GEORGIA TECH FOUNDATION, INC.

Consolidated Financial Statements

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

GEORGIA TECH FOUNDATION, INC.

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KPMG LLP
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303 Peachtree Street, N.E.
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Independent Auditors' Report

The Board of Trustees
Georgia Tech Foundation, Inc.:

Opinion

We have audited the consolidated financial statements of Georgia Tech Foundation, Inc. and its subsidiaries (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1(p) to the consolidated financial statements, in fiscal year 2021, the Foundation adopted new accounting guidance Accounting Standards Update No. 2016-02*, Leases (Topic 842)*, as amended. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Atlanta, Georgia
September 15, 2022

GEORGIA TECH FOUNDATION, INC.

Consolidated Statements of Financial Position

June 30, 2022 and June 30, 2021

(In thousands)

Assets		2022	2021
Cash and cash equivalents	$	26,008	20,158
Restricted cash		2,224	1,626
Capital reserve funds (note 4)		14,605	11,957
Contributions receivable, net (notes 2 and 7)		74,365	71,388
Investments (notes 3, 11 and 12)		2,643,661	2,630,762
Other assets (notes 4 and 7)		36,439	26,288
Leases receivable (note 4)		96,445	106,796
Contributions receivable from remainder trusts (note 11)		10,334	17,140
Charitable remainder trusts (note 11)		20,052	23,498
Capital assets, net (note 5)		145,188	148,114
Total assets	$	3,069,321	3,057,727
Liabilities and Net Assets			
Accounts payable (note 6)	$	7,858	10,234
Commitment payable (note 7)		—	4,835
Lines of credit (note 8)		12,840	16,590
Bonds payable, net (notes 4 and 8)		325,825	241,944
Notes payable, net (note 9)		59,091	70,221
Amounts due to life beneficiaries		21,974	24,616
Deferred revenue (note 4)		10,954	13,097
Funds held on behalf of other organizations (notes 10 and 11)		161,874	170,946
Other liabilities (note 4)		22,937	18,321
Total liabilities		623,353	570,804
Net assets:			
Without donor restriction (notes 14 and 15)		348,496	351,851
With donor restriction (notes 14 and 15)		2,097,472	2,135,072
		2,445,968	2,486,923
Commitments (notes 3, 4, 6, 7, 8, 9, 10, 16, and 20)			
Total liabilities and net assets	$	3,069,321	3,057,727

See accompanying notes to consolidated financial statements.

GEORGIA TECH FOUNDATION, INC.

Consolidated Statements of Activities

Years ended June 30, 2022 and 2021

(In thousands)

	2022			2021		
	Without donor restriction	With donor restriction	Total	Without donor restriction	With donor restriction	Total
Revenues, gains and losses:						
Gift income	$ 8,608	94,517	103,125	12,319	89,272	101,591
Lease revenue	21,750	226	21,976	20,838	(73)	20,765
Hotel operating revenue	15,257	—	15,257	1,318	—	1,318
Investment income, net of fees	1,416	5,077	6,493	7,374	24,819	32,193
Net realized/unrealized (loss) gain on investments	(10,147)	(41,385)	(51,532)	147,514	496,746	644,260
Change in value of trusts and annuities	(1)	(3,874)	(3,875)	12	4,482	4,494
Other	1,521	(176)	1,345	1,116	317	1,433
Provision for doubtful contributions	—	(2,183)	(2,183)	—	(876)	(876)
Net assets released from restrictions (note 13)	89,802	(89,802)	—	78,743	(78,743)	—
Total revenues	128,206	(37,600)	90,606	269,234	535,944	805,178
Expenses (note 17):						
Program services	91,934	—	91,934	87,220	—	87,220
General and administrative (note 17)	23,014	—	23,014	23,385	—	23,385
Hotel operating expenses	12,547	—	12,547	5,055	—	5,055
Fund-raising	4,066	—	4,066	3,900	—	3,900
Total expenses	131,561	—	131,561	119,560	—	119,560
Change in net assets	(3,355)	(37,600)	(40,955)	149,674	535,944	685,618
Net assets, beginning of year	351,851	2,135,072	2,486,923	202,177	1,599,128	1,801,305
Net assets, end of year	$ 348,496	2,097,472	2,445,968	351,851	2,135,072	2,486,923

See accompanying notes to consolidated financial statements.

GEORGIA TECH FOUNDATION, INC.

Consolidated Statements of Cash Flows

Years ended June 30, 2022 and 2021

(In thousands)

		2022	2021
Cash flows from operating activities:			
Change in net assets	$	(40,955)	685,618
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation and amortization		4,869	4,892
Amortization of bond discount and premium and issuance costs, net		(1,511)	(1,725)
Provision for doubtful contributions		2,183	876
Net realized/unrealized loss (gain) on investments		51,532	(644,260)
Actuarial loss (gain) on trusts and annuities		3,845	(4,494)
In-kind contributions		(8,044)	(9,622)
Proceeds from gifts restricted for long-term investment		(34,233)	(49,129)
Proceeds from sale of donated securities not restricted for long-term investment		1,371	1,352
(Increase) decrease in contributions receivable		(5,160)	897
(Increase) decrease in other assets		(11,476)	6,826
Decrease in accounts payable		(2,376)	(1,036)
Decrease in commitment payable		(4,835)	(613)
Increase in other liabilities		4,616	4,691
Net cash used in operating activities		(40,174)	(5,727)
Cash flows from investing activities:			
Proceeds from the sales and maturities of investments		914,980	787,094
Purchases of investments		(972,968)	(871,722)
(Decrease) increase in funds held on behalf of other organizations		(9,072)	60,551
Proceeds from principal repayments of leases receivable		8,208	7,787
Purchase of capital assets		(620)	(7,166)
Net cash used in investing activities		(59,472)	(23,456)
Cash flows from financing activities:			
Proceeds from lines of credit		27,500	—
Repayments of lines of credit		(31,250)	(1,510)
Principal repayments of bonds payable		(26,415)	(14,113)
Proceeds from issuance of bonds and notes payable		101,246	675
Payments of bond issuance costs		(569)	—
Receipt of cash from trusts		4,957	207
Payments to life income beneficiaries		(960)	(911)
Proceeds from gifts restricted for long-term investment		34,233	49,129
Net cash provided by financing activities		108,742	33,477
Increase in cash and cash equivalents		9,096	4,294
Cash and cash equivalents, restricted cash, and capital reserve funds, beginning of year		33,741	29,447
Cash and cash equivalents, restricted cash, and capital reserve funds, end of year	$	42,837	33,741
Reconciliation of cash and cash equivalents and restricted cash:			
Cash and cash equivalents	$	26,008	20,158
Restricted cash		2,224	1,626
Capital reserve funds		14,605	11,957
Total cash and cash equivalents and restricted cash	$	42,837	33,741
Supplemental disclosure of cash flow information:			
Cash paid for interest	$	14,399	14,313
Noncash activities:			
Contribution of charitable trusts, annuities	$	433	1,625
Contributions of securities		7,611	7,997

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 receive and manage financial donations for the support and enhancement of the Georgia Institute of Technology (the Institute), and to assist the Institute in its role as a leading educational and research institution. Although the Foundation operates to support the Institute, the Foundation is an entity independent of the Institute and is not legally controlled, directly or indirectly, by the Institute. The Board of Trustees (Board) of the Foundation makes all decisions regarding the business and affairs of the Foundation. 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.

