and in excess of $80 million in combined value of IPOs and acquisitions.

We are proud to serve as one of the outstanding research universities in the University System of Georgia, and look forward to continued service in the state, our nation, and globally.

Ángel Cabrera
President
Georgia Institute of Technology

Letter of Transmittal

September 20, 2019

To: President Ángel Cabrera
Georgia Institute of Technology

The Annual Financial Report (AFR) for the Georgia Institute of Technology includes the financial statements for the year ended June 30, 2019, as well as other useful information to help ensure the Institute's accountability and integrity to the public. The AFR also includes Management's Discussion and Analysis, with all necessary disclosures to assist the reader in gaining a broader and more thorough understanding of the Institute's financial position as a result of operations for the fiscal year ended June 30, 2019.

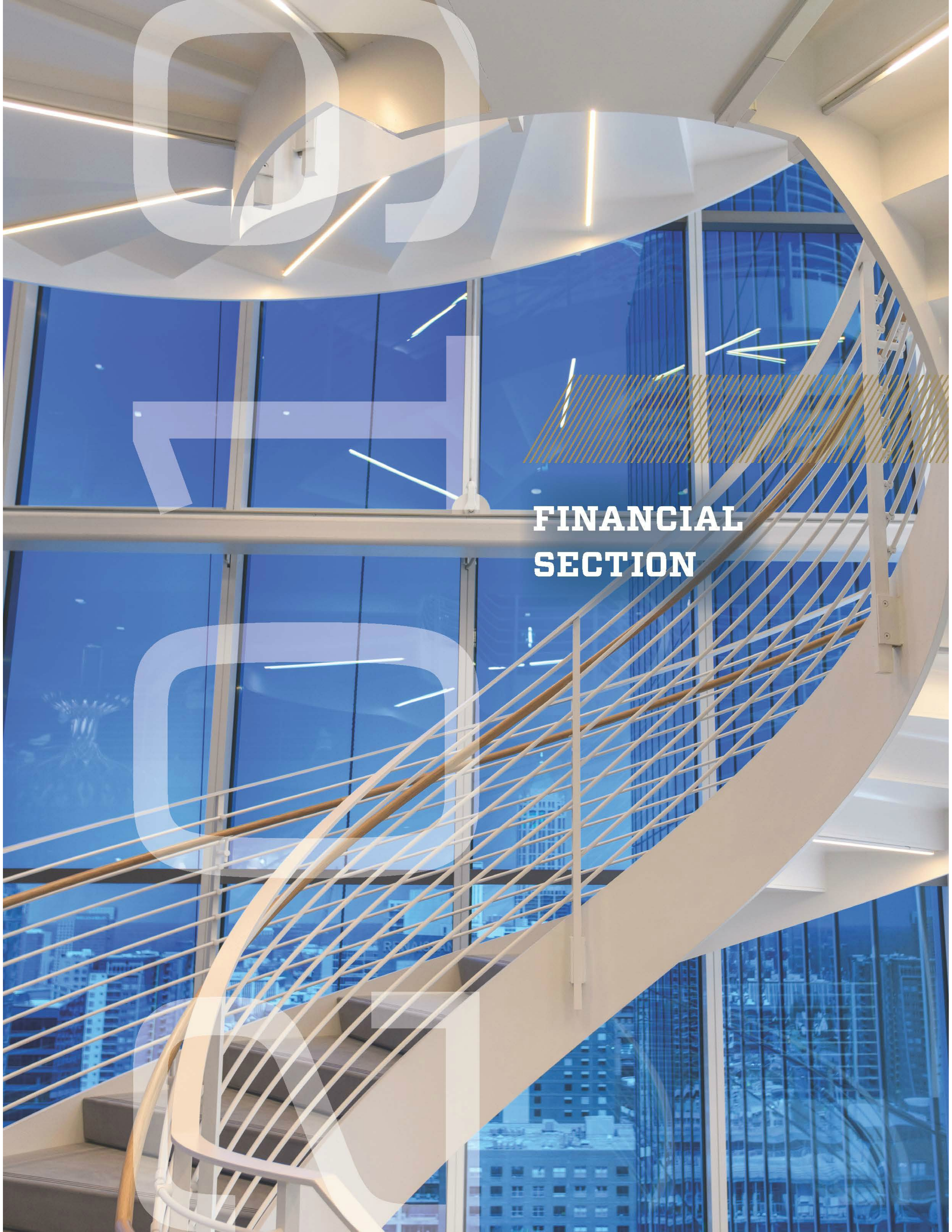
Georgia Tech's management is responsible for the accuracy of this information and for the completeness and fairness of its presentation, including all disclosures. We believe the information is accurate and fairly presents the Institute's financial position, revenues, expenses and other changes in net position.

The Institute's financial records are audited by the State of Georgia Department of Audits and Accounts (DOAA) on an annual basis. Georgia Tech's internal auditors also perform fiscal compliance and performance reviews, sharing the results with the Institute's management.

Sincerely,

James G. Fortner

James G. Fortner
Executive Vice President (Interim)
Administration and Finance



FINANCIAL SECTION

DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

GREG S. GRIFFIN
STATE AUDITOR
(404) 656-2174

Independent Auditor's Report

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the Board of Regents of the University System of Georgia
and
Dr. Ángel Cabrera, President
Georgia Institute of Technology

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the Georgia Institute of Technology (Institute) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Institute's basic financial statements as listed in the table of contents.

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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Except for the Georgia Tech Research Corporation, the financial statements of the aggregate discretely presented component units of the Institute were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Institute'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 Institute'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 opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component units of the Institute as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof 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 1, the financial statements of the Institute are intended to present the financial position, the changes in financial position, and where applicable, cash flows of only those portions of the business-type activities, major fund and aggregate discretely presented component units of the State of Georgia that are attributable to the transactions of the Institute. They do not purport to, and do not, present fairly the financial position of the State of Georgia as of June 30, 2019, the changes in its financial position, or, where applicable, its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Institute's basic financial statements. The introductory section and accompanying supplementary information listed in the table of contents are presented for the purposes of additional analysis and are not required parts of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2019 on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Institute's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute's internal control over financial reporting and compliance.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,

Greg S. Griffin
State Auditor

December 23, 2019

GEORGIA INSTITUTE OF TECHNOLOGY
Management's Discussion and Analysis

Introduction
The Georgia Institute of Technology (Georgia Tech or the Institute) is one of the twenty-six (26) institutions of higher education within the University System of Georgia (USG) and one of the nation's leading research universities - a university that embraces change while continually "Creating the Next". The next generation of leaders. The next breakthrough startup company. The next life-saving medical treatment.

Founded in 1885 to help move Georgia's economy into the industrial age, Georgia Tech exceeded the expectations of its founders by becoming a multi-faceted research institution that serves as a source of innovation and a driver of economic development. Georgia Tech provides a focused, technology-based education to nearly 33,000 undergraduate and graduate students. It offers degrees through the Colleges of Computing, Design, Engineering, Sciences, the Scheller College of Business and the Ivan Allen College of Liberal Arts. Georgia Tech is also renowned for providing a vibrant and highly diverse educational environment. The Institute consistently ranks among the top universities in the country in the number of engineering degrees awarded to women and underrepresented minorities. Georgia Tech's high-quality faculty is a key contributor to the Institute's educational environment. More than 90 percent of faculty members hold doctoral degrees. Georgia Tech's prominent faculty are recognized worldwide for their excellent research and teaching skills. Outside the traditional classroom and lab settings, the cooperative education, undergraduate research, study abroad, and internship programs help students lay the groundwork for a successful future.

Accredited by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC), Georgia Tech is a member of the Association of American Universities (AAU), an association of 62 leading research universities in the United States and Canada. As a leading technological institute, Georgia Tech has over 100 research centers and laboratories that consistently contribute vital research and innovation to government, industry, and business on a national as well as an international scale. Georgia Tech's drive to "Create the Next" distinguishes us as a distinctively different kind of university, one that is eagerly encouraging and developing the revolutionary technologies of the 21st century. Equipped with the extremely rich resources of our outstanding students, faculty and staff, strong partnerships with business, industry, and government, and support from alumni and friends, Georgia Tech is designing a future of deliberate innovation and lifetime education.

The Institute continues to have stable student and faculty populations as indicated by the comparison numbers that follow.

	FACULTY	STUDENT HEADCOUNT	STUDENT FTE
Fiscal Year 2019	1,409	32,723	26,377
Fiscal Year 2018	1,384	29,369	24,690
Fiscal Year 2017	1,384	26,841	23,351

Overview of the Financial Statements and Financial Analysis
The Institute is pleased to present its financial statements for fiscal year 2019. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. This discussion and analysis of the Institute's financial statements provides an overview of its financial activities for the year. Comparative data is provided for fiscal year 2019 and fiscal year 2018.

Statement of Net Position
The Statement of Net Position is a financial condition snapshot as of June 30, 2019 and includes all assets (both current and noncurrent), deferred outflows of resources, liabilities (both current and noncurrent) and deferred inflows of resources. The differences between current and noncurrent assets are discussed in the Notes to the Financial Statements. The Statement of Net Position is prepared under the accrual basis of accounting which requires revenue and asset recognition when the service is provided, and expense and liability recognition when goods or services are received despite when cash is actually exchanged.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the Institute and how much the Institute owes vendors. The difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources is one indicator of the Institute's financial health. Increases or decreases in net position provide an indicator of the improvement or decline of the Institute's financial health when considered in conjunction with other non-financial conditions, such as facilities and enrollment.

Net Position is divided into three major categories. The first category, net investment in capital assets, provides the Institute's equity in property, plant and equipment owned by the Institute.

The next category is restricted, which is divided into two categories, nonexpendable and expendable. The corpus of non-expendable, restricted resources is available only for investment purposes. Expendable, restricted resources are available for expenditure by the Institute but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.

The final category is unrestricted. Unrestricted resources are available to the Institute for any lawful purpose.

A summary comparison of the Institute's financial position as of June 30, 2019 and June 30, 2018 is as follows:

CONDENSED STATEMENT OF NET POSITION	June 30, 2019	June 30, 2018
ASSETS		
Current Assets	$ 542,651,319	$ 464,877,108
Capital Assets, Net	2,036,562,119	1,917,030,340
Other Assets	99,192,145	98,439,853
TOTAL ASSETS	2,678,405,583	2,480,347,301
DEFERRED OUTFLOWS OF RESOURCES	201,927,835	140,174,893
LIABILITIES		
Current Liabilities	191,511,308	203,580,710
Non-Current Liabilities	1,589,441,266	1,491,669,852
TOTAL LIABILITIES	1,780,952,574	1,695,250,562
DEFERRED INFLOWS OF RESOURCES	87,570,926	59,496,438
NET POSITION		
Net Investment in Capital Assets	1,551,459,418	1,466,887,074
Restricted, Nonexpendable	70,991,897	69,971,535
Restricted, Expendable	30,214,850	29,848,244
Unrestricted (Deficit)	(640,856,247)	(700,931,659)
TOTAL NET POSITION	$ 1,011,809,918	$ 865,775,194

Total assets and deferred outflows of resources increased for the year by $259,811,224 which was primarily due to increases of $77,774,211, $119,531,779 and $752,292 in the categories of: current assets; capital assets, net; and other assets, respectively. The increase in deferred outflows of resources of $61,752,942 was due to the Institute's increase in it's proportionate share of the actuarially determined deferred loss on the Teachers Retirement System of Georgia (TRS) and Employees' Retirement System (ERS) of Georgia pension plans and on Post Employment Benefits Other than Pension Benefits (OPEB).

Total liabilities and deferred inflows of resources increased for the year by $113,776,500 primarily due to an increase in non-current liabilities of $97,771,414 and an increase of $28,074,488 for deferred inflows. The increase in deferred inflows was primarily due to the Institute's increase in it's proportionate share of the actuarially determined deferred gain on the TRS and ERS pension plans and on OPEB.

The combination of the change in total assets and deferred outflows of resources and the change in total liabilities and deferred inflows of resources yielded an increase in net position of $146,034,724. This change in net position is primarily in the category of Net Investment in Capital Assets in the amount of $84,572,344 and Unrestricted Net Position, in the amount of $60,075,412.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the Institute, both operating and non-operating, and the expenses paid by the Institute, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the Institute. Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the Institute. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the Institute. Non-operating revenues are revenues received for which goods and services are not provided. For example, state appropriations are non-operating because they are provided by the Legislature to the Institute without the Legislature directly receiving commensurate goods and services for those revenues.

A summary comparison of the Institute's activities as of June 30, 2019 and June 30, 2018 is as follows:

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	June 30, 2019	June 30, 2018
Operating Revenue	$ 1,527,741,195	$ 1,406,529,539
Operating Expense	1,773,790,194	1,660,717,352
Operating Loss	(246,048,999)	(254,187,813)
Nonoperating Revenue and Expense	335,211,645	308,563,030
Income before Other Revenues, Expenses, Gains or Losses and Special Items	89,162,646	54,375,217
Other Revenues, Expenses, Gains or Losses and Special Items	56,872,078	(12,613,076)
Change in Net Position	146,034,724	41,762,141
Net Position at Beginning of Year	865,775,194	824,013,053
Net Position at End of Year	$ 1,011,809,918	$ 865,775,194

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year, which is represented by an increase in net position at the end of the year. Some highlights of the information presented on this statement follow on the next few pages.

Revenues

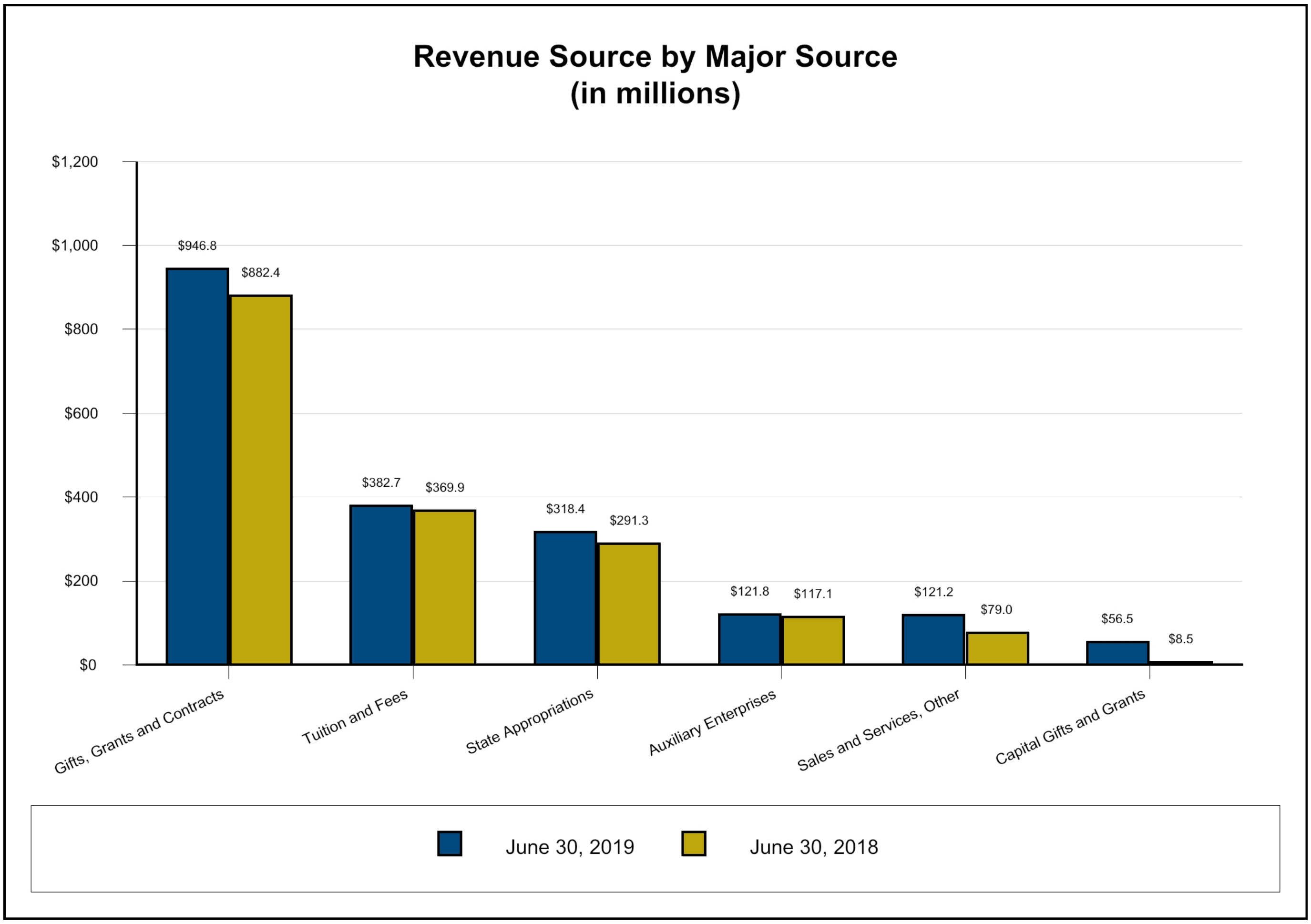
For the years ended June 30, 2019 and June 30, 2018, Revenues by Source were as follows:

REVENUES BY SOURCE	June 30, 2019	June 30, 2018
Tuition and Fees	$ 382,718,891	$ 369,856,163
Grants and Contracts	931,649,155	868,313,514
Sales and Services	69,950,445	41,222,226
Auxiliary Enterprises	121,806,561	117,090,112
Other Operating Revenues	21,616,143	10,047,524
Total Operating Revenues	1,527,741,195	1,406,529,539
State Appropriations	318,443,910	291,283,120
Grants and Contracts	12,624,220	12,545,724
Gifts	2,561,674	1,498,581
Investment Income	29,256,800	20,468,916
Other Nonoperating Revenues	0	6,900,438
Total Nonoperating Revenues	362,886,604	332,696,779
State Capital Gifts and Grants	54,775,501	8,360,630
Other Capital Gifts and Grants	1,686,177	140,907
Total Capital Gifts and Grants	56,461,678	8,501,537
Additions to Permanent and Term Endowments	410,400	322,447
Total Revenues	$ 1,947,499,877	$ 1,748,050,302

Total revenue increased to $1,947.5 million (11.41%) in fiscal year 2019. The largest driver for the increase was grants and contracts (operating and non-operating) which increased by $63.3 million, followed by state capital gifts and grants which increased by $46.4 million. Sales and services and state appropriations increased by $28.7 million and $27.2 million, respectively. The increase in grants and contracts represents solid performance for multi-year awards while the increase in state capital gifts and grants is primarily due to the completion of the Crosland Tower. The increase in sales and services represents an increase in operations while the increase in state appropriations denotes an increase in state funding. Tuition and Fees increased by $12.9 (3.48%) reflecting an increase in enrollment.

Operating revenue, which includes categories such as tuition and fees, operating grants and contracts, and auxiliary enterprises increased by a total of $121.2 million (8.62%). Nonoperating revenue which includes categories such as state appropriations, gifts, grants and contracts, and investment income increased by $30.2 million (9.07%) for fiscal year 2019.

