GEORGIA INSTITUTE
OF TECHNOLOGY

ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2017
INCLUDING INDEPENDENT AUDITOR'S REPORT

Georgia Tech

GEORGIA INSTITUTE OF TECHNOLOGY
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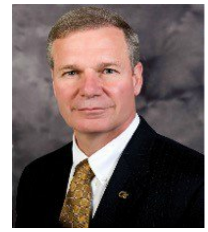
For the Fiscal Year Ended June 30, 2017

INTRODUCTORY SECTION

Message from the President



We are enjoying a time of great momentum at the Georgia Institute of Technology! For more than 17 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. 10 on the *U.S. News & World Report* list of the 100 Best Global Universities for Engineering and No. 66 on its 500 Top Global Universities list. Other FY2017 highlights include:

- More than 26,800 students enrolled at Georgia Tech this past year representing a majority of Georgia counties, all 50 states, and 127 countries.

- With more than 50 faculty members, staff, and students engaged, Georgia Tech's Commission on Creating the Next in Education has been working to define the Institute's educational environment for generations into the future and to design bold and potentially transformational projects, taking into account the economic, social, and scientific changes that will shape the future.

- In 2014, the Institute was the first to offer an Online Master of Science in Computer Science (OMS CS) degree, offered at a fraction of the cost of earning a similar degree on campus. The OMS CS program has grown from 380 students in its first cohort to more than 5,500 today. Beginning in August 2017, Georgia Tech will offer an Online Master of Science degree in Analytics (OMS Analytics), available for less than $10,000.

- The Institute's athletics' NCAA Graduation Success Rate (GSR) has reached an all-time high of 87 percent, representing the fourth straight year Tech's GSR has increased. Ten of Tech's 13 sports have GSRs higher than the national average for their sports. Five programs - men's cross country/track and field, women's cross country/track and field, golf, women's tennis, and volleyball - scored perfect 100 percent GSRs.

- 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. In late 2016, the Georgia Tech Foundation purchased the Biltmore Hotel, the historic anchor of Midtown Atlanta.

- Georgia Tech will be the anchor tenant of Coda, a collaborative 750,000-square-foot mixed-use project set for completion in 2019. Coda will house Tech's high performance computing center, helping propel the region and Midtown as one of the nation's leading innovation ecosystems.

- In calendar year 2016, our Enterprise Innovation Institute (EI^2) partners evaluated more than 200 technologies based on Georgia Tech research innovations, created or saved more than 16,000 jobs, generated more than $757 million in investments, and helped more than 1,200 manufacturers reduce operating costs and generate sales. In addition, Advanced Technology Development Center (ATDC) companies in 2016 reported revenues totaling more than $274 million and served almost 2,000 Georgia entrepreneurs statewide.

- In January 2017, Georgia Tech joined CEOs of 10 major Atlanta corporations and the city of Atlanta to announce project Engage, a mentorship-driven accelerator program and venture fund. Ten corporations committed a total of $15 million to support the accelerator through mentoring, education, and collaboration, and to house the program at Georgia Tech, a reflection of the business community's confidence in the Institute.

- An agreement was formalized Dec. 2, 2016, in a ceremony in Shenzhen, China, to establish the Georgia Tech Tianjin University Shenzhen Institute, a new educational collaboration with the city of Shenzhen and Tianjin University to expand global opportunities in science, technology, and engineering education.

- 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. Of the $786 million in research expenditures during the past year, for the first time more than $100 million was industry funded.

- 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 16, 2017

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, 2017, as well as other useful information to help ensure the Institute’s accountability and integrity to the public. The AFR also includes the Management 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, 2017.

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,

Steven G. Swant
Executive Vice President
Administration and Finance

FINANCIAL SECTION

DEPARTMENT OF AUDITS AND ACCOUNTS
270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

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

Independent Auditor's Report

The Honorable 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 (Institution), 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, 2017, and the related notes to the financial statements, which collectively comprise the Institution’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 other auditor’s did not audit the discretely presented component units’ financial statements 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 Institution'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 Institution'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 reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Institution as of June 30, 2017, 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 described in Note 1, the financial statements of the Institution 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 Institution’s transactions. They do not purport to, and do not, present fairly the financial position of the State of Georgia as of June 30, 2017, 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 2017, the Institution adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other than Pension Plans, GASB Statement No. 77*, *Tax Abatement Disclosures*, GASB Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 80, *Blending Requirements for Certain Component Units*, and GASB Statement No. 82, *Pension Issues*. Our opinions are not modified with respect to these matters.

As described in Note 1 to the financial statements, in 2017, the beginning net position for the Institution’s discretely presented component units was restated due to a change in a financial reporting entity. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and other Information

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

The accompanying supplementary information is management's responsibility 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 and the procedures performed as described above, the 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 will issue our report on our consideration of the Institution'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 at a future date. 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 Institution'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 Institution's internal control over financial reporting and compliance.

Respectfully submitted,

Greg S. Griffin
State Auditor

December 19, 2017

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-eight (28) 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 26,800 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, African Americans, and all 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. The Institute'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 an outstanding student body and faculty, 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.

The Institute continues to have a stable student population as indicated by the comparison numbers that follow.

	FACULTY	STUDENT HEADCOUNT	STUDENT FTE
Fiscal Year 2017	1,384	26,841	23,351
Fiscal Year 2016	1,311	25,034	22,236
Fiscal Year 2015	1,264	23,108	21,112

Overview of the Financial Statements and Financial Analysis
Georgia Institute of Technology is pleased to present its financial statements for fiscal year 2017. The emphasis of discussions about these statements is 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 provide an overview of its financial activities for the year. Comparative data is provided for fiscal year 2017 and fiscal year 2016.

Statement of Net Position
The Statement of Net Position is a financial condition snapshot as of June 30, 2017 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 (net position) 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 nonexpendable, 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 Institutes's financial position as of June 30, 2017 and June 30,2016 is as follows:

CONDENSED STATEMENT OF NET POSITION	June 30, 2017	June 30, 2016
ASSETS		
Current Assets	$ 430,979,041	$ 385,629,320
Capital Assets, Net	1,901,947,788	1,862,527,297
Other Assets	90,915,300	85,796,437
TOTAL ASSETS	2,423,842,129	2,333,953,054
DEFERRED OUTFLOWS OF RESOURCES	135,937,111	51,000,129
LIABILITIES		
Current Liabilities	200,413,897	174,651,584
Non-Current Liabilities	918,927,396	802,065,931
TOTAL LIABILITIES	1,119,341,293	976,717,515
DEFERRED INFLOWS OF RESOURCES	12,878,810	40,030,513
NET POSITION		
Net Investment in Capital Assets	1,435,060,932	1,390,649,474
Restricted, Nonexpendable	65,258,703	62,187,031
Restricted, Expendable	29,277,394	25,538,921
Unrestricted (Deficit)	(102,037,892)	(110,170,271)
TOTAL NET POSITION	$ 1,427,559,137	$ 1,368,205,155

Total assets and deferred outflows of resources increased for the year by $174,826,057. This increase was primarily due to increases of $45,349,721, $39,420,491 and $84,936,982 in the categories of current assets, capital assets, net and deferred outflows of resources for defined benefit pension plans, respectively.

Total liabilities and deferred inflows of resources increased for the year by $115,472,075. The combination of the increase in total assets and deferred outflows of resources and the increase in total liabilities and deferred inflows of resources yielded a net increase in net position of $59,353,982. This increase in net position is primarily in the categories of net investment in capital assets, in the amount of $44,411,458 and unrestricted net position of $8,132,379.

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 nonoperating, and the expenses paid by the Institute, operating and nonoperating, 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. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating 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 Institutes's activities as of June 30, 2017 and June 30,2016 is as follows:

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	June 30, 2017	June 30, 2016
Operating Revenue	$1,308,705,485	$1,257,376,861
Operating Expense	1,536,635,101	1,428,638,056
Operating Loss	(227,929,616)	(171,261,195)
Net, Nonoperating Revenue and Expense	279,258,021	236,381,105
Income before Other Revenues, Expenses, Gains or Losses	51,328,405	65,119,910
Other Revenues, Expenses, Gains and/or Losses	8,025,577	13,740,557
Change in Net Position	59,353,982	78,860,467
Net Position at Beginning of Year	1,368,205,155	1,289,344,688
Net Position at End of Year	$1,427,559,137	$1,368,205,155

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

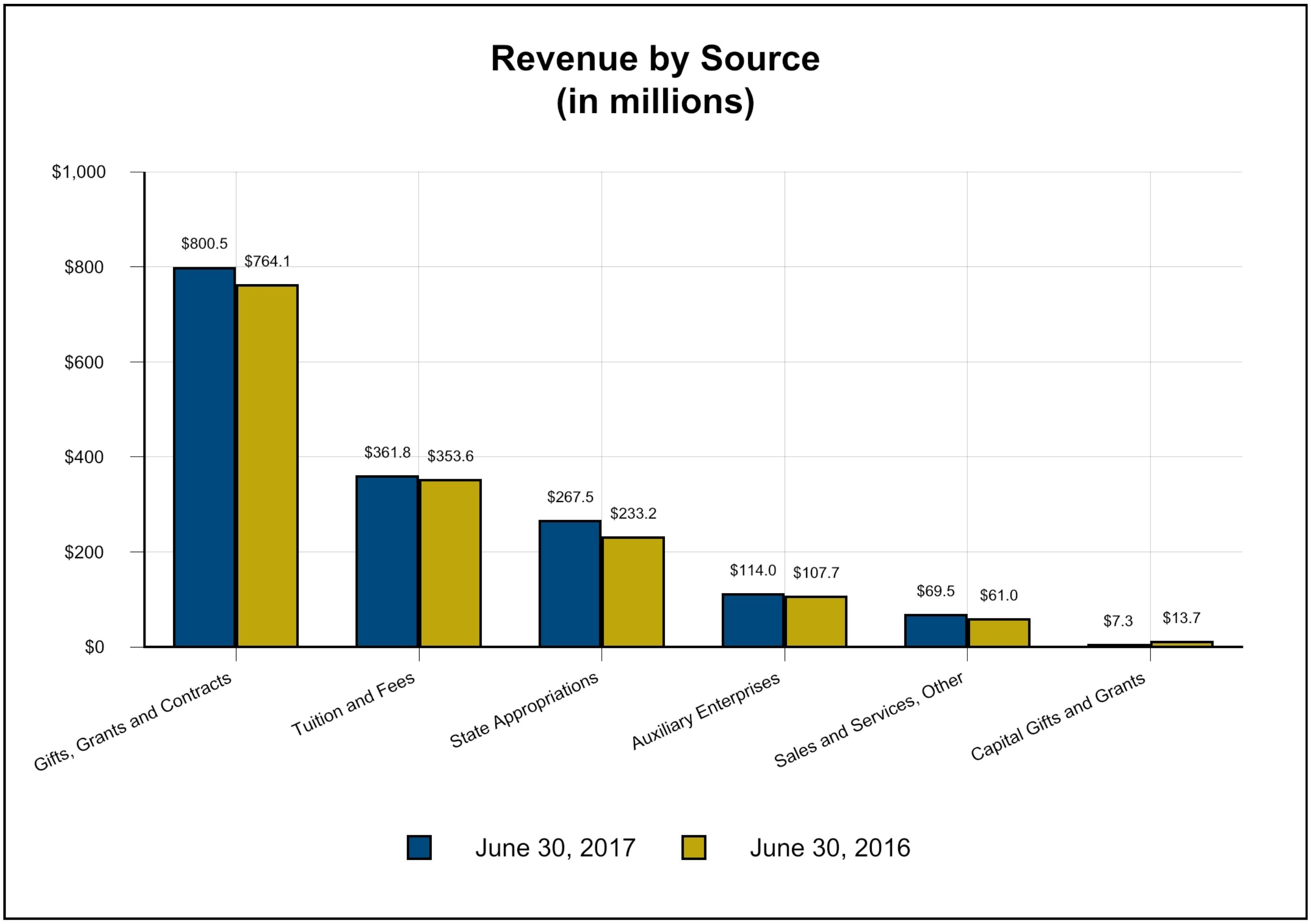
Revenues

For the years ended June 30, 2017 and June 30, 2016, Revenues by Source were as follows:

REVENUES BY SOURCE	June 30, 2017	June 30, 2016
Tuition and Fees	$ 361,845,835	$ 353,571,407
Grants and Contracts	786,675,419	750,700,533
Sales and Services	39,106,996	35,828,457
Auxiliary Enterprises	113,964,249	107,655,577
Other Operating Revenue	7,112,986	9,620,887
Total Operating Revenue	1,308,705,485	1,257,376,861
State Appropriations	267,514,001	233,201,045
Grants and Contracts	11,122,453	11,696,408
Gifts	2,738,147	1,721,782
Investment Income	21,525,736	16,175,551
Other Nonoperating Revenue	1,037,036	(659,494)
Total Nonoperating Revenue	303,937,373	262,135,292
State Capital Gifts and Grants	6,485,524	12,490,298
Other Capital Gifts and Grants	793,930	1,170,928
Total Capital Gifts and Grants	$ 7,279,454	$ 13,661,226
Additions to Permanent and Term Endowments	746,123	79,331
Total Revenue	$ 1,620,668,435	$ 1,533,252,710

Total revenue increased by $87.4 million over the prior fiscal year. The largest driver for the increase was grants and contracts which increased by $35.4 million, followed closely by state appropriations which increased by $34.3 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 $8.3 million reflecting an increase in enrollment.

The illustration below is a comparison of the Institute's revenue sources by major category for the fiscal years ended June 30, 2017 and June 30, 2016.



Total revenue was $1,620.7 and $1,533.3 million for fiscal year 2017 and fiscal year 2016, respectively. This represents a $87.4 million increase over the previous fiscal year. Operating revenues which includes categories such as tuition and fees, operating grants and contracts, and sales and services increased by a total of $51.3 million. This increase included a $8.3 million net increase in tuition and fees and a $36.0 million increase in operating grants and contracts, which are grants that exchange payment for products and services.

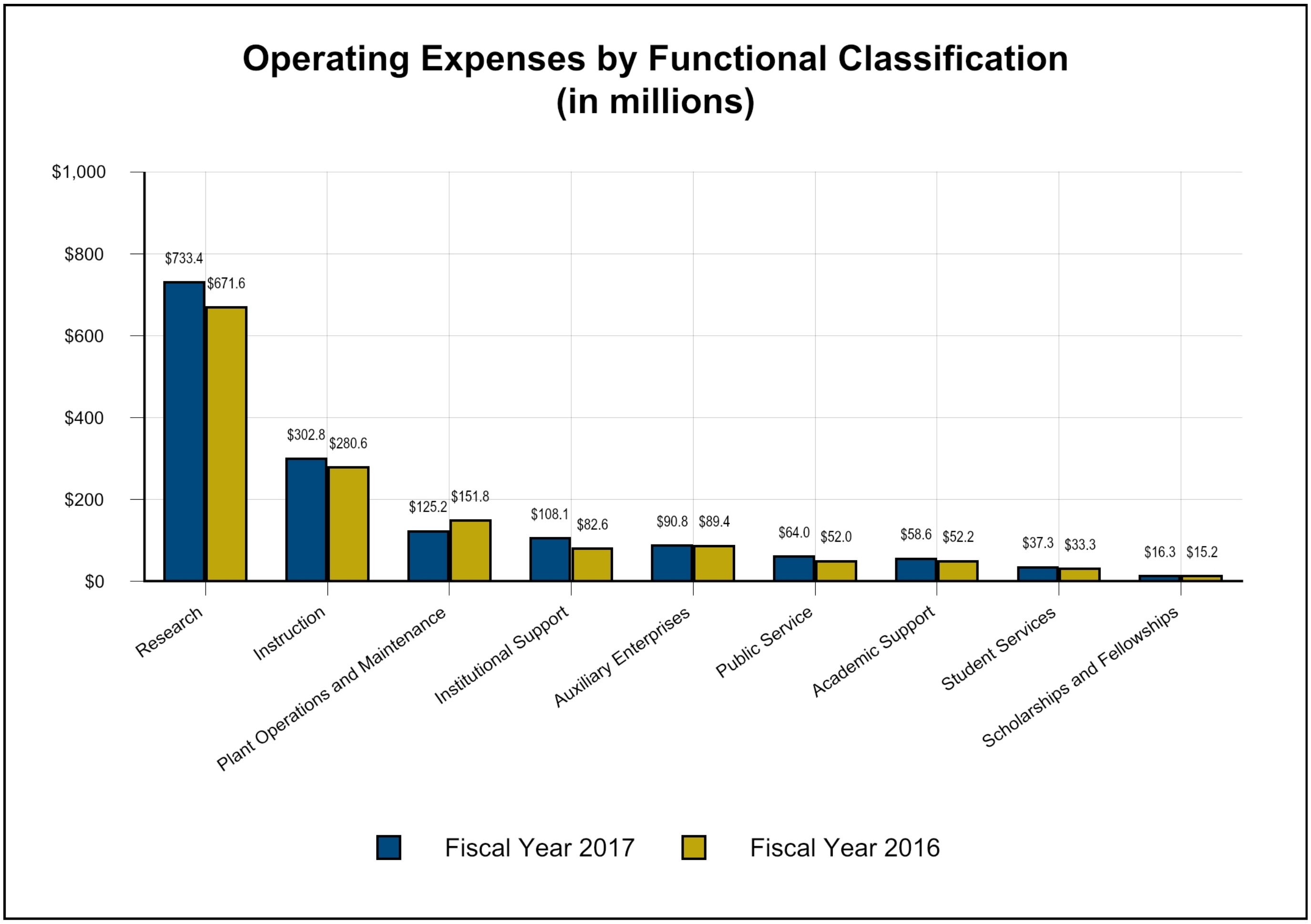
Nonoperating revenue which includes state appropriations, nonoperating gifts, grants and contracts and investment income increased by $41.8 million for fiscal year 2017. This increase is primarily attributable to an increase in State Appropriations of $34.3 million. The $800.5 million in revenue from gifts, grants and contracts includes $83.9 million of direct expense reimbursements from the Georgia Tech Foundation, increasing from $77.9 million in the prior fiscal year.

Expenses
For the years ended June 30, 2017 and June 30, 2016, expenses by functional classification were as follows:

EXPENSES BY FUNCTIONAL CLASSIFICATION	June 30, 2017	June 30, 2016
Instruction	$ 302,825,848	$ 280,623,026
Research	733,414,901	671,561,040
Public Service	64,024,758	51,964,715
Academic Support	58,633,464	52,227,728
Student Services	37,251,927	33,300,942
Institutional Support	108,120,489	82,615,645
Plant Operations and Maintenance	125,197,501	151,778,573
Scholarships and Fellowships	16,342,204	15,162,457
Auxiliary Enterprises	90,824,009	89,403,930
Total Operating Expenses	1,536,635,101	1,428,638,056
Interest Expense (Capital Assets)	24,679,352	25,754,187
Total Nonoperating Expenses	24,679,352	25,754,187
Total Expenses	$1,561,314,453	$1,454,392,243

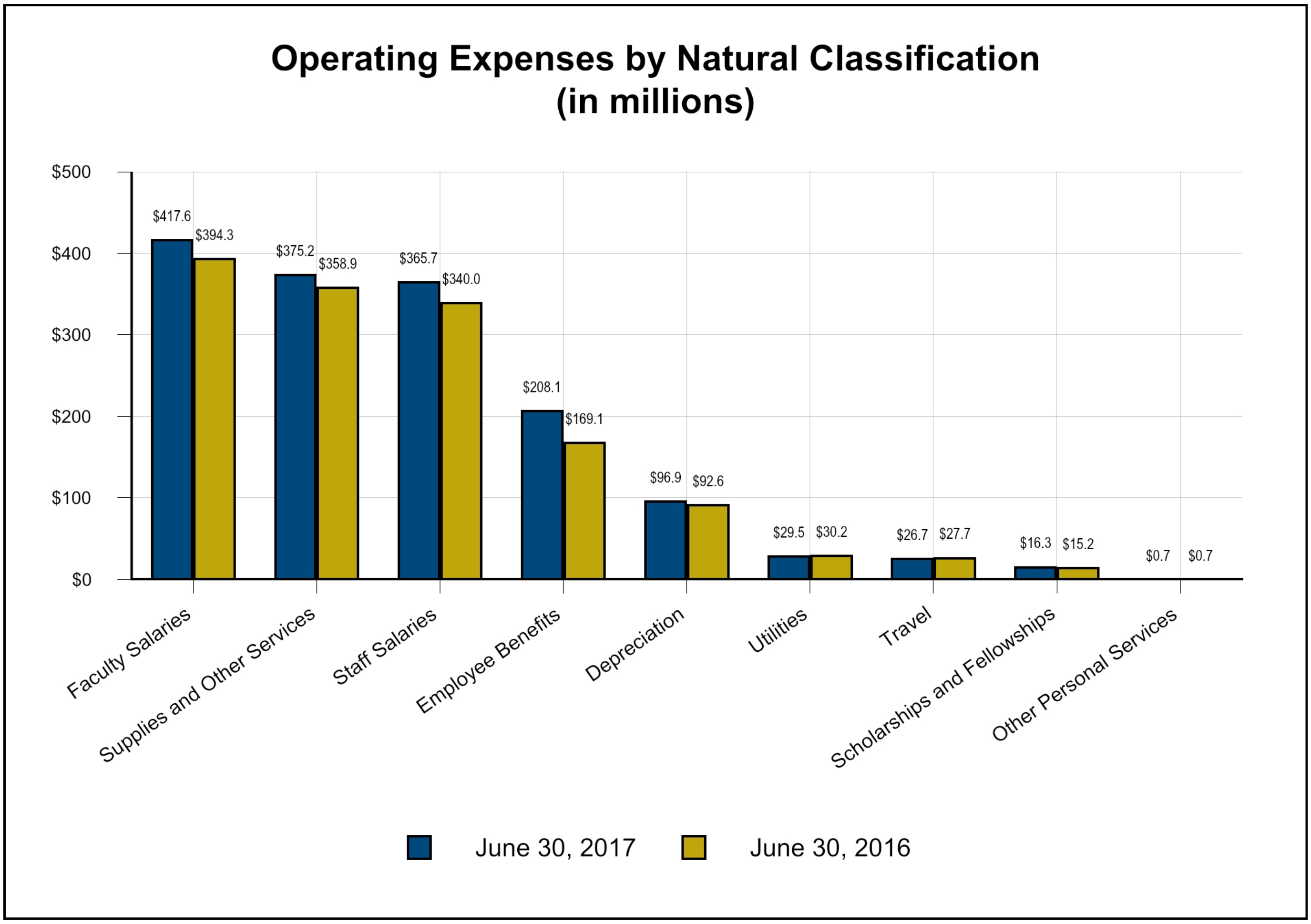
Total expenses were $1,561.3 million in fiscal year 2017, an increase of $106.9 million (7.4%) when compared with fiscal year 2016. The operating expense increases are primarily attributable to the following functional classifications: Institutional Support ($25.5 million); Research ($61.9 million); Instruction ($22.2 million); and Public Service ($12.1 million). Nonoperating expenses decreased by $1.1 million.