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, the activities of which are subject to unrelated business income tax.

665 Marietta, LLC was formed as a single-member limited liability corporation in 2019 to serve as the holder of a building and land near the Institute's campus, the activities of which are subject to unrelated business income tax.

GTF ATC, LLC was formed as a single-member limited liability corporation in 2019 to serve as the holder of buildings and land near the Institute's campus (Atlanta Technology Center), the activities of which are subject to unrelated business income tax.

600 Means Street, LLC was formed as a single-member limited liability corporation in 2022 to serve as the holder of land and office building near the Institute's campus.

GTF Means Street, LLC was formed as a single-member limited liability corporation in 2022 to serve as the holder of land near the Institute's campus.

GTF Ventures, LLC was formed as a single-member limited liability corporation in 2022 to serve as the holder of investments in companies launched through the Institute's CREATE-X program.

(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. (GT Facilities) is a not-for-profit corporation formed to oversee and obtain financing for specified construction projects for the Institute.

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

The Georgia Tech Alumni Association (GT 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. (GT Global) 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.

Georgia Advanced Technology Ventures (GATV) is a not-for-profit corporation, affiliated with the Institute, focused on technology, commercialization, economic development, and real estate development. GATV provides support for technology transfer and economic activities of the Institute.

Transactions with these affiliated organizations are described in notes 4, 6, 7, 8, 10, 13, 18, and 20.

(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 (FASB). The Foundation is a nongovernment not-for-profit corporation.

(c) Classification of Net Assets

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

Net assets without donor restrictions are not subject to donor-imposed restrictions. Net assets included in this class include revenues, gains, and losses that are not restricted by donors and Board-designated net assets, which are subject to self-imposed limits by action of the Board or by delegated designation decision to management. All expenses are reported as decreases in net assets without donor restrictions.

Net assets with donor restrictions are subject to donor-imposed restrictions that will be met either by actions of the Foundation or passage of time. Net assets included in this class include gifts for donor-restricted purposes and donor-restricted endowment funds. Gifts that include conditions are not recorded by the Foundation until the condition has been met. Generally, the donor-imposed restrictions on endowed assets permit the Foundation to use all or part of the income earned on related investments only for certain general or specific purposes. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the consolidated statements of activities.

(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(i), 1(j), 3, 10, and 11, regarding fair value disclosure related to investments, charitable remainder trusts, and funds held on behalf of other organizations.

(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 (CRC), Technology Square, and the Georgia Tech Hotel and Conference Center as capital reserve funds (note 4). Funds are restricted for the purpose of capital replacement pursuant to the related lease agreements or management designation and are invested in short-term, highly liquid

(Continued)

investments. In addition, the Foundation classifies amounts held in escrow for capital improvements as required by the Biltmore note payable and the Atlanta Technology Center (ATC) loan agreement (note 9) as capital reserve funds.

(g) Restricted Cash

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 9).

(h) Contributions Receivable, Net

The Foundation records commitments from donors to make future contributions, recognizing these promises to give as gift income 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, potential impacts of the COVID-19 pandemic, 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.

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 arm's-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 fair 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.

(Continued)

Derivatives are used by the Foundation and external investment managers to manage market risks. A derivative is a financial instrument created from, or whose value is derived from, the value of one or more underlying assets, reference rates, indexes, or asset values. These instruments may include forwards, futures, options, and currency and interest rate swaps and are recorded at their respective fair values.

The Foundation utilizes various external investment managers to identify specific investment funds and limited partnerships that meet asset allocation and investment management objectives. These managers and related funds are utilized to increase the yield and return on the investment portfolio given the available alternative investment opportunities and to diversify its asset holdings.

Certain of these investments expose the Foundation to market risk by trading or holding direct and indirect derivative securities and by leveraging the securities in the fund. The market risk is similar to holding actual securities equivalent to the notional value of the derivatives. The risk is mitigated by ensuring sufficient collateral is being held to offset adverse market moves.

(i) Indirect Derivatives

Indirect derivatives held by the Foundation (i.e., derivatives held by external investment managers) are primarily used to manage portfolio risk. The Foundation's managers use derivatives primarily to hedge underlying positions or to gain exposure to specific markets in an effort to be more efficient, inexpensive, liquid, and diversified.

By holding derivatives, the Foundation could be exposed to interest rate risk, credit risk, concentration of credit risk, and foreign currency risk. The Foundation considers the risk associated with these holdings to be prudent.

(ii) Direct Derivatives

The Foundation directly invests in derivatives associated with market risk. The purpose of these investment derivatives is to gain additional exposure to U.S. and foreign fixed income and equity markets.

Futures and forward contracts obligate the buyer to purchase an asset (and the seller to sell an asset), such as a physical commodity or a financial instrument, at a predetermined future price.

(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.

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(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.

(l) Endowment

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 net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The donor-restricted endowment fund is classified as net assets with donor-imposed restriction 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
7. The investment policies of the Foundation

(m) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 investments without readily determinable fair values, the allowance for contributions receivable, and the assumptions made in recording liabilities to life beneficiaries.

(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) Reclassification

The Foundation has reclassified certain amounts relating to prior year hotel operating income and expenses to conform to its current year presentation. The reclassification did not change the financial position or changes in net assets of the prior year.

(p) Recently Adopted Accounting Standards

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), which supersedes the requirements in Accounting Standards Codification (ASC) Topic 840, *Leases*, and requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 establishes a right-of-use model that requires a lessee to recognize a right-of-use asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the consolidated statement of activities. The accounting applied by a lessor under ASU No. 2016-02 is largely unchanged from that applied under ASC Topic 840. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which deferred the adoption to fiscal years beginning after December 15, 2021. The Foundation adopted ASU No. 2016-02 as of July 1, 2020 using a modified retrospective transition approach as of the effective date. The Foundation has elected the practical expedient to account for multiple components as a single lease component. The Foundation's adoption of the provisions of ASU No. 2016-02 had an immaterial impact on the accompanying 2021 consolidated financial statements and related notes.