The illustration below is a comparison of the Institute's revenue sources by major category for fiscal years ended June 30, 2019 and June 30, 2018:



Total revenue was $1,947.5 and $1,748.1 million for fiscal year 2019 and fiscal year 2018, respectively. Revenue from Gifts, Grants and Contracts was $946.8 million, an increase of $64.4 million over the prior year. This revenue source includes $83.5 million of direct expense reimbursements from the Georgia Tech Foundation, an increase of $6.5 million over the prior fiscal year.

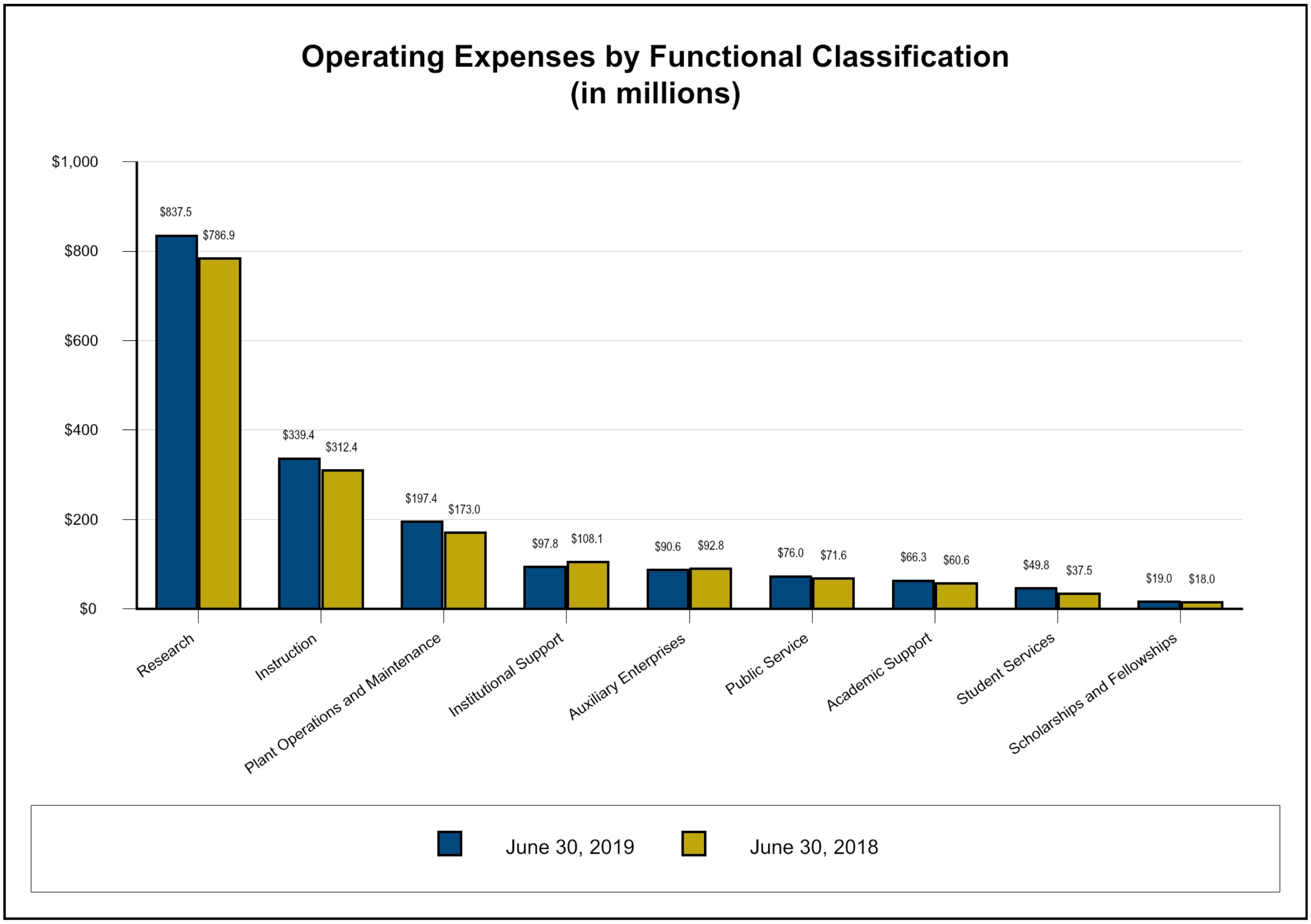
Expenses

For the years ended June 30, 2019 and June 30, 2018, expenses by functional classification were as follows:

EXPENSES BY FUNCTIONAL CLASSIFICATION	June 30, 2019	June 30, 2018
Instruction	$ 339,381,873	$ 312,384,484
Research	837,472,283	786,859,532
Public Service	75,979,744	71,586,384
Academic Support	66,316,435	60,564,620
Student Services	49,774,929	37,504,918
Institutional Support	97,825,693	108,064,848
Plant Operations and Maintenance	197,401,283	172,966,983
Scholarships and Fellowships	19,032,957	17,994,648
Auxiliary Enterprises	90,604,997	92,790,935
Total Operating Expenses	1,773,790,194	1,660,717,352
Interest Expense and Other Nonoperating Expenses	27,674,959	24,133,749
Special Item - Capital Asset Adjustments Due to Adoption of USG Policy	0	21,437,060
Total Nonoperating Expenses	27,674,959	45,570,809
Total Expenses	$ 1,801,465,153	$ 1,706,288,161

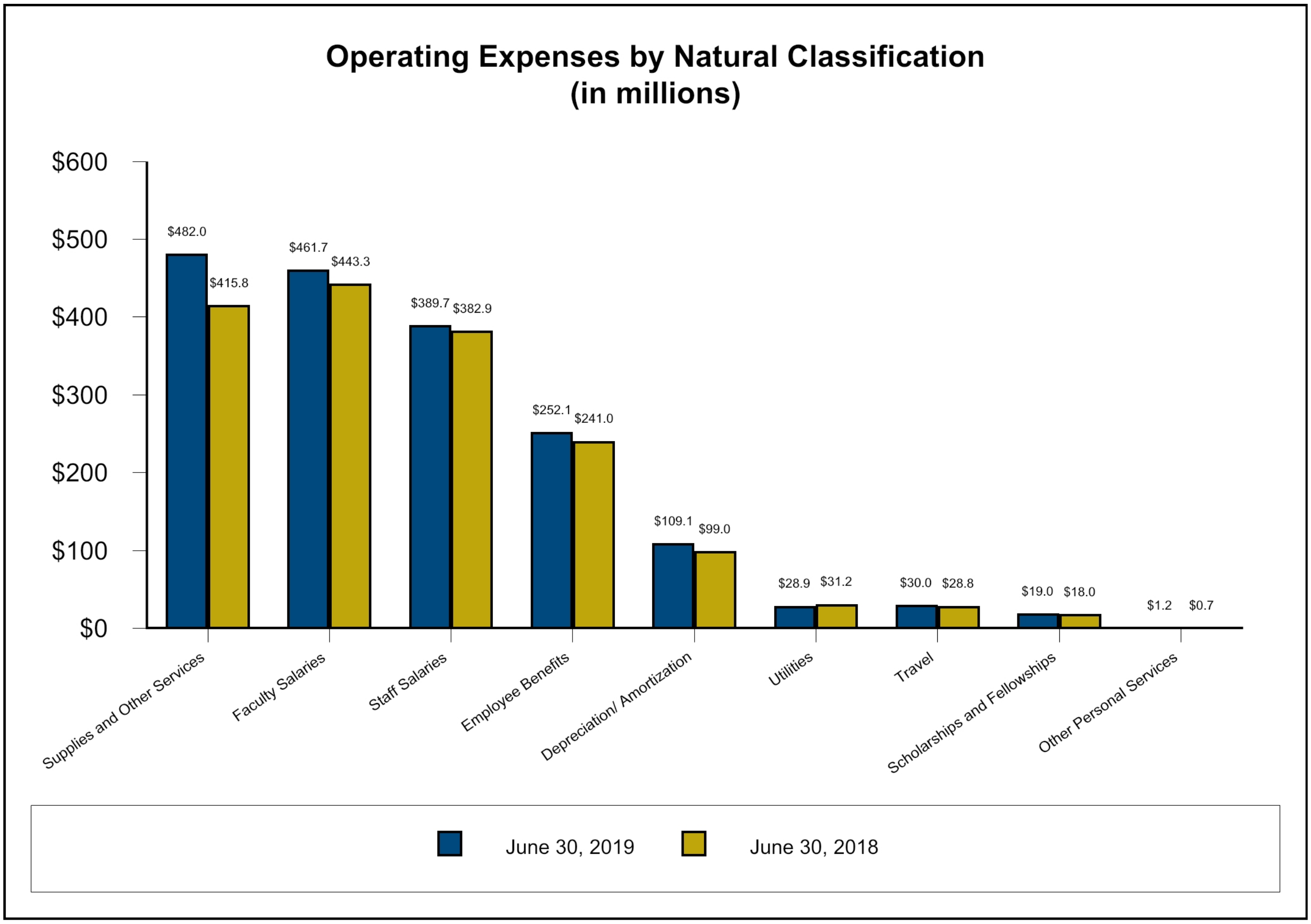
Total expenses were $1,801.5 million in fiscal year 2019, an increase of $95.2 million (5.6%) when compared to the prior fiscal year. The increase in operating expense is primarily attributable to the following functional classifications: Research ($50.6 million); Instruction ($27.0 million); Plant Operations and Maintenance ($24.4 million); and Student Services ($12.3 million). Nonoperating expenses decreased by 39.3% primarily as a result of the adoption of USG policy for capital assets in fiscal year 2018.

The illustration below is a comparison of the Institute's operating expenses by functional classification for the fiscal years ended June 30, 2019 and June 30, 2018.



Total operating expenses were $1,773.8 and $1,660.7 million for fiscal year 2019 and fiscal year 2018, respectively. This represents a $113.1 million (6.8%) increase over the previous fiscal year. Operating expenses for functional classification areas such as Research, Instruction, and Plant Operations and Maintenance, increased by a collective total of $102.0 million. The remaining functional classification categories stayed relatively stable compared to the prior year.

The illustration below is a comparison of the Institute's operating expenses by natural classification for the fiscal years ended June 30, 2019 and June 30, 2018.



The net increase in operating expenses of $113.1 million is primarily attributable to an increase in natural classification category Supplies and Other Services of $66.2 million, representing an increase in consumption. Faculty Salaries, Staff Salaries and Employee Benefits increased by $36.3 million reflecting the hiring of new employees, merit increases and increases in the cost of employee benefits. The remaining natural classification categories stayed relatively stable compared to the prior year.

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity of the Institute during the year and is divided into five sections. The first section is concerned with operating cash flows and reflects the net cash used by the various operating activities of the Institute. The second section is related to cash flows from non-capital financing activities, which reflects the cash received and spent for non-capital financing purposes. The third section summarizes cash flows from capital and related financing activities and contains cash used for the acquisition and construction of capital and related items. The fourth section is comprised of the cash flows from investing activities and includes the purchases, proceeds and interest received from investing activities. The fifth, and final, section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

Cash Flows for the Years Ended June 30, 2019 and 2018 were as follows:

CONDENSED STATEMENT OF NET CASH FLOWS	June 30, 2019	June 30, 2018
Cash Provided (Used) by:		
Operating Activities	$ (117,196,732)	$ (151,584,219)
Non-Capital Financing Activities	322,206,774	312,700,402
Capital and Related Financing Activities	(171,598,087)	(173,572,700)
Investing Activities	27,589,333	13,794,501
Net Change in Cash & Cash Equivalents	61,001,288	1,337,984
Cash & Cash Equivalents, Beginning of Year	297,247,005	295,909,021
Cash & Cash Equivalents, End of Year	$ 358,248,293	$ 297,247,005

Capital Assets

Capital assets, net of accumulated depreciation, at June 30, 2019 and June 30, 2018 were as follows:

CAPITAL ASSETS, net of accumulated depreciation	June 30, 2019	June 30, 2018
Land	$ 60,594,235	$ 57,353,765
Capitalized Collections	17,699,454	19,367,554
Construction Work-in-Progress	53,545,006	55,421,318
Software Development-in-Progress	5,505,088	2,806,873
Infrastructure	90,871,562	92,379,299
Building and Building Improvements	1,527,331,984	1,420,718,362
Facilities and Other Improvements	45,182,351	44,733,201
Equipment	185,306,080	184,752,697
Library Collections	30,066,862	35,150,032
Software	20,459,497	4,347,239
Capital Assets, net of accumulated depreciation	$ 2,036,562,119	$ 1,917,030,340

The Institute had two significant capital asset additions for fiscal year 2019: the Crosland Tower and the GT Cobb Research Campus (GTCRC). The Crosland Tower was completed with funds from the Georgia State Financing & Investment Commission and Institute funds resulting in a $53,018,947 capital asset addition to Buildings. The GTCRC was acquired and renovated through a capital lease with Georgia Tech Facilities, Inc. resulting in a $2,124,793 capital asset addition to Land and a $58,503,675 capital asset addition to Buildings.

For additional information concerning Capital Assets, see Notes 1, 6, 8, and 13 in the Notes to the Financial Statements.

Long-Term Liabilities

The Georgia Institute of Technology had Long-Term Liabilities of $531,316,525 of which $64,188,565 was reflected as current liability at June 30, 2019.

For additional information concerning Long-Term Liabilities, see Note 8 in the Notes to the Financial Statements.

Notes to the Financial Statements

The Notes to the Financial Statements are an integral part of the basic financial statements and communicate information essential for fair presentation. For example, the notes convey information concerning significant accounting policies used to prepare the financial statements, detailed information on cash and investments, receivables, capital leases, compensated absences, retirement and other post-employment benefits, capital assets and a report of operating expenses by function.

Economic Outlook

The financial position of the Georgia Institute of Technology is strong, as evidenced by the Institute's fiscal year 2019 operating results. Management anticipates that fiscal year 2020 will be similar to the prior year in terms of operating revenues and expenses and intends to continue to maintain a close watch over resources in order to respond to emerging challenges and opportunities. Key to this effort is monitoring the primary sources of revenue, especially student tuition and fees, state appropriations, and sponsored program revenue. Management also will continue to exercise prudent controls on capital and other reserves.

Tuition

Georgia Tech's enrollment is expected to remain stable, with a modest 1% enrollment increase anticipated in fiscal year 2020 for programs exclusive of on-line programs. Including the on-line programs, the anticipated enrollment increase is roughly 7%. For fiscal year 2019, the Board of Regents (BOR) chose to maintain the 2018 tuition rates for all student categories. A 2.5% increase in undergraduate tuition and 2% increase for graduate tuition above the 2018/2019 levels was approved for fiscal year 2020. For future years, 0% to 2% rate increases are anticipated, and enrollment growth is expected to continue at moderate levels, with the exception of the online programs. The three for-credit online programs - Online Masters in Computer Science (OMSCS), Analytics (OMSA), and Cybersecurity (OMSC) will continue to experience larger relative increases. The OMSCS program has grown from a fall 2014 enrollment of 1,255 to a fall 2019-projected enrollment of 7,500. In order to maintain degree quality beyond fiscal year 2020, the Institute will likely maintain or modestly grow the OMSCS program enrollment. The OMS Analytics program launched in the fall of 2017 with an initial cohort of 250 students. For fall of 2019, 3,000 students are projected. The long-term steady state enrollment of the OMS Analytics program to be achieved by fall 2020 will be approximately 3,500 to 4,000 students. The recently approved OMS Cybersecurity program launched in the spring of 2019 with approximately 250 students. The fall 2021-estimated enrollment for that program is 2,600.

State Appropriations

The University System of Georgia (USG) operates under a funding formula that provides the Governor and General Assembly a basis for new funding. The formula aggregates the funding needs of all institutions for the "Resident Instruction" fund, which supports core instructional, research, facilities, student services, and other institutional needs. The formula is largely based on USG system-wide changes in enrollment and square footage, but the amount available to the system is contingent upon the State Legislature's approval of new system funding. Allocations to Georgia Tech and other individual USG institutions are determined by the BOR's allocation strategy, which considers the enrollment of system schools. The state also typically funds a share of the merit pay and the employer's share of fringe benefit increases. This is dependent on the General Assembly's approval of funding for these purposes. The state earmarks funds for the Georgia Tech Research Institute (GTRI) and Enterprise Innovation Institute (EI^2). The General Assembly appropriated a modest 2% for merit increases in fiscal year 2020 along with additional funds for maintenance and operations, health insurance and Teachers' Retirement System. The State of Georgia and the USG are expected to continue to recognize Georgia Tech's strong academic performance and steady enrollment increases, as witnessed by the Institute's receipt of an increase in total state funding of 12.1% in fiscal year 2020 over 2019.

Sponsored Funding

In fiscal year 2019, Georgia Tech weathered the longest U.S. government shutdown with minimal negative impact on sponsored operations. This was due to the Institute's continued diversification across Federal agencies and between Federal and non-Federal sponsors. For the first time in its storied research history, the Institute received over $1 billion in sponsored awards during the fiscal year, an increase of 23% over the previous year. Revenues from Grants and Contracts increased by 7% over the previous fiscal year to $944.3 million. Georgia Tech anticipates continued growth in sponsored revenue by focusing on growing and emerging research areas that are of interest and value to Federal and non-Federal sponsors.

Reserves

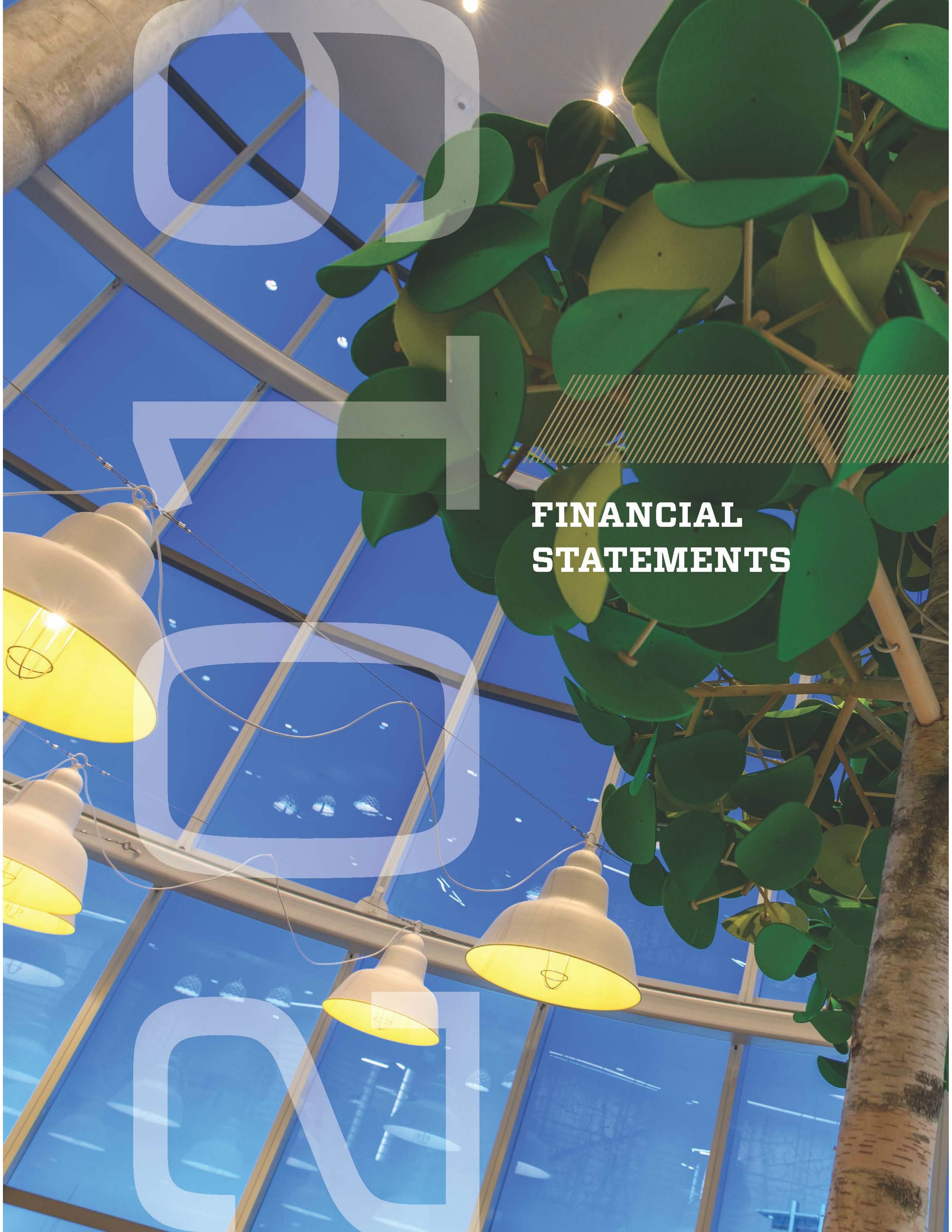
As permitted under state law, Georgia Tech carried forward a portion of its indirect cost revenue for 10 straight years, including fiscal year 2019. The amount has slightly increased each year. These funds are earmarked for capital reserves, faculty start-up, and other funding priorities in succeeding years.

