



2017

FINANCIAL REVIEW

JULY 2016 - JUNE 2017

**Georgia
Tech** 



MESSAGE FROM THE EXECUTIVE VICE PRESIDENT FOR ADMINISTRATION AND FINANCE



STEVEN G. SWANT

ADMINISTRATION AND FINANCE

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for Administration and Finance

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for Administration and Finance

L. Renee Brown

Executive Assistant to the
Executive Vice President

Introduction and Overview

I am pleased to present the fiscal year 2017 financial report for the Georgia Institute of Technology, “Georgia Tech,” reflecting the continued financial strength of the Institute.

This financial strength has enabled the Institute to invest in academic and research programs; build a supportive physical and administrative environment and infrastructure; and develop a strong workforce to advance the Institute’s core mission of teaching, research, service, and economic development.

Summary of Financial Schedules

In 2017, Georgia Tech showed a strong financial position, due primarily to positive enrollment trends, a diversified and robust portfolio of sponsored research awards, and the strategic efforts of our campus academic, research, and administrative partners. The financial schedules indicate that Georgia Tech completed another solid financial year.

Total assets increased by 3.9 percent to \$2.42 billion in fiscal year 2017. This increase includes combined capital additions and improvements to the Lettie Pate Whitehead Evans Administration Building and a Guaranteed Energy Savings Performance Contract totaling \$15.7 million. Operating revenues increased by 4.1 percent to \$1.31 billion, with tuition and fee revenue increasing by 2.3 percent and grants and contracts revenue increasing by 4.8 percent. Total revenue for fiscal year 2017 increased by 5.7 percent to \$1.62 billion. Total Net Position increased by \$59.4 million to \$1.43 billion from fiscal year 2016 to fiscal year 2017.

As is the case with all 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

Georgia Tech is well positioned to maintain its momentum in fulfilling its academic and research missions, and defining the technological research university of the 21st century.

The Institute is committed to creating a solid foundation for institutional success by thoughtful and vigilant management of its resources — financial, physical, human, and environmental — and by ensuring the right administrative systems and processes are in place to steward our resources effectively and efficiently.

As we look to the future, it will be important to focus on the following priorities to help ensure our long-term success.

1. Develop financial capacity. We will continue to both evaluate strategies for increasing the university’s financial capacity as well as develop solutions to address the needs of our students, faculty, and staff. We will achieve strong financial management practices across the institution, increase support of the core mission, and press to achieve greater return on our investments.

2. Renew outdated systems and processes. We will develop new technologies and new ways of doing business. Implementing improved processes and systems will require involvement and collaboration across every function in the university.

3. Expand physical and organizational capabilities. We will continue to focus on sustainable physical structures and operating models that facilitate innovation, creativity, and collaboration across the campus community.

4. Develop talent and future leaders. Our next generation of leaders must be well prepared for future roles. Our workforce must be accepting of innovation and constant in their pursuit of effectiveness. Transferring knowledge and maintaining our intellectual and organizational assets are essential.

Summary

I have every confidence that we will move the Institute forward with energy, creativity, and an uncompromising commitment to the pursuit of excellence. By managing our resources responsibly and effectively, we will provide an environment that is not only conducive to a world-class learning experience but also capable of providing an exceptional work experience for the entire campus community — one that will last for many years to come. I would like to express my thanks to the multiple campus partners who contributed the information and efforts detailed in this report.

