CREATING THE NEXT

2018

GEORGIA INSTITUTE OF TECHNOLOGY

ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2018
INCLUDING INDEPENDENT AUDITOR'S REPORT

Georgia Tech

GEORGIA INSTITUTE OF TECHNOLOGY
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For the Fiscal Year Ended June 30, 2018

INTRODUCTORY SECTION

2018

Message from the President

We are enjoying a time of great momentum at the Georgia Institute of Technology! For more than 18 years, Georgia Tech has been ranked among the nation's top 10 public universities by *U.S. News & World Report*. The Institute also continues to earn a stellar reputation internationally, ranking No. 14 on the *U.S. News & World Report* list of the 100 Best Global Universities for Engineering and No. 71 on its 500 Top Global Universities list. Other FY2018 highlights include:

- More than 29,000 students enrolled at Georgia Tech this past year representing a majority of Georgia counties, all 50 states, and 127 countries.

- After more than two years and engagement from 50-plus faculty, staff, and students, Georgia Tech's Commission on Creating the Next in Education (CNE) released its final report in April 2018. Titled "Deliberate Innovation, Lifetime Education," CNE envisions a Georgia Tech that will serve an increasingly diverse population of learners and recommends an ambitious proposal called the "Georgia Tech Commitment to a Lifetime Education."

- In 2014, the Institute was the first to offer an Online Master of Science in Computer Science (OMSCS) degree, at a fraction of the cost of earning a similar degree on campus. The OMSCS program has grown from 380 students in its first cohort to more than 6,300 today. In 2017, Georgia Tech launched an Online Master of Science degree in Analytics (OMS Analytics), available for less than $10,000. More online degrees are on the way.

- Momentum continues in Tech Square with the opening of more than 20 innovation centers in the area, allowing interaction with the talent and expertise that exists at Georgia Tech in our students, faculty, and staff.

- Georgia Tech will be the anchor tenant of Coda, a collaborative 750,000-square-foot mixed-use project set to open in March 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.

- In 2017, our Enterprise Innovation Institute (EI^2) programs served more than 5,000 businesses, communities and entrepreneurs. Among the highlights: EI^2 programs evaluated 298 Georgia Tech faculty research innovations, helped their clients create or save more than 26,000 jobs, and secure more than $1.9 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 801 manufacturers and helped them reduce operating costs by $41.9 million and generate sales of $259 million. Technology startups in our Advanced Technology Development Center (ATDC) program reported revenue totaling more than $148 million, $823 million in capital investments, and more than 2,260 jobs. ATDC served more than 1,830 Georgia entrepreneurs statewide.

- In 2018, The Goldman Sachs Group affiliated with Georgia Tech, the city of Atlanta, and 10 founding Atlanta-based corporations in project Engage, a membership-driven accelerator program and venture fund housed at Georgia Tech. Along with a substantial financial commitment, the corporations support the accelerator through mentoring, education, and collaboration, a reflection of the business community's confidence in the Institute.

- The Institute's research efforts are diversified, ranging from biomedical advances to space exploration, which positions Georgia Tech well when funding decisions are made at the national level. Our research expenditures reached a school record of $804 million during the past year. Georgia Tech has received $20 million from the National Science Foundation for an Engineering Research Center for Cell Manufacturing Technologies. It is built on a $16 million gift from the Marcus Foundation, along with our partnership with the state of Georgia, several companies, and other universities, including the University of Georgia, Augusta University, and the Technical College System of Georgia.

This past year, we saw our students, faculty, and staff do some absolutely amazing things in the classrooms, laboratories, and our communities. We are proud to be a contributing member of the University System of Georgia and will continue to expand our reach in our ongoing effort to improve the human condition here and around the world.

G.P. "Bud" Peterson
President
Georgia Institute of Technology

Letter of Transmittal

August 17, 2018

To: President G. P. “Bud” Peterson
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, 2018, 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, 2018.

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
Interim Executive Vice President
Administration and Finance

FINANCIAL SECTION

2018

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 Nathan Deal, 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. G.P. "Bud" Peterson, President
Georgia Institute of Technology

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Georgia Institute of Technology (Institute), a unit of the University System of Georgia, which is an organizational unit of the State of Georgia, as of and for the year ended June 30, 2018, 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 discretely presented component units of the Institute that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United State of America, but not 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 opinion.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the of the business-type activities and the aggregate discretely presented component units of the Institute as of June 30, 2018, 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 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, 2018, 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.

As described in Note 1 to the financial statements, in 2018, the Institute adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* GASB Statement No. 81*, Irrevocable Split-Interest Agreements*, GASB Statement 85, *Omnibus 2017*, and GASB Statement No. 86, *Certain Debt Extinguishment Issues*. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Contributions for Defined Benefit Pension Plans, Schedule of Proportionate Share of the Net Pension Liability, Notes to the Required Supplementary Information for Pension Plans, Schedule of Contributions for OPEB Plan, Schedule of Proportionate Share of the Net OPEB Liability, and the Notes to the Required Supplementary Information for OPEB Plan as 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.

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 as listed in the table of contents are presented for the purposes of additional analysis and are not a required part 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 supplemental 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 November 17, 2018 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

November 17, 2018

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). Georgia Tech is 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.

Georgia Tech provides a focused, technology-based education to more than 29,300 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 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, 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 global preeminence, leadership, and service. Our welcoming and inclusive environment strengthens our ability to come together to address some of the world's biggest challenges and most pressing problems in a positive and constructive manner.

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 2018	1,384	29,369	24,690
Fiscal Year 2017	1,384	26,841	23,351
Fiscal Year 2016	1,311	25,034	22,236

Overview of the Financial Statements and Financial Analysis
The Institute is pleased to present its financial statements for fiscal year 2018. 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 2018 and fiscal year 2017. However, the comparative data for fiscal year 2017 does not reflect the effects of the restatement of July 1, 2017 net position. This restatement is related to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of this Statement resulted in the accrual of the Institute's proportionate share of the net other post-employment benefit (OPEB) liability for the Board of Regents Retiree Health Benefit Plan, changes to the related OPEB note disclosures, additional OPEB required supplemental information, and the restatement of the July 1, 2017 net position balance. See Note 1 in the Notes to the Financial Statements for additional information related to the effects of the restatement of July 1, 2017 net position.

Statement of Net Position

The Statement of Net Position is a financial condition snapshot as of June 30, 2018 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, 2018 and June 30, 2017 is as follows:

CONDENSED STATEMENT OF NET POSITION	June 30, 2018	June 30, 2017
ASSETS		
Current Assets	$ 464,877,108	$ 430,979,041
Capital Assets, Net	1,917,030,340	1,901,947,788
Other Assets	98,439,853	90,915,300
TOTAL ASSETS	2,480,347,301	2,423,842,129
DEFERRED OUTFLOWS OF RESOURCES	140,174,893	135,937,111
LIABILITIES		
Current Liabilities	203,580,710	200,413,897
Non-Current Liabilities	1,491,669,852	918,927,396
TOTAL LIABILITIES	1,695,250,562	1,119,341,293
DEFERRED INFLOWS OF RESOURCES	59,496,438	12,878,810
NET POSITION		
Net Investment in Capital Assets	1,466,887,074	1,435,060,932
Restricted, Nonexpendable	69,971,535	65,258,703
Restricted, Expendable	29,848,244	29,277,394
Unrestricted (Deficit)	(700,931,659)	(102,037,892)
TOTAL NET POSITION	$ 865,775,194	$ 1,427,559,137

Total assets and deferred outflows of resources increased for the year by $60,742,954 which was primarily due to increases of $33,898,067, $15,082,552 and $7,524,553 in the categories of: current assets; capital assets, net; and other assets, respectively. The increase in deferred outflows of resources of $4,237,782 is due to the Institute'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 $622,526,897 primarily due to an increase in non-current liabilities of $572,742,456 and an increase of $46,617,628 for deferred inflows. The increase in deferred inflows was primarily due to the Institute'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 a decrease in net position of $561,783,943. This change in net position is primarily in the category of Unrestricted Net Position, in the amount of $598,893,767. This decrease in net position reflects the impact of the restatement for the change in accounting principle due to the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

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, 2018 and June 30, 2017 is as follows:

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	June 30, 2018	June 30, 2017
Operating Revenue	$ 1,406,529,539	$ 1,308,705,485
Operating Expense	1,660,717,352	1,536,635,101
Operating Loss	(254,187,813)	(227,929,616)
Nonoperating Revenue and Expense	308,563,030	279,258,021
Income before Other Revenues, Expenses, Gains or Losses and Special Items	54,375,217	51,328,405
Other Revenues, Expenses, Gains or Losses and Special Items	(12,613,076)	8,025,577
Change in Net Position	41,762,141	59,353,982
Net Position at Beginning of Year, Restated	824,013,053	1,368,205,155
Net Position at End of Year	$ 865,775,194	$ 1,427,559,137

The decrease in net position on the Statement of Revenues, Expenses and Changes in Net Position reflects the impact of the restatement for the change in accounting principle due to the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Revenues

For the years ended June 30, 2018 and June 30, 2017, Revenues by Source were as follows:

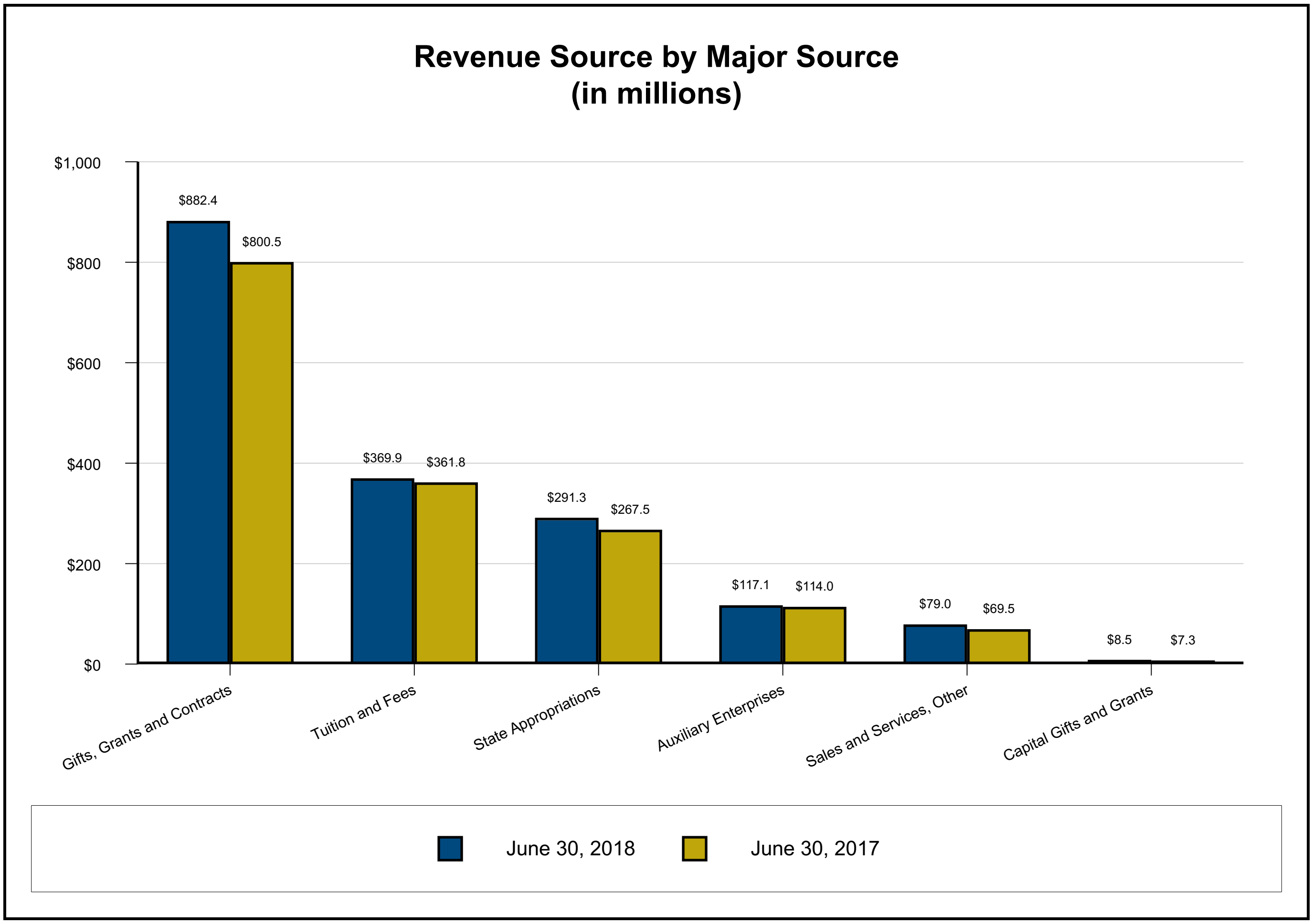
REVENUES BY SOURCE	June 30, 2018	June 30, 2017
Tuition and Fees	$ 369,856,163	$ 361,845,835
Grants and Contracts	868,313,514	786,675,419
Sales and Services	41,222,226	39,106,996
Auxiliary Enterprises	117,090,112	113,964,249
Other Operating Revenues	10,047,524	7,112,986
Total Operating Revenues	1,406,529,539	1,308,705,485
State Appropriations	291,283,120	267,514,001
Grants and Contracts	12,545,724	11,122,453
Gifts	1,498,581	2,738,147
Investment Income	20,468,916	21,525,736
Other Nonoperating Revenues	6,900,438	1,037,036
Total Nonoperating Revenues	332,696,779	303,937,373
State Capital Gifts and Grants	8,360,630	6,485,524
Other Capital Gifts and Grants	140,907	793,930
Total Capital Gifts and Grants	8,501,537	7,279,454
Additions to Permanent and Term Endowments	322,447	746,123
Total Revenues	$ 1,748,050,302	$ 1,620,668,435