Auxiliary Enterprises

Georgia Tech's Auxiliary Enterprises continue to maintain the solid reserves necessary to cover required capital improvements anticipated for future years. Auxiliary programs are primarily funded through mandatory student fees for such services as transportation, student activities, and student health, and through elective fees for housing, parking, dining, and other service areas. From Auxiliary reserves, the Institute was able to fund fiscal year 2019 and 2020 cost increases for all areas, notwithstanding modest fee increases in both of those years. All areas have been able to maintain and improve their levels of service, despite directives to minimize or avoid fee increases.

Ángel Cabrera, President
Georgia Institute of Technology

James G. Fortner, Executive Vice President (Interim)
Georgia Institute of Technology



FINANCIAL STATEMENTS

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF NET POSITION
JUNE 30, 2019

	Georgia Institute of Technology	Component Units
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 240,546,075	$ 151,690,370
Cash and Cash Equivalents (Externally Restricted)	117,379,237	30,027,044
Accounts Receivable, net		
Federal Financial Assistance	9,596,424	—
Affiliated Organizations	3,281,152	174,013
Component Units	108,842,386	—
Primary Government	—	3,413,395
Pledges and Contributions	—	30,101,627
Other	30,372,125	172,207,374
Notes Receivable, net		716,632
Investment in Capital Leases - Primary Government	—	18,497,442
Investment in Capital Leases - Other	—	372,456
Inventories	1,628,039	—
Prepaid Items	31,005,881	1,506,336
Other Assets	—	2,119,487
Total Current Assets	542,651,319	410,826,176
Non-Current Assets		
Accounts Receivable, net		
Due From USO - Capital Liability Reserve Fund	2,275,907	—
Pledges and Contributions	—	84,617,624
Other	—	14,107,000
Investments	—	293,209,366
Notes Receivable, net	11,531,068	—
Investment in Capital Leases - Primary Government	—	368,682,753
Investment in Capital Leases - Other	—	19,144,912
Other Assets	—	28,063,515
Non-current Cash (Externally Restricted)	322,981	122,067,560
Investments (Externally Restricted)	85,062,189	1,578,359,697
Capital Assets, net	2,036,562,119	464,379,323
Total Non-Current Assets	2,135,754,264	2,972,631,750
TOTAL ASSETS	2,678,405,583	3,383,457,926
DEFERRED OUTFLOWS OF RESOURCES	$ 201,927,835	$ 15,109,831

The notes to the financial statements are an integral part of this statement.

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF NET POSITION
JUNE 30, 2019

	Georgia Institute of Technology	Component Units
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 80,217,044	$ 17,526,551
Salaries Payable	3,724,354	—
Benefits Payable	979,058	—
Contracts Payable	1,912,434	—
Retainage Payable	2,361,674	5,005,761
Due to Affiliated Organizations	—	(28)
Due to Component Units	3,413,396	—
Due to Primary Government	—	108,842,384
Advances (Including Tuition and Fees)	24,420,946	83,802,120
Deposits	8,218,586	12,031,003
Deposits Held for Other Organizations	1,714,128	40,893,012
Other Liabilities	361,123	295,671
Notes and Loans Payable	1,141,335	56,810,746
Lease Purchase Obligations - External	4,020,924	2,637,392
Lease Purchase Obligations - Component Units	18,497,442	—
Revenue Bonds and Notes Payable	—	56,158,000
Liabilities Under Split Interest Agreements	—	1,504,237
Pollution Remediation	533,941	—
Claims and Judgments	—	1,000,000
Compensated Absences	39,994,923	444,000
Total Current Liabilities	191,511,308	386,950,849
Non-Current Liabilities		
Due to Affiliated Organizations	—	290,674
Due to Other Funds	—	5,629
Advances (Including Tuition and Fees)	11,465,159	13,248,689
Other Liabilities	—	9,885,376
Notes and Loans Payable	10,542,401	89,857,189
Lease Purchase Obligations - External	74,063,527	55,176,863
Lease Purchase Obligations - Component Units	368,682,753	—
Revenue Bonds and Notes Payable	—	817,453,425
Liabilities Under Split Interest Agreements	—	15,522,763
Claims and Judgments	—	580,624
Compensated Absences	13,839,279	—
Net Other Post-employment Benefits Liability	659,849,732	—
Net Pension Liability	450,998,415	—
Total Non-Current Liabilities	1,589,441,266	1,002,021,232
TOTAL LIABILITIES	1,780,952,574	1,388,972,081
DEFERRED INFLOWS OF RESOURCES	87,570,926	—
NET POSITION		
Net Investment in Capital Assets	1,551,459,418	(14,107,568)
Restricted for:		
Nonexpendable	70,991,897	1,441,897,130
Expendable	30,214,850	286,539,041
Unrestricted (Deficit)	(640,856,247)	295,267,073
TOTAL NET POSITION	$ 1,011,809,918	$ 2,009,595,676

The notes to the financial statements are an integral part of this statement.

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2019

	Georgia Institute of Technology	Component Units
OPERATING REVENUES		
Student Tuition and Fees (net)	$ 382,718,891	$ —
Grants and Contracts		
Federal	662,701,509	726,175,147
State	14,385,091	12,748,514
Other	254,562,555	93,873,592
Sales and Services	69,950,445	57,298,378
Rents and Royalties	2,223,111	83,436,363
Auxiliary Enterprises		
Residence Halls	83,339,069	—
Bookstore	2,062,143	—
Food Services	3,931,174	—
Parking/Transportation	19,378,089	—
Health Services	12,097,914	—
Other Organizations	998,172	—
Gifts and Contributions	—	60,633,489
Endowment Income	—	58,329,751
Other Operating Revenues	19,393,032	810,140
Total Operating Revenues	1,527,741,195	1,093,305,374
OPERATING EXPENSES		
Faculty Salaries	461,723,786	—
Staff Salaries	389,693,228	2,833,665
Employee Benefits	252,140,269	706,000
Other Personal Services	1,156,868	101,000
Travel	30,045,679	6,732,321
Scholarships and Fellowships	19,032,957	12,213,964
Utilities	28,867,138	1,175,168
Supplies and Other Services	482,033,106	1,007,232,583
Depreciation	109,097,163	13,652,090
Total Operating Expenses	1,773,790,194	1,044,646,791
Operating Income (Loss)	$ (246,048,999)	$ 48,658,583

The notes to the financial statements are an integral part of this statement.

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2019

	Georgia Institute of Technology	Component Units
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	$ 318,443,910	$ —
Grants and Contracts		
Federal	12,624,220	—
State	(3,549)	—
Gifts	2,561,674	907,869
Investment Income	29,256,800	50,416,483
Interest Expense	(23,406,264)	(40,854,568)
Other Nonoperating Revenues	(4,265,146)	27,437,137
Net Nonoperating Revenues	335,211,645	37,906,921
Income Before Other Revenues, Expenses, Gains or Losses	89,162,646	86,565,504
Capital Grants and Gifts		
State	54,775,501	—
Other	1,686,177	17,468,594
Additions to Permanent and Term Endowments	410,400	26,089,080
Total Other Revenues, Expenses, Gains or Losses	56,872,078	43,557,674
Change in Net Position	146,034,724	130,123,178
Net Position, Beginning of Year, As Originally Reported	865,775,194	1,885,333,527
Prior Year Adjustments	—	(5,861,029)
Net Position, Beginning of Year, Restated	865,775,194	1,879,472,498
Net Position, End of Year	$ 1,011,809,918	$ 2,009,595,676

The notes to the financial statements are an integral part of this statement.

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF CASH FLOWS
FOR FISCAL YEAR ENDED JUNE 30, 2019

	Georgia Institute of Technology
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from Customers	$ 584,844,893
Grants and Contracts (Exchange)	933,499,448
Payments to Suppliers	(768,227,561)
Payments to Employees	(849,476,559)
Payments for Scholarships and Fellowships	(19,032,957)
Loans Issued to Students	(2,619,458)
Collection of Loans from Students	3,815,462
Net Cash Used by Operating Activities	(117,196,732)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	318,443,910
Agency Funds Transactions - Receipts	162,464,201
Agency Funds Transactions - Disbursements	(175,877,399)
Gifts and Grants Received for Other Than Capital Purposes	14,992,745
Other Non-Capital Financing Receipts	2,183,317
Net Cash Flows Provided by Non-Capital Financing Activities	322,206,774
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Gifts and Grants Received	5,365,566
Proceeds from Sale of Capital Assets	16,282,688
Purchases of Capital Assets	(139,616,802)
Principal Paid on Capital Debt and Leases	(30,050,262)
Interest Paid on Capital Debt and Leases	(23,579,277)
Net Cash Used by Capital and Related Financing Activities	(171,598,087)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	27,589,333
Net Cash Provided by Investing Activities	27,589,333
Net Increase in Cash and Cash Equivalents	61,001,288
Cash and Cash Equivalents, Beginning of Year	297,247,005
Cash and Cash Equivalents, End of Year	$ 358,248,293

The notes to the financial statements are an integral part of this statement.

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF CASH FLOWS
FOR FISCAL YEAR ENDED JUNE 30, 2019

		Georgia Institute of Technology
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating Loss	$	(246,048,999)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities		
Depreciation		109,097,163
Change in Assets and Liabilities:		
Receivables, net		(11,001,701)
Inventories		(621,550)
Prepaid Items		(394,971)
Notes Receivable, Net		1,196,004
Accounts Payable		1,087,372
Salaries Payable		1,161,283
Benefits Payable		338,791
Advances (Including Tuition and Fees)		2,296,494
Other Liabilities		(691,648)
Compensated Absences		779,173
Due to Affiliated Organizations		3,180,620
Pollution Remediation		270,900
Net Pension Liability		11,846,534
Other Post-Employment Benefit Liability		32,231,800
Change in Deferred Inflows/Outflows of Resources:		
Deferred Inflows of Resources		39,828,945
Deferred Outflows of Resources		(61,752,942)
Net Cash Used by Operating Activities	$	(117,196,732)

NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS

Noncapital Financing Activities Noncash Items:		
Amortization of Non-capital Financing Activities Advances and Deferred Inflows	$	600,000
New Non-Capital Financing Debt	$	6,448,462
Current Year Accruals Related to Capital Financing Activities	$	10,082
Gift of Capital Assets	$	51,477,230
Gain (Loss) on Disposal of Capital Assets	$	(15,283,059)
Accrual of Capital Asset Related Payables	$	6,439,931
Capital Assets Acquired Through Prepaid Capital	$	2,791,417
Capital Assets Acquired by Incurring Capital Lease Obligations	$	64,614,756
Accrual of Capital Financing Interest Payable	$	1,714,389
Other Capital Financing Activities Noncash Items	$	(999,630)
Unrealized Gain (Loss) on Investments	$	1,667,467

The notes to the financial statements are an integral part of this statement.

GEORGIA INSTITUTE OF TECHNOLOGY
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2019

	Georgia Tech Foundation, Inc.	Georgia Tech Facilities, Inc.	Georgia Tech Research Corporation	Georgia Tech Athletic Association	Georgia Advanced Technology Ventures, Inc.	Elimination/ Consolidation Entries	Total
ASSETS							
Current Assets							
Cash and Cash Equivalents	$ 6,894,000	$ 8,923,721	$ 111,814,086	$ 3,278,866	$ 20,779,697	$ —	$ 151,690,370
Cash and Cash Equivalents (Externally Restricted)	14,343,000	15,358,356	—	—	325,688	—	30,027,044
Accounts Receivable, net							
Affiliated Organizations	—	174,013	—	—	—	—	174,013
Component Units	373,244	3,400,290	—	—	—	(3,773,534)	—
Primary Government	3,286,171	82,356	—	—	44,868	—	3,413,395
Pledges and Contributions	24,234,000	—	—	5,742,113	125,514	—	30,101,627
Other	12,646,243	—	156,789,431	2,720,108	51,591	1	172,207,374
Notes Receivable, net	700,161	—	—	—	16,471	—	716,632
Investment in Capital Leases - Primary Government	9,809,177	9,784,695	—	—	1,339,267	(2,435,697)	18,497,442
Investment in Capital Leases - Other	—	—	372,456	—	—	—	372,456
Prepaid Items	—	258,447	128,542	1,092,373	26,974	—	1,506,336
Other Assets	1,504,237	—	—	—	615,250	—	2,119,487
Total Current Assets	73,790,233	37,981,878	269,104,515	12,833,460	23,325,320	(6,209,230)	410,826,176
Non-Current Assets							
Accounts Receivable, net							
Component Units	—	5,415,000	—	—	—	(5,415,000)	—
Pledges and Contributions	69,989,000	—	—	14,053,703	574,921	—	84,617,624
Other	14,107,000	—	—	—	—	—	14,107,000
Investments	401,494,000	—	63	—	15,000	(108,299,697)	293,209,366
Investment in Capital Leases - Primary Government	116,872,823	202,569,553	—	—	63,256,401	(14,016,024)	368,682,753
Investment in Capital Leases - Other	—	—	3,469,912	—	15,675,000	—	19,144,912
Other Assets	23,518,944	3,293,750	—	728,445	522,376	—	28,063,515
Non-current Cash (Externally Restricted)	—	117,341,744	—	—	4,725,816	—	122,067,560
Investments (Externally Restricted)	1,470,060,000	—	—	108,299,697	—	—	1,578,359,697
Capital Assets, net	147,397,000	59,323,472	807,914	170,382,079	84,282,460	2,186,398	464,379,323
Total Non-Current Assets	2,243,438,767	387,943,519	4,277,889	293,463,924	169,051,974	(125,544,323)	2,972,631,750
TOTAL ASSETS	2,317,229,000	425,925,397	273,382,404	306,297,384	192,377,294	(131,753,553)	3,383,457,926
DEFERRED OUTFLOWS OF RESOURCES	$ —	$ —	$ —	$ 15,109,831	$ —	$ —	$ 15,109,831

The notes to the financial statements are an integral part of this statement.

GEORGIA INSTITUTE OF TECHNOLOGY
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2019

	Georgia Tech Foundation, Inc.	Georgia Tech Facilities, Inc.	Georgia Tech Research Corporation	Georgia Tech Athletic Association	Georgia Advanced Technology Ventures, Inc.	Elimination/ Consolidation Entries	Total
LIABILITIES							
Current Liabilities							
Accounts Payable	$ 5,328,962	$ 7,816,725	$ —	$ 3,939,769	$ 441,095	$ —	17,526,551
Retainage Payable	—	5,005,761	—	—	—	—	5,005,761
Due to Affiliated Organizations	(28)	—	—	—	—	—	(28)
Due to Component Units	626,028	—	—	—	961,108	(1,587,136)	—
Due to Primary Government	9,376,038	15,771	93,378,155	2,086,132	3,986,288	—	108,842,384
Advances (Including Tuition and Fees)	18,164,000	1,200,050	62,236,768	556,166	1,645,136	—	83,802,120
Deposits	242,000	—	—	11,604,705	184,298	—	12,031,003
Deposits Held for Other Organizations	—	—	40,893,012	—	—	—	40,893,012
Other Liabilities	—	—	—	—	295,671	—	295,671
Notes and Loans Payable	55,613,000	—	—	948,461	249,285	—	56,810,746
Lease Purchase Obligations - External	—	—	405,778	330,603	1,901,011	—	2,637,392
Revenue Bonds and Notes Payable	12,065,000	11,818,000	—	31,190,000	1,085,000	—	56,158,000
Liabilities Under Split Interest Agreements	1,504,237	—	—	—	—	—	1,504,237
Claims and Judgments	—	—	—	1,000,000	—	—	1,000,000
Compensated Absences	444,000	—	—	—	—	—	444,000
Total Current Liabilities	103,363,237	25,856,307	196,913,713	51,655,836	10,748,892	(1,587,136)	386,950,849
Non-Current Liabilities							
Due to Affiliated Organizations	290,674	—	—	—	—	—	290,674
Due to Component Units	113,714,697	—	—	—	—	(113,714,697)	—
Due to Other Funds	5,629	—	—	—	—	—	5,629
Advances (Including Tuition and Fees)	—	8,398,867	—	—	4,849,822	—	13,248,689
Other Liabilities	9,363,000	—	—	—	522,376	—	9,885,376
Notes and Loans Payable	70,347,000	—	—	13,188,112	6,322,077	—	89,857,189
Lease Purchase Obligations - External	—	—	3,436,592	836,364	50,903,907	—	55,176,863
Revenue Bonds and Notes Payable	222,659,000	351,286,357	—	183,068,586	60,439,482	—	817,453,425
Liabilities Under Split Interest Agreements	15,522,763	—	—	—	—	—	15,522,763
Claims and Judgments	—	—	—	580,624	—	—	580,624
Total Non-Current Liabilities	431,902,763	359,685,224	3,436,592	197,673,686	123,037,664	(113,714,697)	1,002,021,232
TOTAL LIABILITIES	535,266,000	385,541,531	200,350,305	249,329,522	133,786,556	(115,301,833)	1,388,972,081
NET POSITION							
Net Investment in Capital Assets	(12,793,068)	19,076,356	807,914	(44,070,216)	22,871,446	—	(14,107,568)
Restricted for:							
Nonexpendable	1,396,470,000	—	—	45,427,130	—	—	1,441,897,130
Expendable	192,397,000	9,692,846	—	77,320,731	7,128,464	—	286,539,041
Unrestricted (Deficit)	205,889,068	11,614,664	72,224,185	(6,599,952)	28,590,828	(16,451,720)	295,267,073
TOTAL NET POSITION	$1,781,963,000	$ 40,383,866	$ 73,032,099	$ 72,077,693	$ 58,590,738	$ (16,451,720)	$ 2,009,595,676

The notes to the financial statements are an integral part of this statement.

