GEORGIA TECH FOUNDATION, INC.

Consolidated Financial Statements

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

GEORGIA TECH FOUNDATION, INC.

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KPMG LLP
Suite 2000
303 Peachtree Street, N.E.
Atlanta, GA 30308-3210

Independent Auditors' Report

The Board of Trustees
Georgia Tech Foundation, Inc.:

We have audited the accompanying consolidated financial statements of Georgia Tech Foundation, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Georgia Tech Foundation, Inc. and its subsidiaries as of June 30, 2017 and 2016, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Atlanta, Georgia
September 20, 2017

GEORGIA TECH FOUNDATION, INC.

Consolidated Statements of Financial Position

June 30, 2017 and 2016

(In thousands)

Assets		**2017**	**2016**
Cash and cash equivalents	$	5,484	6,145
Restricted cash		2,055	2,236
Capital reserve funds (note 4 and 10)		8,802	8,236
Contributions receivable, net (notes 2 and 6)		104,179	88,838
Investments (note 3 and 10)		1,640,586	1,488,485
Other assets (note 5 and 6)		16,462	9,135
Leases receivable (note 4)		145,494	154,470
Contributions receivable from remainder trusts (note 10)		14,555	14,367
Charitable remainder trusts (note 10)		13,985	17,178
Capital assets, net (note 5)		112,110	33,168
Total assets	$	2,063,712	1,822,258
Liabilities and Net Assets			
Accounts payable	$	7,002	7,361
Commitment payable (note 6)		7,178	7,720
Lines of credit (note 7)		25,087	31,230
Bonds payable, net (note 4 and 7)		258,223	236,587
Notes payable (note 8)		48,113	—
Amounts due to life beneficiaries		16,030	13,516
Deferred revenue (note 4)		23,025	25,741
Funds held on behalf of other organization (notes 9 and 10)		105,609	98,450
Other liabilities (note 4)		10,989	9,335
Total liabilities		501,256	429,940
Net assets:			
Unrestricted		142,012	102,268
Temporarily restricted (note 12)		727,339	638,857
Permanently restricted (note 13)		693,105	651,193
		1,562,456	1,392,318
Commitments (notes 3, 4, 6, 7, 8, 9, 14 and 17)			
Total liabilities and net assets	$	2,063,712	1,822,258

See accompanying notes to consolidated financial statements.

GEORGIA TECH FOUNDATION, INC.

Consolidated Statements of Activities

Years ended June 30, 2017 and 2016

(In thousands)

	2017				2016			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Unrestricted**	**Temporarily restricted**	**Permanently restricted**	**Total**
Revenues:								
Gift income	$ 5,809	41,372	39,717	86,898	8,360	41,465	27,503	77,328
Lease revenue	22,017	156	—	22,173	13,541	—	—	13,541
Investment income, net of fees	5,841	21,514	91	27,446	4,489	13,286	95	17,870
Net realized/unrealized (loss) gain on investments	34,412	120,694	1,103	156,209	(15,482)	(51,075)	(1,689)	(68,246)
Change in value of trusts and annuities	(1)	534	903	1,436	(15)	(340)	(4,247)	(4,602)
Other	1,339	74	98	1,511	1,264	85	41	1,390
Net assets released from restrictions (note 11)	95,862	(95,862)	—	—	91,470	(91,470)	—	—
Total revenues	165,279	88,482	41,912	295,673	103,627	(88,049)	21,703	37,281
Expenses (note 15):								
Program services	102,578	—	—	102,578	94,431	—	—	94,431
General and administrative (note 15(b))	18,826	—	—	18,826	10,924	—	—	10,924
Loss on extinguishment of debt	—	—	—	—	2,191	—	—	2,191
Fund-raising	4,131	—	—	4,131	5,059	—	—	5,059
Total expenses	125,535	—	—	125,535	112,605	—	—	112,605
Change in net assets	39,744	88,482	41,912	170,138	(8,978)	(88,049)	21,703	(75,324)
Net assets, beginning of year	102,268	638,857	651,193	1,392,318	111,246	726,906	629,490	1,467,642
Net assets, end of year	$ 142,012	727,339	693,105	1,562,456	102,268	638,857	651,193	1,392,318

See accompanying notes to consolidated financial statements.

GEORGIA TECH FOUNDATION, INC.

Consolidated Statements of Cash Flows

Years ended June 30, 2017 and 2016

(In thousands)

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 170,138	(75,324)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	4,352	1,695
Accretion/ amortization of bond discount and premium and issuance costs	(1,066)	(1,117)
Loss on extinguishment of debt	—	2,191
Net realized/unrealized loss (gain) on investments	(156,209)	68,246
Actuarial loss on trusts and annuities	(1,436)	4,602
Contribution (gain) loss of noncash assets	(7,922)	(9,250)
Proceeds from gifts restricted for long-term investment	(21,370)	(41,014)
Proceeds from sale of donated securities not restricted for long-term investment	2,187	2,479
(Increase) decrease in contributions receivable	(15,341)	8,245
Increase in other assets	(8,089)	(1,824)
Decrease in accounts payable	(359)	(120)
Decrease in commitment payable	(542)	(528)
Increase (decrease) in other liabilities	1,654	(104)
Net cash used in operating activities	(34,003)	(41,823)
Cash flows from investing activities:		
Proceeds from the sales and maturities of investments	358,541	363,524
Purchases of investments	(373,625)	(348,719)
Increase (decrease) in funds held on behalf of other organization	7,159	(10,713)
Proceeds from sale of capital assets	—	732
(Increase) decrease in capital reserve funds	(566)	288
Proceeds from principal payments of leases receivable	6,260	5,916
Purchase of capital assets	(23,291)	(1,029)
Net cash (used in) provided by investing activities	(25,522)	9,999
Cash flows from financing activities:		
Proceeds from lines of credit	52,215	4,383
Repayments of lines of credit	(58,358)	(13,651)
Principal repayments of bonds payable	(10,709)	(31,416)
Proceeds from issuance of bonds payable	46,510	30,180
Payments of bond issuance costs	(697)	(380)
Receipt of cash from trusts	9,186	6,369
Payments to life income beneficiaries	(834)	(878)
Proceeds from gifts restricted for long-term investment	21,370	41,014
Changes in restricted cash	181	(2,236)
Net cash provided by financing activities	58,864	33,385
(Decrease) increase in cash and cash equivalents	(661)	1,561
Cash and cash equivalents, beginning of year	6,145	4,584
Cash and cash equivalents, end of year	$ 5,484	6,145
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 13,232	11,780
Noncash activities:		
Contribution of charitable trusts, annuities	$ 1,535	746
Contributions of securities	6,387	8,504
Assumption of note payable	35,711	—
Real estate transfer from investments to capital assets	23,530	—

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

The Georgia Tech Foundation, Inc. (the Foundation) was incorporated in the state of Georgia in 1932 as a not-for-profit corporation. The purposes of the Foundation are to promote higher education in the state of Georgia, to raise and receive funds for the support and enhancement of the Georgia Institute of Technology (the Institute), and to aid the Institute in its development as a leading educational institution. The Institute is a component unit of the University System of Georgia and is governed by the Board of Regents of the University System of Georgia (BOR).

(i) Wholly Owned Subsidiaries

The following organizations are all wholly owned subsidiaries of the Foundation and are included in the consolidated financial statements of the Foundation with all material intercompany accounts and transactions eliminated in consolidation:

The Georgia Tech Foundation Real Estate Holding Corporation (GTFREHC) was incorporated as a not-for-profit corporation in 1990 to hold title to real estate and similar property donated to the Foundation;

The Georgia Tech Foundation Funding Corporation (GTFFC) was incorporated as a not-for-profit corporation in 2000 to serve as the borrower of a portion of Foundation debt;

The Fifth Street Hotel, LLC was formed as a single member limited liability corporation in 2002 to serve as the holder of the land and building for the Georgia Tech Hotel and Conference Center, the activities of which are subject to unrelated business income tax;

Technology Square, LLC was formed as a single member limited liability corporation in 2002 to serve as the holder of all other land and buildings of the Technology Square project, which are leased to the BOR and to a third party;

Cypress Academy LLC was formed as a single member limited liability corporation in 2009 to serve as the holder of land near the Institute's campus;

Georgia Tech Foundation Properties, LLC was formed as a single member limited liability corporation in 2013 to receive and manage gifts of real estate property;

Biltmore Technology Square LLC was formed as a single member limited liability corporation in 2016 to serve as the holder of land, an office building, and a parking deck, known as the Biltmore, the activities of which are subject to unrelated business income tax; and

GTF 1052, LLC was formed as a single member limited liability corporation in 2017 to serve as the holder of a building and land near the Institute's campus.