Total revenue increased by $127.4 million over the prior fiscal year. The largest driver for the increase was grants and contracts (operating and non-operating) which increased by $83.1 million, followed by state appropriations which increased by $23.8 million. The increase in grants and contracts represents solid performance for multi-year awards while the increase in state appropriations indicates an increase in state funding. Tuition and Fees increased by $8.0 million reflecting an increase in enrollment and an increase in the tuition rate.

Operating revenue which includes categories such as tuition and fees, operating grants and contracts, and auxiliary enterprises increased by a total of $97.8 million. This increase included a $8.0 million net increase in tuition and fees and a $81.6 million increase in operating grants and contracts, which are grants that exchange payment for products and services.

Nonoperating revenue which includes categories such as state appropriations, gifts, grants and contracts, and investment income increased by $28.8 million for fiscal year 2018. This increase is primarily attributable to a combined increase in State Appropriations of $23.8 million and increase in Other Nonoperating Revenue of $5.9 million.

The illustration below is a comparison of the Institute's revenue sources by major category for fiscal years ended June 30, 2018 and June 30, 2017:



Total revenue was $1,748.1 and $1,620.6 million for fiscal year 2018 and fiscal year 2017, respectively. Revenue from Gifts, Grants and Contracts was $882.4 million, an increase of $81.9 million over the prior year. This revenue source includes $77.0 million of direct expense reimbursements from the Georgia Tech Foundation, a decrease of $6.9 million over the prior fiscal year.

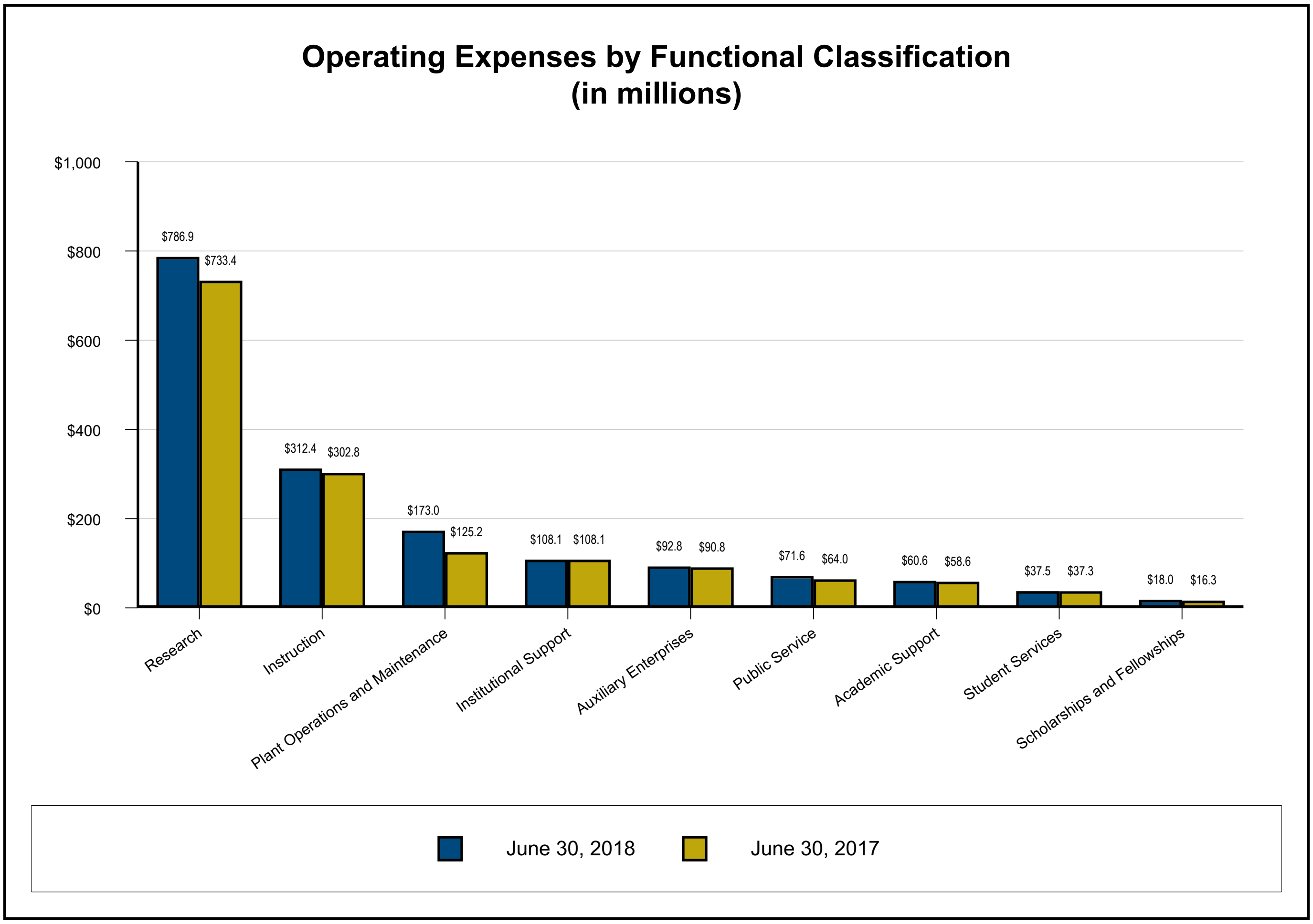
Expenses

For the years ended June 30, 2018 and June 30, 2017, expenses by functional classification were as follows:

EXPENSES BY FUNCTIONAL CLASSIFICATION	June 30, 2018	June 30, 2017
Instruction	$ 312,384,484	$ 302,825,848
Research	786,859,532	733,414,901
Public Service	71,586,384	64,024,758
Academic Support	60,564,620	58,633,464
Student Services	37,504,918	37,251,927
Institutional Support	108,064,848	108,120,489
Plant Operations and Maintenance	172,966,983	125,197,501
Scholarships and Fellowships	17,994,648	16,342,204
Auxiliary Enterprises	92,790,935	90,824,009
Total Operating Expenses	1,660,717,352	1,536,635,101
Interest Expense	24,133,749	24,679,352
Special Item - Capital Asset Adjustments Due to Adoption of USG Policy	21,437,060	—
Total Nonoperating Expenses	45,570,809	24,679,352
Total Expenses	$ 1,706,288,161	$ 1,561,314,453

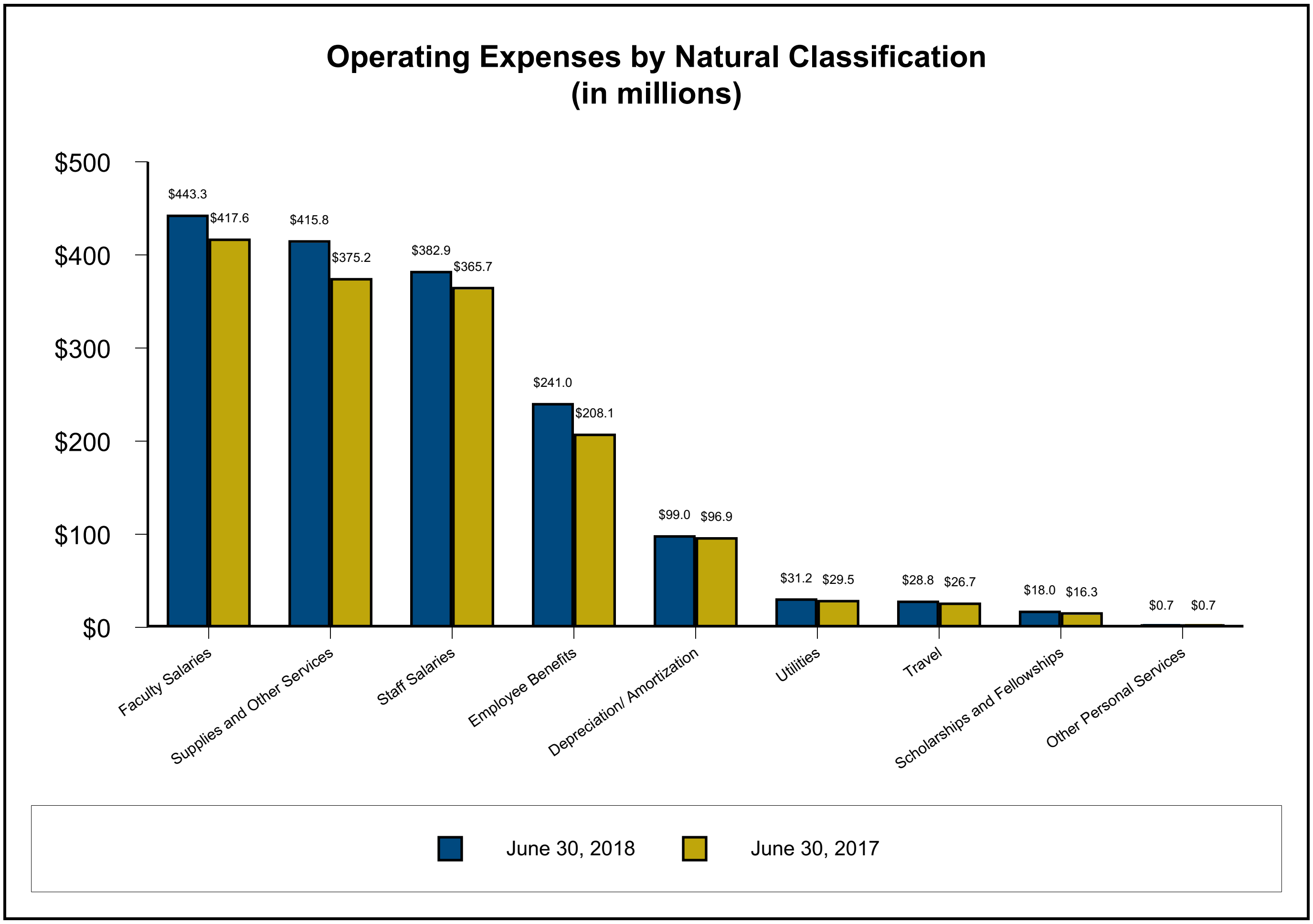
Total expenses were $1,706.3 million in fiscal year 2018, an increase of $145 million (9.3%) when compared to the prior fiscal year. The operating expense increases are primarily attributable to the following functional classifications: Research ($53.4 million); Plant Operations and Maintenance ($47.8 million); Instruction ($9.6 million); and Public Service ($7.6 million). Nonoperating expenses increased by 84.7% primarily because of an adjustment for capital assets due to adoption of USG policy.