GEORGIA INSTITUTE OF TECHNOLOGY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
COMPONENT UNITS
FOR FISCAL YEAR ENDED JUNE 30, 2019

	Georgia Tech Foundation, Inc.	Georgia Tech Facilities, Inc.	Georgia Tech Research Corporation	Georgia Tech Athletic Association	Georgia Advanced Technology Ventures, Inc.	Elimination/ Consolidation Entries	Total
OPERATING REVENUES							
Grants and Contracts							
Federal	$ —	$ —	$ 726,175,147	$ —	$ —	$ —	$ 726,175,147
State	—	—	12,748,514	—	—	—	12,748,514
Other	—	571,661	93,274,355	—	$ 27,576	—	93,873,592
Sales and Services	60,000	594,896	—	56,398,194	245,288	—	57,298,378
Rents and Royalties	30,360,000	14,030,980	14,003,106	9,280,181	13,200,977	2,561,119	83,436,363
Gifts and Contributions	56,873,000	—	—	3,528,289	232,200	—	60,633,489
Endowment Income	58,329,751	—	—	—	—	—	58,329,751
Other Operating Revenues	—	—	—	—	810,140	—	810,140
Total Operating Revenues	145,622,751	15,197,537	846,201,122	69,206,664	14,516,181	2,561,119	1,093,305,374
OPERATING EXPENSES							
Staff Salaries	2,449,000	—	—	—	384,665	—	2,833,665
Employee Benefits	706,000	—	—	—	—	—	706,000
Other Personal Services	101,000	—	—	—	—	—	101,000
Travel	79,000	—	112,207	6,541,114	—	—	6,732,321
Scholarships and Fellowships	—	—	—	12,213,964	—	—	12,213,964
Utilities	944,000	193,750	—	—	37,418	—	1,175,168
Supplies and Other Services	102,127,000	2,755,877	837,655,776	58,043,026	6,650,904	—	1,007,232,583
Depreciation	3,091,000	—	232,952	7,709,956	2,618,182	—	13,652,090
Total Operating Expenses	109,497,000	2,949,627	838,000,935	84,508,060	9,691,169	—	1,044,646,791
Operating Income (Loss)	$ 36,125,751	$ 12,247,910	$ 8,200,187	$ (15,301,396)	$ 4,825,012	$ 2,561,119	$ 48,658,583

The notes to the financial statements are an integral part of this statement.

GEORGIA INSTITUTE OF TECHNOLOGY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
COMPONENT UNITS
FOR FISCAL YEAR ENDED JUNE 30, 2019

	Georgia Tech Foundation, Inc.	Georgia Tech Facilities, Inc.	Georgia Tech Research Corporation	Georgia Tech Athletic Association	Georgia Advanced Technology Ventures, Inc.	Elimination/ Consolidation Entries	Total
NONOPERATING REVENUES (EXPENSES)							
Gifts	$ —	$ —	$ —	$ 907,869	$ —	$ —	$ 907,869
Investment Income	41,738,249	600,851	552,444	7,264,560	260,379	—	50,416,483
Interest Expense	(13,089,000)	(11,832,439)	—	(12,735,466)	(3,197,663)	—	(40,854,568)
Other Nonoperating Revenues (Expenses)	—	(18,211)	—	—	27,455,348	—	27,437,137
Net Nonoperating Revenues	28,649,249	(11,249,799)	552,444	(4,563,037)	24,518,064	—	37,906,921
Income Before Other Revenues, Expenses, Gains, or Losses	64,775,000	998,111	8,752,631	(19,864,433)	29,343,076	2,561,119	86,565,504
Capital Grants and Gifts							
Other	—	—	—	17,468,594	—	—	17,468,594
Additions to Permanent and Term Endowments	23,754,000	—	—	2,335,080	—	—	26,089,080
Total Other Revenues, Expenses, Gains or Losses	23,754,000	—	—	19,803,674	—	—	43,557,674
Change in Net Position	88,529,000	998,111	8,752,631	(60,759)	29,343,076	2,561,119	130,123,178
Net Position, Beginning of Year	1,693,434,000	45,246,784	64,279,468	72,138,452	29,247,662	(19,012,839)	1,885,333,527
Prior Year Adjustments	—	(5,861,029)	—	—	—	—	(5,861,029)
Net Position, Beginning of Year, Restated	1,693,434,000	39,385,755	64,279,468	72,138,452	29,247,662	(19,012,839)	1,879,472,498
Net Position, End of Year	$ 1,781,963,000	$ 40,383,866	$ 73,032,099	$ 72,077,693	$ 58,590,738	$ (16,451,720)	$ 2,009,595,676

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

GEORGIA INSTITUTE OF TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 Summary of Significant Accounting Policies

Nature of Operations
The Georgia Institute of Technology (Georgia Tech or the Institute) serves the state and national communities by providing its students with academic instruction that advances fundamental knowledge and by disseminating knowledge to the people of Georgia, the nation, and throughout the world.

Reporting Entity
As defined by Official Code of Georgia Annotated (O.C.G.A) § 20-3-50, the Institute is part of the University System of Georgia (USG), an organizational unit of the State of Georgia (the State) under the governance of the Board of Regents (Board). The Board has constitutional authority to govern, control and manage the USG. The Board is composed of 19 members, one member from each congressional district in the State and five additional members from the state-at-large, appointed by the Governor and confirmed by the Senate. Members of the Board serve a seven year term and members may be reappointed to subsequent terms by a sitting governor.

The Institute does not have the right to sue/be sued without recourse to the State. The Institute's property is the property of the State and subject to all the limitations and restrictions imposed upon other property of the State by the Constitution and laws of the State. In addition, the Institute is not legally separate from the State. Accordingly, the Institute is included within the State's basic financial statements as part of the primary government as defined in section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

The accompanying basic financial statements are intended to supplement the State's Comprehensive Annual Financial Report (CAFR) by presenting the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the Institute. In addition, certain discretely presented component units of the State, as discussed below, have been included since they have been determined to be essential to the fair presentation to these departmental financial statements. These financial statements do not purport to, and do not, present fairly the financial position of the State as of June 30, 2019, the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying basic financial statements should be read in conjunction with the State's CAFR. The most recent State of Georgia CAFR can be obtained through the State Accounting Office, 200 Piedmont Avenue, Suite 1604 (West Tower), Atlanta, Georgia 30334 or on-line at http://sao.georgia.gov/comprehensive-annual-financial-reports.

Discretely Presented Component Units
The organizations listed below are legally separate, tax-exempt component units of the State of Georgia. Although the State (primary government) is not fiscally accountable for these entities, it has been determined that the nature and significance of the relationship between the primary government and the below organizations is such that exclusion from these departmental financial statements would render them misleading. These organizations met the requirements for discrete presentation as defined by GASB Codification Sections 2100 and 2600. Each organization's fiscal year ends on June 30. Separately issued financial statements are available as indicated below.

- Georgia Advanced Technology Ventures Inc. - 221 Uncle Heinie Way, Lyman Hall Suite 325, Atlanta, GA, 30332-0257 or found at http://gatv.gatech.edu/financial-statements.

- Georgia Tech Athletic Association - 150 Bobby Dodd Way, NW, Atlanta, GA 30332-0455 or found at http://fin-services.gatech.edu/affiliated-organization-financial-statements.

- Georgia Tech Facilities Inc. - 221 Uncle Heinie Way, NW, Lyman Hall Suite 325, Atlanta GA 30332-0257 or found at http://gtfi.gatech.edu/financial-statements.

- Georgia Tech Foundation Inc. - 760 Spring Street, NW, Suite 400, Atlanta, GA 30308 or found at http://www.gtf.gatech.edu/financial-statements.

- Georgia Tech Research Corporation - 505 10th Street, Atlanta, GA 30332-0415 or found at http://gtrc.gatech.edu/gtrc/documents/financial-information.

See Note 20, Component Units, for additional information related to discretely presented component units.

Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the GASB and are presented as required by these standards to provide a comprehensive, entity-wide perspective of the Institute's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position and cash flows.

The Institute's business-type activities financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenues in the fiscal year in which eligibility requirements imposed by the provider have been met. All significant intra-fund transactions have been eliminated.

New Accounting Pronouncements

For fiscal year 2019, the Institute adopted GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The adoption of this Statement does not have a significant impact on the Institute's financial statements.

For fiscal year 2019, the Institute adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The adoption of this Statement does not have a significant impact on the Institute's financial statements.

Cash and Cash Equivalents

Cash and Cash Equivalents consist of petty cash, demand deposits and time deposits in authorized financial institutions, and cash management pools that have the general characteristics of demand deposit accounts. This includes the State Investment Pool (Georgia Fund 1) and the Board of Regents Short-Term Investment Pool. Cash and Cash Equivalents that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Cash and Cash Equivalents restricted as to use by a third party are reported as externally restricted.

Investments

Investments include financial instruments with terms in excess of 13 months, certain other securities for the production of revenue, land, and other real estate held as investments by endowments. The Institute accounts for its investments at fair value. Changes in the fair value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position. The Board of Regents Diversified Fund is included in investments. Investments that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Investments restricted as to use by a third party are reported as externally restricted.

Accounts Receivable

Accounts receivable consists of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty and staff, the majority of whom reside in the State of Georgia. Accounts receivable also includes amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the Institute's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

Consumable supplies are recorded on the consumption method and are valued at cost on the Statement of Net Position using the average-cost basis. Resale inventories are also valued at cost using the average-cost basis.

Prepaid Items

Payments made to vendors and state and local government organizations for services that will benefit periods beyond June 30, 2019 are recorded as prepaid items.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the Institute's capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated useful life of greater than one year. Improvements to buildings, infrastructure, facilities and other improvements, and land that exceed $100,000 and/or significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation, which also includes amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, and copyrights, as well as software, is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 50 years for buildings, 25 years for infrastructure, 20 years for facilities and other improvements, 10 years for library collections, 5 to 10 years for equipment and 3 to 10 years for software assets. Non-research buildings are generally depreciated over 40 to 50 years as indicated above. Research buildings are depreciated by building component such as elevators, general structure, heating, ventilation and air conditioning, roof, etc. The useful life of these components is generally between 20 and 50 years. Residual values will generally be 10% of historical costs for infrastructure, buildings and building improvements, facilities and other improvements and intangible assets.

To fully understand plant additions in the Institute, it is necessary to look at the activities of the Georgia State Financing and Investment Commission (GSFIC) - an organization that is external to the USG. GSFIC issues bonds for and on behalf of the State of Georgia, pursuant to powers granted to it in the Constitution of the State of Georgia and the Act creating the GSFIC. The bonds so issued constitute direct and general obligations of the State of Georgia, to the payment of which the full faith, credit and taxing power of the State are pledged.

For projects managed by GSFIC, GSFIC retains construction in progress in its accounting records throughout the construction period and transfers the entire project to the institutional unit of the USG when complete. For projects managed by institutions of the USG, the institutions retain construction in progress on their books and are reimbursed by GSFIC.

Capital Liability Reserve Fund

The Capital Liability Reserve Fund (Fund) was established by the Board of Regents to protect the fiscal integrity of the USG to maintain the strongest possible credit ratings associated with Public Private Venture (PPV) projects and to ensure that the Board of Regents can effectively support its long-term capital lease obligations. All USG institutions participating in the PPV program finance the Fund. The Fund serves as a pooled reserve that is managed by the Board of Regents. The Fund shall only be used to address significant shortfalls and only insofar as a requesting USG institution is unable to make the required PPV capital lease payment to the designated affiliated organization. The Fund will continue as long as the Board of Regents has rental obligations under the PPV program and at the conclusion of the program, funds will be returned to each institution. The balance included on the Institute's Statement of Net Position as Due from USO - Capital Liability Reserve Fund represents the Institute's contribution to the Fund.

Deferred Outflows of Resources

Deferred outflows of resources consist of the consumption of net position that is applicable to a future reporting period.

Deposits

Deposits represent good faith deposits from students to reserve housing assignments, meal plans or other auxiliary services.

Advances

Advances include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Advances also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits Held for Other Organizations

Deposits held for other organizations result primarily from the Institute acting as an agent or fiduciary for another entity. Deposits held for others include scholarships, fellowships, study abroad deposits and other funds held for various governments, companies, clubs or individuals.

Claims and Judgments
An estimated loss from claims and judgments is recognized when information available prior to issuance of the financial statements indicates it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Pollution Remediation Obligations
Pollution remediation obligations are recorded when the Institute knows that a site is polluted and one or more obligating events have occurred. The amount recorded is an estimate of the current value of potential outlays for cleanup, calculated using the "expected cash flows" measurement technique.

Compensated Absences
Employee vacation pay is accrued at the end of the fiscal year for financial statement purposes. The liability and expense incurred are recorded at the end of the fiscal year as compensated absences in the Statement of Net Position, and as a component of compensation and benefit expense in the Statements of Revenues, Expenses, and Changes in Net Position.

Non-current Liabilities
Non-current liabilities include: (1) liabilities that will not be paid within the next fiscal year; (2) capital lease obligations with contractual maturities greater than one year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as non-current assets.

Deferred Inflows of Resources
Deferred inflows of resources consist of the acquisition of net position that is applicable to a future reporting period.

Other Post-Employment Benefit (OPEB)
The net OPEB liability represents the Institute's proportionate share of the difference between the total OPEB liability and the fiduciary net position or the fair value of the plan assets as of a given measurement date.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Board of Regents Retiree Health Benefit Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Pensions and Net Pension Liability
The net pension liability represents the Institute's proportionate share of the difference between the total pension liability as a result of the exchange for employee services for compensation and the fiduciary net position or the fair value of the plan assets as of a given measurement date.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plans' fiduciary net position, additions to/deductions from the plans fiduciary net position have been determined on the same basis as they are reported by Teachers Retirement System of Georgia and Employees' Retirement System of Georgia. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position
The Institute's net position is classified as follows:

Net investment in capital assets represents the Institute's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. The term "debt obligations" as used in this definition does not include debt of the GSFIC as discussed previously in Note 1 - Capital Assets section.

Restricted - nonexpendable net position includes endowments and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. For institution-controlled, donor-restricted endowments, the by-laws of the Board of Regents of the University System of Georgia permits each individual institution to use prudent judgment in the spending of current realized and unrealized endowment appreciation. Donor-restricted endowment appreciation is periodically transferred to restricted - expendable accounts for expenditure as specified by the purpose of the endowment. The Institute maintains pertinent information related to each endowment fund including donor; amount and date of donation; restrictions by the source of limitations; limitations on investments, etc.

Restricted - expendable net position includes resources in which the Institute is legally or contractually obligated to spend resources in accordance with restrictions by external third parties.

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the Institute, and may be used at the discretion of the governing board or management to meet current expenses for those purposes, except for unexpended state appropriations (surplus). Unexpended state appropriations must be refunded to the Office of the State Treasurer. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Institute's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

Income Taxes
As a political subdivision of the State of Georgia which has been delegated the right to exercise part of the sovereign power of the State, the Institute is not subject to federal income tax.

Classification of Revenues and Expenses
The Statement of Revenues, Expenses and Changes in Net Position classifies fiscal year activity as operating and non-operating according to the following criteria:

- Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) certain federal, state and local grants and contracts, and (3) sales and services.
- Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenue by GASB Statements No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,* and No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* such as state appropriations and investment income.
- Operating expense includes activities that have the characteristics of exchange transactions.
- Non-operating expense includes activities that have the characteristics of non-exchange transactions, such as capital financing costs and costs related to investment activity.

Scholarship Allowances
Scholarship allowances are the difference between the stated charge for goods and services provided by the Institute, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs are recorded as either operating or non-operating revenues in the Institute's financial statements. To the extent that revenues from such programs are used to satisfy tuition, fees and other student charges, the Institute has recorded contra revenue for scholarship allowances. Tuition, fees and other student charges reported on the Statement of Revenues, Expenses and Changes in Net Position are net of discounts and allowances of $53,813,650.

Note 2 Deposits and Investments

Cash and cash equivalents and investments as of June 30, 2019 are classified in the accompanying statement of net position as follows:

Cash and Cash Equivalents	$	240,546,075
Cash and Cash Equivalents (Externally Restricted)		117,379,237
Noncurrent Cash (Externally Restricted)		322,981
Noncurrent Investments (Externally Restricted)		85,062,189
	$	443,310,482

Cash on hand, deposits and investments as of June 30, 2019 consist of the following:

Cash on Hand	$	25,125
Deposits with Financial Institutions		49,901,824
Investments		393,383,533
	$	443,310,482

A. Deposits with Financial Institutions

Deposits include certificates of deposits and demand deposit accounts, including certain interest bearing demand deposit accounts. The custodial credit risk for deposits is the risk that in the event of a bank failure, the Institute's deposits may not be recovered. Funds belonging to the State of Georgia (and thus the Institute) cannot be placed in a depository paying interest longer than ten days without the depository providing a surety bond to the State. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the Official Code of Georgia Annotated (O.C.G.A.) § 50-17-59:

1. Bonds, bills, notes, certificates of indebtedness, or other direct obligations of the United States or of the State of Georgia.

2. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.

3. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.

4. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.

5. Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association and the Federal National Mortgage Association.

6. Letters of credit issued by a Federal Home Loan Bank.

7. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

The Institute participates in the State's Secure Deposit Program (SDP), a multi-bank pledging pool. The SDP requires participating banks that accept public deposits in Georgia to operate under the policy and procedures of the program. The Georgia Office of State Treasurer (OST) sets the collateral requirements and pledging level for each covered depository. There are four tiers of collateralization levels specifying percentages of eligible securities to secure covered Deposits: 25%, 50%, 75%, and 110%. The SDP also provides for collateral levels to be increased to amount of up to 125% if economic or financial conditions warrants. The program lists the type of eligible collateral. The OST approves authorized custodians.

In accordance with the SDP, if a covered depository defaults, losses to public depositors are first satisfied with any applicable insurance, followed by demands of payment under any letters of credit or sale of the covered depository's collateral. If necessary, any remaining losses are to be satisfied by assessments made against the other participating covered depositories. Therefore, for disclosure purposes, all deposits of the SDP are considered to be fully collateralized.

At June 30, 2019, the bank balances of the Institute's deposits totaled $55,675,683. Of these deposits, $110,314 were exposed to custodial credit risk as follows:

Uninsured and uncollaterized	$ 110,314

B. Investments

The Institute maintains an investment policy which fosters sound and prudent judgment in the management of assets to ensure safety of capital consistent with the fiduciary responsibility it has to the citizens of Georgia and which conforms to Board of Regents investment policy. All investments are consistent with donor intent, Board of Regents policy and applicable federal and state laws.

GASB Statement No. 72, *Fair Value Measurements and Application* requires fair value measurement be classified and disclosed in one of the following three categories ("Fair Value Hierarchy"):

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 - Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1; inputs include comparable market transactions, pricing of similar instruments, values reported by the administrator, and pricing expectations based on internal modeling. Fair value is determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investments.

The following table summarizes the valuation of the Institute's investments measured at fair value on a recurring basis and at net asset value as of June 30, 2019.