The illustration below is a comparison of the Institute's operating expenses by functional classification for the fiscal years ended June 30, 2017 and June 30, 2016.



Total operating expenses were $1,536.6 million and $1,428.7 million for fiscal year 2017 and fiscal year 2016, respectively. This represents a $107.9 million or 7.6% increase over the previous fiscal year. Operating expenses for Instruction, Research and Public Service increased by a total of $96.0 million, while operating expenses for Institutional Support, Academic Support and Student Services increased by a total of $35.9 million. Operating expenses for Plant Operations and Maintenance decreased by $26.6 million while operating expenses for Auxiliary Services and Scholarships and Fellowships increased by $1.4 million and $1.1 million, respectively.

The illustration below is a comparison of the Institute's operating expenses by natural classification for the fiscal years ended June 30, 2017 and June 30, 2016.



Total operating expenses for fiscal year 2017 totaled $1,536.6 million which is a $107.9 million or 7.6% increase over the prior fiscal year. This net increase includes an $88.0 combined increase in Faculty Salaries, Staff Salaries and Employee Benefits reflecting the hiring of new faculty and staff, merit increases and increases in the cost of employee benefits. Supplies and Other Services increased by $16.3 reflecting an increase in consumption. The remaining categories remained relatively stable compared to the prior year.

Statement of Cash Flows

The final statement presented by the Georgia Institute of Technology is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the Institute during the year. Cash flow information can be used to evaluate the financial viability of the Institute's ability to meet financial obligations as they mature. The statement is divided into five parts. The first part outlines operating cash flows and shows the net cash used by the operating activities of the Institution. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for nonoperating, non-investing, and non-capital financing purposes. The third section outlines cash flows from capital and related financing activities. This section reflects the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth 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, 2017 and 2016, Condensed

CONDENSED STATEMENT OF NET CASH FLOWS	June 30, 2017	June 30, 2016
Cash Provided (Used) by:		
Operating Activities	$ (105,099,015)	$ (98,974,339)
Non-Capital Financing Activities	283,990,649	247,314,704
Capital and Related Financing Activities	(152,928,838)	(137,602,220)
Investing Activities	16,462,319	16,959,149
Net Change in Cash & Cash Equivalents	42,425,115	27,697,294
Cash & Cash Equivalents, Beginning of Year	253,483,906	225,786,612
Cash & Cash Equivalents, End of Year	$ 295,909,021	$ 253,483,906

Capital Assets

The Institute had two significant capital asset additions for fiscal year 2017: the Guaranteed Energy Savings Performance Contract (GESPC) and the Lettie Pate Whitehead Evans (Evans) Administration Building. The GESPC was completed with Institute funds resulting in an $8,122,432 capital asset addition to Infrastructure. The Evans Administration Building was completed with a combination of Institute and Georgia State Financing and Investment Commission (GSFIC) funds resulting in a $7,666,634 capital asset addition to Buildings.

Capital assets, net of accumulated depreciation, at June 30, 2017 and June 30, 2016 were as follows:

CAPITAL ASSETS, net of accumulated depreciation/amortization	June 30, 2017	June 30, 2016
Land	$ 56,713,543	$ 56,038,543
Capitalized Collections	19,362,554	19,080,036
Construction Work-in-Progress	73,511,171	44,785,247
Infrastructure	107,732,018	101,976,960
Building and Building Improvements	1,382,175,405	1,393,508,086
Facilities and Other Improvements	52,030,335	48,580,856
Equipment	173,862,282	164,903,991
Library Collections	34,310,480	33,653,578
Software	2,250,000	—
Capital Assets, net of accumulated depreciation/amortization	$ 1,901,947,788	$ 1,862,527,297

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 $975,670,312 of which $56,742,916 was reflected as current liability at June 30, 2017.

For additional information concerning Long-Term Liabilities, see Note 8 in the 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 2017 operating results. Management anticipates that fiscal year 2018 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.

<u>Tuition</u>
Georgia Tech's enrollment is expected to remain stable, with a modest 2% increase anticipated in fiscal year 2018. For fiscal year 2017, the Board of Regents (BOR) elected to maintain tuition rates at the 2016 level. For fiscal year 2018, the BOR approved 2% undergraduate and 2.5% graduate rate increases. For future years, 0% to 2% rate increases are anticipated and enrollment growth is expected to continue at a moderate level. One exception is the Masters in Computer Science program which is a major growth area due to the on-line program. This program experienced a six-fold increase in enrollment from spring of 2014 (757 students) to spring of 2017 (4,513 students). This growth for this program is expected to continue into fiscal year 2018, but not at this accelerated rate.

<u>State Appropriations</u>
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 (EI2). 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 state funding of 9.7% for Resident Instruction in fiscal year 2018 over 2017 and a 9% increase for both GTRI and EI2.

<u>Sponsored</u>
Sponsored awards received in fiscal year 2017 totaled $690 million, reflecting another strong year for the Institute and specifically the Georgia Tech Research Institute (GTRI). Although this is down from the previous fiscal year's record in awards received, sponsored revenue for the Institute increased by 4.64% to $797.8 million, demonstrating the solid pipeline of ongoing multi-year awards. 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.

<u>Reserves</u>
As permitted under state law, Georgia Tech has succeeded in carrying over a portion of its indirect cost revenue for six straight years, including fiscal year 2017, 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 2017 and 2018 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
Georgia Institute of Technology

Steven G. Swant, Executive Vice President
Georgia Institute of Technology

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FINANCIAL STATEMENTS

Georgia Tech

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF NET POSITION
JUNE 30, 2017

	Georgia Institute of Technology	Component Units
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 295,827,482	$ 120,186,868
Short-term Investments	156,645	—
Accounts Receivable, net		
Federal Financial Assistance	9,556,347	—
Affiliated Organizations	—	704,673
Component Units	76,864,935	—
Other	31,146,193	144,245,031
Notes Receivable, net	—	600,000
Investment in Capital Leases - Primary Government	—	15,631,198
Investment in Capital Leases - Other		327,503
Inventories	941,999	—
Prepaid Items	16,485,440	1,550,727
Other Assets	—	490,396
Total Current Assets	430,979,041	283,736,396
Non-Current Assets		
Cash and Cash Equivalents	—	15,758,856
Accounts Receivable, net		
Affiliated Organizations	—	6,771,775
Due From USO - Capital Liability Reserve Fund	2,275,907	—
Pledges & Contributions	—	111,119,302
Other	—	3
Investments	11,386,498	1,019,201,128
Notes Receivable, net	11,994,191	1,104,314
Investment in Capital Leases - Primary Government	—	342,688,369
Investment in Capital Leases - Other	—	4,466,472
Other Assets	—	29,267,201
Non-current Cash (Externally Restricted)	81,539	—
Investments (Externally Restricted)	65,177,165	621,400,000
Capital Assets, net	1,901,947,788	373,434,911
Total Non-Current Assets	1,992,863,088	2,525,212,331
TOTAL ASSETS	2,423,842,129	2,808,948,727
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Debt Refunding	—	18,624,539
Deferred Loss on Defined Benefit Pension Plans	135,937,111	—
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 135,937,111	$ 18,624,539

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

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF NET POSITION
JUNE 30, 2017

	Georgia Institute of Technology	Component Units
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 78,445,216	$ 17,193,019
Salaries Payable	2,580,227	—
Benefits Payable	632,069	—
Contracts Payable	9,883,993	—
Retainage Payable	2,893,949	—
Due to Affiliated Organizations	123,644	176,000
Due to Primary Government	—	76,864,935
Advances (Including Tuition and Fees)	25,052,116	75,307,375
Deposits	8,922,245	15,634,186
Deposits Held for Other Organizations	14,731,344	29,998,329
Other Liabilities	406,178	5,990,050
Notes and Loans Payable	1,077,628	27,613,044
Lease Purchase Obligations - External	3,371,074	1,958,456
Lease Purchase Obligations - Component Units	15,631,198	—
Revenue Bonds & Notes Payable	—	21,084,450
Liabilities Under Split Interest Agreements	—	1,633,328
Pollution Remediation	443,715	601,341
Claims & Judgments	—	1,575,564
Compensated Absences	36,219,301	348,623
Total Current Liabilities	200,413,897	275,978,700
Non-Current Liabilities		
Due to Affiliated Organizations	—	7,002,000
Advances (Including Tuition and Fees)	—	1,996,522
Other Liabilities	—	7,337,469
Notes and Loans Payable	6,335,037	60,300,195
Lease Purchase Obligations - External	81,770,826	59,059,101
Lease Purchase Obligations - Component Units	342,688,369	—
Revenue Bonds & Notes Payable	—	692,820,556
Liabilities Under Split Interest Agreements	—	14,396,672
Claims & Judgments	—	650,740
Compensated Absences	13,321,321	—
Net Pension Liability	474,811,843	—
Total Non-Current Liabilities	918,927,396	843,563,255
TOTAL LIABILITIES	1,119,341,293	1,119,541,955
DEFERRED INFLOWS OF RESOURCES		
Deferred Funds Received in Advance of Timing Requirements	10,536,383	—
Deferred Gain on Defined Benefit Pension Plans	2,342,427	—
TOTAL DEFERRED INFLOWS OF RESOURCES	12,878,810	—
NET POSITION		
Net Investment in Capital Assets	1,435,060,932	38,790,777
Restricted for:		
Nonexpendable	65,258,703	731,428,155
Expendable	29,277,394	801,157,788
Unrestricted (Deficit)	(102,037,892)	136,654,591
TOTAL NET POSITION	$ 1,427,559,137	$ 1,708,031,311

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, 2017

	Georgia Institute of Technology	Component Units
OPERATING REVENUES		
Student Tuition and Fees (net)	$ 361,845,835	$ —
Grants and Contracts		
Federal	545,314,270	583,812,699
State	8,125,597	7,573,630
Other	233,235,552	92,637,701
Sales and Services	39,106,996	57,061,741
Rents and Royalties	478,891	74,461,963
Auxiliary Enterprises		
Residence Halls	76,211,897	—
Bookstore	2,123,424	—
Food Services	3,473,273	—
Parking/Transportation	19,627,886	—
Health Services	10,373,070	—
Other Organizations	2,154,699	—
Gifts and Contributions	—	51,730,926
Other Operating Revenues	6,634,095	3,253
Total Operating Revenues	1,308,705,485	867,281,913
OPERATING EXPENSES		
Faculty Salaries	417,592,010	—
Staff Salaries	365,719,734	3,460,190
Employee Benefits	208,114,544	529,000
Other Personal Services	730,607	72,000
Travel	26,659,547	6,539,271
Scholarships and Fellowships	16,342,204	11,071,266
Utilities	29,456,813	745,250
Supplies and Other Services	375,163,096	848,560,376
Depreciation	96,856,546	14,944,311
Total Operating Expenses	1,536,635,101	885,921,664
Operating Income (Loss)	$ (227,929,616)	$ (18,639,751)

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
JUNE 30, 2017

	Georgia Institute of Technology	Component Units
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	$ 267,514,001	$ —
Grants and Contracts		
Federal	11,122,453	—
Gifts	2,738,147	—
Investment Income	21,525,736	198,902,529
Interest Expense	(24,679,352)	(41,288,065)
Other Nonoperating Revenues (Expenses)	1,037,036	(778,673)
Net Nonoperating Revenues	279,258,021	156,835,791
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	51,328,405	138,196,040
Capital Grants and Gifts		
State	6,485,524	1,000,000
Other	793,930	2,000,000
Additions to Permanent and Term Endowments	746,123	41,686,742
Total Other Revenues, Expenses, Gains or Losses	8,025,577	44,686,742
Change in Net Position	59,353,982	182,882,782
Net Position, Beginning of Year, As Originally Reported	1,368,205,155	1,500,820,623
Prior Year Adjustments	—	24,327,906
Net Position, Beginning of Year, Restated	1,368,205,155	1,525,148,529
Net Position, End of Year	$ 1,427,559,137	$ 1,708,031,311

