

WHAT'S NEXT



FINANCIAL REVIEW
JULY 2015 - JUNE 2016

Georgia
Tech 



MESSAGE FROM THE EXECUTIVE VICE PRESIDENT FOR ADMINISTRATION AND FINANCE



STEVEN G. SWANT

ADMINISTRATION AND FINANCE

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L. Renee Brown

Executive Assistant to the
Executive Vice President

Introduction and Overview

I am pleased to present the Fiscal Year 2016 financial report for the Georgia Institute of Technology, “Georgia Tech,” reflecting the continued financial strength of the Institute. Throughout the fiscal year, Georgia Tech has demonstrated its commitment to defining the technological research university of the 21st century. This has enabled us to continue building an outstanding physical environment, invest in administrative infrastructure across the Institute, and develop a strong workforce to advance the Institute’s core mission of teaching, research, service, and economic development.

Summary of Financial Schedules

In 2016, Georgia Tech maintained a solid financial position, due primarily to healthy enrollment trends, a diversified and robust portfolio of sponsored research awards, and the efforts of our campus academic and administrative partners. The financial schedules indicate that Georgia Tech completed another strong fiscal year.

Total assets for fiscal year 2016 now stand at \$2.33 billion. This includes capital additions and improvements to the Glenn and Towers Residence Halls and construction of the Georgia Tech Connector Building that joins the two residence halls, totaling \$38.9 million. Operating revenues grew by 5 percent to \$1.26 billion, with tuition and fee revenue increasing by 11 percent and grants and contracts revenue increasing by 2 percent. Although operating revenues increased in fiscal year 2016, total revenues decreased due to a significant one-time gift received in fiscal year 2015. Total Net Position increased by \$78.9 million to \$1.37 billion from fiscal year 2015 to fiscal year 2016. As is the case with all 29 institutions that comprise the University System of Georgia (USG) governed by the Board of Regents, the Institute’s financial statements are audited annually by the Georgia Department of Audits and Accounts (DOAA).

Looking to the Future

Fiscal year 2017 will be a year of transformational initiatives to help advance institutional effectiveness, create financial and physical capacity for program growth, and engage the campus community and corporate partners in the physical campus as a living-learning laboratory.

The Institute will invest in transforming its financial administration systems to meet the needs of its complex business environment with more efficient

analysis and reporting systems. The goal is to deploy an integrated system to support our \$1.7 billion budget with simplified processes, greater efficiencies, and enhanced access to data, resulting in more accurate, timely information.

As the workplace continues to evolve to accommodate the changing operational needs of the Institute, Georgia Tech is also actively preparing for the future workforce that will make our vision a reality. Our faculty and staff thought leaders are actively exploring emerging workplace and management trends as well as the likely preferences and characteristics of future employees. By defining the work, worker, and workplace of the future, Georgia Tech will ensure it has highly skilled, productive, and engaged employees in the coming years.

The Institute will also continue to create a high-performing campus by investing in its people, systems, and physical infrastructure. Tech’s 400-plus acre campus in the heart of Atlanta provides a unique opportunity to test and practice innovative design and building techniques that will sustainably support the interdisciplinary work of our students, faculty, and staff well into the future. Capital projects beginning this year, including the renovation of the Price Gilbert Library-Crosland Tower and the construction of the West Campus Dining Commons, are designed to optimize space occupancy as well as other administrative and operational resources to support these multi-functional, high-performance buildings.

Summary

Institutional effectiveness and financial sustainability are critical components to defining the technological research university of the 21st century. I have every confidence that we will meet the challenges and opportunities of the coming years with energy, creativity, and an uncompromising commitment to the pursuit of excellence, supported by sound and prudent financial policies and best-in-class administrative and business processes.