		Fair Value Hierarchy		
	Fair Value	Level 1	Level 2	Level 3
Investment type:				
Debt Securities				
U.S. Treasuries	$ 5,082,999	$ 5,082,999	$ —	$ —
U.S. Agencies				
Implicitly Guaranteed	1,436,215	—	1,436,215	—
Corporate Debt	270,057	—	270,057	—
Money Market Mutual Funds	495,271	495,271	—	—
Mutual Bond Funds	210,585	210,585	—	—
Other Investments				
Equity Mutual Funds - Domestic	7,516,516	7,516,516	—	—
Equity Mutual Funds - International	1,897,826	1,897,826	—	—
Equity Securities - Domestic	774,766	774,766	—	—
Equity Securities - International	119,087	—	119,087	—
Real Estate Held for Investment Purposes	362,158	—	—	362,158
Real Estate Investment Trusts	585,006	585,006	—	—
	18,750,486	$ 16,562,969	$ 1,825,359	$ 362,158
Investment Pools				
Board of Regents				
Short-Term Fund	259,089,315			
Diversified Fund	66,806,974			
Office of the State Treasurer				
Georgia Fund 1	48,736,758			
Total Investments	$ 393,383,533			

Investments classified in Level 1 are valued using prices quoted in active markets for those securities.

Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Investments classified in Level 3 includes real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investment in this category have been estimated using the net asset value of the Institute's ownership interest in partners' capital. These investments are less liquid and, generally, cannot be redeemed with the funds through normal redemption procedures. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

The Institute holds positions in investment pools managed by the Georgia Office of the State Treasurer and the USG. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The Institute does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

Board of Regents Pooled Investment Program
The USG serves as fiscal agent for various units of the University System of Georgia and affiliated organizations. The USG pools the monies of these organizations with the USG's monies for investment purposes. The investment pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The fair value of the investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each pooled investment fund balance at fair value along with a pro rata share of the pooled fund's investment returns.

The USG maintains investment policy guidelines for each pooled investment fund that is offered to qualified University System participants. These policies are intended to foster the sound and prudent responsibility each institution has to the citizens of Georgia and which conforms to the Board of Regents investment policy. All investments must be consistent with donor intent, Board of Regents policy, and applicable Federal and state laws. Units of the University System of Georgia and their affiliated organizations may participate in the Pooled Investment Fund program. The overall character of the pooled fund portfolio should be one of above average quality, possessing at most an average degree of investment risk.

The Institute's position in the pooled investment fund options are described below.

1. Short-Term Fund
   The Short-Term Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund provides a current return and stability of principal while affording a means of overnight liquidity for projected cash needs. Investments are in securities allowed under O.C.G.A. § 50-17-59 and 50-17-63. The average maturities of investments in this fund will typically range between daily and three years, and the fund will typically have an overall average duration of ¾ - 1 year. The overall character of the portfolio is of Agency quality, possessing a minimal degree of financial risk. The market value of the Institute's position in the Short-Term Fund at June 30, 2019 was $259,089,315, of which 100% is invested in debt securities. The Effective Duration of the Fund is 0.63 years.

2. Diversified Fund
   The Diversified Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund is designed to provide improved return characteristics with reduced volatility through greater diversification. This pool is appropriate for investing longer term funds such as endowments. Permitted investments in the fund may include domestic, international and emerging market equities, domestic fixed income and global fixed income.

   The equity allocation shall range between 60% and 80% of the portfolio, with a target of 70% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 20% and 40%, with a target of 30% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high quality short term instruments. The market value of the Institute's position in the Diversified Fund at June 30, 2019 was $66,806,974, of which 30% is invested in debt securities. The Effective Duration of the Fund is 5.12 years.

Office of the State Treasurer Investment Pool

The Georgia Fund 1 Investment Pool, managed by the Office of the State Treasurer, is not registered with the Securities and Exchange Commission as an investment company, and the State does not consider Georgia Fund 1 to be a 2a7-like pool. This investment is valued at the pool's share price, $1.00 per share. The Georgia Fund 1 Investment Pool is an AAAf rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is 39 days.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Institute's policy for managing interest rate risk is to comply with University System of Georgia policy and applicable Federal and State laws.

The following table presents the interest rate risk for the Institute's debt investment at June 30,2019, utilizing segmented time distribution methods:

		Investment Maturity				
	Fair Value	Less Than 3 Months	4-12 Months	1-5 Years	6-10 Years	More Than 10 Years
Investment type:						
Debt Securities						
U.S. Treasuries	$ 5,082,999	$ 75,471	$ 577,427	$ 2,950,004	$ 1,480,097	$ —
U.S. Agencies						
Implicitly Guaranteed	1,436,215	—	—	306,268	54,781	1,075,166
Corporate Debt	270,057	—	8,342	206,166	55,549	—
Money Market Mutual Funds	495,271	495,271	—	—	—	—
Mutual Bond Funds	210,585	—	—	—	210,585	—
	7,495,127	570,742	585,769	3,462,438	1,801,012	1,075,166
Other Investments						
Equity Mutual Funds - Domestic	7,516,516					
Equity Mutual Funds - International	1,897,826					
Equity Securities - Domestic	774,766					
Equity Securities - International	119,087					
Real Estate Held for Investment Purposes	362,158					
Real Estate Investment Trusts	585,006					
Investment Pools						
Board of Regents						
Short-Term Fund	259,089,315					
Diversified Fund	66,806,974					
Office of the State Treasurer						
Georgia Fund 1	48,736,758					
Total Investments	$ 393,383,533					

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the Institute will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Institute's policy for managing custodial credit risk for investments is an integral part of its current investment policies dated May 16, 2005, which specifies how counterparties are selected and how investments are to be held on behalf of the Institute. These policies can be obtained from Georgia Tech's website at http://bursar.gatech.edu/content/treasury-policies-procedures.

At June 30, 2019, $8,268,879 was uninsured and held by the investment's counterparty's trust department or agent, but not in the Institute's name.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Institute's policy for managing custodial credit risk for investments is an integral part of its current investment policies dated May 16, 2005, which specifies how counterparties are selected and how investments are to be held on behalf of the Institute. These policies can be obtained from Georgia Tech's website at http://bursar.gatech.edu/content/treasury-policies-procedures.

The investments subject to credit quality risk are reflected below:

	Fair Value	AAA	AA	A	BBB	Unrated
Related Debt Investments						
U. S. Agency Securities	$ 1,436,215	$ 379,921	$ 1,056,294	$ —	$ —	$ —
Corporate Debt	270,057	—	56,381	132,795	80,881	—
Money Market Mutual Funds	495,271	494,189	—	—	—	1,082
Mutual Bond Funds	210,585	—	—	—	—	210,585
	$ 2,412,128	$ 874,110	$ 1,112,675	$ 132,795	$ 80,881	$ 211,667

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Institute's policy for managing concentration of credit risk for investments is an integral part of its current investment policies dated May 16, 2005, which overviews concentration guidelines not allowing more than 20% of the total investment portfolio to be concentrated in any one other than the U. S. Treasury or other Federal Government agencies.

At June 30, 2019, approximately 28%, 11%, 11%, 8%, and 7% of the Institute's investments were investments in Local Government Investment Pool (Georgia Fund 1), Government National Mortgage Assn. notes, Federal National Mortgage Assoc. pool, Federal Home Loan Mortgage Corp. notes, and Federal National Mortgage Assoc. notes, respectively.

Note 3 Accounts Receivable

Accounts receivable consisted of the following at June 30, 2019:

	Business Type Activities
Student Tuition and Fees	$ 5,561,488
Auxiliary Enterprises and Other Operating Activities	3,414,064
Federal Financial Assistance	9,596,424
Georgia Student Finance Commission	6,045,915
Georgia State Financing and Investment Commission	274,888
Due from Affiliated Organizations	3,281,152
Due from Component Units	108,842,386
Due From USO - Capital Liability Reserve Fund	2,275,907
Other	17,799,356
	157,091,580
Less: Allowance for Doubtful Accounts	2,723,586
Net Accounts Receivable	$ 154,367,994

Note 4 Inventories

Inventories consisted of the following at June 30, 2019:

Consumable Supplies	$	1,512,420
Merchandise for Resale		115,619
Total	$	1,628,039

Note 5 Notes and Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2019. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The Federal government reimburses the Institute for amounts canceled under these provisions. As the Institute determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The Institute has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2019, the allowance for uncollectible loans was $616,121.

Note 6 Capital Assets

Changes in capital assets for the year ended June 30, 2019 are shown below:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
Capital Assets, Not Being Depreciated:				
Land	$ 57,353,765	$ 3,240,470	$ —	$ 60,594,235
Capitalized Collections	19,367,554	1,900	1,670,000	17,699,454
Construction Work-in-Progress	55,421,318	45,067,826	46,944,138	53,545,006
Software Development-in-Progress	2,806,873	5,505,086	2,806,871	5,505,088
Total Capital Assets Not Being Depreciated	134,949,510	53,815,282	51,421,009	137,343,783
Capital Assets, Being Depreciated/Amortized:				
Infrastructure	114,344,639	4,492,672	1,096,630	117,740,681
Building and Building Improvements	2,055,089,899	158,334,298	7,947,971	2,205,476,226
Facilities and Other Improvements	57,247,496	3,114,633	—	60,362,129
Equipment	592,136,827	49,245,154	22,867,071	618,514,910
Library Collections	139,261,104	6,682,561	1,614,577	144,329,088
Software	6,711,608	17,978,410	—	24,690,018
Total Capital Assets Being Depreciated/Amortized	2,964,791,573	239,847,728	33,526,249	3,171,113,052
Less: Accumulated Depreciation/Amortization				
Infrastructure	21,965,340	5,511,567	607,788	26,869,119
Building and Building Improvements	634,371,537	47,454,480	3,681,775	678,144,242
Facilities and Other Improvements	12,514,295	2,665,483	—	15,179,778
Equipment	407,384,130	39,833,750	14,009,050	433,208,830
Library Collections	104,111,072	11,765,731	1,614,577	114,262,226
Software	2,364,369	1,866,152	—	4,230,521
Total Accumulated Depreciation/Amortization	1,182,710,743	109,097,163	19,913,190	1,271,894,716
Total Capital Assets, Being Depreciated/Amortized, Net	1,782,080,830	130,750,565	13,613,059	1,899,218,336
Capital Assets, net	$ 1,917,030,340	$ 184,565,847	$ 65,034,068	$ 2,036,562,119

For projects managed by GSFIC, GSFIC retains construction-in-progress on its books throughout the construction period and transfers the entire project to the Institute when complete. For projects managed by the Institute, the Institute retains construction-in-progress on its books and is reimbursed by GSFIC. For the year ended June 30, 2019, GSFIC transferred capital additions for GSFIC managed projects valued at $49,791,053 to the Institute. In addition, at June 30, 2019, GSFIC had construction in progress of approximately $9,225,755 for incomplete GSFIC managed projects for the Institute. For the year ended June 30, 2019, the Institute recorded $7,775,865 in capital additions from GSFIC projects managed by the Institute and recorded $1,686,177 in capital additions from donations.

The Institute had no equipment transfers to USG institutions in FY2019.

A comparison of the Institute's depreciation expense for the last three fiscal years is as follows:

Fiscal Year	Depreciation Expense
2019	$ 109,097,163
2018	$ 99,006,038
2017	$ 96,856,546

Note 7 Advances (Including Tuition and Fees)

Advances, including tuition and fees, consisted of the following at June 30, 2019:

	Current Liabilities	Non-Current Liabilities
Prepaid Tuition and Fees	$ 21,512,080	$ —
Research	1,550,552	8,171,409
Other - Advances	1,358,314	3,293,750
Totals	$ 24,420,946	$ 11,465,159

Note 8 Long-Term Liabilities

Changes in long-term liability for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Current Portion
Leases					
Lease Purchase Obligations	$ 425,840,029	$ 64,614,756	$ 25,190,139	$ 465,264,646	$ 22,518,366
Other Liabilities					
Compensated Absences	53,055,030	43,626,498	42,847,326	53,834,202	39,994,923
Notes and Loans Payable	6,335,036	6,448,462	1,099,762	11,683,736	1,141,335
Pollution Remediation	263,040	533,941	263,040	533,941	533,941
Total	59,653,106	50,608,901	44,210,128	66,051,879	41,670,199
Total Long-Term Obligations	$ 485,493,135	$ 115,223,657	$ 69,400,267	$ 531,316,525	$ 64,188,565

See Note 14, Retirement Plans, for information related to net pension liability. See Note 17, Post-Employment Benefits Other Than Pension Benefits, for information related to net other post employment benefits liability.

Pollution Remediation

The Institute is responsible for pollution remediation at all Institute sites including, but not limited to ground contamination, storage/treatment/disposal of hazardous materials, and asbestos abatement. Pollution remediation obligations reflect estimates that have the potential to change due to such items as price increases or reductions, new technology, or changes in applicable laws or regulations. No recoveries from third parties are expected.

Notes and Loans Payable

The Institute entered into a notes payable to secure Energy Performance Contracts. The interest rates for the notes are between 2.04% - 2.64% and matures during fiscal year 2031.

Below is the annual debt service related to the outstanding notes payable at June 30, 2019.

	Principal	Interest
Year Ending June 30:		
2020	$ 1,141,335	$ 258,653
2021	1,699,268	239,095
2022	1,737,535	200,828
2023	1,776,677	161,686
2024	1,204,896	123,203
2025 through 2029	3,244,194	344,979
2030 through 2034	879,831	17,464
	$ 11,683,736	$ 1,345,908

Note 9 Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources reported on the Statement of Net Position as of June 30, 2019, consisted of the following:

Deferred Outflows of Resources	
Deferred Outflows on Defined Benefit Pension Plans (See Note 14)	$ 123,459,934
Deferred Outflows on OPEB Plan (See Note 17)	78,467,901
Total Deferred Outflows of Resources	$ 201,927,835
Deferred Inflows of Resources	
Deferred Inflows on Defined Benefit Pension Plans (See Note 14)	13,496,204
Deferred Inflows on OPEB Plan (See Note 17)	74,074,722
Total Deferred Inflows of Resources	$ 87,570,926

Note 10 Net Position

The breakdown of business-type activity net position for the Institute fund at June 30, 2019 is as follows:

Net Investment in Capital Assets	$ 1,551,459,418
Restricted for	
Nonexpendable	
Permanent Endowment	70,991,897
Expendable	
Sponsored and Other Organized Activities	2,137,070
Federal Loans	7,137,527
Institutional Loans	8,646,301
Quasi-Endowments	10,208,250
Capital Projects	2,085,702
Sub-Total	30,214,850
Unrestricted	
Auxiliary Enterprises Operations	64,979,574
Auxiliary Enterprises Renewals and Replacement Reserve	44,672,727
Reserve for Encumbrances	84,275,635
Reserve for Inventory	1,628,039
Capital Liability Reserve Fund	2,275,907
Other Unrestricted (Deficit)	(838,688,129)
Sub-Total	(640,856,247)
Total Net Position	$ 1,011,809,918

Other unrestricted net position is reduced by $655,456,553 related to the recording of net OPEB liability, deferred inflow of resources, and deferred outflow of resources related to OPEB plan. Other unrestricted net position was also reduced by $341,034,685 related to the recording of net pension liability, deferred inflow of resources, and deferred outflow of resources related to benefit pension plans. These balances are mostly funded through state appropriations and student tuition and fees and are subject to State surplus rules which prevents the accumulation of budgetary fund balance. Therefore, the Institute is statutorily unable to maintain accumulated net position to offset these OPEB and pension balances.

Changes in Net Position for the year ended June 30, 2019 are as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
Net Investments in Capital Assets	$ 1,466,887,074	$ 273,008,774	$ 188,436,430	$ 1,551,459,418
Restricted Net Position	99,819,779	1,001,141,904	999,754,936	101,206,747
Unrestricted Net Position	(700,931,659)	946,354,424	886,279,012	(640,856,247)
Total Net Position	$ 865,775,194	$ 2,220,505,102	$ 2,074,470,378	$ 1,011,809,918

Note 11 Endowments

Donor Restricted Endowments

Investments of the Institute's endowment funds are pooled, unless required to be separately invested by the donor. For Institute controlled, donor-restricted endowments, where the donor has not provided specific instructions, the Board of Regents permits Institutions to develop policies for authorizing and spending realized and unrealized endowment income and appreciation as they determined to be prudent. Realized and unrealized appreciation in excess of the amount budgeted for current spending is retained by the endowments. Current year net appreciation on endowment investments available for authorization of expenditure was $4,583,765 and is reflected as expendable restricted net position.

For endowment funds where the donor has not provided specific instructions, investment return of the Institute's endowment funds is predicated on the total return concept. Annual payouts from the Institute's endowment funds are based on a spending policy which limits spending to 3.5% of endowment's average principal market value over a twelve quarter period calculation. To the extent that the total return for the current year exceeds the payout, the excess is added to principal. If current year earnings do not meet the payout requirements, the Institute uses accumulated income and appreciation from restricted expendable net asset endowment balances to make up the difference.

For the current year, the Institute did not incur investment losses that exceeded the related endowment's available accumulated income and net appreciation.

Note 12 Significant Commitments

See the Net Position note for amounts reserved for outstanding encumbrances at June 30, 2019. In addition to these encumbrances, the Institute had other significant unearned outstanding construction or renovation contracts in the amount of $26,391,899 executed as of June 30, 2019. This amount is not reflected in the accompanying basic financial statements.

Note 13 Leases

Lease Obligations

The Institute is obligated under various capital and operating lease agreements for the acquisition or use of real property and equipment.

Capital Leases

The Institute acquires certain real property and equipment through multi-year capital leases with varying terms and options. In accordance with O.C.G.A. § 50-5-64, these agreements shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed. These agreements may be renewed only by a positive action taken by the Institute. In addition, these agreements shall terminate if the State does not provide adequate funding, but that is considered a remote possibility. The Institute's cash payments for fiscal year 2019 were $53,087,809. Principal and interest payments related to capital leases for fiscal year 2019 were $25,190,139 and $23,463,040, respectively and $4,434,630 represented executory costs. Interest rates range from 2.02% to 6.70%.

The Institute has $387,180,195 in outstanding lease obligations due to component units. Component units have $387,180,195 in investment in capital lease receivables due from the Institute.

The Institute has $11,133,041 in outstanding lease obligations due to affiliated organizations.