The illustration below is a comparison of the Institute's operating expenses by functional classification for the fiscal years ended June 30, 2018 and June 30, 2017.



Total operating expenses were $1,660.7 million and $1,536.6 million for fiscal year 2018 and fiscal year 2017, respectively. This represents a $124.1 million or 8.07% increase over the previous fiscal year. Operating expenses for Research, Instruction, Plant Operations and Maintenance and Public Service, increased by a total of $118.3 million. The remaining categories were 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, 2018 and June 30, 2017.



The net increase in operating expenses of $124.1 million is primarily attributable to increases in Faculty Salaries, Staff Salaries and Employee Benefits of $75.8 million. This reflects hiring of new faculty and staff, increases in the cost of employee benefits and the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Supplies and Other Services increased by $40.6 million reflecting an increase in consumption. The remaining categories were 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, 2018 and 2017 were as follows:

CONDENSED STATEMENT OF NET CASH FLOWS	June 30, 2018	June 30, 2017
Cash Provided (Used) by:		
Operating Activities	$ (151,584,219)	$ (105,099,015)
Non-Capital Financing Activities	312,700,402	283,990,649
Capital and Related Financing Activities	(173,572,700)	(152,928,838)
Investing Activities	13,794,501	16,462,319
Net Change in Cash & Cash Equivalents	1,337,984	42,425,115
Cash & Cash Equivalents, Beginning of Year	295,909,021	253,483,906
Cash & Cash Equivalents, End of Year	$ 297,247,005	$ 295,909,021

Capital Assets

Capital assets, net of accumulated depreciation, at June 30, 2018 and June 30, 2017 were as follows:

CAPITAL ASSETS, net of accumulated depreciation	June 30, 2018	June 30, 2017
Land	$ 57,353,765	$ 56,713,543
Capitalized Collections	19,367,554	19,362,554
Construction Work-in-Progress	55,421,318	73,511,171
Software Development-in-Progress	2,806,873	—
Infrastructure	92,379,299	107,732,018
Building and Building Improvements	1,420,718,362	1,382,175,405
Facilities and Other Improvements	44,733,201	52,030,335
Equipment	184,752,697	173,862,282
Library Collections	35,150,032	34,310,480
Software	4,347,239	2,250,000
Capital Assets, net of accumulated depreciation	$ 1,917,030,340	$ 1,901,947,788

The Institute had two significant capital asset additions for fiscal year 2018: the West Village Dining Commons and the Steam Line Replacement. The West Village Dining Commons was completed with Auxiliary and non-Auxiliary Institute funds resulting in a $25,743,163 capital asset addition to Buildings. The Steam Line Replacement was completed with Institute funds resulting in a $12,972,129 addition to Infrastructure.

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 $1,552,262,948 of which $60,593,096 was reflected as current liability at June 30, 2018.

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 2018 operating results. Management anticipates that fiscal year 2019 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 2% enrollment increase anticipated in fiscal year 2019 for programs exclusive of on-line programs. For fiscal year 2018 the Board of Regents (BOR) approved a 2% increase in undergraduate tuition rates and 2.5% for graduate tuition above the 2017 levels. For fiscal year 2019, the BOR chose to maintain the 2018 tuition rates for all student categories. With the exception of the online programs, 0% to 2% rate increases are anticipated for future years and enrollment growth is expected to continue at moderate levels. The three for-credit online programs - Online Masters in Computer Science (OMSCS), Analytics (OMSA), and Cybersecurity (OMSC - a newly approved program) - will continue to experience larger relative increases. The OMS CS program has grown from a fall 2014 enrollment of 1,255 to a fall 2018 projected enrollment of 7,500. In order to maintain degree quality beyond fiscal year 2019, the Institute will likely maintain or modestly grow enrollment in the OMS CS program. The OMS Analytics program launched in the fall of 2017 with an initial cohort of 250 students. For fall of 2018, 1,500 students is 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 will launch 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 has in recent years provided the Governor and General Assembly a basis for new system 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 determining new system requirements is principally based on 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, also 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). For fiscal year 2018, the BOR allocated the equivalent of an average 2% merit pay increase for employees funded by state and other general funds. The General Assembly appropriated no funding for merit increases in fiscal year 2019 but provided substantial funding required by the Teachers' Retirement System (TRS). 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 8.9% in fiscal year 2018 over 2017 and 9.3% in fiscal year 2019 above 2018, including the TRS funding.

Sponsored
Georgia Tech experienced another strong year in the area of sponsored activity. Sponsored awards received in fiscal year 2018 totaled more than $850 million, of which 72% were awarded from the Federal government and 15% from Industry. This represents an increase of 23% over the previous fiscal year. Since many of these awards span multiple years, the future of sponsored activity at Georgia Tech remains bright. As indicated in the Statement of Revenues, Expenses and Changes in Net Position, revenue from Grants and Contracts totaled $881 million for fiscal year 2018. This is a 10.41% increase over the previous year. With its reputation as a global leader in university research, Georgia Tech anticipates maintaining the current levels of sponsored revenue through its diversified focus in 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 has succeeded in carrying over a portion of its indirect cost revenue for nine straight years, including fiscal year 2018, and has slightly increased the amount 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 continues to maintain the solid reserves necessary to cover required capital improvements anticipated for future years. Auxiliary programs are principally funded through both mandatory student fees for such services as transportation, student activities, and student health, and elective fees for housing, parking, dining, and other service areas. From Auxiliary reserves, the Institute was able to fund fiscal year 2018 and 2019 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.

G. P. "Bud" Peterson
President

James G. Fortner
Interim Executive Vice President
Administration and Finance

FINANCIAL STATEMENTS

2018

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF NET POSITION
JUNE 30, 2018

		Georgia Institute of Technology		Component Units
ASSETS				
Current Assets				
Cash and Cash Equivalents	$	205,580,549	$	106,715,229
Cash and Cash Equivalents (Externally Restricted)		91,624,306		40,027,531
Accounts Receivable, net				
Federal Financial Assistance		12,032,839		—
Affiliated Organizations		—		2,626,327
Component Units		106,175,231		—
Pledges and Contributions		—		25,977,601
Other		23,263,434		198,827,789
Notes Receivable, net		—		15,668
Investment in Capital Leases - Primary Government		—		16,485,967
Investment in Capital Leases - Other		—		346,304
Inventories		1,006,490		—
Prepaid Items		25,194,259		1,990,974
Other Assets		—		227,214
Total Current Assets		464,877,108		393,240,604
Non-Current Assets				
Accounts Receivable, net				
Affiliated Organizations		—		6,167,186
Due From USO - Capital Liability Reserve Fund		2,275,907		—
Pledges and Contributions		—		87,270,336
Investments		—		1,204,634,563
Notes Receivable, net		12,727,073		3,643
Investment in Capital Leases - Primary Government		—		326,202,404
Investment in Capital Leases - Other		—		4,048,306
Other Assets		—		28,993,996
Non-current Cash (Externally Restricted)		42,150		71,187,624
Investments (Externally Restricted)		83,394,723		554,025,000
Capital Assets, net		1,917,030,340		405,834,744
Total Non-Current Assets		2,015,470,193		2,688,367,802
TOTAL ASSETS		2,480,347,301		3,081,608,406
DEFERRED OUTFLOWS OF RESOURCES	$	140,174,893	$	16,859,114

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

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF NET POSITION
JUNE 30, 2018

	Georgia Institute of Technology	Component Units
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 79,422,180	$ 14,571,072
Salaries Payable	2,563,071	—
Benefits Payable	640,267	—
Contracts Payable	9,976,327	—
Retainage Payable	3,319,158	1,255,140
Due to Affiliated Organizations	232,776	1,812,098
Due to Primary Government	—	106,175,231
Advances (Including Tuition and Fees)	22,435,153	79,359,147
Deposits	9,042,094	10,837,933
Deposits Held for Other Organizations	15,127,326	28,158,408
Other Liabilities	229,262	5,205,904
Notes and Loans Payable	1,099,763	21,899,986
Lease Purchase Obligations - External	4,357,656	2,161,502
Lease Purchase Obligations - Component Units	16,485,968	—
Revenue Bonds and Notes Payable	—	23,973,267
Liabilities Under Split Interest Agreements	—	1,465,000
Pollution Remediation	263,040	561,929
Claims and Judgments	—	1,279,688
Compensated Absences	38,386,669	409,000
Total Current Liabilities	203,580,710	299,125,305
Non-Current Liabilities		
Due to Affiliated Organizations	—	6,615,000
Advances (Including Tuition and Fees)	—	3,463,520
Other Liabilities	—	8,842,000
Notes and Loans Payable	5,235,273	57,149,937
Lease Purchase Obligations - External	78,794,002	56,867,029
Lease Purchase Obligations - Component Units	326,202,403	—
Revenue Bonds and Notes Payable	—	766,243,274
Liabilities Under Split Interest Agreements	—	14,062,000
Claims and Judgments	—	765,928
Compensated Absences	14,668,361	—
Net Other Post-employment Benefits Liability	627,617,932	—
Net Pension Liability	439,151,881	—
Total Non-Current Liabilities	1,491,669,852	914,008,688
TOTAL LIABILITIES	1,695,250,562	1,213,133,993
DEFERRED INFLOWS OF RESOURCES	59,496,438	—
NET POSITION		
Net Investment in Capital Assets	1,466,887,074	50,342,805
Restricted for:		
Nonexpendable	69,971,535	771,500,723
Expendable	29,848,244	892,744,864
Unrestricted (Deficit)	(700,931,659)	170,745,135
TOTAL NET POSITION	$ 865,775,194	$ 1,885,333,527

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, 2018

	Georgia Institute of Technology	Component Units
OPERATING REVENUES		
Student Tuition and Fees (net)	$ 369,856,163	$ —
Grants and Contracts		
Federal	613,088,605	656,384,430
State	8,128,923	7,887,371
Other	247,095,986	114,110,799
Sales and Services	41,222,226	64,606,910
Rents and Royalties	320,481	79,637,270
Auxiliary Enterprises		
Residence Halls	78,416,871	—
Bookstore	2,123,508	—
Food Services	3,691,759	—
Parking/Transportation	19,481,289	—
Health Services	11,377,704	—
Other Organizations	1,998,981	—
Gifts and Contributions	—	44,276,052
Other Operating Revenues	9,727,043	286,081
Total Operating Revenues	1,406,529,539	967,188,913
OPERATING EXPENSES		
Faculty Salaries	443,337,865	—
Staff Salaries	382,938,825	4,698,973
Employee Benefits	240,952,557	897,000
Other Personal Services	677,900	603,000
Travel	28,814,018	4,690,656
Scholarships and Fellowships	17,994,648	11,472,295
Utilities	31,242,530	972,226
Supplies and Other Services	415,752,971	922,858,641
Depreciation	99,006,038	14,893,243
Total Operating Expenses	1,660,717,352	961,086,034
Operating Income (Loss)	$ (254,187,813)	$ 6,102,879