(ii) Affiliated Organizations

The following organizations, while independent from and not controlled by the Foundation, are affiliated with the Institute and are involved in one or more financial transactions with the Foundation and may have one or more common directors, trustees, or officers:

Georgia Tech Facilities, Inc. (Facilities) is a separate corporation formed to oversee and obtain financing for specified construction projects for the Institute;

The Georgia Tech Athletic Association (GTAA) is a not-for-profit corporation that operates the intercollegiate athletic program of the Institute;

The Georgia Tech Alumni Association is a not-for-profit affiliate of the Institute organized to serve the needs of the Institute and alumni of the Institute;

Georgia Tech Global, Inc. is a not-for-profit affiliate of the Institute organized to foster and support the global educational and scientific research and economic development activities of the Institute; and

Georgia Advanced Technology Ventures (GATV) is a corporation, affiliated with the Institute, formed to foster and support education, scientific research, and economic development in the state of Georgia.

Transactions with these affiliated organizations are described in notes 4, 6, 7, 9, 11, 15, 16, and 17.

(b) Basis of Presentation

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting under the financial reporting framework of the Financial Accounting Standards Board. The Foundation is a nongovernmental not-for-profit corporation.

(c) Classification of Net Assets

The Foundation’s net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets are not subject to donor imposed or time restrictions. Net assets included in this class include unrestricted gifts and board-designated endowment funds.

Temporarily Restricted Net Assets are subject to donor imposed or time restrictions. Net assets included in this class include gifts for restricted purposes and earnings on donor-restricted endowment funds.

Permanently Restricted Net Assets are subject to donor-imposed restrictions requiring that the net assets be maintained permanently by the Foundation. Realized and unrealized losses on permanently restricted endowment funds first reduce appreciation accumulated in temporarily restricted net assets and then, to the extent necessary, reduce unrestricted net assets. To the extent that losses in an endowment fund reduce temporarily restricted and unrestricted net assets, net assets in these categories will be restored from any future gains of the endowment fund.

(Continued)

(d) Fair Value of Financial Instruments

Cash equivalents, restricted cash, capital reserve funds, and accounts payable are carried at amounts that approximate their fair value due to the short-term nature of these instruments. Commitments payable and lines of credit are carried at the amount owed, which approximates fair value. Contributions receivable are estimated by discounting expected future cash flows at risk adjusted market interest rates, which approximate fair value at the time of the gift. See notes 1(h), 1(i), 9 and 10, regarding investments, charitable remainder trusts, and funds held on behalf of other organization, respectively, for disclosures regarding fair value.

(e) Cash and Cash Equivalents

The Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. This excludes short-term cash investments that may be held by investment managers for future investments and capital reserve funds.

(f) Capital Reserve Funds

The Foundation classifies payments received for the purpose of capital replacement for the Campus Recreation Center, Technology Square and the Georgia Tech Hotel and Conference Center as a capital reserve fund (note 4). The assets of the fund are held pursuant to the lease agreements and are invested in short-term investments and highly liquid debt securities. In addition, the Foundation classifies amounts held in escrow related to capital improvements as required by the Biltmore note payable (note 8) as capital reserve funds.

(g) Restricted Cash

A portion of the proceeds from the issuances of the 2016 and 2017 bonds (note 7) are required to be held by the Foundation as restricted cash to fund capitalized interest and costs of issuance. In addition, a portion of the balance consists of amounts held by the Foundation in escrow for payment of insurance and taxes as required by the note payable associated with the loan assumption of the Biltmore (note 8).

(h) Contributions Receivable, Net

The Foundation records commitments from donors to make future contributions, recognizing these unconditional promises to give as revenue in the period the commitments are made, discounted to their present value at a risk adjusted market interest rate. An allowance for uncollectible contributions receivable is provided based upon management’s judgment, considering such factors as prior collection history, type of contribution, relationship with donor, and other relevant factors.

(i) Investments

Investments consist predominantly of marketable securities, privately held limited partnerships, and real estate. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with realized and unrealized gains and losses included in the consolidated statements of activities.

Donated gifts of securities are recorded based on estimated fair value at the date the donation is received. Investment income, gains, and losses are presented in the accompanying consolidated statements of activities net of investment fees. Pooled investment earnings and related expenses are allocated on a quarterly basis to each individual fund based on the pro rata market value of each fund's investment balance and in accordance with any donor restrictions.

Investments in private partnership interests are valued using the net asset value (NAV) provided by the general partner as of June 30 of each fiscal year. The change in net assets related to partnership interests is presented as realized and unrealized gain and loss based upon the estimated fair value of each partnership as determined by the general partner. General partners of partnerships that invest in privately held companies (such as leveraged buyout and venture capital funds) typically value their assets at cost as adjusted based on recent arms' length transactions. Partnerships investing in public companies use quoted market prices and exchange rates for the underlying assets, if applicable. General partners of marketable alternative investments provide values based on quoted market prices and exchange rates for publicly held securities and valuation estimates of derivative instruments. General partners of oil and gas partnerships, real estate partnerships, and similar funds value their assets based on periodic appraisals conducted by third-party appraisers. The Foundation uses NAV per share or its equivalent as a practical expedient to estimate fair value, although NAV in many instances may not equal realizable value. The NAV per share or its equivalent was applied to certain investments that do not have readily determinable fair values, including hedge funds, private equity, real estate, and natural resources. Valuation processes and methodologies utilized by the general partners and investment managers are reviewed by Foundation management.

(j) Charitable Remainder Trusts

The Foundation has been named the beneficiary of cash and property under charitable remainder trust, charitable lead trust, and charitable gift annuity agreements. For trusts where the Foundation is the trustee, assets are recorded at their fair values when received and an annuity payment liability is recognized at the present value of future cash flows expected to be paid to the donor or other designee. This liability is estimated by the Foundation using actuarial assumptions and the Internal Revenue Service discount rate at the time of the donation. For charitable remainder trust agreements where the Foundation is not the trustee, a contribution receivable is recorded based on the present value of estimated future distributions expected to be received over the term of the agreement. A discount rate commensurate with the risk involved is estimated as of June 30 of each fiscal year.

(k) Capital Assets

Capital assets are stated at cost at the date of acquisition less accumulated depreciation. The Foundation capitalizes interest cost as a component of construction in progress. Depreciation is provided on a straight-line basis over the useful lives of the assets, which range from 3 to 50 years. Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(Continued)

(l) Endowment

(i) Interpretation of Relevant Law

The Foundation management has interpreted the Georgia Uniform Prudent Management of Institutional Funds Act of 2008 (UPMIFA or the Act) as providing among other things, expanded spending flexibility by allowing, subject to a standard of prudence, the institution to spend from an endowment fund without regard to the book value of the corpus of the fund. This flexibility under UPMIFA allows an expenditure that lowers the value of the corpus of an endowment fund below its book value, which was previously not allowed. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the Foundation and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and appreciation of investments;
6. Other resources of the Foundation; and
7. The investment policies of the Foundation.

(m) Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the determination of fair value of certain nonpublicly traded partnership investments, the allowance for contributions receivable, and the assumptions made in recording liabilities to life beneficiaries.

(Continued)

(n) Tax Status

The Foundation and GTFFC are recognized as organizations exempt from federal income tax under Section 501(a) as an entity described in Section 501(c)(3) of the U.S. Internal Revenue Code, except for taxes on income from activities unrelated to its exempt purpose. GTFREHC is exempt from federal income tax under Section 501(a) as an entity described in Section 501(c)(2) of the U.S. Internal Revenue Code. The single member LLCs are disregarded for tax purposes.