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, 2016 (audited)	Georgia Tech June 30, 2017 (unaudited)	Component Units June 30, 2017 (audited)
ASSETS			
Current Assets			
Cash and Cash Equivalents	253,384	295,827	120,187
Short-Term Investments	155	157	
Accounts Receivable, Net			
Federal Financial Assistance	6,283	588	
Affiliated Organizations			705
Component Units	76,346	76,865	1,043
Other	32,582	40,115	73,629
Notes Receivable, Net			600
Investment in Capital Leases - Primary Government			15,958
Inventories	983	942	
Prepaid Items	15,897	16,485	3,141
Other Assets			65,517
Total Current Assets	385,630	430,979	280,780
Noncurrent Assets			
Cash and Cash Equivalents			15,759
Accounts Receivable, Net			
Affiliated Organizations			6,772
Due from USO - Capital Liability Reserve Fund	2,276	2,276	
Pledges and Contributions			111,119
Other			32,851
Investments	9,414	11,386	105,624
Notes Receivable, Net	11,919	11,994	1,104
Net investment in Capital Leases - Primary Government			347,155
Other Assets			29,736
Noncurrent Cash (Externally Restricted)	100	82	
Investments (Externally Restricted)	62,087	65,177	1,534,977
Capital Assets, Net	1,862,528	1,901,948	373,435
Total Noncurrent Assets	1,948,324	1,992,863	2,558,532
TOTAL ASSETS	2,333,954	2,423,842	2,839,312
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Loss on Debt Refunding			18,624
Deferred Loss on Defined Benefit Pension Plan	51,000	135,937	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	51,000	135,937	18,624
LIABILITIES			
Current Liabilities			
Accounts Payable	66,971	78,445	17,193
Salaries Payable	3,026	2,580	
Benefits Payable	690	632	
Contracts Payable	6,043	9,884	
Retainage Payable	2,068	2,894	
Due to Affiliated Organizations	31	124	721
Due to Component Units			1,043
Due to Primary Government			76,865
Advances (Including Tuition and Fees)	23,755	25,052	75,307
Deposits	8,688	8,922	15,634
Deposits Held for Other Organizations	13,298	14,731	1,104
Other Liabilities	448	406	35,988
Notes and Loans Payable	349	1,078	27,068
Lease Purchase Obligations - External	2,059	3,371	1,958
Lease Purchase Obligations - Component Units	14,810	15,631	
Revenue Bonds and Notes Payable			22,675
Liabilities Under Split Interest Agreements			1,633
Pollution Remediation	437	444	601
Claims and Judgments			1,576
Compensated Absences	31,978	36,220	349
Total Current Liabilities	174,651	200,414	278,611
Noncurrent Liabilities			
Due to Affiliated Organizations			1,154
Due to Component Units			7,002
Advances (Including Tuition and Fees)			1,997
Other Liabilities			7,337
Notes and Loans Payable	7,413	6,335	59,330
Lease Purchase Obligations - External	79,317	81,771	59,059
Lease Purchase Obligations - Component Units	358,320	342,688	
Revenue Bonds and Notes Payable			720,367
Liabilities Under Split Interest Agreements			14,397
Claims and Judgments			651
Compensated Absences	14,097	13,321	
Net Pension Liability	342,920	474,812	
Total Noncurrent Liabilities	802,067	918,927	871,294
TOTAL LIABILITIES	976,718	1,119,341	1,149,905
DEFERRED INFLOWS OF RESOURCES			
Deferred Funds Received in Advance of Timing Requirements	8,109	10,536	
Deferred Gain on Defined Benefit Pension Plan	31,922	2,343	
TOTAL DEFERRED INFLOWS OF RESOURCES	40,031	12,879	
NET POSITION			
Net Investment in Capital Assets	1,390,649	1,435,061	38,791
Restricted for:			
Nonexpendable	62,187	65,259	740,273
Expendable	25,539	29,277	792,312
Unrestricted	(110,170)	(102,038)	136,655
TOTAL NET POSITION	1,368,205	1,427,559	1,708,031

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, 2017.