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, 2018

	Georgia Institute of Technology	Component Units
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	$ 291,283,120	$ —
Grants and Contracts		
Federal	12,545,724	—
Gifts	1,498,581	813,928
Investment Income	20,468,916	158,182,093
Interest Expense	(24,133,749)	(40,433,478)
Other Nonoperating Revenues	6,900,438	36,447
Net Nonoperating Revenues	308,563,030	118,598,990
Income Before Other Revenues, Expenses, Gains or Losses and Special Items	54,375,217	124,701,869
Capital Grants and Gifts		
State	8,360,630	—
Other	140,907	10,292,240
Additions to Permanent and Term Endowments	322,447	42,308,107
Special Item - Capital Asset Adjustment Due to USG Policy Adoption	(21,437,060)	—
Total Other Revenues, Expenses, Gains or Losses and Special Items	(12,613,076)	52,600,347
Change in Net Position	41,762,141	177,302,216
Net Position, Beginning of Year, As Originally Reported	1,427,559,137	1,708,031,311
Prior Year Adjustments	(603,546,084)	—
Net Position, Beginning of Year, Restated	824,013,053	1,708,031,311
Net Position, End of Year	$ 865,775,194	$ 1,885,333,527

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, 2018

	Georgia Institute of Technology
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from Customers	$ 468,759,523
Grants and Contracts (Exchange)	911,275,549
Payments to Suppliers	(690,112,323)
Payments to Employees	(822,779,438)
Payments for Scholarships and Fellowships	(17,994,648)
Loans Issued to Students	(3,971,424)
Collection of Loans from Students	3,238,542
Net Cash Used by Operating Activities	(151,584,219)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	291,283,120
Agency Funds Transactions - Receipts	188,531,376
Agency Funds Transactions - Disbursements	(188,135,395)
Gifts and Grants Received for Other Than Capital Purposes	13,766,752
Other Non-Capital Financing Receipts	7,254,549
Net Cash Flows Provided by Non-Capital Financing Activities	312,700,402
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Gifts and Grants Received	8,392,921
Proceeds from Sale of Capital Assets	12,764,387
Purchases of Capital Assets	(146,964,046)
Principal Paid on Capital Debt and Leases	(23,574,158)
Interest Paid on Capital Debt and Leases	(24,191,804)
Net Cash Used by Capital and Related Financing Activities	(173,572,700)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	159,628
Investment Income	17,148,652
Purchase of Investments	(3,513,779)
Net Cash Provided by Investing Activities	13,794,501
Net Increase in Cash and Cash Equivalents	1,337,984
Cash and Cash Equivalents, Beginning of Year	295,909,021
Cash and Cash Equivalents, End of Year	$ 297,247,005

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, 2018

		Georgia Institute of Technology
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating Loss	$	(254,187,813)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities		
Depreciation		99,006,038
Change in Assets and Liabilities:		
Receivables, net		(23,664,505)
Inventories		(64,491)
Prepaid Items		(5,076,663)
Notes Receivable, Net		(732,882)
Accounts Payable		984,488
Salaries Payable		(17,155)
Benefits Payable		8,198
Advances (Including Tuition and Fees)		(2,616,964)
Other Liabilities		(57,067)
Compensated Absences		3,514,408
Due to Affiliated Organizations		109,132
Pollution Remediation		(180,675)
Net Pension Liability		(35,659,962)
Other Post-Employment Benefit Liability		9,260,307
Change in Deferred Inflows/Outflows of Resources:		
Deferred Inflows of Resources		47,217,628
Deferred Outflows of Resources		10,573,759
Net Cash Used by Operating Activities	$	(151,584,219)

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

Recognition of Non-Capital Financing Activities Advances and Deferred Inflows	$	600,000
Capital Financing Activities Accounts Receivable Accrual, Net of Allowances	$	391,200
Gift of Capital Assets	$	(130,907)
Loss on Disposal of Capital Assets	$	(10,573,998)
Write-Off of Work in Process Run Through Current Activity	$	2,190,388
Accrual of Capital Asset Related Payables	$	(15,580,799)
Capital Assets Acquired by Incurring Capital Lease Obligations	$	(2,120,088)
Accrual of Capital Financing Interest Payable	$	(1,887,402)
Adjustments to Capital Assets due to Adoption of USG Policy	$	(21,437,062)
Unrealized Gain on Investments	$	3,320,264

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, 2018

	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	$ 9,910,000	$ 7,332,379	$ 76,115,265	$ 7,935,052	$ 5,422,533	$ —	$ 106,715,229
Cash and Cash Equivalents (Externally Restricted)	11,757,000	28,177,571	—	—	92,960	—	40,027,531
Accounts Receivable, net						—	
Affiliated Organizations	—	1,591,980	—	1,034,347	—		2,626,327
Component Units	—	600,000	—	—	—	(600,000)	—
Pledges and Contributions	22,493,000	—	—	3,327,816	156,785	—	25,977,601
Other	24,041,000	—	170,816,370	3,871,523	98,896	—	198,827,789
Notes Receivable, net	—	—	—	—	15,668	—	15,668
Investment in Capital Leases - Primary Government	6,987,880	9,498,087	—	—	—	—	16,485,967
Investment in Capital Leases - Other	—	—	346,304	—	—	—	346,304
Prepaid Items	—	256,189	503,747	1,203,090	27,948	—	1,990,974
Other Assets	—	—	—	—	227,214	—	227,214
Total Current Assets	75,188,880	47,456,206	247,781,686	17,371,828	6,042,004	(600,000)	393,240,604
Non-Current Assets							
Accounts Receivable, net							
Affiliated Organizations	—	6,167,186	—	—	—	—	6,167,186
Component Units	—	553,912	—	—	—	(553,912)	—
Pledges and Contributions	82,142,000	—	—	4,529,908	598,428	—	87,270,336
Investments	1,095,524,000	—	63	109,095,500	15,000	—	1,204,634,563
Notes Receivable, net	—	3,643	—	—	—	—	3,643
Investment in Capital Leases - Primary Government	110,230,281	215,972,123	—	—	—	—	326,202,404
Investment in Capital Leases - Other	—	—	4,048,306	—	—	—	4,048,306
Other Assets	24,783,000	3,487,500	—	723,496	—	—	28,993,996
Non-current Cash (Externally Restricted)	—	32,883,455	—	—	38,304,169	—	71,187,624
Investments (Externally Restricted)	554,025,000	—	—	—	—	—	554,025,000
Capital Assets, net	111,683,000	13,820,576	934,597	164,171,096	115,225,475	—	405,834,744
Total Non-Current Assets	1,978,387,281	272,888,395	4,982,966	278,520,000	154,143,072	(553,912)	2,688,367,802
TOTAL ASSETS	2,053,576,161	320,344,601	252,764,652	295,891,828	160,185,076	(1,153,912)	3,081,608,406
DEFERRED OUTFLOWS OF RESOURCES	$ —	$ —	$ —	$ 16,859,114	$ —	$ —	$ 16,859,114

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, 2018

	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	$ 3,077,000	$ 5,735,907	$ 296	$ 4,733,678	$ 1,024,191	$ —	14,571,072
Retainage Payable	—	1,255,140	—	—	—	—	1,255,140
Due to Affiliated Organizations	—	1,034,347	—	—	777,751	—	1,812,098
Due to Component Units	—	—	—	—	566,035	(566,035)	—
Due to Primary Government	7,249,000	—	97,118,000	1,808,231	—	—	106,175,231
Advances (Including Tuition and Fees)	21,756,000	1,235,883	53,742,326	354,537	2,270,401	—	79,359,147
Deposits	191,000	—	—	10,471,740	175,193	—	10,837,933
Deposits Held for Other Organizations	—	—	28,158,408	—	—	—	28,158,408
Other Liabilities	—	—	5,071,544	—	134,360	—	5,205,904
Notes and Loans Payable	20,733,000	—	—	945,963	221,023	—	21,899,986
Lease Purchase Obligations - External	—	—	384,315	69,087	1,708,100	—	2,161,502
Revenue Bonds and Notes Payable	11,425,000	11,403,267	—	1,145,000	—	—	23,973,267
Liabilities Under Split Interest Agreements	1,465,000	—	—	—	—	—	1,465,000
Pollution Remediation	—	—	—	—	561,929	—	561,929
Claims and Judgments	—	—	—	1,279,688	—	—	1,279,688
Compensated Absences	409,000	—	—	—	—	—	409,000
Total Current Liabilities	66,305,000	20,664,544	184,474,889	20,807,924	7,438,983	(566,035)	299,125,305
Non-Current Liabilities							
Due to Affiliated Organizations	6,615,000	—	—	—	—	—	6,615,000
Due to Component Units	—	—	—	—	587,877	(587,877)	—
Advances (Including Tuition and Fees)	—	1,587,448	—	—	1,876,072	—	3,463,520
Other Liabilities	8,842,000	—	—	—	—	—	8,842,000
Notes and Loans Payable	46,442,000	—	—	4,136,573	6,571,364	—	57,149,937
Lease Purchase Obligations - External	—	—	4,010,295	51,815	52,804,919	—	56,867,029
Revenue Bonds and Notes Payable	236,889,000	252,845,825	—	214,850,250	61,658,199	—	766,243,274
Liabilities Under Split Interest Agreements	14,062,000	—	—	—	—	—	14,062,000
Claims and Judgments	—	—	—	765,928	—	—	765,928
Total Non-Current Liabilities	312,850,000	254,433,273	4,010,295	219,804,566	123,498,431	(587,877)	914,008,688
TOTAL LIABILITIES	379,155,000	275,097,817	188,485,184	240,612,490	130,937,414	(1,153,912)	1,213,133,993
NET POSITION							
Net Investment in Capital Assets	48,844,000	11,625,686	934,597	(40,473,605)	29,412,127	—	50,342,805
Restricted for:							
Nonexpendable	734,346,000	—	—	37,154,723	—	—	771,500,723
Expendable	786,558,000	27,581,430	—	71,476,970	7,128,464	—	892,744,864
Unrestricted (Deficit)	104,673,161	6,039,668	63,344,871	3,980,364	(7,292,929)	—	170,745,135
TOTAL NET POSITION	$ 1,674,421,161	$ 45,246,784	$ 64,279,468	$ 72,138,452	$ 29,247,662	$ —	$1,885,333,527

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, 2018

	Georgia Tech Foundation, Inc.	Georgia Tech Facilities, Inc.	Georgia Tech Research Corporation	Georgia Tech Athletic Association	Georgia Advanced Technology Ventures, Inc.	Total
OPERATING REVENUES						
Grants and Contracts						
Federal	$ —	$ —	$ 656,384,430	$ —	$ —	$ 656,384,430
State	—	—	7,887,371	—	—	7,887,371
Other	—	23,146,940	90,935,250	—	28,609	114,110,799
Sales and Services	19,000	128,535	—	64,095,182	364,193	64,606,910
Rents and Royalties	29,637,000	14,125,565	13,505,198	9,442,347	12,927,160	79,637,270
Gifts and Contributions	41,263,000	—	—	2,745,332	267,720	44,276,052
Other Operating Revenues	—	29,205	—	—	256,876	286,081
Total Operating Revenues	70,919,000	37,430,245	768,712,249	76,282,861	13,844,558	967,188,913
OPERATING EXPENSES						
Staff Salaries	4,410,000	—	—	—	288,973	4,698,973
Employee Benefits	897,000	—	—	—	—	897,000
Other Personal Services	603,000	—	—	—	—	603,000
Travel	123,000	—	117,632	4,450,024	—	4,690,656
Scholarships and Fellowships	—	—	—	11,472,295	—	11,472,295
Utilities	744,000	193,750	—		34,476	972,226
Supplies and Other Services	101,601,000	904,578	760,462,694	53,116,718	6,773,651	922,858,641
Depreciation	4,107,000	60,000	308,743	7,496,855	2,920,645	14,893,243
Total Operating Expenses	112,485,000	1,158,328	760,889,069	76,535,892	10,017,745	961,086,034
Operating Income (Loss)	$ (41,566,000)	$ 36,271,917	$ 7,823,180	$ (253,031)	$ 3,826,813	$ 6,102,879