(Dollars in thousands)

(2) Contributions Receivable, Net

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

		2022	2021
Within one year	$	24,984	29,540
One to five years		53,194	44,446
More than five years		3,458	4,335
Gross contributions receivable		81,636	78,321
Less allowance for uncollectible contributions		(2,930)	(3,230)
Less present value component		(4,341)	(3,703)
Net contributions receivable	$	74,365	71,388

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, and net of an allowance for uncollectible contributions. The discount rates used to calculate the present value component as of June 30, 2022 and 2021 range from 2.24% to 6.46%. The Foundation’s allowance for uncollectible contributions is estimated by using past collections of contributions receivable as an indication of future collections. Current-year gifts included in contributions receivable reflected at fair value at June 30, 2022 and 2021 were $27,476 and $27,846, respectively. The Foundation wrote off uncollectable contributions receivable in the amounts of $2,183 and $876 in 2022 and 2021, respectively.

The consolidated financial statements do not include conditional pledges, expectancies, and bequests that have not been recognized as revenue. These conditional amounts totaled $514,829 and $482,211 at June 30, 2022 and 2021, respectively. At June 30, 2022 and 2021, the four largest outstanding donor pledge balances represented 43% and 49%, respectively, of the Foundation’s gross contributions receivable. The donors of these four pledges are current on their payments as of June 30, 2022 and 2021 and have a history of supporting the Foundation.

(Dollars in thousands)

(3) Investments

Investments at June 30, 2022 and 2021 are summarized as follows:

	2022		2021	
	Percentage	**Amount**	**Percentage**	**Amount**
Cash and cash equivalents (a)	11.4 %	$ 302,162	5.2 %	$ 137,481
Domestic equities (b)	9.2	242,192	12.5	329,342
International equities (b)	15.7	415,416	19.2	505,528
Bonds and bond funds (c)	0.7	19,091	0.9	22,767
Derivatives (d)	(0.9)	(23,721)	0.3	7,825
Hedge funds (e):				
Long-short funds	1.3	34,487	1.4	37,221
Multi-strategy funds	27.6	729,896	26.8	705,404
Private equities (g):				
Buyout funds	6.3	167,164	5.4	142,020
Venture funds	12.9	340,758	13.5	352,365
Growth equity	5.3	139,952	4.9	129,166
Distressed securities funds	2.3	60,359	2.2	58,170
Real estate and real estate funds (f)	5.0	131,878	4.6	121,373
Natural resources (g)	3.2	84,027	3.1	82,100
	100.0 %	$ 2,643,661	100.0 %	$ 2,630,762

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

(b) These categories include investments in funds that take long positions in publicly traded equity securities. Approximately 50% of the investments are in U.S. companies and 50% are in non-U.S. companies. A range of styles, market caps, and geographies 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.

(d) See footnotes 1(i) and 12 for the description of derivative financial instruments.

(e) 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 long position and little or no leverage. Most credit funds generally maintain a moderate net long position and little or no leverage.

(f) 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, and are carried at fair value based on third-party appraisals. 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 real estate equity funds are carried at NAV as estimated by the manager.

(g) These categories include private equity funds that provide growth equity or take full ownership of the companies in which they invest. Venture funds take ownership positions in startup 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 162 and 149 partnerships at June 30, 2022 and 2021, respectively. These partnerships invest in a wide variety of assets, including international equities, venture capital, buyout funds, distressed securities, real estate, fixed income, natural resources, and diversifying strategies. At June 30, 2022 and 2021, the Foundation’s largest ownership interest in a single partnership was 10% of that partnership’s assets. No individual partnership investment exceeds 2% 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 recorded at June 30, 2022 and 2021 are reasonable.

The Foundation’s investments are exposed to several risks, such as changes in interest rates, currency fluctuations, market fluctuations, credit risks, and risks associated with the geographic concentration of direct ownership of real estate investments. 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 11). 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, 2022, management estimates the average remaining life of the private investments is approximately 4 years.

(Dollars in thousands)

As of June 30, 2022 and 2021, the Foundation's remaining outstanding commitments to private investments, which are projected to be paid over the succeeding six years, totaled $392,939 and $304,423, respectively, within the following investment strategies:

		2022	2021
Private equities:			
Venture funds	$	126,673	82,201
Growth equity		59,352	49,109
Buyout funds		119,379	59,148
Distressed securities funds		12,767	20,122
Real estate and real estate funds		55,852	75,630
Natural resources		18,916	18,213
	$	392,939	304,423

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 expenses of its internal investment operation to the investment accounts. During 2022 and 2021, these expenses totaled $5,230 and $4,615, respectively, and are reported as a reduction of investment income in the accompanying consolidated statements of activities.

(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 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 used to retire the related debt incurred by the Foundation and provide for a capital replacement reserve. The likelihood of the BOR's failure to exercise its renewal options through 2031 has been determined to be remote, and thus, a lease receivable has been recorded totaling $23,670 and $26,141 as of June 30, 2022 and 2021, respectively. The debt outstanding on the Series 2011A and the CRC portion of 2017B Bonds totaled $22,675 and $24,745 as of June 30, 2022 and 2021, respectively.

In November 2011, the Foundation refunded the Series 2001A Bonds with the proceeds from the Series 2011A Bonds, which resulted in additional debt service requirements (note 8). 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-related 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 $2,608 and $3,182 as of June 30, 2022 and 2021, respectively.

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 renewal options through 2032 has been determined to be remote, and thus, the Foundation has recorded a lease receivable in the amount of $72,775 and $80,655 as of June 30, 2022 and 2021, 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 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 related 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 the Technology Square portion of Series 2017B Bonds (collectively, the Technology Square Bonds), not including the debt associated with the Georgia Tech Hotel and Conference Center, totaled $66,365 and $73,180 as of June 30, 2022 and 2021, 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 8). 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 $8,346 and $9,915 as of June 30, 2022 and 2021, respectively.

(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 was a 30-year operating lease and was automatically renewable for an additional 10 years, unless either party declines to renew. During 2021, the lessee defaulted under the terms of the lease, ceased making payments effective January 1, 2021, and subsequently the lease was terminated. Under the lease agreement, the Foundation received base rent, payments for capital replacement, and incentive rent. During 2022 and 2021, the Foundation received $425 and $964, respectively, in lease payments, representing base rent from the third party, and $0 and $73, respectively, in payments for capital replacement. No payments were received for incentive rent during 2022 and 2021. The Foundation has debt outstanding totaling $22,495 and $24,025 as of June 30, 2022 and 2021, respectively, related to the Georgia Tech Hotel and Conference Center (note 8). The land and building are considered a capital asset of the Foundation (note 5).

Beginning in 2021, the Foundation assumed operating control of the Georgia Tech Hotel and Conference Center and all operating activity is included in the accompanying consolidated financial statements. As a result, the Foundation recognized related operating revenue of $15,257 and $1,318 in 2022 and 2021, respectively.