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, 2016 (audited)	Georgia Tech June 30, 2017 (unaudited)	Component Units June 30, 2017 (audited)
REVENUES			
Operating Revenues			
Student Tuition and Fees (Net)	353,571	361,846	
Grants and Contracts			
Federal	531,410	545,314	583,813
State	7,804	8,125	7,574
Other	211,486	233,236	92,638
Sales and Services	35,828	39,107	57,062
Rents and Royalties	401	479	56,831
Residence Halls	73,353	76,212	
Bookstore	1,943	2,123	
Food Services	3,429	3,473	
Parking/Transportation	17,510	19,628	
Health Services	9,486	10,373	
Other Organizations	1,936	2,155	
Gifts and Contributions			51,731
Other Operating Revenues	9,220	6,634	3
Total Operating Revenues	1,257,377	1,308,705	849,652
EXPENSES			
Operating Expenses			
Faculty Salaries	394,337	417,592	
Staff Salaries	340,048	365,720	3,460
Employee Benefits	169,051	208,115	529
Other Personal Services	732	731	72
Travel	27,669	26,659	6,539
Scholarships and Fellowships	15,162	16,342	11,072
Utilities	30,151	29,457	745
Supplies and Other Services	358,873	375,163	848,560
Depreciation	92,615	96,856	14,944
Total Operating Expenses	1,428,638	1,536,635	885,921
Operating Loss	(171,261)	(227,930)	(36,269)
NONOPERATING REVENUES (EXPENSES)			
State Appropriations	233,201	267,514	
Grants and Contracts			
Federal	11,696	11,122	
Gifts	1,722	2,738	
Investment Income	16,175	21,526	198,480
Interest Expense	(25,754)	(24,679)	(40,866)
Other Nonoperating Revenues	(659)	1,037	(779)
Net Nonoperating Revenues	236,381	279,258	156,835
Income Before Other Revenues, Expenses			
Gains, or Losses	65,120	51,328	120,566
Capital Grants and Gifts			
State	12,490	6,486	1,000
Other	1,171	794	2,000
Additions to Permanent Endowments	79	746	41,687
Total Other Revenues, Expenses, Gains, or Losses	13,740	8,026	44,687
Increase in Net Position	78,860	59,354	165,253
NET POSITION			
Net Position - Beginning of Year, Restated	1,289,345	1,368,205	1,542,778
Net Position - End of Year	1,368,205	1,427,559	1,708,031

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, 2016 June 30, 2017
(audited) (unaudited)

CASH FLOWS FROM OPERATING ACTIVITIES

Payments from Customers	503,997	519,409
Grants and Contracts (Exchange)	749,869	787,036
Payments to Suppliers	(606,404)	(616,034)
Payments to Employees	(731,660)	(780,292)
Payments for Scholarships and Fellowships	(15,162)	(16,342)
Loans Issued to Students	(3,153)	(3,558)
Collection of Loans to Students	3,539	3,482
Net Cash Used by Operating Activities	(98,974)	(106,299)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	233,201	267,514
Agency Funds Transactions	2,385	1,433
Gifts and Grants Received for Other than Capital Purposes	12,898	14,007
Other Noncapital Financing Receipts	(1,169)	1,037
Net Cash Flows Provided by Noncapital Financing Activities	247,315	283,991

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Grants and Gifts Received	12,490	6,486
Proceeds from Sale of Capital Assets	8,923	4,509
Purchases of Capital Assets	(111,530)	(121,504)
Principal Paid on Capital Debt and Leases	(21,745)	(17,318)
Interest Paid on Capital Debt and Leases	(25,740)	(25,102)
Net Cash Used by Capital and Related Financing Activities	(137,602)	(152,929)

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	16,959	17,662
Net Cash Provided by Investing Activities	16,959	17,662
Net Increase/Decrease in Cash	27,697	42,425
Cash and Cash Equivalents - Beginning of Year	225,787	253,484
Cash and Cash Equivalents - End of Year	253,484	295,909

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	(171,261)	(227,930)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities		
Depreciation	92,615	96,857
Operating Expenses Related to Noncash Gifts		
Change in Assets and Liabilities:		
Receivables, Net	(4,055)	(2,358)
Inventories	(152)	42
Prepaid Items	(4,567)	(7,461)
Notes Receivable, Net	386	(75)
Accounts Payable	(3,317)	10,873
Salaries Payable	466	(446)
Benefits Payable	125	(58)
Advances (Including Tuition and Fees)	544	97
Other Liabilities	(1,319)	192
Compensated Absences	2,259	3,465
Due to Affiliated Organizations	(57)	93
Pollution Remediation	437	7
Net Pension Liability	67,464	131,892
Change in Deferred Inflows/Outflows of Resources:		
Deferred Inflows of Resources	(65,048)	(26,552)
Deferred Outflows of Resources	(13,494)	(84,937)
Net Cash Used by Operating Activities	(98,974)	(106,299)