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, 2018

	Georgia Tech Foundation, Inc.	Georgia Tech Facilities, Inc.	Georgia Tech Research Corporation	Georgia Tech Athletic Association	Georgia Advanced Technology Ventures, Inc.	Total
NONOPERATING REVENUES (EXPENSES)						
Gifts	$ —	$ —	$ —	$ 813,928	$ —	$ 813,928
Investment Income	147,748,161	216,576	299,668	9,868,946	48,742	158,182,093
Interest Expense	(12,244,000)	(12,417,915)	—	(12,540,627)	(3,230,936)	(40,433,478)
Other Nonoperating Revenues (Expenses)	—	—	36,447	—	—	36,447
Net Nonoperating Revenues	135,504,161	(12,201,339)	336,115	(1,857,753)	(3,182,194)	118,598,990
Income Before Other Revenues, Expenses, Gains, or Losses	93,938,161	24,070,578	8,159,295	(2,110,784)	644,619	124,701,869
Capital Grants and Gifts						
Other	—	—	—	10,292,240	—	10,292,240
Additions to Permanent and Term Endowments	39,690,000	—	—	2,618,107	—	42,308,107
Total Other Revenues, Expenses, Gains or Losses	39,690,000	—	—	12,910,347	—	52,600,347
Change in Net Position	133,628,161	24,070,578	8,159,295	10,799,563	644,619	177,302,216
Net Position, Beginning of Year	1,540,793,000	21,176,206	56,120,173	61,338,889	28,603,043	1,708,031,311
Net Position, End of Year	$1,674,421,161	$ 45,246,784	$ 64,279,468	$ 72,138,452	$ 29,247,662	$1,885,333,527

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

NOTES TO THE FINANCIAL STATEMENTS

2018

GEORGIA INSTITUTE OF TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, 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 Institute (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 of the organization's fiscal year ends on June 30 each year. 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 2018, the Institute adopted GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement addresses accounting and financial reporting issues regarding in-substance defeasance of debt. The adoption of this Statement does not have a significant impact on the Institute's financial statements.

For fiscal year 2018, the Institute adopted GASB Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues identified during implementation and application of certain other GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The adoption of this Statement does not have a significant impact on the Institute's financial statements.

For fiscal year 2018, the Institute adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The adoption of this Statement does not have an impact on the Institute's financial statements.

For fiscal year 2018, the Institute adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to improve the usefulness of information about post employment benefits other than pensions. The adoption of this Statement resulted in the accrual of the Institute's proportionate share of the net other post-employment benefit (OPEB) liability for the Board of Regents Retiree Health Benefit Plan, changes to the related OPEB note disclosures, additional OPEB required supplemental information, and the restatement of the July 1, 2017 net position balance.

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 unrealized gain (loss) on the carrying 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. Assets 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, 2018 are recorded as prepaid items.

Capital Assets
Capital assets are recorded at cost at the date of acquisition, or acquisition value (entry price) 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, and 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.

Service Concession Arrangements
Service concession agreements are arrangements between a government (transferor, one of our institutions) and a third party (operator) in which all of the following criteria are met:

a) The institution conveys to the operator the right and obligation to provide public services through the use and operation of a capital asset in exchange for significant consideration. Significant consideration could be in the form of up-front payments, installment payments, a new facility or improvements to existing facility.
b) The operator collects and is compensated by fees from third parties.
c) The institution has the ability to modify or approve what services the operator is required to provide, to whom services are provided, and prices or rates that can be charged for those services.
d) The institution is entitled to significant residual interest in the service utility of the asset at the end of the arrangement.

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
The Institute, as a political subdivision of the State of Georgia, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

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 $52,856,767.

Restatement of Prior Year Net Position
The Institute made the following restatement of prior year net position:

	Business-type Activities
Net position, beginning of year, as originally reported	$1,427,559,137
Changes in accounting principles	(603,546,084)
Net position, beginning of year, restated	$824,013,053

Changes in accounting principles
For fiscal year 2018, the Institute made prior period adjustments due to the adoption of GASB Statement No. 75, which required the restatement of the June 30, 2017, net position. The results is a decrease in Net Position at July 1, 2017 of ($603,546,084) of which $618,357,625 is represented in Net OPEB Liability and $14,811,541 is represented in deferred outflows. This change is in accordance with generally accepted accounting principles.

Special Item
For fiscal year 2018, the Institute made a conscious effort to align with University System of Georgia (USG) policy for capital assets. The review of Infrastructure and Facilities and Other Improvement (FOI) assets resulted in a net reduction in Capital Assets of $21,437,062.

Note 2 Deposits and Investments

Cash and cash equivalents and investments as of June 30, 2018 are classified in the accompanying statement of net position as follows:

Cash and Cash Equivalents	$	205,580,549
Cash and Cash Equivalents (Externally Restricted)		91,624,306
Noncurrent Cash (Externally Restricted)		42,150
Noncurrent Investments (Externally Restricted)		83,394,723
	$	380,641,728

Cash on hand, deposits and investments as of June 30, 2018 consist of the following:

Cash on Hand	$	25,875
Deposits with Financial Institutions		31,617,045
Investments		348,998,808
	$	380,641,728

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, 2018, the bank balances of the Institute's deposits totaled $40,087,515. Of these deposits, $205,973 were exposed to custodial credit risk as follows:

Uninsured and uncollaterized	$	205,973

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, 2018.

		Fair Value Hierarchy		
	Fair Value	Level 1	Level 2	Level 3
Investment type:				
Debt Securities				
U.S. Treasuries	$ 4,418,093	$ 4,418,093	$ —	$ —
U.S. Agencies				
Explicitly Guaranteed	1,420	—	1,420	—
Implicitly Guaranteed	1,802,767	—	1,802,767	—
Corporate Debt	229,967	—	229,967	—
Money Market Mutual Funds	428,712	428,712	—	—
Mutual Bond Funds	249,032	249,032	—	—
Other Investments				
Equity Mutual Funds - Domestic	6,989,193	6,989,193	—	—
Equity Mutual Funds - International	2,274,326	2,274,326	—	—
Equity Securities - Domestic	710,228	710,228	—	—
Equity Securities - International	117,147	—	117,147	—
Real Estate Held for Investment Purposes	329,724	—	—	329,724
Real Estate Investment Trusts	627,975	627,975	—	—
	18,178,584	$ 15,697,559	$ 2,151,301	$ 329,724
Investment Pools				
Board of Regents				
Short-Term Fund	212,160,548			
Diversified Fund	65,644,848			
Office of the State Treasurer				
Georgia Fund 1	53,014,828			
Total Investments	$ 348,998,808			

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 a position in the Georgia Fund 1 investment pool managed by the Georgia Office of the State Treasurer. 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 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 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, 2018 was $212,160,548, of which 100% is invested in debt securities. The Effective Duration of the Fund is 0.71 years.

2. Diversified Fund
   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 50% and 75% of the portfolio, with a target of 65% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 25% and 50%, with a target of 35% 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, 2018 was $65,644,848, of which 28% is invested in debt securities. The Effective Duration of the Fund is 5.86 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 10 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 30,2018, utilizing segmented time distribution methods:

	Fair Value	Less Than 3 Months	4-12 Months	1-5 Years	6-10 Years	More Than 10 Years
		Investment Maturity				
Investment type:						
Debt Securities						
U.S. Treasuries	$ 4,418,093	$ —	$ 623,222	$ 2,192,482	$ 1,602,389	$ —
U.S. Agencies						
Explicitly Guaranteed	1,420	—	—	—	1,420	$ —
Implicitly Guaranteed	1,802,767	—	141,383	292,822	358,245	1,010,317
Corporate Debt	229,967	—	9,825	150,385	69,757	—
Money Market Mutual Funds	428,712	428,712	—	—	—	—
Mutual Bond Funds	249,032	—	—	—	124,447	124,585
	7,129,991	428,712	774,430	2,635,689	2,156,258	1,134,902
Other Investments						
Equity Mutual Funds - Domestic	6,989,193					
Equity Mutual Funds - International	2,274,326					
Equity Securities - Domestic	710,228					
Equity Securities - International	117,147					
Real Estate Held for Investment Purposes	329,724					
Real Estate Investment Trusts	627,975					
Investment Pools						
Board of Regents						
Short-Term Fund	212,160,548					
Diversified Fund	65,644,848					
Office of the State Treasurer						
Georgia Fund 1	53,014,828					
Total Investments	$ 348,998,808					

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, 2018, $7,846,495 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	$ 1,802,767	$ 470,135	$ 1,332,632	$ —	$ —	$ —
Corporate Debt	229,967	—	49,856	122,024	58,087	—
Money Market Mutual Funds	428,712	427,672	—	—	—	1,040
Mutual Bond Funds	249,032	—	—	—	—	249,032
	$ 2,710,478	$ 897,807	$ 1,382,488	$ 122,024	$ 58,087	$ 250,072

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, 2018, 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, 2018:

	Business Type Activities
Student Tuition and Fees	$ 5,209,298
Auxiliary Enterprises and Other Operating Activities	2,564,456
Federal Financial Assistance	12,032,839
Georgia State Financing and Investment Commission	391,200
Due from Component Units	106,175,231
Due From USO - Capital Liability Reserve Fund	2,275,907
Other	17,854,051
	146,502,982
Less: Allowance for Doubtful Accounts	2,755,571
Net Accounts Receivable	$ 143,747,411

Note 4 Inventories

Inventories consisted of the following at June 30, 2018:

Consumable Supplies	$ 892,390
Merchandise for Resale	114,100
Total	$ 1,006,490

Note 5 Notes and Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2018. 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, 2018, the allowance for uncollectible loans was $629,479.

Note 6 Capital Assets

Changes in capital assets for the year ended June 30, 2018 are shown below:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
Capital Assets, Not Being Depreciated:				
Land	$ 56,713,543	$ 640,222	$ —	$ 57,353,765
Capitalized Collections	19,362,554	5,000	—	19,367,554
Construction Work-in-Progress	73,511,171	42,259,148	60,349,001	55,421,318
Software Development-in-Progress	—	2,806,873	—	2,806,873
Total Capital Assets Not Being Depreciated	149,587,268	45,711,243	60,349,001	134,949,510
Capital Assets, Being Depreciated/Amortized:				
Infrastructure	150,497,740	14,193,406	50,346,507	114,344,639
Building and Building Improvements	1,973,248,506	85,400,868	3,559,475	2,055,089,899
Facilities and Other Improvements	72,058,166	2,164,573	16,975,243	57,247,496
Equipment	560,061,476	60,676,316	28,600,965	592,136,827
Library Collections	135,035,157	6,195,531	1,969,584	139,261,104
Software	4,030,895	2,680,713	—	6,711,608
Total Capital Assets Being Depreciated/Amortized	2,894,931,940	171,311,407	101,451,774	2,964,791,573
Less: Accumulated Depreciation/Amortization				
Infrastructure	42,765,722	4,452,027	25,252,409	21,965,340
Building and Building Improvements	591,073,101	46,857,911	3,559,475	634,371,537
Facilities and Other Improvements	20,027,831	2,544,744	10,058,280	12,514,295
Equipment	386,199,194	39,211,903	18,026,967	407,384,130
Library Collections	100,724,677	5,355,979	1,969,584	104,111,072
Software	1,780,895	583,474	—	2,364,369
Total Accumulated Depreciation/Amortization	1,142,571,420	99,006,038	58,866,715	1,182,710,743
Total Capital Assets, Being Depreciated/Amortized, Net	1,752,360,520	72,305,369	42,585,059	1,782,080,830
Capital Assets, net	$ 1,901,947,788	$ 118,016,612	$ 102,934,060	$ 1,917,030,340

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 the year ended June 30, 2018, GSFIC did not transfer any capital additions to the Institute related to GSFIC managed projects. GSFIC had construction in progress of approximately $32,787,489 for incomplete GSFIC managed projects for the Institute.