The Foundation recognized revenue from the original lease on a straight-line basis over the lease term and recorded a rent receivable of $1,093 as of June 30, 2020, which was included in other assets in the accompanying consolidated statements of financial position. During 2021, this receivable was written off as a result of the lease termination.

(ii) Biltmore

The Foundation recognizes contractual revenues from leases on a straight-line basis over the terms of the respective leases.

(Dollars in thousands)

(iii) CODA

The Foundation leased approximately 2.2 acres of land adjacent to Technology Square to a third party in November 2016. Improvements on the land currently include a mixed-use development consisting of office space, retail space, parking and associated amenities. 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 $3,343 in lease income in 2022 and 2021. The Foundation recorded a rent receivable of $15,272 and $13,126 as of June 30, 2022 and 2021, respectively, which is included in other assets in the accompanying consolidated statements of financial position.

(iv) Atlanta Technology Center

In September 2018, the Foundation acquired the ATC, which is a 19 acre office park near the Georgia Tech campus. The property has four office buildings leased to third parties. The Foundation recognizes contractual revenues from leases on a straight-line basis over the terms of the respective leases. The Foundation holds this property as an investment asset and records it at fair value.

Future contractual rental income due from leases under noncancelable operating leases at June 30, 2022 is as follows:

		Biltmore	CODA	Atlanta Technology Center	Total
Fiscal year:					
2023	$	3,882	1,221	4,122	9,225
2024		3,695	1,246	3,976	8,917
2025		2,996	1,270	3,794	8,060
2026		776	1,296	3,595	5,667
2027		459	1,322	3,046	4,827
Thereafter		115	320,846	4,672	325,633
	$	11,923	327,201	23,205	362,329

(c) Capital Reserve Funds

At June 30, 2022 and 2021, the Foundation held funds restricted for the purpose of capital replacement for the CRC, Technology Square, the Biltmore, ATC, and the Georgia Tech Hotel and Conference Center totaling $14,605 and $11,957, respectively. Capital reserve funds held for the Institute for capital replacement for Technology Square and the CRC are included in other liabilities in the accompanying consolidated statements of financial position.

(Dollars in thousands)

The Foundation's capital reserve funds are as follows:

	June 30 2022	June 30 2021
Campus Recreation Center	$ 3,453	1,609
Atlanta Technology Center	—	329
Technology Square	10,398	9,754
Biltmore	344	202
Georgia Tech Hotel and Conference Center	410	63
Total capital reserve funds	$ 14,605	11,957

(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 2017.

The Foundation's capital assets are as follows:

	June 30 2022	June 30 2021
Land	$ 68,154	68,154
Buildings	93,607	93,554
Furniture and equipment	16,746	16,317
Less accumulated depreciation	(33,319)	(29,911)
Total capital assets	$ 145,188	148,114

Depreciation expense totaling $3,546 and $3,572 was recognized during 2022 and 2021, respectively. The furniture and equipment are depreciated over useful lives of 3 to 10 years. The buildings are depreciated over useful lives of 40 to 50 years.

(Dollars in thousands)

(6) Accounts Payable

The Foundation's accounts payable as of June 30, 2022 and 2021 consist of the following:

		June 30	
		2022	**2021**
Institute	$	5,084	5,309
Other		2,774	4,925
	$	7,858	10,234

(7) 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 GT 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, 2022 and 2021, respectively, GT Facilities had $0 and $4,835 outstanding on the 2010B Bond, including accrued interest. Foundation payments to GT Facilities during 2022 and 2021, to satisfy GT Facilities' debt service requirements, totaled $4,914 and $799, respectively. The Series 2010B Bond were repaid in full in 2022.

In June 2002, the GT Athletic Association 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 related note receivable (included in other assets) for the GT Athletic Association that totals $0 and $437 as of June 30, 2022 and 2021, respectively. The promissory note was repaid in full in 2022.

In June 2004, the Foundation entered into an agreement with the GT Athletic Association, whereby the GT Athletic Association committed to pay the Foundation $137 per year as long as the GT Facilities' 1997A (now 2010B) Bond is outstanding. The payments received were used to pay GT Facilities for a portion of the commitment to fund the 2010B Bond. The payments remaining to be received total $0 and $893 as of June 30, 2022 and 2021, respectively. The Foundation has recorded a contribution receivable, discounted to give effect to the future cash flows from the GT Athletic Association, in the amount of $0 and $321 as of June 30, 2022 and 2021, respectively. The commitment to pay the Foundation terminated when the Series 2010B Bonds were repaid in full in 2022.

(Dollars in thousands)

(8) Debt

(a) Lines of Credit

Lines of credit as of June 30, 2022 and 2021 consist of the following:

Borrowing entity	Maturity	Line of credit limit	Outstanding as of June 30 2022	Outstanding as of June 30 2021
GTFFC	November 2023	$ 26,000	12,840	16,590
Foundation	July 2023	25,000	—	—
Foundation	May 2024	25,000	—	—
			$ 12,840	16,590

The Foundation guaranteed a line of credit in the name of the GTFFC in 2022 and 2021 totaling $26,000. During 2022, GTFFC executed an extension of the maturity of its line of credit from November 2021 to November 2023. The Foundation had two lines of credit in 2022, collectively totaling $50,000. During 2022, the Foundation executed an extension of the maturity of one line of credit from May 2022 to May 2024 and executed an extension of the maturity of the other line of credit from July 2021 to July 2023. Interest is calculated using LIBOR or SOFR. The average effective interest rate for the lines of credit was 0.89% and 0.75% at June 30, 2022 and 2021, respectively.

(b) Bonds Payable

Bonds payable as of June 30, 2022 and 2021 consist of the following:

	Interest rates – fixed	Maturity (serially)	Original issue	Outstanding as of June 30 2022	Outstanding as of June 30 2021
Campus Recreation Center Bonds:					
Series 2011 A – tax exempt	2.830%–4.125%	2031	$ 32,695	4,950	7,020
Technology Square Bonds:					
Series 2002B – taxable	6.660%	2032	73,190	31,705	35,415
Series 2012A – tax exempt	2.530%–3.625%	2032	79,500	—	4,635
Series 2016 Bond – taxable	2.185%–3.843%	2049	30,180	29,835	30,100
Series 2017 Bond – taxable	2.750%–4.234%	2048	33,510	32,510	32,810
Series 2017B Bond – tax exempt	1.760%–2.570%	2032	74,880	74,880	74,880
Series 2019 Bond – taxable	1.792%–3.134%	2050	51,730	45,785	48,785
Series 2021 Bond – taxable	2.886%	2052	100,000	100,000	—
Total bonds payable – gross				319,665	233,645
Unamortized bond issuance costs				(2,510)	(2,149)
Unamortized premium				8,670	10,449
Unamortized discount				—	(1)
Total bonds payable – net				$ 325,825	241,944

(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.