Sincerely,

Steven G. Swant

Executive Vice President
Administration and Finance



GEORGIA INSTITUTE OF TECHNOLOGY

STATEMENT OF NET POSITION

(dollars in thousands)

	Georgia Tech June 30, 2015 (audited)	Georgia Tech June 30, 2016 (unaudited)	Affiliated Organizations June 30, 2016 (audited)
ASSETS			
Current Assets			
Cash and Cash Equivalents	225,711	253,384	126,540
Short-Term Investments	155	155	
Accounts Receivable, Net			
Receivables - Federal Financial Assistance	64,162	64,377	
Receivables - Other	36,675	37,766	53,453
Due from Affiliated Organizations	10,317	13,067	2,082
Contributions Receivable			19,961
Pledges Receivable			2,961
Notes Receivable, Net			1,617
Net Investment in Capital Leases			17,831
Inventories	832	983	12
Prepaid Items	11,330	15,897	1,332
Other Assets			61,679
Total Current Assets	349,182	385,629	287,468
Noncurrent Assets			
Noncurrent Cash (Externally Restricted)	75	100	14,528
Investments (Externally Restricted)	62,959	62,087	651,193
Due from Affiliated Organizations			105,812
Due from USO - Capital Liability Reserve Fund	2,276	2,275	
Investments	9,327	9,414	837,307
Contributions Receivable			83,244
Pledges Receivable			9,417
Notes Receivable, Net	12,306	11,919	1,831
Net Investment in Capital Leases			360,730
Capital Assets, Net	1,831,243	1,862,527	294,587
Other Assets			27,424
Total Noncurrent Assets	1,918,186	1,948,322	2,386,073
TOTAL ASSETS	2,267,368	2,333,951	2,673,541
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Initial Direct Cost Incurred by Lessor for Operating Leases			57
Deferred Loan Origination Costs			28,529
Deferred Loss on Defined Benefit Pension Plan	37,501	51,000	
Deferred Outflows - Other			20,398
TOTAL DEFERRED OUTFLOWS OF RESOURCES	37,501	51,000	48,984
LIABILITIES			
Current Liabilities			
Accounts Payable	40,196	66,971	11,025
Salaries Payable	2,560	3,026	
Benefits Payable	566	690	
Contracts Payable	4,136	6,043	
Retainage Payable	3,573	2,068	17
Deposits	37,632	8,688	10,877
Deposits Held for Other Organizations	10,913	13,298	
Advances (Including Tuition and Fees)	23,210	23,755	
Advances and Other Deferrals			84,566
Due to Primary Government			114,891
Due to Affiliated Organizations	88	31	2,620
Pollution Remediation	210	436	660
Lease Purchase Obligations	16,329	17,218	1,811
Compensated Absences	27,757	31,978	564
Revenue/Mortgage Bonds Payable			21,739
Liabilities under Split-Interest Agreements			2,095
Notes and Loans Payable			32,344
Other Liabilities	2,472	448	1,766
Total Current Liabilities	169,642	174,650	284,975
Noncurrent Liabilities			
Lease Purchase Obligations	448,693	445,049	61,118
Notes and Loans Payable			13,014
Net Pension Liability	275,455	342,920	
Advances and Other Deferrals			8
Compensated Absences	16,060	14,097	710,207
Due to Affiliated Organizations			107,284
Liabilities under Split-Interest Agreements			11,421
Other Long-Term Liabilities			9,283
Total Noncurrent Liabilities	740,208	802,066	912,335
TOTAL LIABILITIES	909,850	976,716	1,197,310
DEFERRED INFLOWS OF RESOURCES			
Deferred Gain on Defined Benefit Pension Plan	95,844	31,921	
Deferred Inflows - Other	9,830	8,109	
TOTAL DEFERRED INFLOWS OF RESOURCES	105,674	40,030	
NET POSITION			
Net Investment in Capital Assets	1,356,512	1,396,692	(13,659)
Restricted for			
Nonexpendable	63,035	62,187	684,833
Expendable	29,992	25,539	625,168
Bond Covenants/Debt Service			7,962
Capital Projects			78,865
Other Purposes			100
Unrestricted	(160,194)	(116,213)	141,946
TOTAL NET POSITION	1,289,345	1,368,205	1,525,215

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the Institute as of the end of the fiscal year. The purpose of the Statement of Net Position is to present a financial condition snapshot of the Georgia Institute of Technology as of June 30, 2016.

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.