The Institute transferred equipment to Georgia State University and Atlanta Metropolitan State College with a combined cost of $45,751, accumulated depreciation of $41,230 and net book value of $4,521.

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

Fiscal Year	Depreciation Expense
2018	$ 99,006,038
2017	$ 96,856,546
2016	$ 92,614,554

Note 7 Advances (Including Tuition and Fees)

Advances, including tuition and fees, consisted of the following at June 30, 2018:

	Current Liabilities
Prepaid Tuition and Fees	$ 20,936,678
Research	207,378
Other - Advances	1,291,097
Totals	$ 22,435,153

Note 8 Long-Term Liabilities

Changes in long-term liability for the year ended June 30, 2018 was as follows:

	Restated Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Current Portion
Leases					
Lease Purchase Obligations	$ 443,461,467	$ 2,120,088	$ 19,741,526	$ 425,840,029	$ 20,843,624
Other Liabilities					
Compensated Absences	49,540,622	41,348,057	37,833,649	53,055,030	38,386,669
Net Pension Liability	474,811,843	—	35,659,962	439,151,881	
Notes and Loans Payable	7,412,665	—	1,077,629	6,335,036	1,099,763
Net Other Post-employment Benefits Liability (OPEB)	618,357,625	9,260,307	—	627,617,932	
Pollution Remediation	443,715	263,040	443,715	263,040	263,040
Total	1,150,566,470	50,871,404	75,014,955	1,126,422,919	39,749,472
Total Long-Term Obligations	$ 1,594,027,937	$ 52,991,492	$ 94,756,481	$ 1,552,262,948	$ 60,593,096

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 rate for the notes is 2.04% and matures during fiscal year 2024.

Below is the annual debt service related to the outstanding notes payable at June 30, 2018.

	Principal	Interest
Year Ending June 30:		
2019	$ 1,099,763	$ 120,766
2020	1,122,353	98,175
2021	1,145,408	75,121
2022	1,168,935	51,594
2023	1,192,946	27,583
2024 through 2028	605,631	4,633
	$ 6,335,036	$ 377,872

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, 2018, consisted of the following:

Deferred Outflows of Resources	
Deferred Loss on Defined Benefit Pension Plans (See Note 14)	$ 95,657,873
Deferred Loss on OPEB Plan (See Note 17)	44,517,020
Total Deferred Outflows of Resources	$ 140,174,893
Deferred Inflows of Resources	
Unavailable Revenues	$ 11,754,458
Deferred Gain on Defined Benefit Pension Plans (See Note 14)	4,764,324
Deferred Gain on OPEB Plan (See Note 17)	42,977,656
Total Deferred Inflows of Resources	$ 59,496,438

Unavailable Revenues
Resources from certain non-exchange transactions received before time requirements are met, but after all other eligibility requirements have been met, are reported as a deferred inflow of resources.

Service Concessions Arrangements
Service Concession Arrangements are generally reported on the financial statements as deferred inflows and outflows of resources. At June 30, 2018, the Institute had no service concession arrangements that met the materiality threshold for discrete financial reporting.

Note 10 Net Position

The breakdown of business-type activity net position for the Institute fund at June 30, 2018 is as follows:

Net Investment in Capital Assets	$ 1,466,887,074
Restricted for	
Nonexpendable	
Permanent Endowment	69,971,535
Expendable	
Sponsored and Other Organized Activities	1,885,862
Federal Loans	6,950,581
Institutional Loans	8,345,575
Quasi-Endowments	9,448,534
Capital Projects	3,217,692
Sub-Total	29,848,244
Unrestricted	
Auxiliary Enterprises Operations	51,739,532
Auxiliary Enterprises Renewals and Replacement Reserve	36,741,127
Reserve for Encumbrances	71,768,892
Reserve for Inventory	1,006,490
Capital Liability Reserve Fund	2,275,907
Other Unrestricted (Deficit)	(864,463,607)
Sub-Total	(700,931,659)
Total Net Position	$ 865,775,194

In fiscal year 2018, the Institute implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which reduced other unrestricted net position by $626,078,568, deferred inflows of resources on OPEB plan, and deferred outflows of resources on OPEB plan. Other unrestricted net position was also reduced by $348,258,332 due the the implementation of GASB Statement No. 75. These OPEB and pension 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, 2018 are as follows:

	(Restated) Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
Net Investments in Capital Assets	$ 1,435,060,932	$ 177,492,804	$ 145,666,662	$ 1,466,887,074
Restricted Net Position	94,536,097	887,559,821	882,276,139	99,819,779
Unrestricted Net Position	(705,583,976)	832,152,983	827,500,666	(700,931,659)
Total Net Position	$ 824,013,053	$ 1,897,205,608	$ 1,855,443,467	$ 865,775,194

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 for the endowment accounts was $7,634,656 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, 2018. In addition to these encumbrances, the Institute had other significant unearned outstanding construction or renovation contracts in the amount of $29,255,723 executed as of June 30, 2018. 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 (land, buildings and office facilities) 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 Official Code of Georgia Annotated (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 2018 were $46,314,938. Principal and interest payments related to capital leases for fiscal year 2018 were $19,741,526 and $24,048,903, respectively and $2,524,509 represented executory costs. Interest rates range from 2.02% to 6.70%.

The Institute has $342,688,371 in outstanding lease obligations due to component units. Component units have $342,688,371 in investment in capital lease receivables due from the Institute.

The Institute has $11,282,074 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, 2018:

Description	Gross Amount	Less: Accumulated Depreciation	Net, Capital Assets Held Under Capital Lease at June 30, 2018	Outstanding Balance per Lease Schedules at June 30, 2018
	(+)	(-)	(=)	
Leased Land and Land Improvements	$ 11,457,418	$ —	$ 11,457,418	$ 7,105,348
Leased Infrastructure	39,705,000	15,008,490	24,696,510	34,115,891
Leased Equipment	5,925,228	888,784	5,036,444	4,787,101
Leased Buildings and Building Improvements	531,612,726	141,348,530	390,264,196	378,005,935
Leased Facilities and Other Improvements	607,700	287,138	320,562	444,922
Leased Intangibles	2,120,088	106,004	2,014,084	1,380,832
Total Assets Held Under Capital Lease	$ 591,428,160	$ 157,638,946	$ 433,789,214	$ 425,840,029

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	$ 11,215,000	(1)
Campus Recreation Center/Pkg	GTF	44,980,000	30 yrs	Feb, 2001	Apr, 2031	28,920,000	(1)
Technology Square Research Bldg.	TUFF	76,150,584	29 yrs	Dec, 2002	Dec, 2031	65,701,651	
Technology Square Complex	GTF	142,298,200	29 yrs	Aug, 2003	Apr, 2032	88,298,161	(1)
Married Family Housing	GTFI	60,485,000	25 yrs	Oct, 2005	Apr, 2030	37,350,000	(1)
Molecular Sciences & Eng.	GTFI	75,205,000	35 yrs	Sep, 2006	Jun, 2041	60,454,284	(1)
Klaus Advanced Computing Pkg.	GTFI	9,835,000	20 yrs	Oct, 2005	Apr, 2025	4,740,000	(1)
Electrical Sub Station	GTFI	39,705,000	33 yrs	Oct, 2007	Dec, 2039	34,115,891	(1)
North Ave Apts (Pkg/ Dining)	GTFI	82,705,494	25 yrs	Jul, 2011	Jun, 2036	61,322,007	(1)
Academy of Medicine	GTFI	5,000,000	19 yrs	Feb, 2012	Aug, 2030	3,834,264	(1)
Carbon Neutral Energy Solutions	GTFI	13,815,000	31 yrs	Oct, 2011	Apr, 2042	12,438,764	(1)
Library Service Center	EmTech	11,632,450	30 yrs	Nov, 2015	Oct, 2045	11,282,074	(1)
Telecommunications System	Bank of America Merrill Lynch	5,925,228	5 yrs	Dec, 2016	Dec, 2021	4,787,102	
Cybersecurity Software & Service	Key Government Finance, Inc.	2,120,088	3 yrs	Sep, 2017	Nov, 2019	1,380,831	
Total Leases		$ 591,417,044				$ 425,840,029	

(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 2018 was $18,454,696, which includes payments to related parties of $13,844,921. The Institute is obligated to pay these related parties a total of $15,073,633 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, 2018, are as follows:

	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2019	$ 45,955,761	$ 31,323,369
2020	46,299,773	35,552,011
2021	45,739,355	32,829,125
2022	45,931,178	29,892,639
2023	43,166,556	29,417,635
2024 through 2028	216,487,881	116,300,962
2029 through 2033	164,247,961	92,234,095
2034 through 2038	56,536,038	4,549,980
2039 through 2043	32,184,843	—
2044 through 2048	3,562,584	—
Total Minimum Lease Payments	700,111,930	$ 372,099,816
Less: Interest	232,988,897	
Less: Executory Costs	41,283,004	
Principal Outstanding	$ 425,840,029	

Note 14. Retirement Plans

The Institute participates in various retirement plans administered 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 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 Official Code of Georgia Annotated (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 2018. The Institute's contractually required contribution rate for the year ended June 30, 2018 was 16.81% of annual the Institute payroll. The Institute's contributions to TRS totaled $48,433,865 for the year ended June 30, 2018.

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, 2018 was 24.81% of annual covered payroll for old and new plan members and 21.81% for GSEPS members. The rates include the annual actuarially determined employer contributions rate of 24.69% of annual covered payroll for old and new plan members and 21.69% 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 $281,114 for the year ended June 30, 2018. 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.

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

At June 30, 2018, 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, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 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, 2017. At June 30, 2017, the Institute's TRS proportion was 2.351530%, which was an increase of 0.062924% from its proportion measured as of June 30, 2016. At June 30, 2017, the Institute's ERS proportion was 0.052022%, which was a decrease of (0.003933)% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Institute recognized pension expense of $55,431,278 for TRS and $324,874 for ERS. At June 30, 2018, 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	$ 16,347,954	$ 1,649,340	$ 23,151	$ 17
Changes of assumptions	9,580,439	—	4,810	—
Net difference between projected and actual earnings on pension plan investments	—	3,007,560	—	5,261
Changes in proportion and differences between contributions and proportionate share of contributions	20,935,762	—	50,778	102,146
Contributions subsequent to the measurement date	48,433,865	—	281,114	—
Total	$ 95,298,020	$ 4,656,900	$ 359,853	$ 107,424

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 ended June 30, 2018. 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 Ended June 30:	TRS	ERS
2019	$ 4,681,360	$ (37,864)
2020	$ 29,758,234	$ 45,367
2021	$ 16,013,429	$ 23,718
2022	$ (8,723,367)	$ (59,906)
2023	$ 477,599	$ —

Actuarial assumptions
The total pension liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 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, 2016 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	7.50%, 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, 2016 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 the 2.75% assumed rate of inflation

Discount rate
The discount rate used to measure the total TRS and ERS pension liability was 7.50%. 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 of 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) 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	$ 717,232,429	$ 437,039,093	$ 206,222,761

Employees' Retirement System:

	1% Decrease 6.50%	Current discount rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	$ 2,982,095	$ 2,112,788	$ 1,371,242

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 http://ers.ga.gov/forms, 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 2018, 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 $35,911,496 (9.24%) and $23,344,130 (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 2018, 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, 2018.