(o) Recently Issued Accounting Standards

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, establishing ASC Topic 606, *Revenue from Contracts Customers*. ASU No. 2014-09 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance. ASU No. 2014-09 requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to receive in exchange for those goods or services and also requires certain additional disclosures. The new standard is effective for annual periods in fiscal years beginning after December 15, 2017 (as amended in August 2015 by ASU 2015-14, Deferral of the Effective Date) and the Foundation is permitted to adopt the standard using a retrospective transition method or a cumulative effect method. Early adoption is permitted. The Foundation will adopt the standard during fiscal year 2019.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Liabilities* (ASU 2016-01). ASU 2016-01 addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The ASU is effective for not-for-profit entities for fiscal years beginning after December 15, 2018, with early adoption restricted to certain provisions and within certain time periods. Under the ASU, not-for-profit and private entities are no longer required to disclose fair value information concerning financial instruments measured at amortized cost such as long-term debt. This provision of ASU 2016-01 may be early adopted for financial statements, which have not yet been issued or made available for issuance. The Foundation early adopted this provision of ASU 2016-01 in fiscal year 2016. The Foundation will adopt the remaining provisions that are not allowed to be early adopted during fiscal year 2020.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02). The amendments in ASU 2016-02 create FASB ASC Topic 842, *Leases*, and supersede the requirements in ASC Topic 840, *Leases*. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under ASC Topic 840. Under the guidance of ASU 2016-02, a lessee should recognize in the balance sheet a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The accounting applied by a lessor under ASU 2016-02 is largely unchanged from that applied under ASC Topic 840. The ASU is effective for all business entities for fiscal years beginning after December 15, 2018. The Foundation will implement the provisions of ASU 2016-02 during fiscal year 2020. The Foundation has not yet determined the impact of the new standard on its current policies for lessee accounting.

(Dollars in thousands)

(2) Contributions Receivable, Net

Contributions receivable, which represent unconditional promises from donors, are due as follows:

		2017	2016
Within one year	$	14,574	21,511
One to five years		93,124	82,247
More than five years		15,000	3,711
Gross contributions receivable		122,698	107,469
Less allowance for uncollectible contributions		(8,619)	(7,650)
Less present value component		(9,900)	(10,981)
Net contributions receivable	$	104,179	88,838

Contributions receivable for current year gifts are initially measured at fair value in the year the receivable is recorded based on the present value of future cash flows discounted at a rate commensurate with risks involved, which is an application of the income approach. Current year gifts included in contributions receivable reflected at fair value at June 30, 2017 and 2016 were $39,402 and $15,854, respectively.

The discount rates used to calculate the present value component range from 2.39% to 5.02%.

The consolidated financial statements do not include conditional pledges, expectancies, and bequests that have not been recognized as revenue. These undiscounted amounts totaled $439,815 and $433,652 at June 30, 2017 and 2016, respectively. The Foundation allowance for uncollectible contributions is estimated by using past collections of contributions receivable as an indication of future collections. At June 30, 2017 and 2016, the four largest outstanding donor pledge balances represented 58% and 43%, respectively, of the Foundation’s gross contribution receivable.

(Dollars in thousands)

(3) Investments

Investments at June 30, 2017 and 2016 are summarized as follows:

	Fiscal year 2017		Fiscal year 2016	
	Percentage	Amount	Percentage	Amount
Cash and cash equivalents (a)	2.8 %	$ 45,733	3.2 %	$ 47,395
Domestic equities (b)	20.4	335,342	20.4	303,876
International equities (b)	21.7	355,661	20.1	298,731
Bonds and bond funds (c)	9.7	158,319	10.6	157,236
Hedge funds (d):				
Long-short funds	9.9	162,640	10.5	155,635
Multi-strategy funds	11.6	190,537	10.4	155,089
Private equities (e):				
Buyout funds	4.6	76,439	4.9	74,205
Venture funds	8.6	141,203	8.5	126,243
Distressed securities funds	2.6	42,220	3.2	47,481
Real estate and real estate funds (e)	3.5	57,262	4.0	60,059
Natural resources (f)	4.6	75,230	4.2	62,535
	100.0 %	$ 1,640,586	100.0 %	$ 1,488,485

(a) This category includes assets that are cash or readily convertible to cash, such as money market funds.

(b) This category includes investments in funds that take long positions in publicly traded equity securities, but also includes one fund, representing 3% of the category, that invests in both long and short equity securities. Approximately, 49% of the investments are in U.S. companies and 51% are in non-U.S. companies. A range of styles, market caps, and geographic focuses is included. The public nature of the securities makes this category very liquid.

(c) This category includes investments in funds that take primarily long positions in corporate bonds, senior loans, private loans, government bonds, and long and short positions in derivatives thereof. It also includes one fund in fiscal year 2017, representing 17% of the category, that invests in both long and short fixed income securities.

(d) This category includes investments in hedge funds that take long and short positions primarily in equity securities, credit securities, index derivatives, and event driven situations. Managers vary in style, market cap focus, geographic focus, sectors of focus, and types of securities, with some having considerable flexibility in each of these areas. The funds also vary in net long/short positioning with most equity funds generally maintaining a low net and little or no leverage. Most credit funds generally maintain a moderate net long position and little or no leverage.

(e) This category includes investments in direct real estate investments and real estate equity funds. Direct investments in real estate include investments in land and buildings purchased in the Midtown Atlanta, Georgia area. These direct investments are acquired with equity from the investment portfolio and financed with debt under certain parameters approved by the Board of Trustees. The investments in real estate equity funds take ownership of properties ranging from office, retail, multifamily, land, and hotel. These are investments that cannot be redeemed since the investment is distributed as the underlying investments are liquidated, which generally takes 5–10 years. There are currently no plans to sell any of these investments prior to their liquidation so the assets are carried at NAV as estimated by the manager.

(f) This category includes private equity funds that provide growth equity or take full ownership of the companies in which they invest, while venture funds take significant ownership positions in start up or early stage companies largely in the technology or healthcare spaces. These are private investments, including natural resource investments, that cannot be redeemed since the investment is distributed as the underlying investments are liquidated, which generally takes 4–8 years. There are currently no plans to sell any of these investments prior to their liquidation so the assets are carried at NAV as estimated by the fund manager.

The Foundation has investments, as a limited partner, in 142 and 143 partnerships at June 30, 2017 and 2016, respectively. These partnerships invest in a wide variety of assets, including international equities, venture capital, buyout funds, distressed securities, real estate, fixed income, and diversifying strategies. At June 30, 2017, the Foundation's largest ownership interest in a single partnership was 7.0% of that partnership's assets. The Foundation's ownership interest was 6.3% or less for the remaining partnerships. No individual partnership investment exceeds 1.3% of the Foundation's assets and no manager controls partnerships having more than 1.5% of the Foundation's assets. The values of the Foundation's partnership investments as furnished by the general partners are reviewed by Foundation management, and management believes the values shown at June 30, 2017 and 2016 are reasonable.

The Foundation's investments are exposed to several risks, such as changes in interest rates, currency fluctuations, market fluctuations, and credit risks. Changes in financial markets occur daily and it is quite likely that changes in the carrying values of investments will occur. Such changes could materially affect the amounts reported in the Foundation's consolidated financial statements.

The limitations and restrictions on the Foundation's ability to redeem or sell hedge funds and private investments vary by investment. Notice periods are required for hedge funds. Private investments typically have specified terms at inception (generally 8–10 years) (note 10). Distributions from each private investment will be received as the underlying investments of the funds are liquidated by the general partner. As of June 30, 2017, management estimates the average remaining life of the private investments is approximately four years.

(Dollars in thousands)

As of June 30, 2017 and 2016, the Foundation's remaining outstanding commitments to private investments, which are projected to be paid over the succeeding six years, totaled $275,041 and $266,947, respectively, in the following investment strategies:

		2017	2016
Private equities:			
Venture capital	$	67,373	77,749
Buyout		74,677	70,532
Distressed securities		33,795	35,066
Real estate		49,912	35,569
Natural resources		49,284	48,031
	$	275,041	266,947

Investments in private equity, natural resources, and real estate funds are generally made through limited partnerships. Under the terms of these partnership agreements, the Foundation is obligated to remit additional funding periodically as capital or liquidity calls are exercised by the general partner. These partnerships have a limited existence, and under such agreements may provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, or other factors, the general partner may extend the terms or request an extension of terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. The Foundation cannot anticipate such changes because they are based on unforeseen events. As a result, the timing of future capital calls or distributions in any particular year are not certain.

The Foundation charges investment accounts an administrative fee for general overhead costs incurred in connection with the support and management of its investment funds. During 2017 and 2016, the Foundation charged an administrative fee, which is based on a percentage of the 12-quarter trailing average market value of endowment funds, totaling $8,675 and $8,029, respectively.