GEORGIA INSTITUTE OF TECHNOLOGY STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

(dollars in thousands)

	Georgia Tech June 30, 2015 (audited)	Georgia Tech June 30, 2016 (unaudited)	Affiliated Organizations June 30, 2016 (audited)
REVENUES			
Operating Revenues			
Student Tuition and Fees (Net)	318,573	353,571	
Gifts and Contributions			57,789
Grants and Contracts			
Federal	520,907	531,410	583,310
State	10,462	7,804	6,973
Other	204,704	211,486	64,669
Sales and Services	40,815	35,828	54,198
Rents and Royalties	633	401	48,809
Auxiliary Enterprises			
Residence Halls	71,124	73,352	
Bookstore	1,974	1,943	
Food Services	3,028	3,429	
Parking/Transportation	17,082	17,510	
Health Services	8,943	9,486	
Other Organizations	2,438	1,936	
Interest and Dividend Income			(10,801)
Other Operating Revenues	4,242	16,239	9
Total Operating Revenues	1,204,925	1,264,395	804,956
EXPENSES			
Operating Expenses			
Salaries - Faculty	369,505	394,337	
Salaries - Staff	335,159	340,048	7,176
Employee Benefits	152,839	169,051	1,392
Other Personal Services	795	732	69
Travel	27,418	27,669	4,861
Scholarships and Fellowships	14,076	15,162	10,433
Utilities	37,628	30,151	269
Supplies and Other Services	385,123	366,635	33,112
Depreciation/Amortization	88,326	92,615	14,143
Payments to Other Affiliated Organizations			6,596
Payments to or on Behalf of Georgia Institute of Technology			765,095
Other Operating Expense			8,076
Total Operating Expenses	1,410,869	1,436,400	851,222
Operating Loss	(205,944)	(172,005)	(46,266)
NONOPERATING REVENUES (EXPENSES)			
State Appropriations	227,216	233,201	
Grants and Contracts			
Federal	12,079	11,696	
Gifts	34,074	1,722	2,943
Investment Income (Endowments, Auxiliary, and Other)	15,151	16,176	(57,290)
Interest Income			9
Interest Expense (Capital Assets)	(25,688)	(25,754)	(38,858)
Other Nonoperating Revenues	1,410	84	19,869
Net Nonoperating Revenues (Expenses)	264,242	237,125	(73,327)
Income Before Other Revenues, Expenses, Gains, or Losses	58,298	65,120	(119,593)
Capital Grants and Gifts			
State	68,532	12,490	639
Other		1,171	
Additions to Permanent Endowments		79	29,382
Total Other Revenues, Expenses, Gains, or Losses	68,532	13,740	30,021
Increase (Decrease) in Net Position	126,830	78,860	(89,572)
NET POSITION			
Net Position - Beginning of Year, Restated	1,162,515	1,289,345	1,614,787
Net Position - End of Year	1,289,345	1,368,205	1,525,215

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.

It is important to note that state appropriations are treated as “nonoperating revenue” rather than “operating revenue,” a presentation requirement that makes it appear that Georgia Tech and other public colleges and universities have an “operating loss.” A full picture of the year’s operations can be seen from the “Net Position - End of Year” line at the bottom on the Statement of Revenues, Expenses, and Changes in Net Position.

GEORGIA INSTITUTE OF TECHNOLOGY
STATEMENT OF CASH FLOWS
(dollars in thousands)

Georgia Tech Georgia Tech
June 30, 2015 June 30, 2016
(audited) (unaudited)

CASH FLOWS FROM OPERATING ACTIVITIES

Payments from Customers	462,898	511,016
Grants and Contracts (Exchange)	734,793	749,869
Payments to Suppliers	(580,121)	(614,166)
Payments to Employees	(702,653)	(731,660)
Payments for Scholarships and Fellowships	(14,076)	(15,162)
Loans Issued to Students	(3,313)	(3,153)
Collection of Loans to Students	3,413	3,539
Net Cash Used by Operating Activities	(99,059)	(99,717)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	227,216	233,201
Agency Funds Transactions	675	2,385
Gifts and Grants Received for Other Than Capital Purposes	16,036	12,898
Other Noncapital Financing Receipts	(1,090)	(426)
Net Cash Flows Provided by Noncapital Financing Activities	242,837	248,058

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Grants and Gifts Received	9,243	12,490
Proceeds from Sale of Capital Assets	16,771	8,923
Purchases of Capital Assets	(146,118)	(111,530)
Principal Paid on Capital Debt and Leases	(18,736)	(21,745)
Interest Paid on Capital Debt and Leases	(25,801)	(25,740)
Net Cash Used by Capital and Related Financing Activities	(164,641)	(137,602)