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 Official Code of Georgia Annotated (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.

Pursuant to the general powers conferred by the OCGA § 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 2018, 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, 2018:

Active Employees	7,498
Retirees or Beneficiaries Receiving Benefits	1,757
Retirees Receiving Life Insurance Only	333
Total	9,588

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 2018 plan year, the employer rate was approximately 85% of the total health insurance cost for eligible retirees and the retiree rate was approximately 15%. 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 2018, the Institute contributed $23,699,671 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, 2018, the Institute reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total OPEB liability as of June 30, 2017 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, 2017. At June 30, 2017, the Institute’s proportion was 14.873429%, which was an increase of 0.159225% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Institute recognized OPEB expense of $46,232,155. At June 30, 2018, 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	$ 15,230,815	$ —
Changes of assumptions	—	42,977,656
Net difference between projected and actual earnings on OPEB plan investments	19,775	—
Changes in proportion and differences between contributions and proportionate share of contributions	5,566,759	—
Contributions subsequent to the measurement date	23,699,671	—
Total	$ 44,517,020	$ 42,977,656

The Institute's contributions subsequent to the measurement date of $23,699,671 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. 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 Ended June 30:		
2019	$	(4,475,881)
2020	$	(4,475,881)
2021	$	(4,475,881)
2022	$	(4,475,881)
2023	$	(4,256,783)
Thereafter	$	—

Actuarial assumptions

The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 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 6/30/2016 2.85% from Bond Buyer Interest Rate as of 6/30/2017 3.58% from Bond Buyer General Inflation 2.50% Salary Growth 3.00% Salary Scale 4.00%
Mortality Rates	Healthy: RP-2014 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	7.3%
Medicare Eligible	7.3%
Ultimate Trend Rate	
Pre-Medicare Eligible	4.5%
Medicare Eligible	4.7%
Year Ultimate Trend is Reached	2031 for Pre-Medicare Eligible, 2072 for Medicare Eligible
Experience Study	Based on the experience of the Teachers Retirement System of Georgia

Changes in Assumptions Since Prior Valuation

Expected claims costs were updated to reflect actual claims experience. Trend was reset based on current conditions. 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, 2017 are summarized in the following table:

Asset Class	Expected Return	Target Allocation
Cash Equivalents	2.6%	Less than 5%
Fixed Income		60% to 70%
Domestic Fixed Income (Corporate Long Term)	4.2%	
Domestic Fixed Income (Corporate Short Term)	3.5%	
International Fixed Income	4.9%	
Equity Allocation		30% to 40%
Domestic Equity (Large Cap)	6.5%	
International Equity	7.3%	

Discount rate

The Plan’s projected fiduciary net position at the end of 2018 is $0, based on the valuation completed for the fiscal year ending June 30, 2017. 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 2018. 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, 2017. 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 3.58% from the Bond Buyer.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the 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 (2.58%) or 1 percentage point higher (4.58%) than the current discount rate (3.58%):

	1% Decrease 2.58%	Current Rate 3.58%	1% Increase 4.58%
Proportionate Share of the Net OPEB Liability	$ 749,760,387	$ 627,617,932	$ 532,399,534

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	$ 529,420,482	$ 627,617,932	$ 757,354,569
Pre-Medicare Eligible	6.3% decreasing to 3.5%	7.3% decreasing to 4.5%	8.3% decreasing to 5.5%
Medicare Eligible	6.3% decreasing to 3.7%	7.3% decreasing to 4.7%	8.3% decreasing to 5.7%

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 2018 are shown below:

Functional Classification	Natural Classification: Faculty Salaries	Staff Salaries	Employee Benefits	Other Personal Services	Travel
Instruction	$ 129,913,942	$ 74,690,887	$ 60,386,771	$ 63,115	$ 5,494,397
Research	287,592,777	128,407,887	116,809,584	45,653	19,645,483
Public Service	12,266,531	23,670,870	11,174,791	524,345	1,096,125
Academic Support	8,349,576	24,227,234	10,719,706	9,525	688,579
Student Services	872,767	15,440,076	4,526,967	25,829	452,197
Institutional Support	4,256,098	58,540,959	18,774,427	7,243	1,130,329
Plant Operations and Maintenance	86,174	33,730,720	11,729,029	1,058	132,314
Scholarships and Fellowships	—	—	—	—	—
Auxiliary Enterprises	—	24,230,192	6,831,282	1,132	174,594
Total Operating Expenses	$ 443,337,865	$ 382,938,825	$ 240,952,557	$ 677,900	$ 28,814,018

Functional Classification	Natural Classification: Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation/ Amortization	Total Operating Expenses
Instruction	$ —	$ 115,253	$ 30,763,851	$ 10,956,268	$ 312,384,484
Research	—	1,300,968	187,744,602	45,312,578	786,859,532
Public Service	—	356,229	22,100,525	396,968	71,586,384
Academic Support	—	134,003	7,668,352	8,767,645	60,564,620
Student Services	—	44,328	13,747,432	2,395,322	37,504,918
Institutional Support	—	106,763	17,402,401	7,846,628	108,064,848
Plant Operations and Maintenance	—	18,866,883	98,754,750	9,666,055	172,966,983
Scholarships and Fellowships	17,994,648	—	—	—	17,994,648
Auxiliary Enterprises	—	10,318,103	37,571,058	13,664,574	92,790,935
Total Operating Expenses	$ 17,994,648	$ 31,242,530	$ 415,752,971	$ 99,006,038	$1,660,717,352

Note 19 Subsequent Events

In December 2017, 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 Cobb Research Campus, LLC, a wholly-owned subsidiary of Georgia Advanced Technology Ventures (GATV), a component unit, for the Georgia Tech Cobb Research Campus. This facility will be used by the Institute for ongoing research activities. The lease term is for thirty-one and one half years. Pre-payments for rent during the construction period began December 2017, however, rental payments for the lease period will not begin until June 1, 2019. Total estimated rental payments will be $127,863,834 over the lease period. Monthly rental payments will include base rent and a repair and replacement contribution. The capital lease liability and capital asset will be recorded on the Institute's books in fiscal year 2019 once construction is completed and the certificate of occupancy has been issued in May 2019.

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 an attached parking facility. 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 2019 are expected to equal $1,584,948. 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 October 2019.

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.

The FASB reported amounts for Investment in Direct Financing Leases and Net Position were adjusted for the Georgia Tech Foundation by $19,012,839 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.

For the year ended June 30, 2018, the Foundation distributed $82 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. 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.

The FASB reported amounts for Investment in Direct Financing Leases and Net Position were adjusted for GTFI by $51,965,155 for external financial reporting purposes in these financial statements. These adjustments were necessary as GTFI amortizes Investments in Direct Financing Leases using the straight-line method vs. the effective interest rate method used by the Institute.

For the year ended June 30, 2018, GTFI distributed $524,000 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 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, 2018, the Research Corporation distributed $755 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, 2018, the Athletic Association distributed $41 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 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, 2018, GATV distributed $542,000 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.

Combined investments for Component Units are comprised of the following amounts at June 30, 2018:

	Fair Value	Level 1	Level 2	Level 3	NAV
Investment type					
U.S. Agencies					
Bond Securities	$ 139,517,000	$ 81,983,000	$ —	$ —	$ 57,534,000
Money Market Mutual Funds	40,579,000	40,579,000	—	—	—
Other Investments					
Equity Securities - Domestic	369,301,000	368,932,000	—	—	369,000
Equity Securities - International	362,750,000	323,918,000	—	—	38,832,000
Real Estate Held for Investment Purposes	21,800,000	—	—	21,800,000	—
Real Estate Investment Trusts	34,020,000	—	—	—	34,020,000
Other	790,692,563	—	—	3,356,063	787,336,500
	$1,758,659,563	$ 815,412,000	$ —	$25,156,063	$918,091,500
Reported as cash and cash equivalents on the Statement of Net Position					
Investment Pools					
Board of Regents					
Short-Term Fund	19,959,653				
Total Investments	$1,778,619,216				

Combined endowments for Component Units are comprised of the following amounts at June 30, 2018:

	Unrestricted/ Quasi Endowment	Temporarily Restricted/ Term	Permanently Restricted/ True	Total
Beginning Balance	$ 210,531,000	$ 551,924,000	$ 632,858,000	$ 1,395,313,000
Contributions	549,000	83,000	30,155,000	30,787,000
Net realized and unrealized gains	24,090,000	94,195,000	561,000	118,846,000
Appropriation of endowment assets for expenditure	(17,092,000)	(53,480,000)	—	(70,572,000)
Other	5,281,000	20,995,000	328,000	26,604,000
Ending Balance	$ 223,359,000	$ 613,717,000	$ 663,902,000	$ 1,500,978,000

Combined amounts due to Component Units for direct financing leases as of June 30, 2018 is as follows:

		Total
Year Ending June 30:	Year:	
2019	1	$ 36,524,395
2020	2	36,678,688
2021	3	36,679,851
2022	4	36,677,797
2023	5	34,971,282
2024 through 2028	6-10	170,232,136
2029 through 2033	11-15	123,460,145
2034 through 2038	16-20	47,197,302
2039 through 2042	21-25	23,668,233
Total Minimum Lease Payments to be Received		546,089,829
Unearned Income		(199,006,848)
Net Investment in Direct Financing Lease Receivable		$ 347,082,981

Combined capital assets for Component Units are comprised of the following amounts at June 30, 2018:

Capital Assets not being Depreciated:	
Land	$ 66,029,481
Capitalized Collections	240,735
Construction Work-in-Progress	20,603,514
Total Capital Assets not being Depreciated	86,873,730
Capital Assets, Being Depreciated/Amortized:	
Infrastructure	3,824,225
Building and Building Improvements	353,282,556
Facilities and Other Improvements	10,880,362
Equipment	23,902,465
Capital Leases	66,936,210
Software	1,262,977
Total Capital Assets being Depreciated/Amortized	460,088,795
Less Total Accumulated Depreciation/Amortization	141,127,781
Total Capital Assets being Depreciated/Amortized, Net	318,961,014
Capital Assets, Net	$ 405,834,744

Combined long-term liabilities for Component Units includes the following amounts at June 30, 2018:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within One Year
Claims and Judgments	$ 2,226,304	$ —	$ 180,688	$ 2,045,616	$ 1,279,688
Compensated Absences	349,000	249,000	189,000	409,000	409,000
Lease Purchase Obligation (Capital Lease)	61,017,557	—	1,989,026	59,028,531	2,161,502
Liabilities under Split Interest Agreement	16,030,000	695,000	1,198,000	15,527,000	1,465,000
Notes and Loans Payable	86,398,288	3,423,000	10,615,365	79,205,923	21,899,986
Note (Discount)	(184,000)	—	(28,000)	(156,000)	—
Pollution Remediation	601,341	—	39,412	561,929	561,929
Revenue/Mortgage Bonds Payable	715,930,190	92,240,000	28,114,810	780,055,380	23,973,267
Bond - Premium	28,769,451	13,649,193	1,499,134	40,919,510	—
Bond - (Discount and Issuance Cost)	(30,794,035)	(1,577,916)	(1,613,602)	(30,758,349)	—
Total Long Term Liabilities	$ 880,344,096	$ 108,678,277	$ 42,183,833	$ 946,838,540	$ 51,750,372

The beginning balance for Component Unit long-term liabilities was restated by ($1.7 million). This amount was reclassified from Notes and Loans Payable to Due to Affiliated Organization.