(4) Leases

(a) Capital Leases

(i) Campus Recreation Center Lease

In support of the Institute, the Foundation borrowed funds and constructed and placed into service the Campus Recreation Center (CRC) in 2004. It then leased the Facility to the BOR under an annual lease that expires on February 28 of each year, but is renewable on a year-by-year basis at the option of the BOR until 2031. Under the terms of the lease, payments are not to exceed $4,000 annually and are used to retire the debt incurred by the Foundation and provide for a capital replacement reserve. The BOR's failure to exercise its options through 2031 has been determined to be remote and thus, a lease receivable has been recorded totaling $35,635 and $37,879 as of June 30, 2017 and 2016, respectively. The debt outstanding on the Series 2011A and

Series 2011B Bonds (collectively, the CRC Bonds) totaled $33,595 and $35,265 as of June 30, 2017 and 2016, respectively.

In November 2011, the Foundation refunded the Series 2001A Bonds with the proceeds of the Series 2011A Bonds, which resulted in additional debt service requirements (note 7). The rental payments under the lease were increased in 2012 to provide additional rental amounts to pay the additional debt service requirement. The amount of the lease receivable is equal to the net present value of total lease payments to be received, discounted at 3.51% annually, which is the Foundation’s total interest cost of the CRC Bonds. The Foundation recorded a corresponding deferred revenue liability, representing the revenue to be recognized in future periods from the lease as a result of the additional debt service requirement. The revenue is recognized at a constant periodic rate of return consistent with the amortization of interest cost over the term of the related debt. The deferred revenue balance related to the CRC lease was $5,900 and $6,656 as of June 30, 2017 and 2016, respectively.

The annual lease payments, including payments to the capital replacement reserve for 2018 through 2030, range from $3,613 to $3,621, and for 2031, it is $2,000. The payments for the capital replacement reserve for 2018 through 2030 range from $306 to $307.

The Foundation leases from the BOR the land on which the CRC is located under a 30-year lease, expiring 2031. Upon full payment of the debt incurred by the Foundation to construct the CRC, the ground lease terminates and the CRC will be transferred to the BOR by the Foundation.

(ii) *Technology Square Lease*

During 2004, in support of the Institute, the Foundation borrowed funds and constructed a development on campus, on land the Foundation owned, known as Technology Square. It then leased the Facilities and land to the BOR pursuant to an annual lease, which expires on June 30 of each year, but is renewable on a year-by-year basis at the option of the BOR until 2032. The likelihood of the BOR’s failure to exercise its options through 2032 has been determined to be remote and thus, the Foundation has recorded a lease receivable in the amount of $109,859 and $116,591 as of June 30, 2017 and 2016, respectively. Upon retirement of the Technology Square debt, the ownership of the land and improvements to the property, with the exception of the Georgia Tech Hotel and Conference Center, which is not leased to the BOR, will be gifted to the BOR at no cost.

During 2015, the Institute and the Foundation amended the Technology Square lease to allow the Foundation to retain ownership of the retail space within the Georgia Tech Hotel and Conference Center and not gift the retail space to the BOR upon retirement of the Technology Square debt. Instead, the fourth floor of the Economic Development Building (EDB) will be included with the property gifted to the BOR upon retirement of the Technology Square debt. The lease terms, including lease payments, remained unchanged with the exception of the underlying assets that will be gifted to the BOR. No gain or loss was recognized.

The lease payments are used to retire the debt incurred by the Foundation and to provide for major replacement and renewal of the buildings. The debt outstanding on the Series 2002B, Series 2012A and Series 2012B Bonds (collectively, the Technology Square Bonds), not including the debt associated with the Georgia Tech Hotel and Conference Center, totaled $101,165 and $106,585 as of June 30, 2017 and 2016, respectively.

In April 2012, the Foundation refunded the Series 2002A Bonds with the proceeds of the Series 2012A Bonds, which resulted in additional debt service requirements (note 7). The rental payments under the lease were increased in 2012 to provide additional rental amounts to pay the additional debt service requirements on the Technology Square Bonds as well as provide for a capital replacement reserve. The amount of the lease receivable is equal to the net present value of total lease payments to be received, discounted at 3.35% annually, which was the Foundation's total interest cost in the Series 2012 Bonds. The Foundation recorded a corresponding deferred revenue liability, representing the revenue to be recognized in future periods from the lease as a result of the additional debt service requirement. The revenue is recognized at a constant periodic rate of return consistent with the amortization of interest cost over the term of the related debt. The deferred revenue related to the Technology Square lease was $17,125 and $19,085 as June 30, 2017 and 2016, respectively.

The annual lease payments, including payments to the capital replacement reserve for 2018 through 2022 and 2023 through 2032, are $10,718 and $9,010, respectively. The payments for the capital replacement reserve for 2018 through 2032 range from $505 to $506.

(b) Operating Leases

(i) Georgia Tech Hotel and Conference Center

The Foundation leased the Georgia Tech Hotel and Conference Center to a third party in 2004. The lease is a 30-year operating lease and is automatically renewable for an additional 10 years, unless either party declines to renew. Under the lease agreement, the Foundation receives base rent, payments for capital replacement, and incentive rent. During 2017 and 2016, the Foundation received $4,400 each year, in lease payments, representing base rent, from the third party; $1,074 and $1,039, respectively, in payments for capital replacement; and $403 and $308, respectively, each year in payments for incentive rent. The Foundation has debt outstanding totaling $29,230 and $30,330 as of June 30, 2017 and 2016, respectively, related to the Georgia Tech Hotel and Conference Center (note 7). The land and building are considered a capital asset of the Foundation (note 5).

(ii) Biltmore

The Foundation recognizes contractual revenues from leases on a straight-line basis over the terms of the respective leases. Future contractual rental income due from leases under noncancelable operating leases are $5,909, $4,975, $3,971, $3,372, $2,623, and $6,399 for fiscal years 2018, 2019, 2020, 2021, 2022, and thereafter, respectively.

(Dollars in thousands)

(iii) CODA

The Foundation leased approximately 2.2 acres of land in Technology Square to a third party in November 2016. The lease is a 99-year operating lease and the Foundation recognizes revenue from the lease on a straight-line basis over the term of the lease. The Foundation recognized $2,104 in lease income in 2017 and recorded a rent receivable of $1,921, which is included in other assets in the accompanying consolidated statements of financial position.

(c) Capital Reserve Funds

At June 30, 2017 and 2016, the Foundation held funds for the purpose of capital replacement for the CRC, Technology Square, the Biltmore and the Georgia Tech Hotel and Conference Center totaling $8,802 and $8,236, respectively. At June 30, 2017 and 2016, $7,338 and $7,138, respectively, of the capital reserve fund is held for the Institute for capital replacement for the CRC and Technology Square and is included in other liabilities in the accompanying consolidated statements of financial position. The capital reserve funds for the Biltmore totaled $130 and $0 as of June 30, 2017 and 2016, respectively. The capital reserve funds for the Georgia Tech Hotel and Conference Center totaled $1,334 and $1,098 as of June 30, 2017 and 2016, respectively.

(5) Capital Assets

The Foundation's buildings consist of the Georgia Tech Hotel and Conference Center, including the retail space within the Georgia Tech Hotel and Conference Center building, (collectively, the Hotel and Conference Center), and the Biltmore. The Hotel and Conference Center is located in Technology Square on the Institute's campus and was placed into service in 2004. The Biltmore is located adjacent to Technology Square and was placed into service in 2016.

During October 2016, the Foundation, through the Biltmore Technology Square, LLC, acquired the Biltmore. The Biltmore is a 12-story office building containing approximately 284,000 square feet of rentable space on approximately 3 acres of land, and a parking deck. The property was acquired for $63,500, with the assumption of a note payable and proceeds from the 2017 bond issue (notes 7 and 8).

The Foundation's capital assets are as follows:

		June 30	
		2017	**2016**
Land	$	30,783	2,553
Buildings		90,290	38,066
Furniture and equipment		10,759	10,442
Less accumulated depreciation		(19,722)	(17,893)
Total capital assets	$	112,110	33,168

Depreciation expense totaling $3,590 and $1,579 was recognized during 2017 and 2016, respectively. The furniture and equipment are depreciated over useful lives of three to ten years. The buildings are depreciated over useful lives of 40 to 50 years.