The following is a summary of the carrying values of assets held under capital lease at June 30, 2019:

Description	Gross Amount	Less: Accumulated Depreciation	Net, Capital Assets Held Under Capital Lease at June 30, 2019	Outstanding Balance per Lease Schedules at June 30, 2019
	(+)	(-)	(=)	
Leased Land and Land Improvements	$ 13,582,211	$ —	$ 13,582,211	$ 8,795,951
Leased Infrastructure	39,705,000	16,437,870	23,267,130	33,381,073
Leased Equipment	5,925,228	2,962,614	2,962,614	3,625,984
Leased Buildings and Building Improvements	583,050,849	167,996,156	415,054,693	419,039,913
Leased Facilities and Other Improvements	607,700	314,485	293,215	421,725
Total Assets Held Under Capital Lease	$ 642,870,988	$ 187,711,125	$ 455,159,863	$ 465,264,646

The following schedule lists the pertinent information for each of the Institute's capital leases:

Description	Lessor	Original Principal	Lease Term	Begin Month/Year	End Month/ Year	Outstanding Principal	
Institute for Bioeng & Biosci	GTRC	$ 21,560,000	30 yrs	Nov, 1997	Aug, 2027	$ 10,330,000	(1)
Campus Recreation Center/Pkg	GTF	44,980,000	30 yrs	Feb, 2001	Apr, 2031	27,320,000	(1)
Technology Square Research Bldg.	TUFF	76,150,584	29 yrs	Dec, 2002	Dec, 2031	63,325,426	
Technology Square Complex	GTF	142,298,200	29 yrs	Aug, 2003	Apr, 2032	82,910,280	(1)
Married Family Housing	GTFI	60,485,000	25 yrs	Oct, 2005	Apr, 2030	34,905,000	(1)
Molecular Sciences & Eng.	GTFI	75,205,000	35 yrs	Sep, 2006	Jun, 2041	59,145,135	(1)
Klaus Advanced Computing Pkg.	GTFI	9,835,000	20 yrs	Oct, 2005	Apr, 2025	4,165,000	(1)
Electrical Sub Station	GTFI	39,705,000	33 yrs	Oct, 2007	Dec, 2039	33,381,073	(1)
North Ave Apts (Pkg/ Dining)	GTFI	82,705,494	25 yrs	Jul, 2011	Jun, 2036	58,246,009	(1)
Carbon Neutral Energy Solutions	GTFI	13,815,000	31 yrs	Oct, 2011	Apr, 2042	12,182,030	(1)
Library Service Center	EmTech	11,632,450	30 yrs	Nov, 2015	Oct, 2045	11,133,041	(1)
Telecommunications System	Bank of America Merrill Lynch	5,925,228	5 yrs	Dec, 2016	Dec, 2021	3,625,984	
Georgia Tech Cobb Research Campus	GATV	64,614,756	30 yrs	Jun, 2019	May, 2049	64,595,668	(1)
Total Leases		$ 648,911,712				$ 465,264,646	

(1) These capital leases are related party transactions.

Certain capital leases provide for renewal and/or purchase options. Generally purchase options at bargain prices of one dollar are exercisable at the expiration of the lease terms.

Operating Leases
The Institute leases land, facilities, office, and computer equipment, and other assets. Some of these leases are considered for accounting purposes to be operating leases. Although lease terms vary, many leases are subject to appropriation from the General Assembly to continue the obligation. Other leases generally contain provisions that, at the expiration date of the original term of the lease, the Institute has the option of renewing the lease on a year-to-year basis. Leases renewed yearly for a specified time period, i.e. lease expires at 12 months and must be renewed for the next year, may not meet the qualification as an operating lease. The Institute's operating lease expense for fiscal 2019 was $20,980,269, which includes payments to related parties of $16,221,030. The Institute is obligated to pay these related parties a total of $24,210,075 in the next fiscal year.

Future commitments for capital leases and for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2019, are as follows:

	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2020	$ 49,538,220	$ 29,375,913
2021	49,729,677	33,718,864
2022	49,927,384	30,889,936
2023	46,988,938	30,291,167
2024	47,205,125	27,085,637
2025 through 2029	234,199,050	110,845,459
2030 through 2034	152,587,325	74,267,974
2035 through 2039	76,780,398	3,639,984
2040 through 2044	43,710,101	—
2045 through 2049	23,174,532	—
Total Minimum Lease Payments	773,840,750	$ 340,114,934
Less: Interest	248,063,238	
Less: Executory Costs	60,512,866	
Principal Outstanding	$ 465,264,646	

Note 14 Retirement Plans

The Institute participates in various retirement plans administrated by the State of Georgia under two major retirement systems: Teachers Retirement System of Georgia (TRS) and Employees' Retirement System of Georgia (ERS). These two systems issue separate publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained from the respective administrative offices. The Institute also provides one other retirement plan - the Regents Retirement Plan.

The significant retirement plans that the Institute participates in are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

A. Teachers Retirement System of Georgia and Employees' Retirement System of Georgia

General Information about the Teachers Retirement System

Plan description
All teachers of the Institute as defined in the O.C.G.A. § 47-3-60 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit

provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at trsga.com/publications.

Benefits Provided

TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2019. The Institute's contractually required contribution rate for the year ended June 30, 2019 was 20.90% of the Institute's annual payroll. The Institute's contributions to TRS totaled $63,347,815 for the year ended June 30, 2019.

General Information about the Employees' Retirement System

Plan description

ERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at ers.ga.gov/financials.

Benefits provided

The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are new plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS.

Under the old plan, the new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Contributions

Member contributions under the old plan are 4% of annual compensation, up to $4,200, plus 6% of annual compensation in excess of $4,200. Under the old plan, the State pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these State contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The required contribution rate for the year ended June 30, 2019 was 24.78% of annual covered payroll for old and new plan members and 21.78% for GSEPS members. The rates include the annual actuarially determined employer contributions rate of 24.66% of annual covered payroll for old and new plan members and 21.66% for GSEPS members, plus a 0.12%

adjustment for the HB 751 one time benefit adjustment of 3% to retired state employees. The Institute's contributions to ERS totaled $247,003 for the year ended June 30, 2019. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the Institute reported a liability for its proportionate share of the net pension liability for TRS and ERS. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2017. An expected total pension liability as of June 30, 2018 was determined using standard roll-forward techniques. The Institute's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2018. At June 30, 2018, the Institute's TRS proportion was 2.420015%, which was an increase of 0.068485% from its proportion measured as of June 30, 2017. At June 30, 2018, the Institute's ERS proportion was 0.043585%, which was a decrease of (0.008437)% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Institute recognized pension expense of $56,288,132 for TRS and $79,489 for ERS. At June 30, 2019, the Institute reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 29,738,112	$ 925,825	$ 55,728	$ —
Changes of assumptions	6,778,365	—	84,416	—
Net difference between projected and actual earnings on pension plan investments	—	12,282,181	—	41,292
Changes in proportion and differences between contributions and proportionate share of contributions	23,208,495	—	—	246,906
Contributions subsequent to the measurement date	63,347,815	—	247,003	—
Total	$ 123,072,787	$ 13,208,006	$ 387,147	$ 288,198

The Institute's contributions subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	TRS	ERS
2020	$ 32,338,526	$ (33,984)
2021	$ 18,265,492	$ (26,979)
2022	$ (7,141,404)	$ (68,640)
2023	$ 2,392,432	$ (18,451)
2024	$ 661,920	$ —

Actuarial assumptions
The total pension liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System

Inflation	2.75%
Salary increases	3.25% - 9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post–retirement mortality rates were based on the RP–2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service retirements and dependent beneficiaries. The RP–2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB (set forward two years for males and four years for females) was used for death after disability retirement. Rates of mortality in active service were based on the RP–2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

Employees' Retirement System

Inflation	2.75%
Salary increases	3.25 – 7.00%, including inflation
Investment rate of return	7.30%, net of pension plan investment expense, including inflation

Post–retirement mortality rates were based on the RP–2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. The RP–2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB and set back 7 years for males and set forward 3 years for females was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9–12% less than the actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. Rates of mortality in active service were based on the RP–2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long-term expected rate of return on TRS and ERS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	TRS target allocation	ERS target allocation	Long-term expected real rate of return*
Fixed income	30.00%	30.00%	(0.50)%
Domestic large equities	39.80%	37.20%	9.00 %
Domestic mid equities	3.70%	3.40%	12.00 %
Domestic small equities	1.50%	1.40%	13.50 %
International developed market equities	19.40%	17.80%	8.00 %
International emerging market equities	5.60%	5.20%	12.00 %
Alternatives	—%	5.00%	10.50 %
Total	100.00%	100.00%	

* Rates shown are net of inflation

Discount rate
The discount rate used to measure the total TRS and ERS pension liability was 7.50% and 7.30%, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and ERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Institute's proportionate share of the net pension liability to changes in the discount rate:
The following presents the Institute's proportionate share of the net pension liability calculated using the discount rate , as well as what the Institute's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Teachers Retirement System:

	1% Decrease 6.50%	Current discount rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	$ 749,854,474	$ 449,206,621	$ 201,457,488

Employees' Retirement System:

	1% Decrease 6.30%	Current discount rate 7.30%	1% Increase 8.30%
Proportionate share of the net pension liability	$ 2,548,564	$ 1,791,794	$ 1,147,006

Pension plan fiduciary net position
Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS and ERS financial reports which are publicly available at http://trsga.com/publications and https://www.ers.ga.gov/financials, respectively.

B. Defined Contribution Plan:

Regents Retirement Plan

Plan Description
The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan that was created/established by the Georgia General Assembly in O.C.G.A. § 47-21-1 et.seq. and administered by the Board of Regents of the University System of Georgia (Board). O.C.G.A. § 47-3-68(a) defines who may participate in the Regents Retirement Plan. An “eligible university system employee” is a faculty member or all exempt full and partial benefit eligible employees, as designated by the regulations of the Board. Under the Regents Retirement Plan, a plan participant may purchase annuity contracts from three approved vendors (VALIC, Fidelity, and TIAA-CREF) for the purpose of receiving retirement and death benefits. Benefits depend solely on amounts contributed to the plan plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the annuity contracts.

Funding Policy
The institutions of the USG make monthly employer contributions to the Regents Retirement Plan on behalf of participants at rates determined by the Board. The Board reviews the contribution amount every three (3) years. For fiscal year 2019, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 6.00% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

The Institute and the covered employees made the required contributions of $37,038,080 (9.24%) and $24,074,987 (6.00%), respectively.

VALIC, Fidelity, and TIAA-CREF have separately issued financial reports which may be obtained through their respective corporate offices.

Note 15 Risk Management

The USG offers its employees and retirees under the age of 65 access to three self insured health care plan options and one fully insured plan option. For the USG’s Plan Year 2019, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan.

The Institute’s participating employees and eligible retirees pay premiums into the plan fund to access benefits coverage. All units of the USG share the risk of loss for claims associated with these plans. The plan fund is considered to be a self-sustaining risk fund. The USG has contracted with Blue Cross and Blue Shield of Georgia, a wholly owned subsidiary of Anthem, Inc., to serve as the claims administrator for the self-insured health care plan options. In addition to the self-insured health care plan options offered to the employees and eligible retirees of the USG, a fully insured HMO health care plan option also is offered through Kaiser Permanente. The Comprehensive Care plan has a carved-out prescription drug plan administered through CVS Caremark. Pharmacy drug claims are processed in accordance with guidelines established for the Board of Regents’ Prescription Drug Benefit Program. Generally, claims are submitted by participating pharmacies directly to CVS Caremark for verification, processing and payment. CVS Caremark maintains an eligibility file based on information furnished by Blue Cross and Blue Shield of Georgia on behalf of the various organizational units of the University System of Georgia. The self-insured dental plan is administered through Delta Dental.

Retirees age 65 and older participate in a secondary health care coverage for Medicare-eligible retirees and dependents provided through a retiree health care exchange option. The USG makes contributions to a health reimbursement account, which can be used by the retiree to pay premiums and out-of-pocket health care-related expenses.

The Department of Administrative Services (DOAS) has the responsibility for the State of Georgia of making and carrying out decisions that will minimize the adverse effects of accidental losses that involve State government assets. The State believes it is more economical to manage its risks internally and set aside assets for claim settlement. Accordingly, DOAS processes claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, unemployment compensation, and law enforcement officers' indemnification.

Limited amounts of commercial insurance are purchased applicable to property, employee and automobile liability, fidelity and certain other risks.

The Institute is part of the State of Georgia reporting entity, and as such, is covered by the State of Georgia risk management program administered by DOAS. Premiums for the risk management program are charged to the various state organizations by DOAS to provide claims servicing and claims payment.

A self-insured program of professional liability for its employees was established by the Board of Regents of the University System of Georgia under powers authorized by the O.C.G.A § 45-9-1.

The program insures the employees to the extent that they are not immune from liability against personal liability for damages arising out of the performance of their duties or in any way connected therewith. The program is administered by DOAS as a Self-Insurance Fund.

Note 16 Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. This could result in refunds to the grantor agency for any expenditure disallowed under grant terms. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the Institute expects such amounts, if any, to be immaterial to its overall financial position.

Litigation, claims and assessments filed against the Institute, if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the State of Georgia Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019.

Note 17 Post-Employment Benefits Other Than Pension Benefits

Board of Regents Retiree Health Benefit Plan

Plan Description and Funding Policy
The Board of Regents Retiree Health Benefit Plan (Plan) is a single-employer, defined-benefit, health care plan administered by the University System Office, an organizational unit of the USG. The Plan was authorized pursuant to O.C.G.A. § 47-21-21 for the purpose of accumulating funds necessary to meet employer costs of retiree post-employment health insurance benefits. As part of the USG, the Institute reports their cost sharing proportionate share of the Plan.

Pursuant to the general powers conferred by the O.C.G.A. § 20-3-31, the USG has established group health and life insurance programs for regular employees of the USG. It is the policy of the USG to permit employees of the USG eligible for retirement or who become permanently and totally disabled to continue as members of the group health and life insurance programs. The USG offers its employees and retirees under the age of 65 access to three self-insured health care plan options and one fully insured plan option. For the USG's Plan Year 2019, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan. The USG offers a self-insured dental plan administered by Delta Dental.

Retirees age 65 and older participate in a secondary health care coverage for Medicare-eligible retirees and dependents provided through a retiree health care exchange option. The USG makes contributions to the retirees' health reimbursement account, which can be used by the retiree to pay premiums and out-of-pocket health care related expenses.

The Institute's membership in the Plan consisted of the following at June 30, 2019:

Active Employees	7,726
Retirees or Beneficiaries Receiving Benefits	1,823
Retirees or Beneficiaries Eligible But Not Receiving Benefits	—
Retirees Receiving Life Insurance Only	355
Total	9,904

The contribution requirements of plan members and the employer are established and may be amended by the Board. The Plan is substantially funded on a “pay-as-you-go” basis; however, amounts above the pay-as-you-go basis may be contributed annually, either by specific appropriation or by Board designation.

The Institute pays the employer portion for group insurance for eligible retirees. The employer portion of health insurance for its eligible retirees is based on rates that are established annually by the Board for the upcoming plan year. For the 2019 plan year, the employer rate was approximately 90% of the total health insurance cost for eligible retirees and the retiree rate was approximately 10%. With regard to life insurance, the employer covers the total premium cost for $25,000 of basic life insurance. If an individual elects to have supplemental, and/or, dependent life insurance coverage, such costs are borne entirely by the retiree.

For fiscal year 2019, the Institute contributed $24,616,725 to the plan for current premiums or claims.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the Institute reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of May 1, 2018. An expected total OPEB liability as of June 30, 2018 was determined using standard roll-forward techniques. The Institute’s proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2018. At June 30, 2018, the Institute’s proportion was 14.960031%, which was an increase of 0.086602% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Institute recognized OPEB expense of $53,994,711. At June 30, 2019, the Institute reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 46,012,734	$ —
Changes of assumptions	—	74,074,722
Net difference between projected and actual earnings on OPEB plan investments	140,794	—
Changes in proportion and differences between contributions and proportionate share of contributions	7,697,648	—
Contributions subsequent to the measurement date	24,616,725	—
Total	$ 78,467,901	$ 74,074,722

The Institute's contributions subsequent to the measurement date of $24,616,725 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:		
2020	$	(4,913,537)
2021	$	(4,913,537)
2022	$	(4,913,537)
2023	$	(4,692,837)
2024	$	(436,516)
Thereafter	$	(353,582)

Actuarial assumptions

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of May 1, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Cost Method	Entry Age Normal
Amortization Method	Closed amortization period for initial unfunded and subsequent actuarial gains/ losses.
Asset Method	Fair Value
Interest Discounting and Salary Growth	Interest Rate as of 6/30/2018 3.87% from Bond Buyer Index Interest Rate as of 6/30/2017 3.58% from Bond Buyer Index Long-term Rate of Return 4.50% General Inflation 2.50% Salary Growth 4.00%
Mortality Rates	Healthy: RP-2014 White Collar Mortality Table with Generational Improvements by Scale MP-2014 Disabled: RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females)
Initial Health Care Cost Trend	
Pre-Medicare Eligible	7.1%
Medicare Eligible	4.5%
Ultimate Trend Rate	
Pre-Medicare Eligible	4.5%
Medicare Eligible	4.5%
Year Ultimate Trend is Reached	2030 for Pre-Medicare Eligible, 2019 for Medicare Eligible
Experience Study	Based on the experience of the Teachers Retirement System of Georgia. The actuarial assumptions used in the valuation are based on the results of the most recent actuarial experience studies, which covered the five-year period ending June 30, 2014. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation for the Plan were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

Changes in Assumptions Since Prior Valuation

Expected claims costs were updated to reflect actual claims experience. Trend was reset based on current conditions. The discount rate was updated from 3.58% to 3.87% as of June 30, 2018. Disability, Termination, Retirement, and Disabled Mortality were updated to reflect the current Teachers Retirement System of Georgia.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the pension systems, which covered the five-year period ending June 30, 2014.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return, Net of Inflation	Target Allocation
Fixed Income	1.10%	70%
Domestic Fixed Income (Corporate Long Term)	4.2%	
Domestic Fixed Income (Corporate Short Term)	3.5%	
International Fixed Income	4.9%	
Equity Allocation	3.98%	30%
Domestic Equity (Large Cap)	6.5%	
International Equity	7.3%	

Discount rate
The Plan's projected fiduciary net position at the end of 2022 is $0, based on the valuation completed for the fiscal year ending June 30, 2018. As such, the Plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current Plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2022. Therefore, the long-term expected rate of return on Plan investments of 4.50% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2018. Instead, a yield or index rate for a 20 year, tax-exempt general obligation municipal bond with an average rating of AA or higher was used. This rate was determined to be 3.87% from the Bond Buyer.

Sensitivity of the net OPEB liability to changes in the discount rate
The following presents the Institute's proportionate share of the net OPEB liability, as well as what the Institute's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current discount rate (3.87%):

	1% Decrease 2.87%	Current Rate 3.87%	1% Increase 4.87%
Proportionate Share of the Net OPEB Liability	$ 787,241,744	$ 659,849,732	$ 560,217,296

Sensitivity of the net OPEB liability to changes in the health care cost trend rates
The following presents the Institute's proportionate share of the net OPEB liability, as well as what the Institute's proportionate share of the net OPEB liability would be if it were calculated using health care cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current health care cost trend rates:

	1% Decrease	Current Rate	1% Increase
Proportionate Share of the Net OPEB Liability	$ 556,421,140	$ 659,849,732	$ 795,933,268
Pre-Medicare Eligible	6.1% decreasing to 3.5%	7.1% decreasing to 4.5%	8.1% decreasing to 5.5%
Medicare Eligible	3.5%	4.5%	5.5%

OPEB plan fiduciary net position:
Detailed information about the Plan's fiduciary net position is available in the USG Consolidated Annual Financial Report which is publicly available at http://www.usg.edu/fiscal_affairs/financial_reporting/.