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, 2017

		Georgia Institute of Technology
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments from Customers	$	520,609,157
Grants and Contracts (Exchange)		787,035,551
Payments to Suppliers		(616,034,018)
Payments to Employees		(780,292,481)
Payments for Scholarships and Fellowships		(16,342,204)
Loans Issued to Students		(3,557,366)
Collection of Loans from Students		3,482,346
Net Cash Used by Operating Activities		(105,099,015)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State Appropriations		267,514,001
Agency Funds Transactions - Receipts		182,329,657
Agency Funds Transactions - Disbursements		(180,896,768)
Gifts and Grants Received for Other Than Capital Purposes		14,006,723
Other Noncapital Financing Receipts		1,037,036
Net Cash Flows Provided by Non-capital Financing Activities		283,990,649
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Gifts and Grants Received		6,485,524
Proceeds from Sale of Capital Assets		4,509,120
Purchases of Capital Assets		(121,504,023)
Principal Paid on Capital Debt and Leases		(17,317,846)
Interest Paid on Capital Debt and Leases		(25,101,613)
Net Cash Used by Capital and Related Financing Activities		(152,928,838)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income		16,462,319
Net Cash Provided by Investing Activities		16,462,319
Net Increase in Cash and Cash Equivalents		42,425,115
Cash and Cash Equivalents, Beginning of year		253,483,906
Cash and Cash Equivalents - End of Year	$	295,909,021

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

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF CASH FLOWS
JUNE 30, 2017

		Georgia Institute of Technology
RECONCILIATION OF OPERATING LOSS TO		
NET CASH USED BY OPERATING ACTIVITIES:		
Operating Loss	$	(227,929,616)
Adjustments to Reconcile Net Operating Loss to		
Net Cash Used by Operating Activities		
Depreciation		96,856,546
Operating Expenses Related to Noncash Gifts		
Change in Assets and Liabilities:		
Receivables, net		(2,357,985)
Inventories		41,530
Prepaid Items		(7,460,571)
Notes Receivable, Net		(75,020)
Accounts Payable		10,872,583
Salaries Payable		(445,919)
Benefits Payable		(58,395)
Advances (Including Tuition & Fees)		1,297,209
Other Liabilities		192,259
Compensated Absences		3,465,182
Due to Affiliated Organizations		92,750
Pollution Remediation		7,011
Net Pension Liability		131,892,106
Change in Deferred inflows/outflows of resources:		
Deferred Inflows of Resources		(26,551,703)
Deferred Outflows of Resources		(84,936,982)
Net Cash Used by Operating Activities	$	(105,099,015)
NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND		
RELATED FINANCING TRANSACTIONS		
Recognition of Non-capital Financing Activities Advances and Deferred Inflows	$	600,000
Gift of Capital Assets	$	793,930
Loss on Disposal of Capital Assets	$	(3,541,682)
Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity	$	5,902,404
Accrual of Capital Asset Related Payables	$	(15,012,726)
Capital Assets Acquired by Incurring Capital Lease Obligations	$	(5,925,228)
Accrual of Capital Financing Interest Payable	$	(1,945,457)
Capitalized Interest on Guaranteed Energy Savings Performance Contract	$	286,188
Unrealized Gain/Loss on Investments	$	5,063,417

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, 2017

	Georgia Tech Foundation, Inc.	Georgia Tech Facilities, Inc.	Georgia Tech Research Corporation	Georgia Tech Athletic Association	Georgia Advanced Technology Ventures, Inc.	Total
ASSETS						
Current Assets						
Cash and Cash Equivalents	$ 5,484,000	$ 6,002,122	$ 98,364,276	$ 6,279,261	$ 4,057,209	$ 120,186,868
Accounts Receivable, net						
Affiliated Organizations		704,673				704,673
Other	19,112,000		118,550,521	6,186,630	395,880	144,245,031
Notes Receivable, net		600,000				600,000
Investment in Capital Leases - Primary Government	6,613,160	9,018,038				15,631,198
Investment in Capital Leases - Other			327,503			327,503
Prepaid Items		255,892	71,617	1,159,416	63,802	1,550,727
Other Assets					490,396	490,396
Total Current Assets	31,209,160	16,580,725	217,313,917	13,625,307	5,007,287	283,736,396
Non-Current Assets						
Cash and Cash Equivalents	10,857,000	3,794,047			1,107,809	15,758,856
Accounts Receivable, net						
Affiliated Organizations		6,771,775				6,771,775
Pledges & Contributions	105,211,000			5,287,450	620,852	111,119,302
Other			3			3
Investments	913,577,000		128	105,609,000	15,000	1,019,201,128
Notes Receivable, net		1,104,314				1,104,314
Investment in Capital Leases - Primary Government	117,218,159	225,470,210				342,688,369
Investment in Capital Leases - Other			4,466,472			4,466,472
Other Assets	24,857,681	3,681,250		728,270		29,267,201
Investments (Externally Restricted)	621,400,000					621,400,000
Capital Assets, net	112,110,000	4,569,199	1,223,076	164,857,696	90,674,940	373,434,911
Total Non-Current Assets	1,905,230,840	245,390,795	5,689,679	276,482,416	92,418,601	2,525,212,331
TOTAL ASSETS	1,936,440,000	261,971,520	223,003,596	290,107,723	97,425,888	2,808,948,727
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Loss on Debt Refunding				18,624,539		18,624,539
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ —	$ —	$ —	$ 18,624,539	$ —	$ 18,624,539

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, 2017

	Georgia Tech Foundation, Inc.	Georgia Tech Facilities, Inc.	Georgia Tech Research Corporation	Georgia Tech Athletic Association	Georgia Advanced Technology Ventures, Inc.	Total
LIABILITIES						
Current Liabilities						
Accounts Payable	$ 9,344,020	$ 2,053,522		$ 5,470,497	$ 324,980	$ 17,193,019
Due to Affiliated Organizations	176,000					176,000
Due to Primary Government			$ 76,864,935			76,864,935
Advances (Including Tuition and Fees)	23,784,033	742,825	49,399,271	508,993	872,253	75,307,375
Deposits	201,855			15,279,004	153,327	15,634,186
Deposits Held for Other Organizations			29,998,329			29,998,329
Other Liabilities			5,826,913		163,137	5,990,050
Notes and Loans Payable	25,928,644			943,965	740,435	27,613,044
Lease Purchase Obligations - External			368,794	73,133	1,516,529	1,958,456
Revenue Bonds & Notes Payable	10,725,000	9,254,450		1,105,000		21,084,450
Liabilities Under Split Interest Agreements	1,633,328					1,633,328
Pollution Remediation					601,341	601,341
Claims & Judgments				1,575,564		1,575,564
Compensated Absences	348,623					348,623
Total Current Liabilities	72,141,503	12,050,797	162,458,242	24,956,156	4,372,002	275,978,700
Non-Current Liabilities						
Due to Affiliated Organizations	7,002,000					7,002,000
Advances (Including Tuition and Fees)		5,000			1,991,522	1,996,522
Other Liabilities	7,337,469		—			7,337,469
Notes and Loans Payable	47,271,356			5,082,536	7,946,303	60,300,195
Lease Purchase Obligations - External			4,425,181	120,902	54,513,018	59,059,101
Revenue Bonds & Notes Payable	247,498,000	228,739,517		216,583,039		692,820,556
Liabilities Under Split Interest Agreements	14,396,672					14,396,672
Claims & Judgments				650,740		650,740
Total Non-Current Liabilities	323,505,497	228,744,517	4,425,181	222,437,217	64,450,843	843,563,255
TOTAL LIABILITIES	395,647,000	240,795,314	166,883,423	247,393,373	68,822,845	1,119,541,955
NET POSITION						
Net Investment in Capital Assets	47,569,500	4,569,215	1,223,076	(40,529,669)	25,958,655	38,790,777
Restricted for:						
Nonexpendable	693,105,000	—	—	38,323,155	—	731,428,155
Expendable	726,967,000	8,251,952	—	57,810,372	8,128,464	801,157,788
Unrestricted (Deficit)	73,151,500	8,355,039	54,897,097	5,735,031	(5,484,076)	136,654,591
TOTAL NET POSITION	$ 1,540,793,000	$ 21,176,206	$ 56,120,173	$ 61,338,889	$ 28,603,043	$ 1,708,031,311

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, 2017

	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			$ 583,812,699			$ 583,812,699
State			7,573,630			7,573,630
Other		$ 1,980,000	90,628,106		$ 29,595	92,637,701
Sales and Services	$ 21,000	8,784		$ 56,864,958	166,999	57,061,741
Rents and Royalties	25,570,000	14,661,626	11,888,231	9,591,533	12,750,573	74,461,963
Gifts and Contributions	47,181,000			4,122,330	427,596	51,730,926
Other Operating Revenues					3,253	3,253
Total Operating Revenues	72,772,000	16,650,410	693,902,666	70,578,821	13,378,016	867,281,913
OPERATING EXPENSES						
Staff Salaries	3,403,000				57,190	3,460,190
Employee Benefits	529,000					529,000
Other Personal Services	72,000					72,000
Travel	92,000		127,858	6,319,413		6,539,271
Scholarships and Fellowships				11,071,266		11,071,266
Utilities	512,000	193,750			39,500	745,250
Supplies and Other Services	104,195,000	749,134	690,277,098	47,327,899	6,011,245	848,560,376
Depreciation	4,352,000	60,000	340,865	7,587,218	2,604,228	14,944,311
Total Operating Expenses	113,155,000	1,002,884	690,745,821	72,305,796	8,712,163	885,921,664
Operating Income (Loss)	$ (40,383,000)	$ 15,647,526	$ 3,156,845	$ (1,726,975)	$ 4,665,853	$ (18,639,751)

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
JUNE 30, 2017

	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)						
Investment Income	$ 185,908,000	$ 123,965	$ 422,189	$ 12,428,554	$ 19,821	$ 198,902,529
Interest Expense	(12,380,000)	(12,905,063)		(12,592,465)	(3,410,537)	(41,288,065)
Other Nonoperating Revenues (Expenses)			370,702	(1,149,375)		(778,673)
Net Nonoperating Revenues	173,528,000	(12,781,098)	792,891	(1,313,286)	(3,390,716)	156,835,791
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	133,145,000	2,866,428	3,949,736	(3,040,261)	1,275,137	138,196,040
Capital Grants and Gifts						
State					1,000,000	1,000,000
Other					2,000,000	2,000,000
Additions to Permanent and Term Endowments	39,717,000			1,969,742		41,686,742
Total Other Revenues, Expenses, Gains or Losses	39,717,000	—	—	1,969,742	3,000,000	44,686,742
Change in Net Position	172,862,000	2,866,428	3,949,736	(1,070,519)	4,275,137	182,882,782
Net Position, Beginning of Year, As Originally Reported	1,367,931,000	18,309,778	52,170,437	62,409,408		1,500,820,623
Prior Year Adjustments					24,327,906	24,327,906
Net Position, Beginning of Year, Restated	1,367,931,000	18,309,778	52,170,437	62,409,408	24,327,906	1,525,148,529
Net Position, End of Year	$ 1,540,793,000	$ 21,176,206	$ 56,120,173	$ 61,338,889	$ 28,603,043	$ 1,708,031,311

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

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NOTES TO THE FINANCIAL STATEMENTS

Georgia Tech

GEORGIA INSTITUTE OF TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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 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 are 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, 2017, 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 found on-line at https://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 is not fiscally accountable for these entities, it has been determined that the nature and significance of the relationship between the primary government and these organizations is such that exclusion from these departmental financial statements would render them misleading. The below organizations meet the requirements for discrete presentation as defined by GASB Codification Sections 2100 and 2600. Each of the discretely presented component units has a fiscal year that ends on June 30 each year. Separately issued financial statements are available as indicated below.