During December 2017, the Series 2017B Bonds were issued in the amount of $74,880 to refund the outstanding principal amount of the callable bonds of Series 2011A and 2012A Series Bonds and pay certain costs of issuance. The principal amount of the callable bonds refunded were $19,220 and $61,100 for the Series 2011A and 2012A bonds, respectively. In connection with the issuance of the 2017B Bonds, the Foundation incurred an accounting loss of $2,654 during 2018 related to the early extinguishment of the Series 2011A and 2012A 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 Bonds were issued with a bond premium of $4,805, which is being amortized and had a balance of $269 and $377 as of June 30, 2022 and 2021, respectively.

(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 Scheller 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.

The Foundation leased the Georgia Tech Hotel and Conference Center under an operating lease to a third party in 2004. That lease was terminated in 2021 (note 4). 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 Bonds were issued with a bond premium of $12,802, which is being amortized and had a balance of $0 and $62 as of June 30, 2022 and 2021, respectively.

(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 Series 2009 Bonds were general unsecured obligations of the Foundation.

In December 2019, the taxable Series 2019 Bonds were issued with a portion of the proceeds used to refinance the remaining outstanding principal amount of the callable Series 2009B Bonds.

In May 2016, the taxable Series 2016 Bonds (2016 Bonds) were issued for the purpose of advance refunding of the Series 2009A Bonds, funding capitalized interest, paying certain costs to issue and reimbursement to the Foundation for costs incurred for site improvements and acquisition of the CODA property. The 2016 Bonds are general unsecured obligations of the Foundation.

(iv) Series 2017 Bonds

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

(v) Series 2017B Bonds

During December 2017, the Series 2017B Bonds were issued in the amount of $74,880 to refund the outstanding principal amount of the callable bonds of Series 2011A and 2012A Series Bonds and pay certain costs of issuance. The 2017B Bonds were issued with a bond premium of $15,775, which is being amortized and had a balance of $8,401 and $10,010 as of June 30, 2022 and 2021, respectively.

(vi) Series 2019 Bonds

During December 2019, the taxable Series 2019 Bonds were issued in the amount of $51,730 with proceeds used to refinance the remaining outstanding principal amount of the callable Series 2009B Bonds, to refinance a portion of the lines of credit, to pay the final installment of a note payable and to pay certain cost of issuance. The Series 2019 Bonds are general unsecured obligations of the Foundation.

(vii) Series 2021 Bonds

During November 2021, the taxable Series 2021 Bonds were issued in the amount of $100,000 with proceeds used for general corporate purposes. The Series 2021 Bonds are general unsecured obligations of the Foundation.

(Continued)

(Dollars in thousands)

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

	Campus Recreation Center Bonds Series 2011A	Technology Square Bonds Series 2002B	Series 2016	Series 2017	Series 2017B	Series 2019	Series 2021	Total
Fiscal year:								
2023	$ —	2,300	295	355	6,500	3,055	—	12,505
2024	—	2,465	325	395	6,840	3,105	—	13,130
2025	2,410	2,635	355	435	4,995	3,165	—	13,995
2026	2,540	2,820	3,090	495	5,245	—	—	14,190
2027	—	3,015	3,195	540	7,980	—	—	14,730
Thereafter	—	18,470	22,575	30,290	43,320	36,460	100,000	251,115
	$ 4,950	31,705	29,835	32,510	74,880	45,785	100,000	319,665

(9) Notes Payable

Notes payable at June 30, 2022 and 2021 consist of the following:

	Interest rates – fixed	Original issue	Outstanding as of June 30 2022	Outstanding as of June 30 2021
Notes payable:				
Biltmore property	5.037%	$ 36,000	32,344	33,002
Midtown property	3.000%	13,000	—	11,776
Atlanta Technology Center	3.000%	29,152	26,983	25,737
Total notes payable, gross			59,327	70,515
Unamortized debt issuance costs			(236)	(294)
Total notes payable, net			$ 59,091	70,221

(a) 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 nonrecourse loan, is secured by a first mortgage on the Biltmore property, and bears a fixed interest rate of 5.037%.

(Dollars in thousands)

(b) Midtown Property Note Payable

In May 2017, GTF 1052, LLC entered into a loan agreement with a bank, borrowing $13,000, the proceeds of which were used to refund lines of credit, which were used for the acquisition of a property located in midtown Atlanta (Midtown property). The original note was a nonrecourse loan, secured by a first mortgage on the Midtown property, and bearing a fixed interest rate of 4.75%. The loan was refinanced in 2022 as a recourse loan, secured by a first mortgage on the Midtown property, and bearing a fixed interest rate of 3.00%. The loan had an original maturity date of June 1, 2024; however, the loan was repaid in full in April 2022.

(c) Atlanta Technology Center

In September 2018, GTF ATC, LLC entered into a loan agreement with a bank, borrowing $25,062. The proceeds were used to acquire the Atlanta Technology Center property (ATC). The original note was a nonrecourse loan, secured by a first mortgage on ATC, and bearing a fixed interest rate of 4.75%. The loan was refinanced in 2022 as a recourse loan, secured by a first mortgage on ATC, and bearing a fixed interest rate of 3.00%. GTF ATC, LLC may borrow an additional $4,090, increasing the loan to $29,152, for renovation and improvements to the property. In October 2021, GTF ATC, LLC borrowed an additional $1,246 under the terms of the loan agreement. The loan matures on August 31, 2028.

The principal payments due on the notes payable as of June 30, 2021 are as follows:

		Biltmore	Atlanta Technology Center	Total
Fiscal year:				
2023	$	693	550	1,243
2024		31,651	753	32,404
2025		—	776	776
2026		—	799	799
2027		—	824	824
Thereafter		—	23,281	23,281
	$	32,344	26,983	59,327

(10) Funds Held on Behalf of Other Organizations

The Foundation manages certain investments on behalf of GT Athletic Association and GT Alumni Association. The carrying value of funds held on behalf of other organizations approximates the fair value of these underlying investments. These investments total $164,575 and $170,946 at June 30, 2022 and 2021, respectively, and are recorded in the accompanying consolidated statements of financial position as funds held on behalf of other organizations. Investment income, fees, gains, and losses earned on the funds held on behalf of the GT Athletic Association and the GT Alumni Association (collectively, GTAA funds) are allocated on a quarterly basis, based on the value of GTAA funds as a share of the pooled

(Continued)

(Dollars in thousands)

investments. The Foundation's agreement with GT Athletic Association stipulates that a six-month notification of intent to redeem is required. The Foundation's agreement with the GT Alumni Association stipulates that a three-month notification of intent to redeem is required. The funds will be distributed to GT Athletic Association and the GT Alumni Association at the values determined by the Foundation at the end of the next quarter after the six-month and three-month notification periods, respectively.