Note 18 Operating Expenses with Functional Classifications

Business-type activity operating expenses by functional classification for fiscal year 2019 are shown below:

	Natural Classification				
Functional Classification	Faculty Salaries	Staff Salaries	Employee Benefits	Other Personal Services	Travel
Instruction	$ 133,787,446	$ 78,960,179	$ 64,259,404	$ 68,731	$ 6,154,290
Research	301,277,205	128,315,532	123,561,259	44,993	20,323,720
Public Service	13,088,074	25,446,295	12,347,138	956,287	1,265,765
Academic Support	8,330,199	26,420,589	11,587,216	12,989	758,657
Student Services	1,020,941	16,002,689	4,834,856	32,303	479,716
Institutional Support	4,095,176	60,289,328	17,434,717	35,751	781,138
Plant Operations and Maintenance	124,745	32,407,775	11,492,987	26	136,505
Scholarships and Fellowships	—	—	—	—	—
Auxiliary Enterprises	—	21,850,841	6,622,692	5,788	145,888
Total Operating Expenses	$ 461,723,786	$ 389,693,228	$ 252,140,269	$ 1,156,868	$ 30,045,679

	Natural Classification				
Functional Classification	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation/ Amortization	Total Operating Expenses
Instruction	$ —	$ 301,951	$ 48,742,779	$ 7,107,093	$ 339,381,873
Research	—	1,282,633	209,941,822	52,725,119	837,472,283
Public Service	—	244,072	22,270,562	361,551	75,979,744
Academic Support	—	161,443	14,485,580	4,559,762	66,316,435
Student Services	—	76,494	13,183,250	14,144,680	49,774,929
Institutional Support	—	143,187	9,428,579	5,617,817	97,825,693
Plant Operations and Maintenance	—	16,591,322	125,587,315	11,060,608	197,401,283
Scholarships and Fellowships	19,032,957	—	—	—	19,032,957
Auxiliary Enterprises	—	10,066,036	38,393,219	13,520,533	90,604,997
Total Operating Expenses	$ 19,032,957	$ 28,867,138	$ 482,033,106	$ 109,097,163	$1,773,790,194

Note 19 Subsequent Events

In March 2018, the Board of Regents of the University System of Georgia (BOR), by and on behalf of the Georgia Institute of Technology, entered into a lease agreement with Georgia Tech Facilities, Inc, a component unit, for the Dalney Building. This facility will be used by the Institute for office space and for parking via the attached parking structure. The lease term is for thirty-one years and five months. Pre-payments for rent during the construction period began March 2018, however, rental payments for the lease period will not begin until September 1, 2019. Total estimated rental payments will be $71,064,952 over the lease period. Monthly rental payments will include base rent and a repair and replacement contribution. Total rental payments for fiscal year 2020 are expected to equal $1,887,179. The capital lease liability and capital asset will be recorded on the Institute's books in fiscal year 2020 once construction is complete and the certificate of occupancy is issued.

In May 2018, the Board of Regents of the University System of Georgia (BOR) authorized the Eco-Commons Glade (the "Glade") project. The Glade is an eight-acre portion of the Eco-Commons, which encompasses approximately eighty acres of space on campus, and includes a performance landscape and passive green space, which will become the centerpiece for non-structured activities enhancing campus life. Consistent with GIT's philosophy of using its campus as a Living Learning Laboratory, the Glade project will include the creation of a stream channel used to educate students about historic water flow and storm water capture for reuse and infiltration. This stream channel moves Georgia Tech's closer to its goal of reducing storm water runoff by fifty percent. A regional cistern will supply water for irrigation, reducing the demand for potable water by at least six million gallons annually. Other targeted ecological performance outcomes of the Glade include a 20% increase in the campus tree canopy, a 26% increase in woodland areas, and a 92% reduction in impervious surfaces. The Glade has a total project budget of $15 million, including $2.5 million of expected donor funds. Construction for this project began in September 2019 and with an expected completion by July 2020.

In April 2019, the Board of Regents of the University System of Georgia (BOR) entered into a rental agreement with Georgia Tech Facilities, Inc., a component unit, for the Campus Center. The Campus Center is a student center complex comprised of a student center, pavilion, exhibition hall, and café. The existing Fred B. Wenn Student Center will undergo related improvements as part of the Campus Center project. This collection of buildings will be a central point of resources, gathering, entertainment and restoration for the Georgia Tech Community. The lease term is for thirty-one years. Total estimated rental payments will be $203,997,229 over the lease period. Semi-annual rental payments will include base rent and a repair and replacement contribution. Rental payments will begin fiscal year 2021 with total rental payments expected to equal $1,613,472 in that year. The capital lease liability and capital asset will be recorded on the Institute's books in fiscal year 2021 once construction is complete and the certificate of occupancy is issued.

Note 20 Component Units

Related organizations promote, support, and assist Georgia Tech in its role as a leading education and research institution in accordance with stated Institute needs and goals. Together, they add significantly to Institute assets and revenues for programs and services, and ultimately enhance the Institute's performance of its mission. Governmental Accounting Standards Board (GASB) Codification Sections 2100 and 2600 require discrete reporting of legally separate, tax-exempt component units of the State of Georgia. Georgia Tech has five related organizations that are considered component units of the State of Georgia and, thus, are required to be reported in the Institute's financial statements. Although the Institute is not fiscally accountable for these entities, it has been determined that the nature and significance of the relationship between Georgia Tech and these organizations is such that exclusion from the Institute's financial statements would render them misleading. An annual audit of each component unit's financial statements is conducted by independent accounting firms. The five organizations included in this presentation are described below:

Georgia Tech Foundation, Inc.
The Georgia Tech Foundation (Foundation) is a legally separate, not-for-profit corporation under the laws of the state of Georgia. The purposes of the Foundation are to promote higher education in the state of Georgia, to raise and receive funds for the support and enhancement of the Institute, and to aid the Institute in its development as a leading educational institution.

The Foundation reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB audited financial statements were reclassified to the GASB presentation for these financial statements.

For the year ended June 30, 2019, the Foundation distributed $87.7 million to Georgia Tech in support of capital outlay projects, scholarships and other supporting activities. The Institute is obligated under various capital lease agreements with the Foundation, a related party. This information is disclosed in Note 13, Leases.

Georgia Tech Facilities, Inc.
The Georgia Tech Facilities, Inc. (GTFI) is a legally separate, not-for-profit corporation under the laws of the state of Georgia. The purpose of GTFI is to construct buildings and other facilities as may be appropriate to meet the needs and goals of the Georgia Institute of Technology. The activities of GTFI are limited to constructing and financing buildings and facilities for use by Georgia Tech. Funding for construction is obtained by the Organization from contributions or from financing with debt service funded by support from various sources.

GTFI reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB audited financial statements were reclassified to the GASB presentation for these financial statements.

For the year ended June 30, 2019, GTFI distributed $1.4 million to the Institute for supporting activities. Georgia Tech is obligated under various capital lease agreements with GTFI, a related party. This information is disclosed in Note 13, Leases.

Georgia Tech Research Corporation

The Georgia Tech Research Corporation (Research Corporation) is a legally separate, not-for-profit corporation under the laws of the state of Georgia. The Research Corporation is organized and operated primarily as the contracting entity for all sponsored activities for colleges and other units at Georgia Tech for the purpose of soliciting grants and contracts, accepting grants, or entering into contracts for research or services to be performed by or in conjunction with the Institute or to be performed using Georgia Tech's facilities, and for related objectives. The Research Corporation reports under GASB standards.

For year ended June 30, 2019, the Research Corporation distributed $832.2 million to the Institute for research contracts sub-awarded to Georgia Tech. The Institute is obligated under various operating lease agreements with the Research Corporation, a related party. This information is disclosed in Note 13, Leases.

Georgia Tech Athletic Association

The Georgia Tech Athletic Association (Athletic Association) is a legally separate not-for-profit corporation under the laws of the state of Georgia. The primary purpose of the Athletic Association is to promote the educational programs of Georgia Tech through student body participation in healthful exercises, recreations, athletic games and contests. The Athletic Association's mission is to inspire and empower student-athletes to be champions of academics, competition and life while emphasizing the four core values of excellence, innovation, teamwork and character. The Athletic Association reports under GASB standards.

For the year ended June 30, 2019, the Athletic Association distributed $48 million to the Institute for athletic scholarships and other supporting activities.

Georgia Advanced Technology Ventures, Inc.

The Georgia Advanced Technology Ventures (GATV) is a legally separate, not-for-profit corporation under the laws of the state of Georgia. GATV is a supporting organization of the Institute focused on technology, commercialization, economic development and relevant real estate development. GATV's primary business purpose is to facilitate innovation and business collaboration with private enterprise, including but not limited to business, industry, entrepreneurs and economic developers, and utilizing emerging technologies that are aligned with the strengths in research and education of Georgia Tech. GATV provides support for technology transfer and economic development activities, including the Institute's Advanced Technology Development Center (ATDC) incubator facilities and services to ATDC-affiliated companies.

GATV reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB audited financial statements were reclassified to the GASB presentation for these financial statements.

For the year ended June 30, 2019, GATV distributed $538,284 to the Institute for supporting activities. Georgia Tech is obligated under various operating lease agreements with GATV, a related party. This information is disclosed in Note 13, Leases.

Elimination/Consolidation Entries

The FASB reported amounts for Investment in Direct Financing Leases and Net Position were adjusted for the Georgia Tech Foundation by $16.5 million for external financial reporting purposes in these financial statements. Both Georgia Tech and GTF use the effective interest rate method to amortize leases. However, Georgia Tech uses the Sources & Uses of Funds and the average coupon rate which is a higher interest rate than the interest rate in the actual bond documents used by GTF. Thus, an adjustment was necessary for financial statement presentation.

The Athletic Association has transferred assets to the Georgia Tech Foundation (the Foundation) to be managed on its behalf. Assets managed by the Foundation on behalf of the Athletic Association totaled $108,299,697 at June 30, 2019. The Foundation manages these assets by investing in pooled investment funds. Interest, dividend income, and gains and losses earned on pooled funds are allocated equitably based on the fair value of the assets of each entity that participates in the pooled investment funds. The Athletic Association is entitled to all earnings on these assets; however, distributions are made by the Foundation to the Athletic Association only when requested.

Net adjustments totaling $7.0 million between the Foundation, GTFI and GATV were made to capital assets and current and noncurrent due to and due from component unit categories for financial statement presentation purposes.

Combined investments for Component Units are comprised of the following amounts at June 30, 2019:

	Fair Value	Level 1	Level 3	NAV
Investment type				
Bond Securities	$ 102,249,000	$ 72,924,000	$ —	$ 29,325,000
Money Market Mutual Funds	41,720,000	41,720,000	—	—
Other Investments				
Equity Securities - Domestic	368,540,000	368,172,000	—	368,000
Equity Securities - International	297,715,000	249,396,000	—	48,319,000
Real Estate Held for Investment Purposes	61,600,000	—	61,600,000	—
Real Estate Investment Trusts	33,892,000	—	—	33,892,000
Other	965,853,063	1,426,000	1,615,063	962,812,000
	$1,871,569,063	$ 733,638,000	$ 63,215,063	$1,074,716,000
Reported as cash and cash equivalents on the Statement of Net Position				
Investment Pools				
Board of Regents				
Short-Term Fund	18,413,237			
Total Investments	$1,889,982,300			

Combined endowments for Component Units are comprised of the following amounts at June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning Balance, Restated	$ 99,290,817	$ 1,277,524,126	$1,376,814,943
Contributions	—	46,258,031	46,258,031
Net realized and unrealized gains	5,797,203	80,174,847	85,972,050
Appropriation of endowment assets for expenditure	(3,970,855)	(54,358,896)	(58,329,751)
Other	4,404,952	(84,739)	4,320,213
Ending Balance	$ 105,522,117	$ 1,349,513,369	$1,455,035,486

The beginning balance for Georgia Tech Foundation Endowments was restated by $124.2 million due to the implementation of the provisions of FASB issued Accounting Standards Update (ASU) No. 2016-14 during fiscal year 2019.

Combined amounts due to Component Units from Georgia Tech and other entities for direct financing leases as of June 30, 2019 is as follows:

		Total
Year Ending June 30:	Year:	
2020	1	$ 40,424,646
2021	2	40,072,516
2022	3	40,721,970
2023	4	38,591,662
2024	5	38,597,374
2025 through 2029	6-10	185,344,992
2030 through 2034	11-15	122,936,946
2035 through 2039	16-20	70,562,768
2040 through 2044	21-25	39,942,059
2045 through 2049	26-30	26,747,962
2050 through 2054	31-35	9,627,036
Thereafter	36-99	215,490,858
Total Minimum Lease Payments to be Received		869,060,789
Unearned Income		(462,363,225)
Net Investment in Direct Financing Lease Receivable		$ 406,697,564

Combined capital assets for Component Units are comprised of the following amounts at June 30, 2019:

Capital Assets not being Depreciated:	
Land	$ 98,515,825
Capitalized Collections	240,735
Construction Work-in-Progress	59,211,392
Total Capital Assets not being Depreciated	157,967,952
Capital Assets, Being Depreciated/Amortized:	
Infrastructure	3,824,225
Building and Building Improvements	351,444,483
Facilities and Other Improvements	10,880,362
Equipment	26,225,987
Capital Leases	66,936,210
Software	1,262,977
Total Capital Assets being Depreciated/Amortized	460,574,244
Less Total Accumulated Depreciation/Amortization	154,162,873
Total Capital Assets being Depreciated/Amortized, Net	306,411,371
Capital Assets, Net	$ 464,379,323

Combined long-term liabilities for Component Units includes the following amounts at June 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within One Year
Claims and Judgments	$ 2,045,616	$ —	$ 464,992	$ 1,580,624	$ 1,000,000
Compensated Absences	409,000	303,000	268,000	444,000	444,000
Lease Purchase Obligation (Capital Lease)	59,028,531	1,393,940	2,608,216	57,814,255	2,637,392
Liabilities under Split Interest Agreement	15,527,000	2,047,000	547,000	17,027,000	1,504,237
Notes and Loans Payable	79,205,923	88,188,562	20,315,550	147,078,935	56,810,746
Note (Discount)	(156,000)	—	255,000	(411,000)	—
Pollution Remediation	561,929	—	561,929	—	—
Revenue/Mortgage Bonds Payable	780,055,380	96,655,000	27,747,380	848,963,000	56,158,000
Bond - Premium	40,919,510	15,842,476	6,307,071	50,454,915	—
Bond - (Discount and Issuance Cost)	(30,758,349)	(1,027,997)	(5,979,856)	(25,806,490)	—
Total Long Term Liabilities	$ 946,838,540	$ 203,401,981	$ 53,095,282	$1,097,145,239	$ 118,554,375

Combined capital lease obligations for component units are comprised of the following amounts at June 30, 2019:

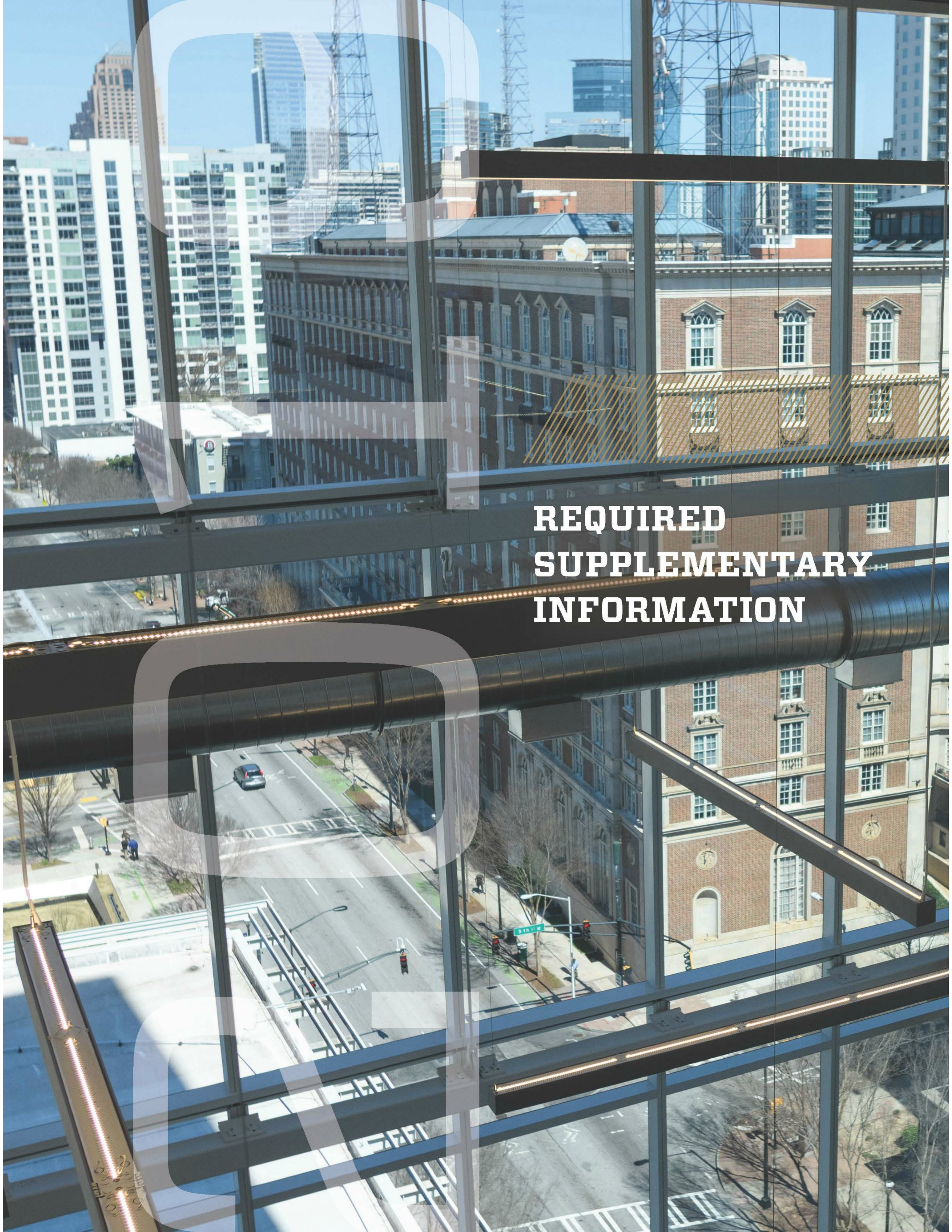
Year ending June 30:		
2020	1	$ 5,601,094
2021	2	5,653,399
2022	3	5,769,043
2023	4	5,850,982
2024	5	5,644,264
2025 through 2029	6-10	26,849,442
2030 through 2034	11-15	25,455,346
2035 through 2039	16-20	2,068,954
Total minimum lease payments		82,892,524
Less: Interest		25,078,269
Principal Outstanding		$ 57,814,255

Combined notes and loans payable for Component Units are comprised of the following amounts at June 30, 2019:

		Principal	Interest	Total
Year ending June 30:				
2020	1	$ 56,810,746	$ 4,355,202	$ 61,165,948
2021	2	3,204,503	4,274,607	7,479,110
2022	3	3,290,718	4,266,075	7,556,793
2023	4	3,783,452	4,168,152	7,951,604
2024	5	44,638,453	3,335,214	47,973,667
2025 through 2029	6-10	31,812,951	7,908,649	39,721,600
2030 through 2034	11-15	3,471,269	834,799	4,306,068
2035 through 2039	16-20	66,843	1,182	68,025
		147,078,935	29,143,880	176,222,815
Note (Discount)/Cost of Issuance		(411,000)	—	(411,000)
Total		$ 146,667,935	$ 29,143,880	$ 175,811,815