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	15,308	16,959
Net Cash Provided by Investing Activities	15,308	16,959
Net Increase/Decrease in Cash	(5,555)	27,697
Cash and Cash Equivalents - Beginning of Year	231,342	225,787
Cash and Cash Equivalents - End of Year	225,787	253,484

RECONCILIATION OF OPERATING LOSS TO NET CASH (USED) BY OPERATING ACTIVITIES

Operating Loss	(205,945)	(172,005)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities		
Depreciation	88,326	92,615
Operating Expenses Related to Noncash Gifts	30,118	
Change in Assets and Liabilities		
Receivables, Net	(4,599)	(4,055)
Inventories	(489)	(152)
Prepaid Items	(438)	(4,567)
Notes Receivable, Net	100	387
Accounts Payable	(2,246)	(3,316)
Salaries Payable	114	466
Benefits Payable		125
Advances (Including Tuition and Fees)	(2,634)	544
Other Liabilities	(2,016)	(1,319)
Compensated Absences	1,898	2,258
Due to Affiliated Organizations		(57)
Pollution Remediation		437
Net Pension Liability	(96,757)	67,464
Change in Deferred Inflows/Outflows of Resources		
Deferred Inflows of Resources	105,674	(65,048)
Deferred Outflows of Resources	(10,165)	(13,494)
Net Cash Used by Operating Activities	(99,059)	(99,717)

NONCASH ACTIVITY

Recognition of Noncapital Financing Activities Advances and Deferred Inflows	600
Reduction in Capital Lease Obligations	510
Gift of Capital Assets	1,171
Gifts Other Than Capital Assets	(360,118)
Gifts and Grants Received for Other Than Capital Purposes	(66)
Loss on Disposal of Capital Assets	(8,374)
Adjustments to Capital Asset Beginning Balance Ran through Current Year Activity	(549)
Accrual of Capital Asset-Related Payables	(9,605)
Capital Assets Acquired by Incurring Capital Lease Obligations	5,970
Accrual of Capital Financing Interest Payable	(2,084)
Unrealized Gain/Loss on Investments	(156)
	(784)

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year. The cash activity and related balances remain strong and reflect the Institute's commitment to making strategic investments in order to sustain and enhance excellence in scholarship and research.

Summary of Significant Accounting Policies

The financial statements presented in this report are modified statements issued under reporting guidelines established by the Governmental Accounting Standards Board (GASB). The statements focus on the financial condition, results of operations, and cash flows of the Institute as a whole, with resources classified for accounting and reporting purposes into five categories: net investment in capital assets, restricted-nonexpendable, restricted-expendable, restricted-capital projects, and unrestricted. The basis of accounting is full accrual, including capitalization and depreciation of equipment and fixed assets.

All intra-Institute transactions are eliminated from the financial statement presentations in the unaudited financial statements. Audited financial statements with accompanying footnote disclosures have not been completed at this time. Copies of the audited financial report will be available upon request.

GEORGIA INSTITUTE OF TECHNOLOGY **AFFILIATED ORGANIZATIONS**

Summary financial data from the financial statements of each affiliated organization is as follows:
 Year ended June 30, 2016 (dollars in thousands) (audited)

	Georgia Tech Foundation	Georgia Tech Facilities	Georgia Tech Alumni Association	Georgia Tech Research Corporation	Georgia Tech Athletic Association	Georgia Advanced Technology Ventures
Total Assets & Deferred Outflows of Resources	1,797,871	296,377	816	223,123	308,764	95,576
Total Liabilities & Deferred Inflows of Resources	429,940	278,067	750	170,953	246,354	71,248
Net Position						
Net Investment in Capital Assets	2,851	(990)	271	1,458	(38,988)	21,739
Restricted	1,287,978	11,444			89,506	8,000
Unrestricted	77,102	7,856	(204)	50,712	11,891	(5,411)
Total Net Position	1,367,931	18,310	67	52,170	62,409	24,328
Total Liabilities, Deferred Inflows of Resources & Net Position	1,797,871	296,377	817	223,123	308,763	95,576
Revenues	67,208	14,755	6,971	665,986	68,571	36,160
Expenditures	166,919	14,432	6,797	665,191	82,169	13,716
Net Increase (Decrease)	(99,711)	323	174	795	(13,598)	22,444
Net Position: July 1, 2015	1,467,642	17,987	(107)	51,375	76,007	1,884
Net Position: June 30, 2016	1,367,931	18,310	67	52,170	62,409	24,328