Activity of the funds held on behalf of GT Athletic Association for the years ended June 30, 2022 and 2021 is as follows:

		2022	2021
Balance, beginning of year	$	169,108	110,095
Additions		11,372	30,098
Investment income, (losses) gains, net of fees attributable to balances		(3,203)	43,349
Withdrawals		(17,156)	(14,434)
Balance, end of year	$	160,121	169,108

Activity of the funds held on behalf of the GT Alumni Association for the years ended June 30, 2022 and 2021 is as follows:

		2022	2021
Balance, beginning of year	$	1,838	300
Additions		17	1,068
Investment income, (losses) gains, net of fees attributable to balances		(42)	470
Withdrawals		(60)	—
Balance, end of year	$	1,753	1,838

(11) 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 inputs 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 financial reporting 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.

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 risks or liquidity, but is a measure of the observability of the valuation inputs.

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

(Dollars in thousands)

The following table presents for each level within the fair value hierarchy, the Foundation's recurring and nonrecurring fair value measurements for assets and liabilities as of June 30, 2022:

	Level 1	Level 2	Level 3	Investments measured at NAV	Total	Redemption or liquidation	Days notice
Assets:							
Cash and cash equivalents	$ 26,008	—	—	—	26,008	Daily	1
Restricted cash	2,224	—	—	—	2,224	Daily	1
Capital reserve funds	14,605	—	—	—	14,605	Daily	1
Investments:							
Cash and cash equivalents	302,162	—	—	—	302,162	Daily	1
Domestic equities	242,039	—	—	153	242,192	See note (a)	See note (a)
International equities	165,532	—	—	—	165,532	Daily	3–10
International equities-commingled funds	198,577	—	—	51,307	249,884	Monthly	3–10
Bond and bond funds	19,035	—	—	56	19,091	Daily	1–3
Derivatives	(23,721)	—	—	—	(23,721)	Daily	1–3
Hedge funds	—	—	—	764,383	764,383	See note (b)	See note (b)
Private equities	—	—	—	708,233	708,233	Illiquid	N/A
Real estate and real estate funds	—	—	85,150 (1)	46,728	131,878	Illiquid	N/A
Natural resources	—	—	1,186 (2)	82,841	84,027	Illiquid	N/A
Total investments	903,624	—	86,336	1,653,701	2,643,661		
Contributions receivable from remainder trusts	—	10,334	—	—	10,334	N/A	N/A
Charitable remainder trusts	—	20,052	—	—	20,052	N/A	N/A
Total	$ 946,461	30,386	86,336	1,653,701	2,716,884		

(1) Real estate and real estate fund balances consist of two directly owned properties, both at fair value determined based on a combination of the income approach and sales comparison approach. The first property was valued at $550 per square foot of land area. The second property was valued with an implied capitalization rate of 8.5% and $215 per square foot of the improved area.

(2) Natural resources balance consists of two 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, 2022):

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 $153. The fair value of domestic equities that are redeemable daily with a one-to-five-day notice period totaled $242,039.

Note (b) – Hedge Funds (June 30, 2022):

Certain investments in hedge funds may be redeemed upon a five-to-ninety-day notice to the fund manager and permit a monthly or quarterly exit from the fund. The fair values of these hedge funds totaled $340,284. Certain other hedge funds have semiannual or annual exit dates, which occur more than 90 days after the Foundation's fiscal year-end. The aggregate fair value of these hedge funds, with a notice and a redemption period exceeding 90 days, which could be redeemed during 2023, totals $348,897. Eleven hedge funds, including one in the bond fund category, with an aggregate fair value of $75,202 contain provisions that they may be redeemed after a one- to three-year period upon notification to the fund manager.

(Dollars in thousands)

The following table presents for each level within the fair value hierarchy, the Foundation's recurring and nonrecurring fair value measurements for assets and liabilities as of June 30, 2021:

	Level 1	Level 2	Level 3	Investments measured at NAV	Total	Redemption or liquidation	Days notice
Assets:							
Cash and cash equivalents	$ 20,158	—	—	—	20,158	Daily	1
Restricted cash	1,626	—	—	—	1,626	Daily	1
Capital reserve funds	11,957	—	—	—	11,957	Daily	1
Investments:							
Cash and cash equivalents	137,481	—	—	—	137,481	Daily	1
Domestic equities	329,183	—	—	159	329,342	See note (a)	See note (a)
International equities	239,567	—	—	—	239,567	Daily	3–10
International equities-commingled funds	231,183	—	—	34,778	265,961	Monthly	3–10
Bond and bond funds	22,708	—	—	59	22,767	Daily	1–3
Derivatives	7,825	—	—	—	7,825	Daily	1–3
Hedge funds	—	—	—	742,625	742,625	See note (b)	See note (b)
Private equities	—	—	—	681,721	681,721	Illiquid	N/A
Real estate and real estate funds	—	—	68,050 [1]	53,323	121,373	Illiquid	N/A
Natural resources	—	—	934 [2]	81,166	82,100	Illiquid	N/A
Total investments	967,947	—	68,984	1,593,831	2,630,762		
Contributions receivable from remainder trusts	—	17,140	—	—	17,140	N/A	N/A
Charitable remainder trusts	—	23,498	—	—	23,498	N/A	N/A
Total	$ 1,001,688	40,638	68,984	1,593,831	2,705,141		

[1] Real estate and real estate fund balances consist of two directly owned properties, both at fair value determined based on a combination of the income approach and sales comparison approach. The first property was valued at $798 per square foot of the improved area and $362 per square foot of land area. The second property was valued with an implied capitalization rate of 8% and $202 per square foot of the improved area.

[2] Natural resources balance consists of two 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, 2021):

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 $159. The fair value of domestic equities that are redeemable daily with a one-to-five-day notice period totaled $329,183.

Note (b) – Hedge Funds (June 30, 2021):

Certain investments in hedge funds may be redeemed upon a five-to-ninety-day notice to the fund manager and permit a monthly or quarterly exit from the fund. The fair values of these hedge funds totaled $387,980. Certain other hedge funds have semiannual or annual exit dates, which occur more than 90 days after the Foundation's fiscal year-end. The aggregate fair value of these hedge funds, with a notice and a redemption period exceeding 90 days, which could be redeemed during 2022, totals $335,915. Six hedge funds, including one in the bond fund category, with an aggregate fair value of $18,730, contain provisions that they may be redeemed after a one- to three-year period upon notification to the fund manager.