Combined bonds payable for Component Units are comprised of the following amounts at June 30, 2019:

		Principal	Interest	Total
Year ending June 30:				
2020	1	$ 56,158,000	$ 39,870,144	$ 96,028,144
2021	2	27,539,000	37,872,628	65,411,628
2022	3	29,666,000	36,511,899	66,177,899
2023	4	59,150,000	34,338,353	93,488,353
2024	5	31,855,000	32,148,332	64,003,332
2025 through 2029	6-10	176,005,000	136,080,775	312,085,775
2030 through 2034	11-15	149,010,000	93,174,425	242,184,425
2035 through 2039	16-20	122,380,000	62,689,925	185,069,925
2040 through 2044	21-25	116,560,000	31,096,801	147,656,801
2045 through 2049	26-30	65,225,000	11,665,350	76,890,350
2050 through 2054	31-35	15,415,000	1,353,150	16,768,150
		848,963,000	516,801,782	1,365,764,782
Bond Premium		50,454,916	—	50,454,916
Bond (Discount and Other Issuance Cost)		(25,806,491)	—	(25,806,491)
Total		$ 873,611,425	$ 516,801,782	$ 1,390,413,207



REQUIRED SUPPLEMENTARY INFORMATION

GEORGIA INSTITUTE OF TECHNOLOGY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
DEFINED BENEFIT PENSION PLAN
FOR THE LAST TEN YEARS

	Year Ended	Actuarially Determined Contribution (a)	Contributions in Relation to the Actuarially Determined Contribution (b)	Contribution Deficiency (Excess) (b-a)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
Employees' Retirement System	6/30/2019	$ 247,003	$ 247,003	$ —	$ 996,845	24.78%
	6/30/2018	$ 281,114	$ 281,114	$ —	$ 1,132,404	24.82%
	6/30/2017	$ 326,303	$ 326,303	$ —	$ 1,306,263	24.98%
	6/30/2016	$ 333,318	$ 333,318	$ —	$ 1,337,706	24.92%
	6/30/2015	$ 265,180	$ 265,180	$ —	$ 1,206,149	21.99%
	6/30/2014	$ 196,257	$ 196,257	$ —	$ 1,094,942	17.92%
	6/30/2013	$ 153,729	$ 153,729	$ —	$ 1,038,464	14.80%
	6/30/2012	$ 105,626	$ 105,626	$ —	$ 900,481	11.73%
	6/30/2011	$ 76,280	$ 76,280	$ —	$ 732,757	10.41%
	6/30/2010	$ 62,649	$ 62,649	$ —	$ 601,816	10.41%
Teachers Retirement System	6/30/2019	$ 63,347,815	$ 63,347,815	$ —	$ 302,967,368	20.91%
	6/30/2018	$ 48,433,865	$ 48,433,865	$ —	$ 288,778,252	16.77%
	6/30/2017	$ 38,573,130	$ 38,573,130	$ —	$ 270,480,254	14.26%
	6/30/2016	$ 35,868,907	$ 35,868,907	$ —	$ 251,089,879	14.29%
	6/30/2015	$ 31,122,618	$ 31,122,618	$ —	$ 236,515,744	13.16%
	6/30/2014	$ 27,139,593	$ 27,139,593	$ —	$ 221,162,197	12.27%
	6/30/2013	$ 24,374,980	$ 24,374,980	$ —	$ 213,368,556	11.42%
	6/30/2012	$ 21,634,408	$ 21,634,408	$ —	$ 210,451,440	10.28%
	6/30/2011	$ 21,318,703	$ 21,318,703	$ —	$ 207,380,379	10.28%
	6/30/2010	$ 20,356,273	$ 20,356,273	$ —	$ 208,996,643	9.74%

GEORGIA INSTITUTE OF TECHNOLOGY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS
FOR THE LAST FIVE FISCAL YEARS*

	Year Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Employees' Retirement System	6/30/2019	0.043585%	$ 1,791,794	$ 1,132,404	158.23%	76.68%
	6/30/2018	0.052022%	$ 2,112,788	$ 1,306,263	161.74%	76.33%
	6/30/2017	0.055955%	$ 2,646,907	$ 1,337,706	197.87%	72.34%
	6/30/2016	0.047215%	$ 1,906,547	$ 1,206,149	158.07%	76.20%
	6/30/2015	0.047000%	$ 1,770,854	$ 1,094,942	161.73%	77.99%
Teachers Retirement System	6/30/2019	2.420015%	$ 449,206,621	$ 288,778,252	155.55%	80.27%
	6/30/2018	2.351530%	$ 437,039,093	$ 270,480,254	161.58%	79.33%
	6/30/2017	2.288606%	$ 472,164,936	$ 251,089,879	188.05%	76.06%
	6/30/2016	2.239970%	$ 341,013,190	$ 236,515,744	144.18%	81.44%
	6/30/2015	2.166000%	$ 273,684,569	$ 221,162,197	123.75%	84.03%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

GEORGIA INSTITUTE OF TECHNOLOGY
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
DEFINED BENEFIT PENSION PLANS
METHODS AND ASSUMPTIONS
FOR FISCAL YEAR ENDED JUNE 30, 2019

Changes of assumptions

Employees' Retirement System:
Changes of assumptions: On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases.

On March 15, 2018, the Board adopted a new funding policy. Because of this new funding policy, the assumed investment rate of return was reduced from 7.50% to 7.40% for June 30, 2017 actuarial valuation. In addition, based on the Board's new funding policy, the assumed investment rate of return was further reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 Measurement Date.

Teachers Retirement System:
Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

GEORGIA INSTITUTE OF TECHNOLOGY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS FOR OPEB PLAN
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
FOR THE LAST THREE YEARS*

Year Ended	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contribution (b)	Contribution Deficiency (Excess) (b-a)	Covered Employee Payroll (c)	Contributions as a Percentage of Covered Employee Payroll (b/c)
6/30/2019	$ 24,616,725	$ 24,616,725	$ —	$ 701,902,432	3.51%
6/30/2018	$ 23,699,671	$ 23,699,671	$ —	$ 677,223,508	3.50%
6/30/2017	$ 14,811,541	$ 14,811,541	$ —	$ 638,812,645	2.32%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

GEORGIA INSTITUTE OF TECHNOLOGY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
FOR THE LAST TWO YEARS*

Year Ended	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Employee Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
6/30/2019	14.96%	$ 659,849,732	$ 677,223,508	97.43%	1.69%
6/30/2018	14.87%	$ 627,617,932	$ 638,812,645	98.25%	0.19%

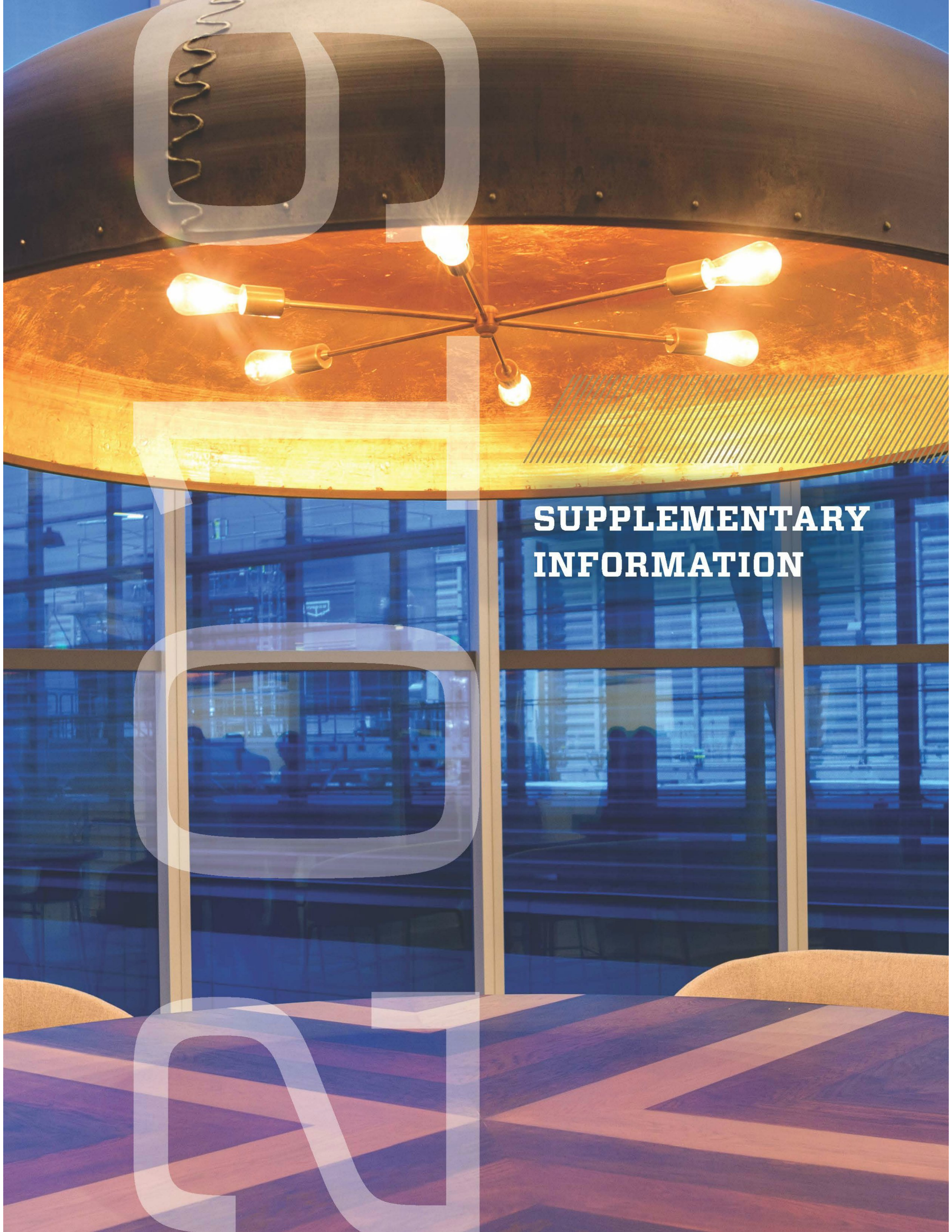
*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

GEORGIA INSTITUTE OF TECHNOLOGY
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION FOR OPEB PLAN
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
METHODS AND ASSUMPTIONS
FOR FISCAL YEAR ENDED JUNE 30, 2019

Changes in Assumptions Since Prior Valuation

Expected claims costs were updated to reflect actual claims experience. Trend was reset based on current conditions. The discount rate was updated from 3.58% to 3.87% as of June 30, 2018. Disability, Termination, Retirement, and Disabled Mortality were updated to reflect the current Teachers Retirement System of Georgia.

SUPPLEMENTARY INFORMATION



GEORGIA INSTITUTE OF TECHNOLOGY
BALANCE SHEET (NON-GAAP BASIS)
BUDGET FUNDS
JUNE 30, 2019
(UNAUDITED)

ASSETS		
Cash and Cash Equivalents	$	109,147,969.58
Accounts Receivable		
Federal Financial Assistance		94,422,927.89
Other		24,641,661.90
Prepaid Expenditures		10,405,396.46
Inventories		613,242.15
Total Assets	$	239,231,197.98
LIABILITIES AND FUND EQUITY		
Liabilities		
Encumbrance Payable	$	59,998,756.63
Accounts Payable		74,735,329.32
Unearned Revenue		29,432,572.33
Other Liabilities		126,424.00
Total Liabilities		164,293,082.28
Fund Balances		
Reserved		
Department Sales and Services		23,188,306.42
Indirect Cost Recoveries		45,783,639.20
Technology Fees		1,283,504.36
Restricted/Sponsored Funds		1,792,467.83
Uncollectible Accounts Receivable		1,672,251.90
Inventories		455,213.60
Tuition Carry - Forward		414,012.93
Unreserved		
Surplus		348,719.46
Total Fund Balances		74,938,115.70
Total Liabilities and Fund Balances	$	239,231,197.98

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

				Funds Available Compared to Budget	
	Original Appropriation	Amended Appropriation	Final Budget	Current Year Revenues	Prior Year Reserve Carry-Over
Enterprise Innovation Institute					
State Appropriation					
State General Funds	$ 19,576,909.00	$ 19,576,909.00	$ 19,576,909.00	$ 19,576,909.00	$ —
Other Funds	10,900,000.00	14,400,000.00	19,500,000.00	15,092,904.11	233,451.48
Total Enterprise Innovation Institute	30,476,909.00	33,976,909.00	39,076,909.00	34,669,813.11	233,451.48
Georgia Tech Research Institute					
State Appropriation					
State General Funds	6,094,956.00	6,094,956.00	6,094,956.00	6,094,956.00	—
Other Funds	406,225,535.00	477,980,336.00	484,480,336.00	475,586,465.67	2,295,466.78
Total Georgia Tech Research Institute	412,320,491.00	484,075,292.00	490,575,292.00	481,681,421.67	2,295,466.78
Teaching					
State Appropriation					
State General Funds	292,716,737.00	292,852,688.00	293,093,644.00	293,093,644.00	—
Other Funds	999,074,000.00	999,074,000.00	1,149,420,000.00	1,017,511,868.67	49,733,741.65
Total Teaching	1,291,790,737.00	1,291,926,688.00	1,442,513,644.00	1,310,605,512.67	49,733,741.65
Total Operating Activity	$ 1,734,588,137.00	$ 1,809,978,889.00	$ 1,972,165,845.00	$ 1,826,956,747.45	$ 52,262,659.91

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Funds Available Compared to Budget			Expenditures Compared to Budget		Excess
	Program Transfers or Adjustments	Total Funds Available	Variance Positive (Negative)	Actual	Variance Positive (Negative)	(Deficiency) of Funds Available Over/(Under) Expenditures
Enterprise Innovation Institute						
State Appropriation						
State General Funds	$ —	$ 19,576,909.00	$ —	$ 19,576,909.00	$ —	$ —
Other Funds	—	15,326,355.59	(4,173,644.41)	14,395,924.40	5,104,075.60	930,431.19
Total Enterprise Innovation Institute	—	34,903,264.59	(4,173,644.41)	33,972,833.40	5,104,075.60	930,431.19
Georgia Tech Research Institute						
State Appropriation						
State General Funds	—	6,094,956.00	—	6,094,956.00	—	—
Other Funds	—	477,881,932.45	(6,598,403.55)	474,373,373.20	10,106,962.80	3,508,559.25
Total Georgia Tech Research Institute	—	483,976,888.45	(6,598,403.55)	480,468,329.20	10,106,962.80	3,508,559.25
Teaching						
State Appropriation						
State General Funds	—	293,093,644.00	—	292,968,155.54	125,488.46	125,488.46
Other Funds	1,278,780.32	1,068,524,390.64	(80,895,609.36)	1,000,534,125.45	148,885,874.55	67,990,265.19
Total Teaching	1,278,780.32	1,361,618,034.64	(80,895,609.36)	1,293,502,280.99	149,011,363.01	68,115,753.65
Total Operating Activity	$1,278,780.32	$1,880,498,187.68	$ (91,667,657.32)	$1,807,943,443.59	$164,222,401.41	$72,554,744.09

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Beginning Fund Balance/(Deficit)	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2018 Surplus	Prior Year Adjustments	Other Adjustments
Enterprise Innovation Institute					
State Appropriation					
State General Funds	$ 0.28	$ —	$ (0.28)	$ 17.24	$ —
Other Funds	233,451.48	(233,451.48)	—	—	(6,767.55)
Total Enterprise Innovation Institute	233,451.76	(233,451.48)	(0.28)	17.24	(6,767.55)
Georgia Tech Research Institute					
State Appropriation					
State General Funds	275.68	—	(275.68)	657.29	—
Other Funds	2,295,466.78	(2,295,466.78)	—	—	—
Total Georgia Tech Research Institute	2,295,742.46	(2,295,466.78)	(275.68)	657.29	—
Teaching					
State Appropriation					
State General Funds	21,028.38	—	(21,028.38)	252,797.38	(125,488.46)
Other Funds	49,770,813.93	(49,733,741.65)	(37,072.28)	358,469.79	39,442.66
Total Teaching	49,791,842.31	(49,733,741.65)	(58,100.66)	611,267.17	(86,045.80)
Total Operating Activity	52,321,036.53	(52,262,659.91)	(58,376.62)	611,941.70	(92,813.35)
Prior Year Reserves					
Not Available for Expenditure					
Inventories	329,725.14	—	—	—	125,488.46
Uncollectible Accounts Receivable	1,704,927.01	—	—	—	(32,675.11)
Budget Unit Totals	$ 54,355,688.68	$ (52,262,659.91)	$ (58,376.62)	$ 611,941.70	$ —

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Early Return of Fiscal Year 2019 Surplus	Excess (Deficiency) of Funds Available Over/Under) Expenditures	Ending Fund Balance/ (Deficit) June 30	Analysis of Ending Fund Balance		
				Reserved	Surplus/ (Deficit)	Total
Enterprise Innovation Institute						
Development Institute						
State Appropriation						
State General Funds	$ (17.24)	$ —	$ —	$ —	$ —	$ —
Other Funds	—	930,431.19	923,663.64	923,663.64	—	923,663.64
Total Enterprise Innovation Institute	(17.24)	930,431.19	923,663.64	923,663.64	—	923,663.64
Georgia Tech Research Institute						
State Appropriation						
State General Funds	—	—	657.29	—	657.29	657.29
Other Funds	—	3,508,559.25	3,508,559.25	3,508,559.25	—	3,508,559.25
Total Georgia Tech Research Institute	—	3,508,559.25	3,509,216.54	3,508,559.25	657.29	3,509,216.54
Teaching						
State Appropriation						
State General Funds	(122,030.11)	125,488.46	130,767.27	—	130,767.27	130,767.27
Other Funds	(141,174.89)	67,990,265.19	68,247,002.75	68,029,707.85	217,294.90	68,247,002.75
Total Teaching	(263,205.00)	68,115,753.65	68,377,770.02	68,029,707.85	348,062.17	68,377,770.02
Total Operating Activity	(263,222.24)	72,554,744.09	72,810,650.20	72,461,930.74	348,719.46	72,810,650.20
Prior Year Reserves						
Not Available for Expenditure						
Inventories	—	—	455,213.60	455,213.60	—	455,213.60
Uncollectible Accounts Receivable	—	—	1,672,251.90	1,672,251.90	—	1,672,251.90
Budget Unit Totals	$(263,222.24)	$72,554,744.09	$74,938,115.70	$74,589,396.24	$ 348,719.46	$74,938,115.70

	Reserved	Surplus/ (Deficit)	Total
Departmental Sales and Services	$23,188,306.42	$ —	$23,188,306.42
Indirect Cost Recovery	45,783,639.20	—	45,783,639.20
Technology Fees	1,283,504.36	—	1,283,504.36
Restricted/Sponsored Funds	1,792,467.83	—	1,792,467.83
Tuition Carry-Forward	414,012.93	—	414,012.93
Uncollectible Accounts Receivable	1,672,251.90	—	1,672,251.90
Inventories	455,213.60	—	455,213.60
Surplus	—	348,719.46	348,719.46
	$74,589,396.24	$ 348,719.46	$74,938,115.70

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

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