(Continued)

The Biltmore acquisition also included in-place leases and below-market leases totaling $5,464, net of $762 of accumulated amortization as of June 30, 2017, and is included in other assets in the accompanying consolidated statements of financial position. Both in-place leases and below market leases for the Biltmore are amortized over six years. Total amortization for in-place leases and below market leases was $762 for the year ended June 30, 2017.

(6) Commitment Payable

During 2010, the Foundation agreed to guarantee and pay, through a commitment of support, a $10,555 bond obligation (2010B Bond) issued by the Facilities during 2010 to refund the 2008C Bonds that were used to finance campus construction and the purchase of campus real estate as well as to provide funds in the amount of $1,560, to terminate an interest rate swap associated with the 2008C Bonds. The bonds mature on November 1, 2027 and require mandatory principal and interest payments until maturity. At June 30, 2017 and 2016, respectively, Facilities had $7,178 and $7,720 outstanding on the 2010B Bond, including accrued interest. Foundation payments to Facilities during 2017 and 2016, to satisfy Facilities' debt service requirements, totaled $805 and $806, respectively. At June 30, 2017, amounts due in less than one year, in one to five years, and in more than five years totaled $603, $2,395, and $4,180, respectively.

In June 2002, the GTAA executed a promissory note to the Foundation for $1,080 at an interest rate of 5.07%, with payments to be made through September 1, 2027. The Foundation has recorded a note receivable (included in other assets) for the GTAA that totals $637 and $679 as of June 30, 2017 and 2016, respectively.

In June 2004, the Foundation entered into an agreement with the GTAA, whereby the GTAA committed to pay the Foundation $137 per year as long as the Facilities' 1997A (now 2010B) Bond is outstanding. The payments received were used to pay Facilities for a portion of the commitment to fund the 2010B Bond. The payments remaining to be received total $1,443 and $1,580 as of June 30, 2017 and 2016, respectively. The Foundation has recorded a contribution receivable, discounted to give effect to the future cash flows from the GTAA, in the amount of $1,115 and $1,199, as of June 30, 2017 and 2016, respectively.

(Dollars in thousands)

(7) Debt

(a) Lines of Credit

Lines of credit as of June 30, 2017 and 2016 consist of the following:

Borrowing entity	Maturity	Line of credit limit	Outstanding as of June 30 2017	Outstanding as of June 30 2016
GTFFC	April 2018	$ 10,000	7,150	6,500
GTFFC	November 2017	10,000	7,150	6,500
GTFFC	June 2018	10,000	7,063	7,540
Foundation – working capital	November 2017	10,000	—	—
Foundation – working capital	June 2018	5,000	—	—
Foundation – EBB	October 2018	28,500	3,724	10,690
			$ 25,087	31,230

The Foundation guaranteed three $10,000 lines of credit in the name of the GTFFC in 2017 and 2016. The Foundation had two lines of credit totaling $15,000 in the name of the Foundation in both 2017 and 2016. Interest is calculated using 30-day LIBOR. This resulted in an average effective interest rate of 1.78% and 1.05% at June 30, 2017 and 2016, respectively. The Foundation expects to renew each line of credit prior to expiration.

In September 2012, the Foundation approved a grant to the Institute for the construction of the Engineered Biosystems Building (EBB) on the Institute's campus for an amount not to exceed $35,500. In October 2012, the Foundation established a nonrevolving line of credit with a bank (Foundation–EBB) in the amount of $35,500 to fund the grant to the Institute for the construction of the EBB. The line of credit was renewed in October 2014 in the amount of $28,500. The amount available for loans was $432 as of June 30, 2017. The amount due to the bank will be reduced with gifts received for the EBB and other support received from affiliated organizations. Interest is calculated using 30-day LIBOR, resulting in an effective interest rate of 1.68% and 0.93% at June 30, 2017 and 2016, respectively.

(Dollars in thousands)

(b) Bonds Payable

Bonds payable as of June 30, 2017 and 2016 consist of the following:

	Interest rates–fixed	Maturity (serially)	Original issue	Outstanding as of June 30 2017	Outstanding as of June 30 2016
Campus Recreation:					
Center Bonds:					
Series 2011A – tax exempt	4.00%–5.25%	2031	$ 32,695	32,695	32,695
Series 2011B – taxable	2.53 %	2018	9,035	900	2,570
Technology Square Bonds:					
Series 2002B – taxable	6.60%–6.66%	2032	73,190	48,030	50,700
Series 2012A – tax exempt	2.00%–5.00%	2032	79,500	79,500	79,500
Series 2012B – taxable	1.89 %	2018	21,455	2,865	6,715
Series 2009B Bond – taxable	5.49%–6.24%	2025	35,000	22,005	24,110
Series 2016 Bond – taxable	2.19%–3.84%	2049	30,180	30,180	30,180
Series 2017 Bond – taxable	1.35%–4.23%	2048	33,510	33,510	—
Total bonds payable, gross				249,685	226,470
Unamortized bond issuance costs				(2,220)	(1,933)
Unamortized premium				10,769	12,063
Unamortized discount				(11)	(13)
Total bonds payable, net				$ 258,223	236,587

(i) Campus Recreation Center Bonds

During May 2001, the Series 2001A Bonds were issued to provide funds to finance the costs of construction of the CRC, a facility that has been constructed on the Institute's campus. During November 2011, the Series 2011A and 2011B Bonds were issued to refund the outstanding principal amount of $36,840 of the Series 2001A Bonds, pay certain costs of issuance, and finance a portion of the termination of an interest rate swap related to the Series 2001A Bonds.

The Foundation has leased the CRC to the BOR under a capital lease effective February 2001 (note 4). These bonds are not secured by any interest in the CRC, the ground lease, or the rental agreement. These bonds are general unsecured obligations of the Foundation.

The 2011A Bond was issued with a bond premium of $4,805, which is being amortized and had a balance of $2,805 and $3,163 as of June 30, 2017 and 2016, respectively. Annual debt service payments, including interest related to CRC bonds for years 2018 through 2031 range from $3,309 to $3,314.

(ii) Technology Square Bonds

During January 2002, the Series 2002A and Series 2002B Bonds (collectively, the Series 2002 Bonds) were issued to provide funds to finance the costs of the acquisition, construction, and development on the Institute's campus known as Technology Square. Technology Square includes the college of business building, a hotel and conference center, a global learning center, a parking deck, an economic development building, retail space, and a bookstore. During April 2012, the Foundation refunded the outstanding principal amount of $91,465 of the Series 2002A Bonds with proceeds received from the issuance of the Series 2012A Bonds. In addition, during April 2012, the Foundation borrowed $21,455 in Series 2012B Bonds to finance a portion the termination of an interest rate swap related to the Series 2002 Bonds and pay certain costs of issuance.

The Foundation leased the hotel and conference center under an operating lease to a third party in 2004. The Foundation has also leased the other components of Technology Square to the BOR, on behalf of the Institute, under a capital lease, effective July 1, 2004 (note 4). These bonds are not secured by any interest in the Technology Square development, in any rental agreement relating to the development, or in any revenue received by the Foundation from the ownership or operation of any portion of the development. These bonds are general unsecured obligations of the Foundation.

The 2012A Bond was issued with a bond premium of $12,802, which is being amortized and had a balance of $7,964 and $8,900 as of June 30, 2017 and 2016, respectively. Annual debt service payments, including interest related to the Series 2002B Bonds for the years 2018 through 2022 and 2023 through 2032 range from $5,943 to $5,948 and $4,334 to $4,345, respectively. Annual debt service payments, including interest related to the Series 2012A and Series 2012B Bonds for years 2018 through 2032 range from $7,748 to $7,754.

(iii) *Series 2009 and 2016 Bonds*

In 2009, the Series 2009A and Series 2009B Bonds (collectively, the Series 2009 Bonds) were issued to provide funds to refinance a portion of the lines of credit and to refund the costs of acquisition of three properties adjacent or close to the Institute’s campus. The bonds are general unsecured obligations of the Foundation.

Annual debt service payments, including interest related to the Series 2009B Bonds for years 2018 through 2025, range from $3,475 to $3,484.