- Georgia Tech Foundation Inc. - 760 Spring Street, NW, Suite 400, Atlanta, GA 30308 or found at http://gtf.gatech.edu/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 Research Corporation - 505 10th Street, Atlanta, GA 30332-0415 or found at http://gtrc.gatech.edu/financial-information.

- 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 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.

See Note 20 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-Institute transactions have been eliminated.

New Accounting Pronouncements

For fiscal year 2017, the Institute adopted GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses accounting and financial reporting issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

For fiscal year 2017, the Institute adopted GASB Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The adoption of this Statement does not have a significant impact on the Institute's financial statements.

For fiscal year 2017, the Institute adopted GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The adoption of this Statement does not have a significant impact on the Institute's financial statements.

For fiscal year 2017, the Institute adopted GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The adoption of this Statement does not have a significant impact on the Institute's financial statements.

For fiscal year 2017, the Institute adopted GASB Statement No. 74, *Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans*. This Statement replaces GASB Statements No. 43, *Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution other post employment benefit (OPEB) plans that replace the requirements for those OPEB plans in GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, No. 43, and No. 50, *Pension Disclosures*. The objective of this Statement is to improve the usefulness of information about post employment benefits other than pensions. The adoption of this Statement does not have a significant impact on the Institute's financial statements.

Future Accounting Pronouncements

In fiscal year 2018, the Institute will adopt GASB Statement No. 75, *Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions*. The provisions of this Statement establish accounting and financial reporting standards for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. Implementation of this Statement will require the Institute to record a liability for its proportionate share of the OPEB Liability of plans in which it participates. Actuarial estimates are currently being made to determine the Institute's liability, the effects of which are believed to be material.

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.

Short-Term Investments
Short-Term Investments consist of investments of 90 days - 13 months. These include certificates of deposits or other time-restricted investments with original maturities of six months or more when purchased. Funds are not readily available and there is a penalty for early withdrawal.

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 and the Georgia Extended Asset Pool are included as investments.

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.

Non-current Cash and Investments
Cash and investments that are externally restricted and cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position.

Prepaid Items
Payments made to vendors and state and local government organizations for services that will benefit periods beyond June 30, 2017 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. Renovations to buildings, infrastructure, facilities and other improvements, and land improvements 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 to 75 years for infrastructure, 15 to 50 year for facilities and other improvements, 10 years for library collections, 5 to 10 years for equipment and 5 to 10 years for intangibles. 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 generally are 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

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 Institute. 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 by the Institute that are 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.

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 assets by an institution that are applicable to a future reporting period.

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) and a third party (operator) in which all of the following criteria are met:

a) The Institute 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 upfront 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 Institute 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 Institute 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 represent 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 - Non-Expendable 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 Institute-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 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 nonoperating 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.
- Nonoperating revenue includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating 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.
- Nonoperating expense includes activities that have the characteristics of nonexchange 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 nonoperating revenues in the Institute's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the Institute has recorded contra revenue for scholarship allowances. Student tuition and fees and auxiliary revenues reported on the Statement of Revenues, Expenses and Changes in Net Position are net of discounts and allowances of $50,498,574 and $79,880, respectively.

Restatement of Prior Year Net Position
The Institute made the following restatements:

	Discretely Presented Component Units
Net position, beginning of year, as originally reported	$1,500,820,623
Changes in financial reporting entity	24,327,906
Net position, beginning of year, restated	$1,525,148,529

Changes in Financial Reporting Entity
In fiscal year 2017, Georgia Advanced Technology Ventures, Inc. was determined to be essential to the fair presentation to these departmental statements resulting in an increase in the beginning net position for the discretely presented component units.

Note 2 Deposits and Investments

Cash and cash equivalents and investments as of June 30, 2017 are classified in the accompanying statement of net position as follows:

Cash & Cash Equivalents	$	295,827,482
Short-Term Investments		156,645
Non Current - Investments		11,386,498
Cash (Externally Restricted)		81,539
Investments (Externally Restricted)		65,177,165
	$	372,629,329

Cash on hand, deposits and investments as of June 30, 2017 consist of the following:

Cash on Hand	$	26,075
Deposits with Financial Institutions		30,599,005
Investments		342,004,249
	$	372,629,329

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 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. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation. The Treasurer of the Board of Regents is responsible for all details relative to furnishing the required depository protection for all units of the University System of Georgia.

At June 30, 2017, the bank balances of the Institute's deposits totaled $36,422,714. Of these deposits, $188,303 were exposed to custodial credit risk as follows:

Uninsured and uncollaterized	$	188,303

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.

The Institute has adopted GASB Statement No. 72, *Fair Value Measurements and Application*, which 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, 2017.

		Fair Value Hierarchy		
	Fair Value	Level 1	Level 2	Level 3
Investment type:				
Debt Securities				
U.S. Treasuries	$ 4,082,053	$ 4,082,053		
U.S. Agencies				
Explicitly Guaranteed	1,841		$ 1,841	
Implicitly Guaranteed	2,349,965		2,349,965	
Corporate Debt	236,214		236,214	
Money Market Mutual Funds	426,136	426,136		
Mutual Bond Funds	261,288	261,288		
Other Investments				
Equity Mutual Funds - Domestic	6,429,550	6,429,550		
Equity Mutual Funds - International	2,420,829	2,420,829		
Equity Securities - Domestic	627,371	627,371		
Equity Securities - International	105,067		105,067	
Real Estate Held for Investment Purposes	332,590			$ 332,590
Real Estate Investment Trusts	451,292	451,292		
	17,724,196	$ 14,698,519	$ 2,693,087	$ 332,590
Investment Pools				
Board of Regents				
Short-Term Fund	169,555,449			
Diversified Fund	59,265,603			
Office of the State Treasurer				
Georgia Fund 1	95,302,356			
Georgia Extended Asset Pool	156,645			
Total Investments	$ 342,004,249			

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

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

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

The Institute holds positions in external investment pools. 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.

Investment Pools

The Board of Regents Investment Pool is not registered with the Securities and Exchange Commission as an investment company. The fair value of investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. Participation in the Board of Regents Investment Pool is voluntary. The Board of Regents Investment Pool is not rated. Additional information on the Board of Regents Investment Pool is disclosed in the audited Financial Statements of the University System of Georgia (USG). This audit can be obtained from USG's web site at http://www.usg.edu/fiscal_affairs/financial_reporting.

Effective Duration of Investments

The Effective Duration of the Short-Term Fund is 0.429 years. Of the Institute's total investment in the Short-Term Fund, 100% is invested in debt securities.

The Effective Duration of the Diversified Fund is 5.65 years. Of the Institute's total investment in the Diversified Fund, 33% is invested in debt securities.

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 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 26 days.

The Georgia Extended Asset Pool, managed by the Office of the State Treasurer, is not registered with the Securities and Exchange Commission as an investment company. Net Asset Value (NAV) is calculated daily to determine current share price, which was $1.99 at June 30, 2017. The Georgia Extended Asset Pool is an AA+f rated investment pool by Standard and Poor's. The Weighted Average Maturity of the Fund is 0.09 years.

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 Board of Regents policy and applicable Federal and State laws.

The following table presents the interest rate risk for the Institute's debt investment at June 30,2017, utilizing segmented time distribution methods:

	Investment Maturity					
	Fair Value	Less Than 3 Months	4-12 Months	1-5 Years	6-10 Years	More Than 10 Years
Investment type:						
Debt Securities						
U.S. Treasuries	$ 4,082,053		$ 225,339	$ 2,458,133	$ 1,398,581	
U.S. Agencies						
Explicitly Guaranteed	1,841					$ 1,841
Implicitly Guaranteed	2,349,965		424,820	335,622	419,620	1,169,903
Corporate Debt	236,214		32,517	143,953	59,744	
Money Market Mutual Funds	426,136	$ 426,136				
Mutual Bond Funds	261,288		20,337	74,684	166,267	
	$ 7,357,497	$ 426,136	$ 703,013	$ 3,012,392	$ 2,044,212	$ 1,171,744
Other Investments						
Equity Mutual Funds - Domestic	6,429,550					
Equity Mutual Funds - International	2,420,829					
Equity Securities - Domestic	627,371					
Equity Securities - International	105,067					
Real Estate Held for Investment Purposes	332,590					
Real Estate Investment Trusts	451,292					
Investment Pools						
Board of Regents						
Short-Term Fund	169,555,449					
Diversified Fund	59,265,603					
Office of the State Treasurer						
Georgia Fund 1	95,302,356					
Georgia Extended Asset Pool	156,645					
Total Investments	$ 342,004,249					

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, 2017, $6,556,122 of the Institute's applicable investments were uninsured and held by the investment's counterparty's in the Institute's name and $1,272,525 were uninsured and held by the investment 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 credit quality risk is an integral part of its current investment policies dated May 16, 2005, which identifies approved investment products, and specifies the required credit quality, as applicable, for each investment based on approved credit rating agencies.

The investments subject to credit quality risk are reflected below:

	Fair Value	AAA	AA	A	BBB	Unrated
Related Debt Investments						
U. S. Agency Securities	$ 2,349,965	$ 600,886	$ 1,749,079			
Corporate Debt	236,214		92,301	$ 68,232	$ 75,681	
Money Market Mutual Fund	426,136	426,136				
Mutual Bond Fund	261,288					$ 261,288
	$ 3,273,603	$ 1,027,022	$ 1,841,380	$ 68,232	$ 75,681	$ 261,288

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.

Note 3 Accounts Receivable

Accounts receivable consisted of the following at June 30, 2017:

Student Tuition and Fees	$ 6,163,667
Auxiliary Enterprises and Other Operating Activities	2,711,390
Federal Financial Assistance	9,556,347
Georgia State Financing and Investment Commission	151,677
Due from Component Units	76,864,935
Due From Other USG Institutions	2,275,907
Other	24,565,268
	122,289,191
Less: Allowance for Doubtful Accounts	2,445,809
Net Accounts Receivable	$ 119,843,382

Note 4 Inventories

Inventories consisted of the following at June 30, 2017:

Consumable Supplies	$ 857,954
Merchandise for Resale	84,045
Total	$ 941,999

Note 5 Notes and Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2017. 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, 2017, the allowance for uncollectible loans was $540,885.