Affiliated Organizations

Governmental financial reporting standards require the discrete reporting of certain affiliated organizations in the Institute's audited financial statements. For this unaudited annual report, affiliate information is included in the notes. Therefore, notes to the financial statements recognize the significant contributions of six separately incorporated affiliated organizations to the annual operation and performance of the Georgia Institute of Technology. These organizations promote, support, and assist Georgia Tech in its role as a leading educational and research institution in accordance with stated Institute needs and goals. Together, the affiliated organizations add significantly to Institute assets and revenues for programs and services, and ultimately enhance the Institute's performance of its mission.

The financial operations and position of six Institute affiliated organizations are considered significant to the Institute and are included in this presentation. Although these organizations operate exclusively to provide the Institute with supplemental resources and support, they are separately incorporated and managed by their own boards. An annual audit of each organization's financial statements is conducted by independent certified public accountants. These organizations are described below:

Georgia Tech Foundation Inc. is incorporated as a nonprofit corporation under the laws of the state of Georgia to promote in various ways the cause of higher education in the state of Georgia, to raise and receive funds for the support and enhancement of the Georgia Institute of Technology, and to aid the Institute in its development as a leading educational institution.

Georgia Tech Facilities Inc. (GTFI) is incorporated as a nonprofit corporation under the laws of the state of Georgia. The purpose of GTFI is to construct buildings and other facilities as may be appropriate to meet the needs and goals of the Georgia Institute of Technology. GTFI serves as a financing and contracting entity for construction projects on the campus of Georgia Tech, but does not manage buildings after completion.

Georgia Tech Alumni Association Inc. is a nonprofit organization formed to assist the Georgia Institute of Technology in alumni relations and to promote education. The Association is dedicated to the interests and welfare of Georgia Tech. Among its many other programs and activities, the Association supports Georgia Tech's fundraising activities through its solicitation of gifts from alumni and friends of the Institute.

Georgia Tech Research Corporation (GTRC) is a Georgia nonprofit corporation organized and operated exclusively for scientific, literary, and educational purposes. GTRC serves as the contracting agency for all sponsored research activities at Georgia Tech. Additionally, GTRC assists Georgia Tech in obtaining quality research space, enters into long-term leases for specialized research equipment and facilities, and conducts other research support programs for Georgia Tech and its affiliated research programs. It also owns all intellectual property created at Georgia Tech and manages patents, copyrights, and licenses. All funds received by GTRC are used to support various Georgia Tech research programs as approved by the Board of Trustees of GTRC.

Georgia Tech Athletic Association Inc. is a nonprofit organization created for the express purpose of aiding the educational programs of the Institute by providing physical training, recreation, and intercollegiate athletic facilities; carrying out its athletic programs; and soliciting gifts and grants solely for the purpose of supporting and enhancing the Institute's varsity athletic programs.

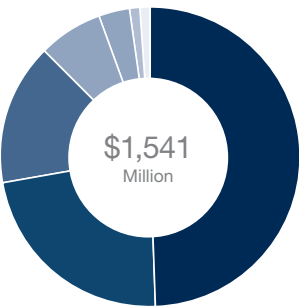
Georgia Advanced Technology Ventures Inc. (GATV) is a Georgia nonprofit organization formed to support the Georgia Institute of Technology's technology transfer, economic development mission, including relevant real estate development. GATV provides capital and operating support for technology transfer and economic development activities, including the Advanced Technology Development Center (ATDC) incubator facilities and services to ATDC-affiliated companies.

Revenue by Source

unaudited, dollars in millions

- Grants & Contracts \$762.4 (49%)¹
- Tuition and Fees \$353.6 (23%)
- State Appropriations \$233.2 (15%)
- Auxilliary Enterprises \$107.6 (7%)
- Sales, Services, and Other \$52.6 (4%)
- Investment Income \$16.2 (1%)
- Institute & Capital Gifts \$15.4 (1%)²

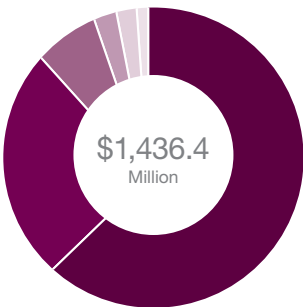
¹Includes reimbursements from Georgia Tech Affiliated Organizations and Nonoperating Gifts and Grants
²Nonoperating and Capital Gifts given directly to Georgia Tech (excluding affiliates)