In May 2016, the taxable Series 2016 Bonds (2016 Bonds) were issued for the purpose of advance refunding of the Series 2009A Bonds, fund capitalized interest, pay certain costs to issue, to reimburse the Foundation for costs incurred for site improvements and acquisition of certain property to be developed, the demolition of the buildings and other structures located on such property, and professional and permitting fees relating to such property. The bonds are general unsecured obligations of the Foundation. A portion of the proceeds from the issuance were required to be held as restricted cash to fund capitalized interest and costs of issuance. As of June 30, 2017 and 2016, the balance of that restricted cash was $1,156 and $2,236, respectively. Approximately $21,481 of the proceeds from the issuance of the 2016 Bonds was placed in escrow in order to refund and extinguish the Series 2009A Bonds. In connection with the issuance of the 2016 Bonds, the Foundation incurred an accounting loss of $2,191 related to the early extinguishment of the Series 2009A Bonds.

Annual debt service payments, including interest related to the Series 2016 Bonds for the years 2018 through 2025; 2026 through 2027; and 2028 through 2048, range from $976 to $1,370; $4,061 and $4,082; and $1,296 and $1,904, respectively. The debt service payment for 2049 is $617.

(Dollars in thousands)

(iv) Series 2017 Bonds

In February 2017, the taxable Series 2017 Bonds (2017 Bonds) were issued to refund a loan, the proceeds of which were used for the acquisition of the Biltmore property, and to pay certain costs of issuance. The bonds are general unsecured obligations of the Foundation.

Annual debt service payments, including interest related to the 2017 Bonds for the years 2018 through 2048 range from $1,538 to $2,736. The annual debt service payments increase at approximately 2% per year from 2018 through 2048.

The following represents the mandatory principal redemptions on bonds and note payable until maturity:

	Campus Recreation Center Bonds		Technology Square Bonds						
	Series 2011A	Series 2011B	Series 2002B	Series 2012A	Series 2012B	Series 2009B	Series 2016	Series 2017	Total
Fiscal year:									
2018	$ 820	900	2,850	1,065	2,865	2,225	—	—	10,725
2019	1,790	—	3,040	4,045	—	2,350	—	200	11,425
2020	1,875	—	3,250	4,225	—	2,480	—	235	12,065
2021	1,970	—	3,475	4,430	—	2,630	80	265	12,850
2022	2,070	—	3,710	4,635	—	2,800	265	300	13,780
Thereafter	24,170	—	31,705	61,100	—	9,520	29,835	32,510	188,840
	$ 32,695	900	48,030	79,500	2,865	22,005	30,180	33,510	249,685

(8) Notes Payable

	Interest rates–fixed	Maturity (serially)	Original issue	Outstanding as of June 30 2017	2016
Notes Payable:					
Biltmore	5.037 %	2024	$ 36,000	35,321	—
Midtown	4.750 %	2024	13,000	12,976	—
Total notes payable, gross				48,297	—
Unamortized notes payable issuance cost				(184)	—
Total notes payable, net				$ 48,113	—

(i) Biltmore Property Note Payable

In October 2016, Biltmore Technology Square, LLC entered into a loan assumption and substitution agreement with the previous borrower and assumed a note payable (Biltmore note payable) from a third party lender under terms of the existing loan agreement. Biltmore Technology Square, LLC assumed the $35,711 note with a maturity date of February 6, 2024. The Biltmore note payable is a non-recourse loan, is secured by a first mortgage on the Biltmore property and bears the fixed interest rate of 5.04%. The annual debt service payments total $2,329 for the years 2018 through 2023. The debt service payments total $32,399 in 2024.

(Dollars in thousands)

(ii) Midtown Property Note Payable

In May 2017, GTF 1052, LLC entered into a loan agreement with a bank, borrowing $13,000, the proceeds to which were used to refund lines of credit, which were used for the acquisition of a property located in midtown Atlanta (Midtown property). The note is a non-recourse loan, is secured by a first mortgage on the Midtown property and bears the fixed interest rate of 4.75%. The loan matures on June 1, 2024. The annual debt service payments total $889 for the years 2018 through 2023. The debt service payments total $11,603 in 2024.

		Biltmore Note payable	Midtown Note payable
Fiscal year:			
2018	$	563	279
2019		592	293
2020		622	307
2021		654	322
2022		688	337
Thereafter		32,202	11,438
	$	35,321	12,976

(9) Funds Held on Behalf of Other Organization

The Foundation manages certain investments on behalf of GTAA. These investments amount to $105,609 and $98,450 at June 30, 2017 and 2016, respectively, and are recorded in the accompanying consolidated statements of financial position as funds held on behalf of other organization. Investment income, fees, gains, and losses earned on the funds held on behalf of the GTAA (GTAA funds) are allocated equitably on a quarterly basis, based on the value of GTAA funds as a share of the pooled investments. The Foundation's agreement with GTAA stipulates that a six month notification of intent to redeem is required, and that the funds will be distributed to GTAA at the value determined by the Foundation at the end of the next quarter end after the six month notification period.

Activity of the funds held on behalf of other organization is as follows:

		2017	2016
Balance, beginning of year	$	98,450	109,163
Additions		7,565	5,453
Investment gains, net of fees, attributable to balances		12,448	(4,188)
Withdrawals		(12,854)	(11,978)
Balance, end of year	$	105,609	98,450

(10) Fair Value Measurements

The Foundation's estimates of fair value for financial assets and liabilities are based on the framework established in the FASB ASC Topic 820, *Fair Value Measurement*. The framework is based on the inputs used in valuation and gives the highest priority to quoted prices in active markets and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest level, Level 1, is given to unadjusted quoted prices in active markets and the lowest level, Level 3, to unobservable inputs that reflect the Foundation's significant market assumptions. The three levels of the fair value hierarchy are as follows:

Level 1 – Valuations based on unadjusted quoted market prices for identical assets or liabilities in active markets that the Foundation has the ability to access at fiscal year end.

Level 2 – Valuations based on pricing inputs that are other than quoted prices in active markets, which are either directly or indirectly observable for substantially the full term of the asset or liability. Examples include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves, prepayment speeds, credit risks, default rates, loss severities, etc.) or can be corroborated by observable market data.

Level 3 – Valuations are based on unobservable inputs for the asset or liability used to measure fair value to the extent that observable p that are not observable in the market and require significant professional judgment in determining the fair value assigned to such assets and liabilities. Level 3 investments primarily comprise alternative investments that do not have a liquid market at the balance sheet date. Inputs used for Level 3 may include the original transaction price, recent transactions in the same or similar market, completed or pending third-party transactions in the underlying investment or comparable issuers, and subsequent rounds of financing. When observable prices are not available, these investments are valued using one or more valuation techniques described below:

Market Approach: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Income Approach: This approach determines a valuation by discounting cash flows.

Cost Approach: This approach is based on the principle of substitution and the concept that a market participant would not pay more than the amount that would currently be required to replace the asset.

Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported NAV.

(Dollars in thousands)

The fair value hierarchy requires the use of observable market data when available. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The classification of assets and liabilities in the fair value hierarchy is not necessarily an indication of the risks or liquidity, but is based on the observability of the valuation inputs.

In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated statements of financial position.

The following table presents for each level within the fair value hierarchy, the Foundation's recurring fair value measurements for assets and liabilities as of June 30, 2017:

	Level 1	Level 2	Level 3	Investments measured at NAV	Total	Redemption or liquidation	Days notice
Assets:							
Cash and cash equivalents	$ 5,484	—	—	—	5,484	Daily	1
Restricted cash	2,055	—	—	—	2,055	Daily	1
Capital reserve funds	8,802	—	—	—	8,802	Daily	1
Investments:							
Cash and cash equivalents	45,733	—	—	—	45,733	Daily	1
Domestic equities	174,159	—	—	330	174,489	See note (a)	See note (a)
Domestic equities – commingled fund	160,853	—	—	—	160,853	Daily	3–5
International equities	126,104	—	—	—	126,104	Daily	3–10
International equities – commingled funds	171,116	—	—	34,730	205,846	Monthly	3–15
International equities – hedge fund	—	—	—	23,711	23,711	Quarterly	60
Bond and bond funds	81,947	—	—	20,740	102,687	Daily	1–3
Bond and bond funds – commingled funds	—	—	—	28,097	28,097	Monthly	1
Bond and bond funds – hedge fund	—	—	—	27,535	27,535	See note (b)	See note (b)
Hedge funds	—	—	—	353,177	353,177	See note (b)	See note (b)
Private equities	—	—	—	259,862	259,862	Illiquid	N/A
Real estate and real estate funds	—	—	19,681 [1]	37,581	57,262	Illiquid	N/A
Natural resources	—	—	4,557 [2]	70,673	75,230	Illiquid	N/A
Total investments	759,912	—	24,238	856,436	1,640,586		
Contributions receivable from remainder trusts	—	14,555	—	—	14,555	N/A	N/A
Charitable remainder trusts	—	13,985	—	—	13,985	N/A	N/A
Total	$ 776,253	28,540	24,238	856,436	1,685,467		
Liability:							
Funds held on behalf of other organization	$ —	—	105,609	—	105,609	N/A	N/A

[1] Real estate and real estate funds balance consists of one fund at fair value determined based on a combination of the income approach (direct capitalization) with a capitalization rate of 7% and sales comparison approach.