NONCASH ACTIVITY

Recognition of Noncapital Financing Activities Advances and Deferred Inflows	600	600
Reduction in Capital Lease Obligations	510	
Gift of Capital Assets	1,171	794
Loss on Disposal of Capital Assets	(8,374)	(3,542)
Adjustments to Capital Asset Beginning Balance Ran through Current Year Activity	(549)	5,902
Accrual of Capital Asset Related Payables	(9,605)	(15,013)
Capital Assets Acquired by Incurring Capital Lease Obligations	(11,737,845)	(5,925)
Capital Assets Acquired by Incurring Notes Payable	(7,761,925)	
Accrual of Capital Financing Interest Payable	(2,084)	(1,945)
Capitalized Interest on Guaranteed Energy Saving Performance Contract		286
Unrealized Gain/Loss on Investments	(784)	5,063

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 four categories: net investment in capital assets, restricted-nonexpendable, restricted-expendable, 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 **COMPONENT UNITS**

Summary financial data from the financial statements of each Component Unit is as follows:
 Year ended June 30, 2017 (dollars in thousands) (audited)

	Georgia Tech Foundation	Georgia Tech Facilities	Georgia Tech Research Corporation	Georgia Tech Athletic Association	Georgia Advanced Technology Ventures	Component Unit Totals
Total Assets and Deferred Outflows of Resources	1,938,844	288,888	224,046	308,732	97,426	2,857,936
Total Liabilities and Deferred Inflows of Resources	398,051	267,712	167,926	247,393	68,823	1,149,905
Net Position						
Net Investment in Capital Assets	47,570	4,569	1,223	(40,530)	25,959	38,791
Restricted	1,420,072	8,252		96,134	8,128	1,532,586
Unrestricted	73,151	8,355	54,897	5,735	(5,484)	136,654
Total Net Position	1,540,793	21,176	56,120	61,339	28,603	1,708,031
Total Liabilities, Deferred Inflows of Resources, and Net Position	1,938,844	288,888	224,046	308,732	97,426	2,857,936
Revenues	280,768	16,774	694,696	84,978	16,398	1,093,614
Expenditures	125,535	13,908	690,746	86,048	12,123	928,360
Net Increase (Decrease)	155,233	2,866	3,950	(1,070)	4,275	165,254
Net Position: July 1, 2016	1,385,560	18,310	52,170	62,409	24,328	1,542,777
Net Position: June 30, 2017	1,540,793	21,176	56,120	61,339	28,603	1,708,031

Component Units

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

Historically, the Institute presented six related organizations in this section of the financial review, including the Georgia Tech Alumni Association. However, since this organization is not considered a component unit of the State of Georgia, its financial information is not required to be reported and thus is not included in this presentation. This does not in any way diminish the significance of the Georgia Tech Alumni Association to the Institute. The five organizations included in this presentation 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 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.

An annual audit of each component unit's financial statements is conducted by independent certified public accountants.

GEORGIA INSTITUTE OF TECHNOLOGY » FISCAL YEAR 2017 » UNAUDITED

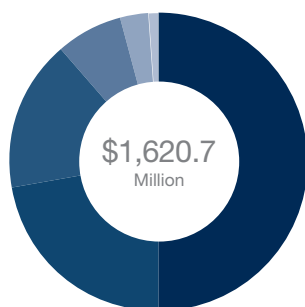
Revenue by Source

unaudited, dollars in millions

Grants & Contracts	\$800.5 (49%) ¹
Tuition and Fees	\$361.8 (22%)
State Appropriations	\$267.5 (17%)
Auxiliary Enterprises	\$114 (7%)
Sales, Services, and Other	\$48.1 (3%)
Investment Income	\$21.5 (1%)
Institute & Capital Gifts	\$7.3 (1%) ²

¹Includes reimbursements from Georgia Tech Component Units and Nonoperating Gifts and Grants

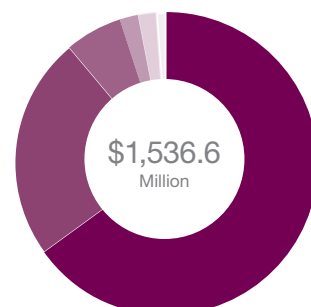
²Nonoperating and Capital Gifts given directly to Georgia Tech (excluding Component Units)