(Dollars in thousands)

During 2022 and 2021, the activity of assets classified as Level 3 in the fair value hierarchy was as follows:

		Natural resources	Real estate
Balance as of June 30, 2020	$	1,160	66,000
Investment loss, net of fees		—	(8)
Realized and unrealized gains, net		59	2,150
Additions during year		—	—
Withdrawals during year		(285)	(92)
Balance as of June 30, 2021		934	68,050
Investment earnings, net of fees		—	313
Realized and unrealized gains, net		432	17,100
Additions during year		—	—
Withdrawals during year		(180)	(313)
Balance as of June 30, 2022	$	1,186	85,150

(12) Derivative Financial Instruments

The Foundation directly invests in derivatives associated with market risk, as defined in note 1(i). The purpose of these investment derivatives is to gain additional exposure to U.S. and foreign fixed income and equity markets.

Futures and forward contracts obligate the buyer to purchase an asset (and the seller to sell an asset), such as a physical commodity or a financial instrument, at a predetermined future price.

During 2022, the Foundation recognized net realized/unrealized gains and losses on direct positions in Equity Index Futures derivatives and U.S. Treasury Futures derivatives of $2,783 and $(12,501), respectively. As of June 30, 2022, the Foundation held direct positions in derivatives as shown in the following table:

Investment		Fair value at June 30, 2022	Notional exposure
Equity Index Futures	$	(22,423)	106,032
U.S. Treasury Futures		(1,298)	153,363
Total	$	(23,721)	259,395

(Dollars in thousands)

During 2021, the Foundation recognized net realized/unrealized gains and losses on direct positions in Equity Index Futures derivatives and U.S. Treasury Futures derivatives of $28,272 and $(7,314), respectively. As of June 30, 2021, the Foundation held direct positions in derivatives as shown in the following table:

Investment		Fair value at June 30, 2021	Notional exposure
Equity Index Futures	$	7,333	54,710
U.S. Treasury Futures		492	119,988
Total	$	7,825	174,698

(13) 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, donor net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

The Foundation reports gifts of land, buildings, and equipment as support without donor restriction 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.

Net assets were released from restrictions related to accomplishing program activities for the years ended June 30, 2022 and 2021 as follows:

		2022	2021
General use	$	25,644	20,165
Student support		19,828	18,007
Faculty support		17,404	17,086
Program enrichment		14,027	11,085
Academic support		5,336	10,203
Facilities		7,548	1,755
Fundraising		15	442
Total net assets released from restrictions	$	89,802	78,743

(Dollars in thousands)

(14) Net Assets

Net assets without donor restrictions as of June 30, 2022 and 2021 are as follows:

		2022	2021
Restricted cash	$	2,224	1,140
Capital reserve funds		642	535
Undesignated		209,951	200,542
Board-designated quasi endowment funds:			
General Use		109,737	120,258
Student support		16,327	16,577
Faculty support		7,092	7,477
Facilities		2,071	2,183
Academic		819	863
		136,046	147,358
Other board-designated funds:			
Real estate reserves		8,350	10,791
Net investment in capital assets		(8,717)	(8,515)
	$	348,496	351,851

The Board has designated certain net assets without donor restrictions, to function as endowments. The net assets of the Board-designated quasi endowment funds total $136,046 and $147,358 at June 30, 2022 and 2021, respectively, and have been designated for general use, student support, faculty support, facilities, and academic purposes. Although the Foundation does not intend to spend from the Board-designated quasi endowment, other than amounts appropriated as part of the Board’s annual budget approval and appropriations processes, these amounts could be made available, if necessary, for general use. The net assets of other Board-designated funds total $8,350 and $10,791 at June 30, 2022 and 2021, respectively, and have been designated as real estate reserves, but could be made available, if necessary, for general use. The net investment in capital assets total $(8,717) and $(8,515) at June 30, 2022 and 2021, respectively, and represent the book value of unrestricted capital assets net of any debt attributable to those capital assets.

(Continued)

(Dollars in thousands)

Net assets with donor restrictions as of June 30, 2022 and 2021 are restricted for the following purposes or periods:

	2022	2021
Subject to expenditure for specified purpose:		
Faculty support	$ 40,394	40,270
Student support	8,122	9,797
Academic support	26,172	19,044
Program enrichment	50,946	35,358
Facilities and construction	21,866	23,070
Fundraising	241	939
Contributions receivable restricted by donors	42,396	42,301
	190,137	170,779
Appropriated from endowments, subject to expenditure for specified purpose:		
Faculty support	22,885	20,587
Student support	4,200	4,061
Program enrichment	9,241	8,116
Academic support	14,909	15,722
Facilities and construction	577	428
	51,812	48,914
Subject to the passage of time:		
Contributions receivable from remainder trusts	10,299	17,105
Contributions receivable that are not restricted by donors but which are unavailable for expenditure until receipt	575	971
Charitable remainder trusts	15	44
	10,889	18,120
Endowments:		
Subject to endowment spending policy and appropriation:		
Faculty support	524,862	542,226
Student support	516,718	521,712
General use	328,989	346,124
Academic support	257,587	277,286
Program enrichment	162,567	154,967
Facilities and construction	9,275	9,624

(Continued)

(Dollars in thousands)

		2022	2021
Perpetual trusts	$	759	897
Charitable remainder trusts and gift annuities		12,483	16,307
		1,813,240	1,869,143
Contributions receivable restricted to endowment by donors		31,394	28,116
	$	2,097,472	2,135,072

(15) Endowment Net Assets

Endowment net assets for the year ended June 30, 2022 are as follows:

		Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$	—	1,813,240	1,813,240
Board-designated endowment funds		136,046	—	136,046
Total endowed net assets	$	136,046	1,813,240	1,949,286

Endowment net assets for the year ended June 30, 2021 are as follows:

		Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$	—	1,869,143	1,869,143
Board-designated endowment funds		147,358	—	147,358
Total endowed net assets	$	147,358	1,869,143	2,016,501

The Foundation’s endowment consists of approximately 3,000 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board 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.

(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 ensure 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 6.00% of the trailing 12-quarter average market value of its endowment funds. In 2022 and 2021, the Foundation appropriated 4.15% of the 12-quarter trailing average market value of its endowment funds. The amount appropriated for expenditure includes an administrative fee of 0.72% for general overhead costs incurred in connection with the support and management of its endowment funds. In setting the annual appropriation percentage, the Foundation considers both historic and expected returns on its endowment assets, including the effect of inflation. In addition, the Foundation considers providing an appropriate flow of income to the Institute while preserving the future purchasing power of the endowment assets in perpetuity. The appropriation percentage is approved by the Board as part of the Foundation’s annual budget process.

(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 net assets with donor restrictions were $719, with an original gift value of $20,353 as of June 30, 2022. No deficiencies of this nature existed as of June 30, 2021. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of certain recently restricted contributions and continued appropriation for certain programs that were deemed prudent by the Board. 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 net assets with donor restrictions.