[2] Natural resources balance consists of three funds at fair value determined based on the consideration of the discounted cash flow method valuation technique and discount rate of 10%

(Dollars in thousands)

Note (a) – Domestic Equities (June 30, 2017):

Certain investments in domestic equities have restrictions around the liquidation of those equities based on the availability of a potential buyer. The fair values of these domestic equities totaled $330. The fair value of domestic equities that are redeemable daily with a 3-5 day notice period totaled $174,159.

Note (b) – Hedge Funds (June 30, 2017):

Certain investments in hedge funds may be redeemed upon a 5 to 90 day notice to the fund manager and permit a monthly or quarterly exit from the fund. The fair values of these hedge funds totaled $118,058. Certain other hedge funds have semiannual or annual exit dates, which occur more than 90 days after the Foundation's fiscal year end. The fair value of these hedge funds, with a notice and a redemption period exceeding 90 days, which could be redeemed during 2018, totals $148,259. Seven hedge funds, including one in the bond fund category, with a fair value of $114,395 contain provisions that they may be redeemed after a one to three year period upon notification to the fund manager.

The following table presents for each level within the fair value hierarchy, the Foundation's recurring fair value measurements for assets and liabilities as of June 30, 2016:

	Level 1	Level 2	Level 3	Investments measured at NAV	Total	Redemption or liquidation	Days notice
Assets:							
Cash and cash equivalents	$ 6,145	—	—	—	6,145	Daily	1
Bond funds	2,236	—	—	—	2,236	Daily	1
Capital reserve funds	8,236	—	—	—	8,236	Daily	1
Investments:							
Cash and cash equivalents	47,395	—	—	—	47,395	Daily	1
Domestic equities	158,729	—	—	359	159,088	See note (a)	See note (a)
Domestic equities – commingled fund	144,788	—	—	—	144,788	Daily	3–5
International equities	101,611	—	—	—	101,611	Daily	3–10
International equities – commingled funds	144,143	—	—	28,281	172,424	Monthly	3–15
International equities – hedge fund	—	—	—	24,695	24,695	Quarterly	60
Bond and bond funds	95,406	—	—	54	95,460	Daily	1–3
Bond and bond funds – commingled funds	—	—	—	36,636	36,636	Monthly	1
Bond and bond funds – hedge fund	—	—	—	25,141	25,141	See note (b)	See note (b)
Hedge funds	—	—	—	310,724	310,724	See note (b)	See note (b)
Private equities	—	—	—	247,929	247,929	Illiquid	N/A
Real estate and real estate funds	—	—	—	60,059 (1)	60,059	Illiquid	N/A
Natural resources	—	—	6,100 (2)	56,435	62,535	Illiquid	N/A
Total investments	692,072	—	6,100	790,313	1,488,485		
Contributions receivable from remainder trusts	—	14,367	—	—	14,367	N/A	N/A
Charitable remainder trusts	—	17,178	—	—	17,178	N/A	N/A
Total	$ 708,689	31,545	6,100	790,313	1,536,647		

(Dollars in thousands)

		Level 1	Level 2	Level 3	Investments measured at NAV	Total	Redemption or liquidation	Days notice
Liability:								
Funds held on behalf of other organization	$	—	—	98,450	—	98,450	N/A	N/A

(1) Real estate and real estate funds balance includes the Foundation's direct investment in real estate valued at a total net book value of $23,804, w hich approximates fair value.

(2) Natural resources balance consists of three funds at fair value determined based on the consideration of the discounted cash flow method valuation technique and discount rate of 10%

Note (a) – Domestic Equities (June 30, 2016):

Certain investments in domestic equities have restrictions around the liquidation of those equities based on the availability of a potential buyer. The fair values of these domestic equities totaled $359. The fair value of domestic equities that are redeemable daily with a 3-5 day notice period totaled $158,729.

Note (b) – Hedge Funds (June 30, 2016):

Certain investments in hedge funds may be redeemed upon a 5 to 90 day notice to the fund manager and permit a monthly or quarterly exit from the fund. The fair values of these hedge funds totaled $101,282. Certain other hedge funds have semiannual or annual exit dates, which occur more than 90 days after the Foundation's fiscal year end. The fair value of these hedge funds, with a notice and a redemption period exceeding 90 days, which could be redeemed during 2016, totals $138,192. Four hedge funds, including one in the bond fund category, with a fair value of $96,391, contain provisions that they may be redeemed after a one to three year period upon notification to the fund manager.

During 2017 and 2016, the fair value of assets classified as Level 3 in the fair value hierarchy changed as follows:

		Natural resources	Real Estate
Balance at June 30, 2015	$	7,849	—
Realized and unrealized gains/losses		(1,749)	—
Balance at June 30, 2016		6,100	—
Investment earnings, net of fees		318	—
Realized and unrealized gains/losses		(955)	—
Additions during year		—	19,681
Withdrawals during year		(906)	—
Balance as of June 30, 2017	$	4,557	19,681

The portion of fair value represented by net unrealized losses was $955 and $1,749 as of June 30, 2017 and 2016, respectively. No realized gain or loss activity occurred in these funds during 2017 and 2016.

(Dollars in thousands)

During 2017 and 2016, the fair value of liabilities classified as Level 3 in the fair value hierarchy changed as follows:

	Funds held on behalf of other organization
Balance at June 30, 2015	$ 109,163
Net losses, losses attributable to balances	(4,188)
Additions during the year	5,453
Withdrawals during the year	(11,978)
Balance at June 30, 2016	98,450
Net income, earnings attributable to balances	12,448
Additions during the year	7,565
Withdrawals during the year	(12,854)
Balance at June 30, 2017	$ 105,609

(11) Net Assets Released from Restrictions

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

The Foundation reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the acquired long-lived assets are placed in service.

(Continued)

(Dollars in thousands)

Net assets were released from restrictions related to accomplishing program activities for the years ended June 30, 2017 and 2016 as follows:

		2017	2016
Georgia Institute of Technology	$	95,300	90,166
Georgia Tech Alumni Association		32	47
Georgia Tech Athletic Association		309	795
Georgia Tech Facilities, Inc.		43	272
Georgia Tech Global, Inc.		178	190
Total net assets released from restrictions	$	95,862	91,470

(12) Net Assets

Temporarily restricted net assets at June 30, 2017 and 2016 are restricted for the following purposes:

		2017	2016
Accumulated appreciation on donor-restricted endowment funds	$	250,788	224,046
Academic programs		319,640	271,747
Scholarships and fellowships		108,067	90,502
Institutional support		39,999	40,945
Facilities		8,845	11,617
	$	727,339	638,857

Accumulated appreciation on donor-restricted endowment funds represents accumulated earnings on endowments for which the income is not restricted for a specific purpose by the donor. Gifts and accumulated earnings on donor-restricted endowment funds, which are restricted for certain purposes as specified by the donor, include restrictions for support of scholarship programs, academic programs, facilities, and institutional support.

Permanently restricted net assets consist of the following at June 30, 2017 and 2016:

		2017	2016
Contributions receivable	$	50,177	34,263
Trust funds held by others		10,070	10,240
Endowment funds		632,858	606,690
	$	693,105	651,193

(Dollars in thousands)

Income from permanently restricted net assets may be unrestricted for support of the Institute or may be restricted for academic programs, scholarships and fellowships, or institutional support, as per the donor's specifications.