Combined capital lease obligations for component units are comprised of the following amounts at June 30, 2018:

Year ending June 30:		
2019	1	$ 5,230,575
2020	2	5,320,798
2021	3	5,374,611
2022	4	5,490,255
2023	5	5,572,194
2024 through 2028	6-10	27,054,779
2029 through 2033	11-15	28,422,919
2034 through 2038	16-20	4,540,308
Total minimum lease payments		87,006,439
Less: Interest		27,977,908
Principal Outstanding		$ 59,028,531

Combined notes and loans payable for Component Units are comprised of the following amounts at June 30, 2018:

		Principal	Interest	Total
Year ending June 30:				
2019	1	$ 21,899,986	$ 2,890,473	$ 24,790,459
2020	2	2,125,742	2,814,201	4,939,943
2021	3	2,205,503	2,732,607	4,938,110
2022	4	2,292,717	2,646,476	4,939,193
2023	5	2,385,452	2,554,552	4,940,004
2024 through 2028	6-10	45,322,293	2,849,936	48,172,229
2029 through 2033	11-15	2,588,831	573,506	3,162,337
2034 through 2038	16-20	385,399	12,201	397,600
		79,205,923	17,073,952	96,279,875
Note (Discount)/Cost of Issuance		(156,000)	—	(156,000)
Total		$ 79,049,923	$ 17,073,952	$ 96,123,875

Combined bonds payable for Component Units are comprised of the following amounts at June 30, 2018:

		Principal	Interest	Total
Year ending June 30:				
2019	1	$ 23,973,267	$ 37,257,092	$ 61,230,359
2020	2	56,417,184	35,475,730	91,892,914
2021	3	27,809,582	33,466,817	61,276,399
2022	4	29,473,480	32,094,189	61,567,669
2023	5	58,944,900	29,931,972	88,876,872
2024 through 2028	6-10	164,395,811	123,165,068	287,560,879
2029 through 2033	11-15	153,876,156	81,952,256	235,828,412
2034 through 2038	16-20	101,430,000	52,425,161	153,855,161
2039 through 2043	21-25	113,175,000	25,109,331	138,284,331
2044 through 2048	26-30	46,630,000	7,121,750	53,751,750
2049 through 2053	31-35	3,930,000	413,450	4,343,450
		780,055,380	458,412,816	1,238,468,196
Bond Premium		40,919,510	—	40,919,510
Bond (Discount and Other Issuance Cost)		(30,758,349)	—	(30,758,349)
Total		$ 790,216,541	$ 458,412,816	$ 1,248,629,357

REQUIRED SUPPLEMENTARY INFORMATION

2018

GEORGIA INSTITUTE OF TECHNOLOGY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
DEFINED BENEFIT PENSION PLANS
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	6/30/2018	$ 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%
	6/30/2009	$ 59,534	$ 59,534	$ —	$ 568,957	10.46%
Teachers Retirement System	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%
	6/30/2009	$ 19,485,389	$ 19,485,389	$ —	$ 209,971,864	9.28%

GEORGIA INSTITUTE OF TECHNOLOGY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS
FOR THE LAST FOUR 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	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	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, 2018

Changes of assumptions

Employees' Retirement System:
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.

Teachers Retirement System:
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
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
FOR THE LAST TWO 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)
6/30/2018	$ 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 THE NET OPEB LIABILITY
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2018*

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
6/30/2018	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
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
METHODS AND ASSUMPTIONS
FOR FISCAL YEAR ENDED JUNE 30, 2018

Changes in Assumptions Since Prior Valuation

Expected claim costs were updated to reflect actual claims experience. Trend was reset based on current conditions. Disability, termination, retirement, and disabled mortality tables were updated to reflect the current Teachers Retirement System of Georgia methodology.

SUPPLEMENTARY INFORMATION

2018

GEORGIA INSTITUTE OF TECHNOLOGY
BALANCE SHEET (NON-GAAP BASIS)
BUDGET FUNDS
JUNE 30, 2018
(UNAUDITED)

ASSETS		
Cash and Cash Equivalents	$	86,896,677.07
Accounts Receivable		
Federal Financial Assistance		96,395,260.52
Other		28,479,310.12
Prepaid Expenditures		8,691,154.55
Inventories		326,936.49
Total Assets	$	220,789,338.75
LIABILITIES AND FUND EQUITY		
Liabilities		
Encumbrance Payable	$	58,134,965.88
Accounts Payable		78,296,924.08
Unearned Revenue		29,793,278.60
Other Liabilities		208,481.51
Total Liabilities		166,433,650.07
Fund Balances		
Reserved		
Department Sales and Services		9,881,321.42
Indirect Cost Recoveries		41,394,135.16
Technology Fees		488,111.76
Restricted/Sponsored Funds		338,598.56
Uncollectible Accounts Receivable		1,704,927.01
Inventories		329,725.14
Tuition Carry - Forward		160,493.01
Unreserved		
Surplus		58,376.62
Total Fund Balances		54,355,688.68
Total Liabilities and Fund Balances	$	220,789,338.75

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, 2018

				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	$ 19,510,493.00	$ 19,510,493.00	$ 19,510,493.00	$ 19,510,493.00	$ —
Other Funds	10,900,000.00	10,900,000.00	15,907,214.00	13,456,932.77	74,226.36
Total Enterprise Innovation Institute	30,410,493.00	30,410,493.00	35,417,707.00	32,967,425.77	74,226.36
Georgia Tech Research Institute					
State Appropriation					
State General Funds	6,072,039.00	6,072,039.00	6,072,039.00	6,072,039.00	—
Other Funds	406,225,535.00	406,225,535.00	447,121,250.00	442,027,951.05	2,897,850.88
Total Georgia Tech Research Institute	412,297,574.00	412,297,574.00	453,193,289.00	448,099,990.05	2,897,850.88
Teaching					
State Appropriation					
State General Funds	265,737,873.00	265,737,873.00	265,981,674.00	265,981,674.00	—
Other Funds	972,840,000.00	972,840,000.00	1,066,375,000.00	940,050,992.80	53,606,964.68
Total Teaching	1,238,577,873.00	1,238,577,873.00	1,332,356,674.00	1,206,032,666.80	53,606,964.68
Total Operating Activity	$ 1,681,285,940.00	$ 1,681,285,940.00	$ 1,820,967,670.00	$ 1,687,100,082.62	$ 56,579,041.92

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, 2018

	Funds Available Compared to Budget			Expenditures Compared to Budget		Excess (Deficiency) of Funds Available Over/(Under) Expenditures
	Program Transfers or Adjustments	Total Funds Available	Variance Positive (Negative)	Actual	Variance Positive (Negative)	
Enterprise Innovation Institute						
State Appropriation						
State General Funds	$ —	$ 19,510,493.00	$ —	$ 19,510,492.72	$ 0.28	$ 0.28
Other Funds	—	13,531,159.13	(2,376,054.87)	13,300,664.49	2,606,549.51	230,494.64
Total Enterprise Innovation	—	33,041,652.13	(2,376,054.87)	32,811,157.21	2,606,549.79	230,494.92
Georgia Tech Research Institute						
State Appropriation						
State General Funds	—	6,072,039.00	—	6,072,039.00	—	—
Other Funds	—	444,925,801.93	(2,195,448.07)	442,630,335.15	4,490,914.85	2,295,466.78
Total Georgia Tech Research Institute	—	450,997,840.93	(2,195,448.07)	448,702,374.15	4,490,914.85	2,295,466.78
Teaching						
State Appropriation						
State General Funds	—	265,981,674.00	—	265,981,674.00	—	—
Other Funds	4,227,548.12	997,885,505.60	(68,489,494.40)	947,999,699.70	118,375,300.30	49,885,805.90
Total Teaching	4,227,548.12	1,263,867,179.60	(68,489,494.40)	1,213,981,373.70	118,375,300.30	49,885,805.90
Total Operating Activity	$ 4,227,548.12	$ 1,747,906,672.66	$ (73,060,997.34)	$ 1,695,494,905.06	$ 125,472,764.94	$ 52,411,767.60

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, 2018

	Beginning Fund Balance/ (Deficit)	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2017 Surplus	Prior Year Adjustments	Other Adjustments
Enterprise Innovation Institute					
State Appropriation					
State General Funds	$ —	$ —	$ —	$ —	$ —
Other Funds	74,226.36	(74,226.36)	—	—	2,956.84
Total Enterprise Innovation Institute	74,226.36	(74,226.36)	—	—	2,956.84
Georgia Tech Research Institute					
State Appropriation					
State General Funds	108.51	—	(108.51)	275.68	—
Other Funds	2,897,850.88	(2,897,850.88)	—	—	—
Total Georgia Tech Research Institute	2,897,959.39	(2,897,850.88)	(108.51)	275.68	—
Teaching					
State Appropriation					
State General Funds	212,630.27	—	(212,630.27)	20,927.84	100.54
Other Funds	53,675,311.54	(53,606,964.68)	(68,346.86)	37,072.28	(152,064.25)
Total Teaching	53,887,941.81	(53,606,964.68)	(280,977.13)	58,000.12	(151,963.71)
Total Operating Activity	56,860,127.56	(56,579,041.92)	(281,085.64)	58,275.80	(149,006.87)
Prior Year Reserves					
Not Available for Expenditure					
Inventories	388,135.37	—	—	—	(58,410.23)
Uncollectible Accounts Receivable	1,497,509.91	—	—	—	207,417.10
Budget Unit Totals	$ 58,745,772.84	$ (56,579,041.92)	$ (281,085.64)	$ 58,275.80	$ —

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, 2018

	Early Return of Fiscal Year 2018 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	$ —	$ 0.28	$ 0.28	$ —	$ 0.28	$ 0.28
Other Funds	—	230,494.64	233,451.48	233,451.48	—	233,451.48
Total Enterprise Innovation Institute	—	230,494.92	233,451.76	233,451.48	0.28	233,451.76
Georgia Tech Research Institute						
State Appropriation						
State General Funds	—	—	275.68	—	275.68	275.68
Other Funds	—	2,295,466.78	2,295,466.78	2,295,466.78	—	2,295,466.78
Total Georgia Tech Research Institute	—	2,295,466.78	2,295,742.46	2,295,466.78	275.68	2,295,742.46
Teaching						
State Appropriation						
State General Funds	—	—	21,028.38	—	21,028.38	21,028.38
Other Funds	—	49,885,805.90	49,770,813.93	49,733,741.65	37,072.28	49,770,813.93
Total Teaching	—	49,885,805.90	49,791,842.31	49,733,741.65	58,100.66	49,791,842.31
Total Operating Activity	—	52,411,767.60	52,321,036.53	52,262,659.91	58,376.62	52,321,036.53
Prior Year Reserves						
Not Available for Expenditure						
Inventories	—	—	329,725.14	329,725.14	—	329,725.14
Uncollectible Accounts Receivable	—	—	1,704,927.01	1,704,927.01	—	1,704,927.01
Budget Unit Totals	$ —	$ 52,411,767.60	$ 54,355,688.68	$ 54,297,312.06	$ 58,376.62	$ 54,355,688.68

	Reserved	Surplus/ (Deficit)	Total
Departmental Sales and Services	$ 9,881,321.42	$ —	$ 9,881,321.42
Indirect Cost Recovery	41,394,135.16	—	41,394,135.16
Technology Fees	488,111.76	—	488,111.76
Restricted/Sponsored Funds	338,598.56	—	338,598.56
Tuition Carry-Forward	160,493.01	—	160,493.01
Uncollectible Accounts Receivable	1,704,927.01	—	1,704,927.01
Inventories	329,725.14	—	329,725.14
Surplus	—	58,376.62	58,376.62
	$ 54,297,312.06	$ 58,376.62	$ 54,355,688.68

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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