Operating Expenses by Natural Classification

unaudited, dollars in millions

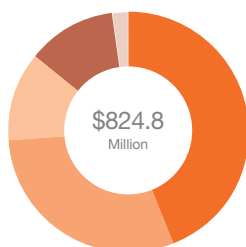
Salaries and Benefits	\$992 (65%)
Supplies and Other Services	\$375.2 (24%)
Depreciation	\$96.9 (6%)
Utilities	\$29.5 (2%)
Travel	\$26.7 (2%)
Scholarships and Fellowships	\$16.3 (1%)



Sponsored Expenditures by Major Unit and Source

unaudited, dollars in millions

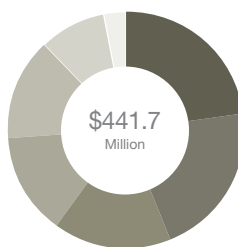
GTRI Federal	\$364.4 (44%)
GT Academic Federal	\$247 (30%)
GT Academic GTF/GTRC	\$101.1 (12%)
GT Academic Other	\$93.6 (12%)
GTRI GTF/GTRC/Other	\$18.7 (2%)



Academic Sponsored Expenditures by Major Source

unaudited, dollars in millions

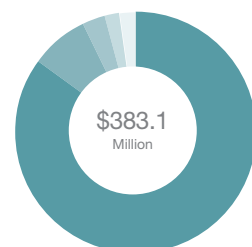
GTF/GTRC	\$101.1 (23%)
All Other	\$93.6 (21%)
NSF	\$69.5 (16%)
Other Federal	\$63.7 (14%)
Defense Agencies	\$60.1 (14%)
DHHS	\$38.2 (9%)
NASA	\$15.5 (3%)



Georgia Tech Research Institute Sponsored Expenditures by Major Source

unaudited, dollars in millions

Defense Agencies	\$326.2 (85%)
Other Federal	\$31.3 (8%)
All Other	\$11.3 (3%)
GTF/GTRC	\$7.4 (2%)
DHHS, NASA, NSF	\$6.9 (2%)



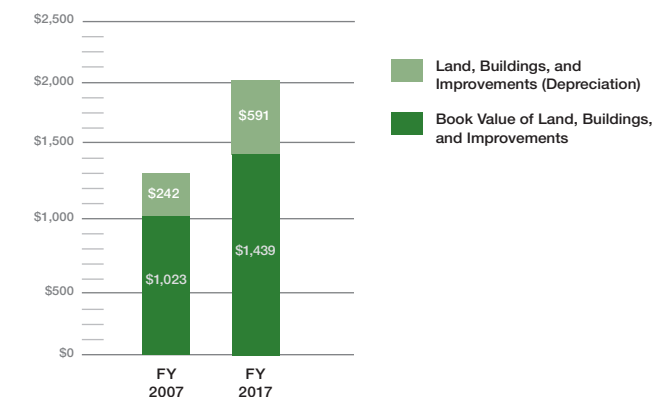
Source: Grants & Contracts Accounting Management Reports
Includes all amounts invoiced to sponsors

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Includes all amounts invoiced to sponsors

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Includes all amounts invoiced to sponsors

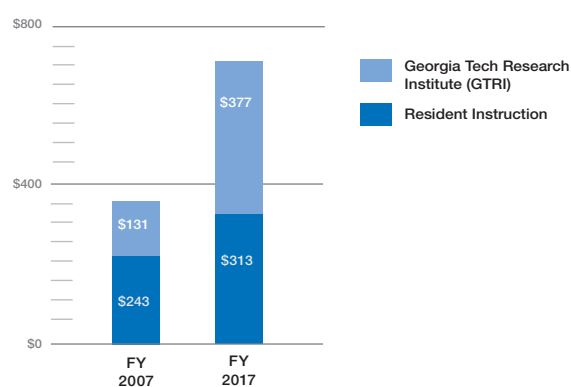
Physical Plant Assets Ten-year Comparison Book Value of Land, Buildings, and Improvements

unaudited, dollars in millions



New Sponsored Awards

unaudited, dollars in millions



CREATING THE NEXT®



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