(13) Endowment Net Assets

Endowment net assets consist of the following at June 30, 2017:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	(372)	551,924	632,858	1,184,410
Board-designated endowment funds		210,903	—	—	210,903
Total endowment net assets	$	210,531	551,924	632,858	1,395,313

Endowment net assets consist of the following at June 30, 2016:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	(2,072)	460,576	606,690	1,065,194
Board-designated endowment funds		179,202	—	—	179,202
Total endowment net assets	$	177,130	460,576	606,690	1,244,396

The Foundation's endowment consists of approximately 2,500 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Return Objectives and Risk Parameters

The primary long-term financial investment objectives are to preserve the real purchasing power of the endowment and to earn an average annual real total return of at least 5.0% per year, net of management fees, over the long term, defined as rolling five-year periods.

(Dollars in thousands)

(b) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation utilizes a diversified asset allocation strategy designed to achieve its long-term return objectives while minimizing risk. As part of this strategy, the Foundation invests a portion of its funds in assets that have desirable return and/or diversification characteristics but which may be less liquid than other investment assets. The Foundation management constantly monitors its liquidity position to assure that it has the funds necessary to meet its obligations.

(c) Spending Policy

The Foundation has a policy of appropriating for expenditure, on an annual basis, up to 6.0% of the trailing twelve quarter average market value of its endowment funds. In 2017 and 2016, the Foundation appropriated 4.9% of the twelve quarter trailing average market value of its endowment funds. The amount appropriated for expenditure includes an administrative fee for general overhead costs incurred in connection with the support and management of its endowment funds.

Changes in endowment net assets for the years ended June 30, 2017 and 2016 are as follows:

		2017				2016			
		Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$	177,130	460,576	606,690	1,244,396	197,563	542,220	576,052	1,315,835
Investment return:									
Investment income		5,656	21,264	91	27,011	3,363	13,056	95	16,514
Lease income		—	156	—	156	—	—	—	—
Net realized/unrealized (loss) gain		33,620	120,188	1,103	154,911	(14,522)	(48,802)	(1,689)	(65,013)
Total investment return		39,276	141,608	1,194	182,078	(11,159)	(35,746)	(1,594)	(48,499)
Contributions		—	694	25,365	26,059	2,777	1,437	35,155	39,369
Other income		—	63	98	161	—	62	41	103
Change in value of trusts and annuities		—	142	(489)	(347)	—	(62)	(2,964)	(3,026)
Appropriation of endowment assets for expenditure		(5,875)	(51,159)	—	(57,034)	(12,051)	(47,335)	—	(59,386)
Endowment net assets, end of year	$	210,531	551,924	632,858	1,395,313	177,130	460,576	606,690	1,244,396

(d) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were $372 and $2,072 as of June 30, 2017 and 2016, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of recent permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the Board of Trustees. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

(Dollars in thousands)

(14) Pension Plan

The Foundation has a mandatory defined contribution plan for its employees in which the employees contribute 5% of their pretax earnings and the Foundation matches the employees contribution on a 2-for-1 basis. The funds are invested with a third-party provider in investment options chosen by the employees. During 2017 and 2016, the Foundation recognized pension expense totaling $300 and $290, respectively. The plan has a three-year cliff vesting requirement for each employee to vest in the Foundation's contribution amount. The Foundation also has a supplemental plan in which employees may contribute an additional amount on a voluntary basis. The Foundation does not match these additional amounts.

(15) Expenses

(a) Functional Classification of Expenditures

Expenses by functional classification for the years ended June 30, 2017 and 2016 are as follows:

		2017	2016
Program services:			
Georgia Institute of Technology	$	97,757	89,717
Georgia Tech Alumni Association		3,417	3,171
Georgia Tech Athletic Association		847	943
Georgia Tech Facilities, Inc.		265	281
Georgia Tech Global, Inc.		292	319
		102,578	94,431
General and administrative		18,826	10,924
Loss on extinguishment of debt		—	2,191
Fund-raising		4,131	5,059
Total expenses	$	125,535	112,605

Interest expense, relating to debt incurred to support program services, totaled $8,024 and $8,211 for the years ended June 30, 2017 and 2016, respectively.

(Dollars in thousands)

(b) General and Administrative Expenses

The Foundation classifies certain expenses as general and administrative. These expenses relate primarily to the operations of the Foundation, the Georgia Tech Hotel and Conference Center, the Biltmore, and real estate owned by the Foundation. Details of general and administrative expenses for the years ended June 30, 2017 and 2016 are as follows:

		2017	2016
Foundation operations	$	6,329	6,264
Real estate expenses		3,789	844
Depreciation and amortization expense		4,352	1,695
Interest expense		4,356	2,121
Total	$	18,826	10,924

(c) Natural Classification of Expenditures

The Foundation classifies its expenses in functional categories. Expenditures in the natural categories for the years ended June 30, 2017 and 2016 are as follows:

		2017	2016
Salaries	$	3,404	3,601
Benefits		530	537
Other personnel services		72	69
Travel		92	99
Utilities		512	23
Supplies and other services		5,095	2,377
Depreciation and amortization		4,352	1,695
Interest		12,380	10,332
Loss on extinguishment of debt		—	2,191
Expenses incurred or paid to or on behalf of:			
Georgia Institute of Technology		92,746	85,217
Georgia Tech Alumni Association		4,948	4,921
Georgia Tech Athletic Association		847	943
Georgia Tech Facilities, Inc.		265	281
Georgia Tech Global, Inc.		292	319
Total	$	125,535	112,605

(Continued)

(16) Related Parties

One member of the Board of Directors of Facilities is also a voting trustee of the Foundation.

One member of the Board of Trustees of the GTAA is also a voting trustee of the Foundation.

Three members of the Board of Trustees of the Georgia Tech Alumni Association are also voting trustees of the Foundation.

Two members of the Board of Directors of the GATV are also voting trustees of the Foundation.

In 2012, the BOR established an executive 457(f) deferred compensation plan (the Plan) for the President of the Institute, in which six annual contributions will be made during 2013 through 2018 to an account held by the BOR for the President. The contributions to the Plan will not vest prior to June 30, 2018. The BOR has requested the Foundation to pay the annual contribution into the Plan. The annual contributions are subject to the approval of the Foundation. In 2017 and 2016, the Foundation approved annual funding each year in the amount of $266. In addition, in 2017, the Foundation approved one-time funding in the amount of $497, as deferred compensation related to the success of Georgia Tech's capital campaign. In accordance with an agreement with the BOR, if vesting does not occur, the Plan balance, including the contributions and accumulated earnings, will be refunded to the Foundation.

In 2013, the Foundation purchased a $1,000 life insurance policy on the life of the President of the Institute for the benefit of the President's family. The Foundation approved payment of insurance premiums totaling $0 and $50 in 2017 and 2016, respectively.

Transactions with other related parties are described in notes 4, 6, 7, 11, 15, and 17.

(17) Commitments and Contingencies

In June 2016, the Foundation approved $25,147 of unrestricted funds to the Institute for support of Institute programs and development operations, with a condition that the funds are to be expended during years 2017 and 2018. If the funds are not expended by June 30, 2018, the remainder is retained by the Foundation. As of June 30, 2017, the Foundation expended a total of $22,736 and $2,411 remained as a commitment.

During 2016, the Foundation approved two requests by the Institute for funding not to exceed $4,380, for renovation of a building and improvements to a campus roadway. As of June 30, 2017, $4,047 had been expended and $333 remained as a commitment. These commitments contain certain conditions, and if the conditions are not met, the Foundation will not fund the commitment. As such, no liability has been recorded for these commitments as of June 30, 2017.

In June 2006, the Foundation entered into a limited guaranty agreement with a bank in the amount of $4,800 to support a letter of credit pertaining to an obligation GATV has under a rental agreement. The letter of credit was scheduled to expire in June 2017, but was amended to expire in June 2018. As consideration for the limited guaranty agreement, GATV pays the Foundation 0.20% of the limited guaranty amount annually.

(18) Tax Matter

The Foundation does not have any material unrecognized tax positions that should be recognized in the consolidated financial statements for 2017 or 2016.

(19) Subsequent Events

In connection with the preparation of the consolidated financial statements, the Foundation management reviewed subsequent events after June 30, 2017 through September 20, 2017, which was the date the consolidated financial statements were available to be issued and determined that there were no significant subsequent events requiring disclosure in the consolidated financial statements.