Note 6 Capital Assets

Changes in capital assets for the year ended June 30, 2017 are shown below:

	Beginning Balance July 1, 2016	Additions	Reductions	Ending Balance June 30, 2017
Capital Assets, Not Being Depreciated:				
Land	$ 56,038,543	$ 675,000		$ 56,713,543
Capitalized Collections	19,080,036	282,518		19,362,554
Construction Work-in-Progress	44,785,247	61,429,603	$ 32,703,679	73,511,171
Total Capital Assets Not Being Depreciated	119,903,826	62,387,121	32,703,679	149,587,268
Capital Assets, Being Depreciated/Amortized:				
Infrastructure	141,162,560	9,335,180		150,497,740
Building and Building Improvements	1,942,583,956	34,166,950	3,502,400	1,973,248,506
Facilities and Other Improvements	65,791,272	6,266,894		72,058,166
Equipment	529,807,947	51,987,081	21,733,552	560,061,476
Library Collections	131,043,129	5,879,172	1,887,144	135,035,157
Software	1,530,895	2,500,000		4,030,895
Total Capital Assets Being Depreciated/Amortized	2,811,919,759	110,135,277	27,123,096	2,894,931,940
Less: Accumulated Depreciation/Amortization				
Infrastructure	39,185,600	3,580,122		42,765,722
Building and Building Improvements	549,075,870	45,138,390	3,141,159	591,073,101
Facilities and Other Improvements	17,210,416	2,817,415		20,027,831
Equipment	364,903,956	39,848,349	18,553,111	386,199,194
Library Collections	97,389,551	5,222,270	1,887,144	100,724,677
Software	1,530,895	250,000		1,780,895
Total Accumulated Depreciation/Amortization	1,069,296,288	96,856,546	23,581,414	1,142,571,420
Total Capital Assets, Being Depreciated/Amortized, Net	1,742,623,471	13,278,731	3,541,682	1,752,360,520
Capital Assets, net	$ 1,862,527,297	$ 75,665,852	$ 36,245,361	$ 1,901,947,788

For the year ended June 30, 2017, GSFIC transferred capital additions from GSFIC managed projects valued at $183,182 to the Institute. In addition, at June 30, 2017, GSFIC had construction in progress of approximately $3,161,039 for incomplete GSFIC managed projects for the Institute. A comparison of depreciation expense for the last three fiscal years is as follows:

Fiscal Year	Depreciation Expense
2017	$ 96,856,546
2016	$ 92,614,554
2015	$ 88,326,035

The Institute also transferred equipment with combined cost, accumulated depreciation and net book value of $137,203, $134,184 and $3,019 to Middle Georgia State University, Kennesaw State University and the University of Georgia, respectively.

Note 7 Advances (Including Tuition and Fees)

Advances, including tuition and fees, consisted of the following at June 30, 2017:

	Current Liabilities
Prepaid Tuition and Fees	$ 22,329,630
Research	229,718
Other - Advances	2,492,768
Totals	$ 25,052,116

Note 8 Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2017 were as follows:

	Beginning Balance July 1, 2016	Additions	Reductions	Ending Balance June 30, 2017	Current Portion
Lease Purchase Obligations	$ 454,504,825	$ 5,925,228	$ 16,968,586	$ 443,461,467	$ 19,002,272
Other Liabilities					
Compensated Absences	46,075,440	39,122,963	35,657,781	49,540,622	36,219,301
Net Pension Liability	342,919,737	131,892,106		474,811,843	
Notes and Loans Payable	7,761,925		349,260	7,412,665	1,077,628
Pollution Remediation	436,705	443,715	436,705	443,715	443,715
Total	397,193,807	171,458,784	36,443,746	532,208,845	37,740,644
Total Long-Term Obligations	$ 851,698,632	$ 177,384,012	$ 53,412,332	$ 975,670,312	$ 56,742,916

Notes and Loans Payable

The Institute entered into a notes payable to secure an Energy Performance Savings Contract. The interest rate for the note is 2.04% and matures during fiscal year 2024. Below is the annual debt service related to the outstanding notes payable at June 30, 2017.

	Principal	Interest
Year Ending June 30:		
2018	$ 1,077,628	$ 142,901
2019	1,099,763	120,766
2020	1,122,354	98,175
2021	1,145,408	75,121
2022	1,168,935	51,594
2023 through 2027	1,798,577	32,216
	$ 7,412,665	$ 520,773

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.

Note 9 Service Concessions Arrangements

At June 30, 2017, 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, 2017 is as follows:

Net Investment in Capital Assets	$ 1,435,060,932
Restricted for	
Nonexpendable	
Permanent Endowment	65,258,703
Expendable	
Sponsored and Other Organized Activities	1,818,958
Federal Loans	7,575,839
Institutional Loans	7,974,833
Quasi-Endowments	8,690,072
Capital Projects	3,217,692
Sub-Total	29,277,394
Unrestricted	
Auxiliary Enterprises Operations	46,097,437
Auxiliary Enterprises Renewals & Replacement Reserve	30,720,711
Reserve for Encumbrances	66,960,772
Reserve for Inventory	941,998
Capital Liability Reserve Fund	2,275,907
Other Unrestricted	(249,034,717)
Sub-Total	(102,037,892)
Total Net Position	$ 1,427,559,137

Changes in Net Position for the year ended June 30, 2017 are as follows:

	Beginning Balance July 1, 2016	Additions	Reductions	Ending Balance June 30, 2017
Net Investments in Capital Assets	$ 1,390,649,474	$ 143,467,448	$ 99,055,990	$1,435,060,932
Restricted Net Position	87,725,952	798,403,407	791,593,262	94,536,097
Unrestricted Net Position	(110,170,271)	821,227,992	813,095,613	(102,037,892)
Total Net Position	$ 1,368,205,155	$ 1,763,098,847	$ 1,703,744,865	$1,427,559,137

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 $5,352,737 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% 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.

Note 12 Significant Commitments

See the Note 10, Net Position, for amounts reserved for outstanding encumbrances at June 30, 2017. In addition to these encumbrances, the Institute had other significant unearned outstanding construction or renovation contracts in the amount of $35,865,356 executed as of June 30, 2017. 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 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 2017 were $46,183,845, of which $16,865,344 represented principal, $24,840,610 represented interest and $4,477,891 represented executory costs. The Institute also had non-cash reductions of $103,243. Interest rates range from 1.9% to 6.7%.

The following is a summary of the carrying values of assets held under capital lease at June 30, 2017:

Description	Gross Amount	Less: Accumulated Depreciation	Net, Assets Held Under Capital Lease at June 30, 2017	Outstanding Balances per Lease Schedules at June 30, 2017
	(+)	(-)	(=)	
Leased Land & Land Improvements	$ 11,457,418		$ 11,457,418	$ 7,519,585
Leased Infrastructure	39,705,000	$ 13,579,110	26,125,890	34,803,183
Leased Equipment	5,925,228	592,523	5,332,705	5,925,228
Leased Buildings & Building Improvements	531,612,726	130,600,458	401,012,268	394,691,545
Leased Facilities and Other Improvements	679,713	507,901	171,812	521,926
Total Assets Held Under Capital Lease	$ 589,380,085	$ 145,279,992	$ 444,100,093	$ 443,461,467

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	11/1997	8/2027	$ 12,060,000	(1)
Campus Recreation Center/Pkg	GTF	44,980,000	30 yrs	02/2001	04/2031	30,440,000	(1)
Technology Square Research Bldg.	TUFF	76,150,584	29 yrs	12/2002	12/2031	67,795,250	
Technology Square Complex	GTF	142,298,200	29 yrs	08/2003	04/2032	93,391,320	(1)
Married Family Housing	GTFI	60,485,000	25 yrs	10/2005	04/2030	39,670,000	(1)
Molecular Sciences & Eng.	GTFI	75,205,000	35 yrs	09/2006	06/2041	61,689,704	(1)
Klaus Advanced Computing Pkg.	GTFI	9,835,000	20 yrs	10/2005	04/2025	5,285,000	(1)
Electrical Sub Station	GTFI	39,705,000	33 yrs	10/2007	12/2039	34,803,183	(1)
North Ave Apts (Pkg/ Dining)	GTFI	82,705,494	25 yrs	07/2011	06/2036	64,258,885	(1)
Academy of Medicine	GTFI	5,000,000	19 yrs	02/2012	08/2030	4,038,653	(1)
Carbon Neutral Energy Solutions	GTFI	13,815,000	31 yrs	10/2011	04/2042	12,682,822	(1)
Library Service Center	EmTech	11,632,450	30 yrs	11/2015	10/2045	11,421,421	(1)
Telecommunications System	Bank of America Merrill Lynch	5,925,228	5 yrs	12/2016	12/2021	5,925,229	
Total Leases		$ 589,296,956				$ 443,461,467	

(1) Related party transactions with affiliated organizations.

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 2017 was $17,789,288, which includes payments to related parties of $13,397,275. The Institute is obligated to pay these related parties a total of $15,387,359 in the next fiscal year.

Future commitments for capital leases and for noncancellable operating leases having remaining terms in excess of one year as of June 30, 2017, are as follows:

	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2018	$ 45,168,970	$ 21,243,261
2019	45,412,924	35,197,482
2020	45,761,066	34,463,275
2021	45,954,862	31,863,825
2022	46,150,983	29,102,098
2023 through 2027	217,414,324	126,079,690
2028 through 2032	197,425,965	93,497,759
2033 through 2037	58,501,314	21,293,829
2038 through 2042	42,480,229	909,996
2043 through 2047	6,942,243	
Total minimum lease payments	751,212,880	$ 393,651,215
Less: Interest	256,907,889	
Less: Executory costs	50,843,524	
Principal Outstanding	$ 443,461,467	

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 §47-3-60 of the Official Code of Georgia Annotated (O.C.G.A.) 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 www.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 2017. The Institute's contractually required contribution rate for the year ended June 30, 2017 was 14.27% of annual the Institute payroll. The Institute's contributions to TRS totaled $38,573,130 for the year ended June 30, 2017.

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 www.ers.ga.gov/formspubs/formspubs.html.

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. Institute's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2017 was 24.69% of annual covered payroll for old and new plan members and 21.69% for GSEPS members. The Institute's contributions to ERS totaled $326,303 for the year ended June 30, 2017. 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, 2017, 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, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 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, 2016. At June 30, 2016, the Institute's TRS proportion was 2.288606%, which was an increase of 0.048636% from its proportion measured as of June 30, 2015. At June 30, 2016, the Institute's ERS proportion was 0.055955%, which was an increase of 0.008896% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Institute's recognized pension expense of $55,824,124 for TRS and $462,009 for ERS. At June 30, 2017, 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	$ 7,033,985	$ 2,334,859		$ 6,113
Changes of assumptions	12,237,863		$ 22,420	
Net difference between projected and actual earnings on pension plan investments	59,730,809		269,116	
Changes in proportion and differences between contributions and proportionate share of contributions	17,523,448		220,037	1,455
Contributions subsequent to the measurement date	38,573,130		326,303	
Total	$ 135,099,235	$ 2,334,859	$ 837,876	$ 7,568

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, 2017. 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
2018	$ 14,409,376	$ 195,994
2019	$ 14,409,353	$ 72,973
2020	$ 38,793,376	$ 145,093
2021	$ 25,350,147	$ 89,945
2022	$ 1,228,994	

Actuarial assumptions

The total pension liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2015 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, 2015 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, 2015 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	$ 734,930,547	$ 472,164,936	$ 225,820,768

Employees' Retirement System:

	1% Decrease 6.50%	Current discount rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	$ 3,587,049	$ 2,646,907	$ 1,845,718

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 www.trsga.com/publications and www.ers.ga.gov/formspubs/formspubs.html, 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 2017, the employer contribution was 9.24% for the participating employee's earned compensation. Employees contribute 6% of their earned 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 $34,259,689 (9.24%) and $22,261,236 (6%), 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 2017, 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 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 Institution 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, 2017.

Note 17 Post-Employment Benefits Other Than Pension Benefits

Pursuant to the general powers conferred by the Official Code of Georgia Annotated Section 20-3-31, the Board of Regents of the University System of Georgia has established group health and life insurance programs for regular employees of the University System of Georgia. It is the policy of the Board of Regents to permit employees of the University System of Georgia eligible for retirement or that become permanently and totally disabled to continue as members of the group health and life insurance programs. The policies of the Board of Regents of the University System of Georgia define and delineate who is eligible for these post-employment health and life insurance benefits. Organizational units of the Board of Regents of the University System of Georgia pay the employer portion for group insurance for affected individuals. With regard to life insurance, the employer covers the total 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 employee.

The Board of Regents Retiree Health Benefit Plan is a single-employer, defined benefit plan. Financial statements and required supplementary information for the Plan are included in the publicly available Consolidated Annual Financial Report of the University System of Georgia. The Institution pays the employer portion of health insurance for its eligible retirees based on rates that are established annually by the Board of Regents for the upcoming plan year.