Operating Expenses by Natural Classification

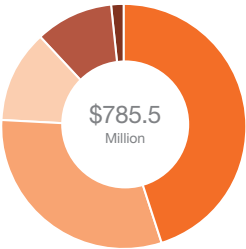
unaudited, dollars in millions

- Salaries and Benefits \$904.1 (63%)
- Supplies and Other Services \$366.6 (26%)
- Depreciation \$92.6 (6%)
- Utilities \$30.2 (2%)
- Travel \$27.7 (2%)
- Scholarships and Fellowships \$15.2 (1%)



Sponsored Expenditures by Major Unit and Source

unaudited, dollars in millions

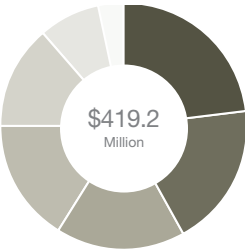


- GTRI Federal \$353 (45%)
- GT Academic Federal \$242.9 (31%)
- GT Academic GTF/GTRC \$97.2 (12%)
- GT Academic Other \$79.1 (10%)
- GTRI GTF/GTRC/Other \$13.3 (2%)

Source: Grants & Contracts Accounting Management Reports
Includes all amounts invoiced to sponsors

Academic Sponsored Expenditures by Major Source

unaudited, dollars in millions

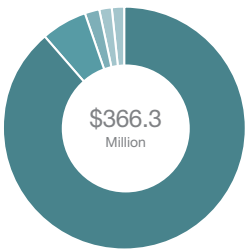


- GTF/GTRC \$97.2 (23%)
- All Other \$79.1 (19%)
- NSF \$71.2 (17%)
- Other Federal \$67.2 (16%)
- Defense Agencies \$57.7 (14%)
- DHHS \$33.6 (8%)
- NASA \$13.2 (3%)

Source: Grants & Contracts Accounting Management Reports
Includes all amounts invoiced to sponsors

Georgia Tech Research Institute Sponsored Expenditures by Major Source

unaudited, dollars in millions

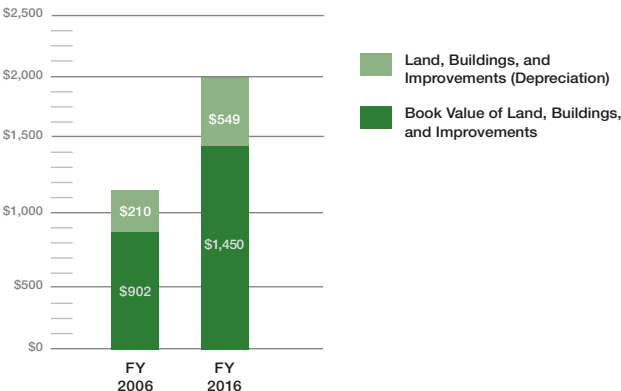


- Defense Agencies \$324.6 (88%)
- Other Federal \$22.5 (6%)
- All Other \$7.2 (2%)
- GTF/GTRC \$6.1 (2%)
- DHHS, NASA, NSF \$5.9 (2%)

Source: Grants & Contracts Accounting Management Reports
Includes all amounts invoiced to sponsors

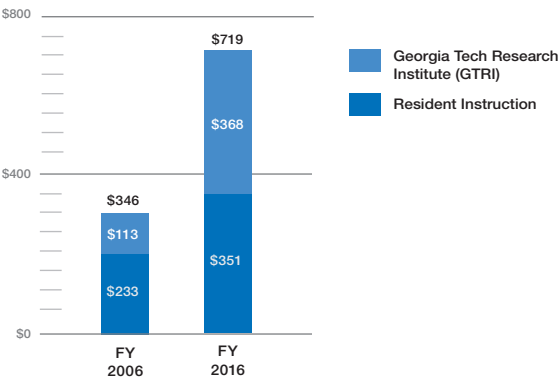
Physical Plant Assets Ten-year Comparison Book Value of Land, Buildings, and Improvements

unaudited, dollars in millions



New Sponsored Awards

unaudited, dollars in millions



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