As of June 30, 2017, there were 2,323 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2017, the Institute recognized $8,476,526 in expenses, which was net of $1,058,052 of participant contributions.

Note 18 Operating Expenses with Functional Classifications

Business-type activity operating expenses by functional classification for fiscal 2017 are shown below:

	Natural Classification				
Functional Classification	Faculty Salaries	Staff Salaries	Employee Benefits	Personal Services	Travel
Instruction	$ 127,250,997	$ 69,976,112	$ 53,192,619	$ 65,346	$ 5,194,421
Research	267,438,204	123,629,921	98,795,853	47,849	17,778,951
Public Service	10,055,784	22,866,334	9,216,230	564,314	1,024,588
Academic Support	7,584,925	22,265,958	9,012,056	10,778	772,923
Student Services	892,238	15,190,207	4,128,451	32,990	412,430
Institutional Support	4,325,427	54,751,243	16,979,130	7,779	1,087,630
Plant Operations and Maintenance	44,435	33,436,810	10,345,239	1,026	189,978
Scholarships and Fellowships					
Auxiliary Enterprises		23,603,149	6,444,966	525	198,626
Total Operating Expenses	$ 417,592,010	$ 365,719,734	$ 208,114,544	$ 730,607	$ 26,659,547

	Natural Classification				
Functional Classification	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation/ Amortization	Total Operating Expenses
Instruction		$ 563,621	$ 34,926,161	$ 11,656,571	$ 302,825,848
Research		1,343,104	179,623,085	44,757,934	733,414,901
Public Service		244,831	19,785,858	266,819	64,024,758
Academic Support		108,996	11,209,024	7,668,804	58,633,464
Student Services		41,941	14,398,585	2,155,085	37,251,927
Institutional Support		162,081	23,422,733	7,384,466	108,120,489
Plant Operations and Maintenance		16,812,787	54,516,593	9,850,633	125,197,501
Scholarships and Fellowships	$ 16,342,204				16,342,204
Auxiliary Enterprises		10,179,452	37,281,057	13,116,234	90,824,009
Total Operating Expenses	$ 16,342,204	$ 29,456,813	$ 375,163,096	$ 96,856,546	$ 1,536,635,101

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) 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 with rental payments beginning in December 2017 and estimated total rent payments of $127,863,834 over the lease period. The monthly rental payments will include base rent and a repair and replacement contribution. Total rental payments for fiscal year 2018 are expected to equal $1,170,055.

Note 20 Component Units

Georgia Tech Foundation, Inc.
The Georgia Tech Foundation (GTF) is a private nonprofit organization that 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 reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements.

Additionally, the FASB reported Investment in Direct Financing Leases and Net Position increased by $21,663,000 for external financial reporting purposes in these financial statements. This adjustment was necessary to properly reflect these balances in accordance with GAAP. The GTF amortizes Investment in Direct Financing Leases on a straight-line method, whereas, GAAP requires the effective interest method be utilized.

The GTF acts primarily as a fund-raising organization to supplement the resources that are available to the Georgia Institute of Technology in support of its programs. During the year ended June 30, 2017, the GTF distributed approximately $84 million to Georgia Institute of Technology in support of capital outlay projects, scholarships and other supporting activities.

Georgia Tech Facilities, Inc.
The Georgia Tech Facilities, Inc. (GTFI) is a private nonprofit organization that 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 reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements.

Additionally, the FASB reported Investment in Direct Financing Leases and Net Position increased by $50,226,993 for external financial reporting purposes in these financial statements. This adjustment was necessary as GTFI amortizes Investment in Direct Financing Leases on a straight-line method.

GTFI constructs buildings and other facilities as appropriate to meet the needs and goals of the Georgia Institute of Technology. Funding for construction is obtained from contributions or from financing with debt service funded by support from various sources. During the year ended June 30, 2017, GTFI distributed approximately $344,000 to the Georgia Institute of Technology for supporting activities.

Georgia Tech Research Corporation
Georgia Tech Research Corporation (GTRC) is a legally separate, tax-exempt component unit of the State of Georgia reporting entity. GTRC functions as the prime contractor for most sponsored research conducted at Georgia Institute of Technology and subcontracts with Georgia Institute of Technology for faculty and staff services. During the year ended June 30, 2017, the GTRC distributed approximately $682 million to Georgia Institute of Technology for restricted and unrestricted grants and contract sub-awarded to Georgia Institute of Technology.

Georgia Tech Athletic Association
The Georgia Tech Athletic Association (GTAA) administers Georgia Institute of Technology's intercollegiate athletics program, including fund-raising to support scholarships. During the year ended June 30, 2017, the GTAA distributed approximately $11 million to the Georgia Institute of Technology for athletic scholarship support and other payments that were either expense reimbursements or support for Georgia Institute of Technology's intercollegiate athletics program.

Georgia Advanced Technology Ventures, Inc.
The Georgia Advanced Technology Ventures (GTAV) is a private nonprofit organization that 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 reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements.

GATV is a supporting organization of the Georgia Institute of Technology focused on technology, commercialization, economic development, and relevant real estate development. During the year ended June 30, 2017, GATV distributed approximately $309,000 to the Georgia Institute of Technology in support of other supporting activities.

Combined Component Unit's investments are comprised of the following amounts at June 30, 2017:

	Fair Value	Fair Value Hierarchy Level 1	Level 3	NAV
Investment type				
Reported as Investments on the Statement of Net Position				
Bond Securities	$ 130,784,000	$ 81,947,000		$ 48,837,000
Money Market Mutual Funds	45,733,000	45,733,000		
Equity Securities - Domestic	335,342,000	335,012,000		330,000
Equity Securities - International	331,950,000	297,220,000		34,730,000
Equity Securities - Private	259,862,000			259,862,000
Equity Securities - Natural Resources	75,229,000		$ 4,557,000	70,672,000
Real Estate Held for Investment Purposes	19,682,000		19,682,000	
Real Estate Investment Trusts	37,581,000			37,581,000
Hedge Funds	404,423,000			404,423,000
Joint Ventures/Partnerships	15,000		15,000	
Other	128		128	
	1,640,601,128	759,912,000	24,254,128	856,435,000
Reported as Cash and Cash Equivalents on the Statement of Net Position				
Board of Regents Investment Pool - Short-Term Fund	4,887,449			4,887,449
	$ 1,645,488,577	$ 759,912,000	$ 24,254,128	$ 861,322,449

Combined Component Unit's endowments are comprised of the following amounts at June 30, 2017:

	Unrestricted Endowments	Temporarily Restricted Endowment	Permanently Restricted Endowment	Total
Beginning	$ 177,130,000	$ 460,576,000	$ 606,690,000	$ 1,244,396,000
Contributions	—	694,000	25,365,000	26,059,000
Net realized and unrealized gains	33,620,000	120,188,000	1,103,000	154,911,000
Appropriation of endowment assets for expenditure	(5,874,000)	(51,159,000)	—	(57,033,000)
Other	5,656,000	21,624,000	(299,000)	26,981,000
Ending	$ 210,532,000	$ 551,923,000	$ 632,859,000	$ 1,395,314,000

Combined Component Unit's capital assets are comprised of the following amounts at June 30, 2017:

Capital Assets not being Depreciated:	
Land (and other assets)	$ 61,495,090
Works of Art	240,735
Construction in Progress	1,683,561
Total Capital Assets not being Depreciated	63,419,386
Capital Assets being Depreciated:	
Buildings and Building Improvements	331,347,535
Leased Buildings and Building Improvements	66,936,210
Improvements other then Buildings	10,863,712
Infrastructure	3,824,225
Machinery and Equipment	23,172,707
Software	1,257,673
Total Capital Assets being Depreciated/Amortized	437,402,062
Less Total Accumulated Depreciation/Amortization	127,386,537
Total Capital Assets being Depreciated/Amortized, Net	310,015,525
Capital Assets, Net	$ 373,434,911

Combined Component Unit's long-term liabilities are comprised of the following amounts at June 30, 2017:

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Amounts due within One Year
Claims and Judgments	$ 3,720,756	$ 81,112	$ 1,575,564	$ 2,226,304	$ 1,575,564
Compensated Absences	374,400	244,565	270,342	348,623	348,623
Lease Purchase Obligation (Capital Lease)	62,929,524	287,138	2,199,105	61,017,557	1,958,456
Liabilities under split interest agreement	13,516,000	2,512,000	(2,000)	16,030,000	1,633,328
Notes and Loans Payable	47,581,632	100,512,000	60,180,393	87,913,239	27,613,044
Pollution Remediation	660,000	—	58,659	601,341	601,341
Revenue/Mortgage Bonds Payable	704,158,984	23,214,700	11,443,794	715,929,890	22,674,810
Unamortized Issuance and Other Bond Related Costs	(30,452,421)	—	(1,315,836)	(29,136,585)	(1,590,360)
Bond - Premium	31,449,408	—	2,680,257	28,769,151	—
Bond - (Discount)	(1,741,570)	69,595	(14,525)	(1,657,450)	—
Total Long Term Liabilities	$ 832,196,713	$ 126,921,110	$ 77,075,753	$ 882,042,070	$ 54,814,806

Beginning balance for the above long-term liabilities were restated by $-28.5 million to include Unamortized Issuance and Other Bond Related Costs, $3.7 million to include Claim and Judgments, and $67.5 to include long-term debt associated with Georgia Advanced Technology Ventures, Inc.

Combined Component Unit's capital lease obligations are comprised of the following amounts at June 30, 2017:

Year ending June 30:		
2018	1	$ 5,124,495
2019	2	5,234,093
2020	3	5,322,306
2021	4	5,374,611
2022	5	5,490,255
2023 through 2027	6-10	27,133,138
2028 through 2032	11-15	27,774,249
2033 through 2037	16-20	10,518,184
Total minimum lease payments		91,971,331
Less: Interest		(30,953,774)
Principal Outstanding		$ 61,017,557

Combined Component Unit's notes and loans are comprised of the following amounts at June 30, 2017:

		Principal	Interest	Total
Year ending June 30:				
2018	1	$ 27,613,044	$ 3,017,583	$ 30,630,627
2019	2	2,617,222	2,923,425	5,540,647
2020	3	2,714,501	2,824,333	5,538,834
2021	4	2,207,359	2,730,607	4,937,966
2022	5	2,293,912	2,644,476	4,938,388
2023 through 2027	6-10	47,123,020	5,193,364	52,316,384
2028 through 2032	11-15	2,537,575	736,003	3,273,578
2033 through 2037	16-20	990,606	57,829	1,048,435
		88,097,239	20,127,620	108,224,859
Note (Discount)		(184,000)	—	(184,000)
		$ 87,913,239	$ 20,127,620	$ 108,040,859

Combined Component Unit's bonds payable are comprised of the following amounts at June 30, 2017:

		Principal	Interest	Total
Year ending June 30:				
2018	1	$ 22,674,810	$ 34,716,900	$ 57,391,710
2019	2	23,973,267	33,666,901	57,640,168
2020	3	55,332,184	31,773,872	87,106,056
2021	4	26,124,582	29,787,830	55,912,412
2022	5	27,738,479	28,470,616	56,209,095
2023 through 2027	6-10	181,280,014	114,284,239	295,564,253
2028 through 2032	11-15	162,911,854	74,397,227	237,309,081
2033 through 2037	16-20	81,650,000	43,923,787	125,573,787
2038 through 2042	21-25	96,960,000	20,779,175	117,739,175
2043 through 2047	26-30	32,210,000	3,357,500	35,567,500
2048 through 2052	31-35	5,074,700	126,000	5,200,700
		715,929,890	415,284,047	1,131,213,937
Unamortized Issuance and Other Bond Related Costs		(29,136,585)	—	(29,136,585)
Bond Premium		28,769,151	—	28,769,151
Bond (Discount)		(1,657,450)	—	(1,657,450)
		$ 713,905,006	$ 415,284,047	$ 1,129,189,053

Combined amounts due to Component Units related to direct financing lease activity as of June 30, 2017 is as follows:

Year Ending June 30:	Year:	
2018	1	$ 36,713,120
2019	2	36,775,354
2020	3	36,936,447
2021	4	36,937,706
2022	5	36,935,641
2023 through 2027	6-10	172,824,775
2028 through 2032	11-15	147,674,777
2033 through 2037	16-20	46,347,000
2038 through 2042	21-25	30,758,500
2043 through 2047	26-30	735,000
Total minimum lease payments to be received		582,638,320
Less: Unearned Income		(219,524,778)
Net Investment in Direct Financing Lease		$ 363,113,542

REQUIRED SUPPLEMENTARY INFORMATION

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	6/30/2017	$ 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%
	6/30/2008	$ 59,300	$ 59,300	$ —	$ 567,198	10.45%
Teachers Retirement System	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%
	6/30/2008	$ 18,963,675	$ 18,963,675	$ —	$ 204,349,946	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 THREE FISCAL YEARS*

	Year Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Employees' Retirement System	6/30/2017	0.055955%	$ 2,646,907	$ 1,337,706	197.87%	72.34%
	6/30/2016	0.047215%	$ 1,906,547	$ 1,206,149	158.07%	76.20%
	6/30/2015	0.047000%	$ 1,770,854	$ 1,094,942	161.73%	77.99%
Teachers Retirement System	6/30/2017	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, 2017

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).

SUPPLEMENTARY INFORMATION

Georgia Tech

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GEORGIA INSTITUTE OF TECHNOLOGY
BALANCE SHEET (NON-GAAP BASIS)
BUDGET FUNDS
JUNE 30, 2017
(UNAUDITED)

ASSETS		
Cash and Cash Equivalents	$	105,184,427.15
Investments		156,504.01
Accounts Receivable		
Federal Financial Assistance		58,789,933.95
Other		43,163,691.63
Prepaid Expenditures		8,605,440.16
Inventories		332,513.78
Total Assets	$	216,232,510.68
LIABILITIES AND FUND EQUITY		
Liabilities		
Encumbrance Payable	$	50,073,260.14
Accounts Payable		75,391,078.14
Unearned Revenue		31,696,451.17
Other Liabilities		325,948.39
Total Liabilities		157,486,737.84
Fund Balances		
Reserved		
Department Sales and Services		10,752,114.38
Indirect Cost Recoveries		44,810,065.41
Technology Fees		142,886.48
Restricted/Sponsored Funds		401,415.54
Uncollectible Accounts Receivable		1,497,509.91
Inventories		388,135.37
Tuition Carry - Forward		472,560.11
Unreserved		
Surplus		281,085.64
Total Fund Balances		58,745,772.84
Total Liabilities and Fund Balances	$	216,232,510.68

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.

GEORGIA INSTITUTE OF TECHNOLOGY
SUMMARY BUDGET COMPARISON AND SURPLUS ANALYIS REPORT (NON-GAAP BASIS)
BUDGET FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2017

	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
State Appropriations	$ 268,128,774.00	$ 268,128,774.00	$ —
Other Funds	1,450,671,070.00	1,298,474,714.64	(152,196,355.36)
Total Revenue	1,718,799,844.00	1,566,603,488.64	(152,196,355.36)
ADJUSTMENTS AND PROGRAM TRANSFERS		7,951,377.28	7,951,377.28
CARRY-OVER FROM PRIOR YEARS			
Transfers from Reserved Fund Balance	—	51,284,465.77	51,284,465.77
Total Funds Available	1,718,799,844.00	1,625,839,331.69	(92,960,512.31)
EXPENDITURES			
Enterprise Innovation Institute	31,292,678.00	30,332,884.16	959,793.84
Georgia Tech Research Institute	407,351,049.00	380,417,480.75	26,933,568.25
Teaching	1,280,156,117.00	1,158,433,283.24	121,722,833.76
Total Expenditures	1,718,799,844.00	1,569,183,648.15	149,616,195.85
Excess of Funds Available over Expenditures	$ —	$ 56,655,683.54	$ 56,655,683.54
FUND BALANCE JULY 1			
Reserved		$ 53,093,469.43	
Unreserved		614,772.60	
ADJUSTMENTS			
Prior Year Payables/Expenditures		292,036.03	
Prior Year Receivables/Revenues		(10,950.39)	
Unreserved Fund Balance (Surplus) Returned to Board of Regents - University System Office			
Year Ended June 30, 2016		(614,772.60)	
Prior Year Reserved Fund Balance Included in Funds Available		(51,284,465.77)	
ENDING FUND BALANCE JUNE 30		$ 58,745,772.84	
SUMMARY OF FUND BALANCE			
Reserved			
Department Sales & Services		$ 10,752,114.38	
Indirect Cost Recovery		44,810,065.41	
Inventories		388,135.37	
Technology Fees		142,886.48	
Restricted/Sponsored Funds		401,415.54	
Uncollectible Accounts Receivable		1,497,509.91	
Tuition Carry - Forward		472,560.11	
Total Reserved		58,464,687.20	
Unreserved			
Surplus		281,085.64	
Total Fund Balance		$ 58,745,772.84	

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, 2017

				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	$ 19,342,678.00	$ 19,342,678.00	$ 19,342,678.00	$ 19,342,678.00	$ —
Other Funds	10,900,000.00	10,900,000.00	11,950,000.00	11,005,168.21	59,264.31
Total Enterprise Innovation Institute	30,242,678.00	30,242,678.00	31,292,678.00	30,347,846.21	59,264.31
Georgia Tech Research Institute					
State Appropriation					
State General Funds	5,810,979.00	5,810,979.00	5,810,979.00	5,810,979.00	—
Other Funds	361,751,431.00	361,751,431.00	401,540,070.00	375,257,867.57	2,246,485.06
Total Georgia Tech Research Institute	367,562,410.00	367,562,410.00	407,351,049.00	381,068,846.57	2,246,485.06
Teaching					
State Appropriation					
State General Funds	242,225,117.00	242,225,117.00	242,975,117.00	242,975,117.00	—
Other Funds	933,161,000.00	933,161,000.00	1,037,181,000.00	912,211,678.86	48,978,716.40
Total Teaching	1,175,386,117.00	1,175,386,117.00	1,280,156,117.00	1,155,186,795.86	48,978,716.40
Total Operating Activity	$ 1,573,191,205.00	$ 1,573,191,205.00	$ 1,718,799,844.00	$ 1,566,603,488.64	$ 51,284,465.77

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. 2017

	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	$ —	$ 19,342,678.00	$ —	$ 19,342,678.00	$ —	$ —
Other Funds	—	11,064,432.52	(885,567.48)	10,990,206.16	959,793.84	74,226.36
Total Enterprise Innovation Institute	—	30,407,110.52	(885,567.48)	30,332,884.16	959,793.84	74,226.36
Georgia Tech Research Institute						
State Appropriation						
State General Funds	—	5,810,979.00	—	5,810,979.00	—	—
Other Funds	—	377,504,352.63	(24,035,717.37)	374,606,501.75	26,933,568.25	2,897,850.88
Total Georgia Tech Research Institute	—	383,315,331.63	(24,035,717.37)	380,417,480.75	26,933,568.25	2,897,850.88
Teaching						
State Appropriation						
State General Funds	—	242,975,117.00	—	242,975,117.00	—	—
Other Funds	7,951,377.28	969,141,772.54	(68,039,227.46)	915,458,166.24	121,722,833.76	53,683,606.30
Total Teaching	7,951,377.28	1,212,116,889.54	(68,039,227.46)	1,158,433,283.24	121,722,833.76	53,683,606.30
Total Operating Activity	$ 7,951,377.28	$ 1,625,839,331.69	$ (92,960,512.31)	$ 1,569,183,648.15	$ 149,616,195.85	$ 56,655,683.54

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, 2017

	Beginning Fund Balance/(Deficit)	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2016 Surplus	Prior Year Adjustments	Other Adjustments
Enterprise Innovation Institute					
State Appropriation					
Other Funds	59,264.31	(59,264.31)	—	—	—
Total Enterprise Innovation Institute	59,264.31	(59,264.31)	—	—	—
Georgia Tech Research Institute					
State Appropriation					
State General Funds	78.54	—	(78.54)	108.51	—
Other Funds	2,246,485.06	(2,246,485.06)	—	—	—
Total Georgia Tech Research Institute	2,246,563.60	(2,246,485.06)	(78.54)	108.51	—
Teaching					
State Appropriation					
State General Funds	414,394.25	—	(414,394.25)	212,630.27	—
Other Funds	49,179,016.21	(48,978,716.40)	(200,299.81)	68,346.86	(76,641.62)
Total Teaching	49,593,410.46	(48,978,716.40)	(614,694.06)	280,977.13	(76,641.62)
Total Operating Activity	51,899,238.37	(51,284,465.77)	(614,772.60)	281,085.64	(76,641.62)
Prior Year Reserves					
Not Available for Expenditure					
Inventories	327,197.50	—	—	—	60,937.87
Uncollectible Accounts Receivable	1,481,806.16	—	—	—	15,703.75
Budget Unit Totals	$ 53,708,242.03	$ (51,284,465.77)	$ (614,772.60)	$ 281,085.64	$ —

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GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Early Return of Fiscal Year 2017 Surplus	Excess (Deficiency) of Funds Available Over/Under) Expenditures	Ending Fund Balance/(Deficit)	Analysis of Ending Fund Balance		
				Reserved	Surplus/(Deficit)	Total
Enterprise Innovation Institute						
State Appropriation						
Other Funds	—	74,226.36	74,226.36	74,226.36	—	74,226.36
Total Enterprise Innovation Institute	—	74,226.36	74,226.36	74,226.36	—	74,226.36
Georgia Tech Research Institute						
State Appropriation						
State General Funds	—	—	108.51	—	108.51	108.51
Other Funds	—	2,897,850.88	2,897,850.88	2,897,850.88	—	2,897,850.88
Total Georgia Tech Research Institute	—	2,897,850.88	2,897,959.39	2,897,850.88	108.51	2,897,959.39
Teaching						
State Appropriation						
State General Funds	—	—	212,630.27	—	212,630.27	212,630.27
Other Funds	—	53,683,606.30	53,675,311.54	53,606,964.68	68,346.86	53,675,311.54
Total Teaching	—	53,683,606.30	53,887,941.81	53,606,964.68	280,977.13	53,887,941.81
Total Operating Activity	—	56,655,683.54	56,860,127.56	56,579,041.92	281,085.64	56,860,127.56
Prior Year Reserves						
Not Available for Expenditure						
Inventories	—	—	388,135.37	388,135.37	—	388,135.37
Uncollectible Accounts Receivable	—	—	1,497,509.91	1,497,509.91	—	1,497,509.91
Budget Unit Totals	$ —	$ 56,655,683.54	$ 58,745,772.84	$ 58,464,687.20	$ 281,085.64	$ 58,745,772.84
		Departmental Sales and Services		$ 10,752,114.38	$ —	$ 10,752,114.38
		Indirect Cost Recovery		44,810,065.41	—	44,810,065.41
		Technology Fees		142,886.48	—	142,886.48
		Restricted/Sponsored Funds		401,415.54	—	401,415.54
		Tuition Carry-Forward		472,560.11	—	472,560.11
		Uncollectible Accounts Receivable		1,497,509.91	—	1,497,509.91
		Inventories		388,135.37	—	388,135.37
		Surplus		—	281,085.64	281,085.64
				$ 58,464,687.20	$ 281,085.64	$ 58,745,772.84

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