(Dollars in thousands)

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

		Without donor restriction	With donor restriction	Total
Endowment net assets, July 1, 2021	$	147,358	1,869,143	2,016,501
Investment return:				
Investment income		371	5,041	5,412
Net realized/unrealized loss		(2,964)	(41,264)	(44,228)
Total investment return		(2,593)	(36,223)	(38,816)
Contributions		1,440	47,292	48,732
Other income		17	22	39
Change in value of trusts and annuities		—	(2,007)	(2,007)
Appropriation of endowment assets for expenditure		(4,696)	(64,987)	(69,683)
Withdrawals from board-designated funds, net		(5,480)	—	(5,480)
Endowment net assets, June 30, 2022	$	136,046	1,813,240	1,949,286

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

		Without donor restriction	With donor restriction	Total
Endowment net assets, July 1, 2020	$	104,201	1,356,934	1,461,135
Investment return:				
Investment income		1,916	24,709	26,625
Net realized/unrealized gain		38,056	494,228	532,284
Total investment return		39,972	518,937	558,909
Contributions		5,416	52,122	57,538
Other (loss) income		(6)	245	239
Change in value of trusts and annuities		—	1,043	1,043
Appropriation of endowment assets for expenditure		(4,455)	(60,138)	(64,593)
Additions to board-designated funds, net		2,230	—	2,230
Endowment net assets, June 30, 2021	$	147,358	1,869,143	2,016,501

(Continued)

(Dollars in thousands)

(16) 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' contributions on a 2-to-1 basis. The funds are invested with a third-party provider in investment options chosen by the employees. During 2022 and 2021, the Foundation recognized pension expense totaling $411 and $383, 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.

(17) Expenses

There are certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses, such as property expense, interest on related debt, depreciation, and amortization, are allocated based upon the usage of facilities. Other natural expenses are allocated based on estimates of time and effort.

Expense allocation for the year ended June 30, 2022 is as follows:

	Program services								
Category	Student support	Faculty support	Program enrichment	Academic support	Facilities and construction	Total	General and administrative	Fundraising	Total
Scholarships and fellowships	$ 33,299	531	2,338	608	—	36,776	—	—	36,776
Salaries and benefits	1,649	9,121	9,388	2,045	137	22,340	2,628	2,015	26,983
Materials, supplies, and other services	596	7,076	10,226	2,758	1,148	21,804	17,573	956	40,333
Travel, events, and stewardship	39	1,238	1,437	767	628	4,109	314	1,095	5,518
Property expense	—	—	—	—	—	—	4,151	—	4,151
Depreciation and amortization	—	—	—	—	63	63	4,806	—	4,869
Interest	—	—	—	—	6,842	6,842	6,089	—	12,931
	$ 35,583	17,966	23,389	6,178	8,818	91,934	35,561	4,066	131,561

(Dollars in thousands)

Expense allocation for the year ended June 30, 2021 is as follows:

Category		Program services								
		Student support	Faculty support	Program enrichment	Academic support	Facilities and construction	Total	General and administrative	Fundraising	Total
Scholarships and fellowships	$	31,339	493	2,401	737	—	34,970	—	—	34,970
Salaries and benefits		1,407	10,387	8,795	1,317	133	22,039	4,048	1,589	27,676
Materials, supplies, and other services		818	7,204	4,395	9,697	1,713	23,827	8,890	1,363	34,080
Travel, events, and stewardship		1	77	116	547	—	741	328	948	2,017
Property expense		—	—	—	—	—	—	3,714	—	3,714
Depreciation and amortization		—	—	—	—	63	63	4,829	—	4,892
Interest		—	—	—	—	5,580	5,580	6,631	—	12,211
	$	33,565	18,161	15,707	12,298	7,489	87,220	28,440	3,900	119,560

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 other real estate owned by the Foundation. Details of general and administrative expenses for the years ended June 30, 2022 and 2021 are as follows:

		2022	2021
Foundation operations	$	5,660	5,670
Real estate expenses		19,006	11,310
Depreciation and amortization expense		4,806	4,829
Interest expense		6,089	6,631
	$	35,561	28,440

General and administrative expenses related to the Georgia Tech Hotel and Conference Center for the year ended June 30, 2022 and 2021 are $12,547 and $5,055, respectively.

(18) Related Parties

One member of the Board of Trustees of the GT Athletic Association is also a voting trustee of the Foundation.

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

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

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

Transactions with other related parties are described in notes 4, 6, 7, 8, 10, 13, and 20.

(Dollars in thousands)

(19) Liquidity and Availability

Financial assets available to meet cash needs for general expenditures, without donor or other restrictions limiting their use, within one year of the financial reporting date, are comprised of the following:

	2022	2021
Cash	$ 26,008	20,158
Restricted cash	2,224	1,626
Capital reserve funds	14,605	11,957
Contributions receivable, net	74,365	71,388
Investments	2,643,661	2,630,762
Leases receivable	96,445	106,796
Contributions receivable from charitable remainder trusts	10,334	17,140
Charitable remainder trusts	20,052	23,498
Total financial assets, at year-end	2,887,694	2,883,325
Less financial assets not available for general expenditures, due to nature:		
Restricted cash	(2,224)	(1,626)
Capital reserve funds	(14,605)	(11,957)
Leases receivable	(96,445)	(106,796)
Contributions receivable from charitable remainder trusts	(10,334)	(17,140)
Charitable remainder trusts	(20,052)	(23,498)
Less financial assets not available for general expenditures within one year:		
Contributions receivable, net	(28,004)	(27,709)
Less contractual or donor-imposed restrictions:		
Endowments funds	(1,813,240)	(1,869,143)
Contributions receivable, net restricted for endowment	(31,394)	(28,116)
Funds held on behalf of other organizations	(161,874)	(170,946)
Less board-designated quasi endowment funds	(136,046)	(147,358)
Less other board-designated funds	(8,350)	(10,791)
Financial assets available to meet cash needs for general expenditures within one year	$ 565,126	468,245

Donor restricted endowments, which total $1,813,240 and $1,869,143 as of June 30, 2022 and 2021, respectively, are not available for general expenditures until appropriated by the Board. The funds held on behalf of other organizations are not available for general expenditures of the Foundation. The Board-designated quasi endowment funds total $136,046 and $147,358 at June 30, 2022 and 2021, respectively. Although the Foundation does not intend to spend from the Board-designated quasi endowment, other than amount appropriated as part of the Board's annual budget approval and appropriations, these amounts could be made available, if necessary, for general use. In addition, the net assets of other Board-designated funds total $8,350 and $10,791 at June 30, 2022 and 2021, respectively, and have been designated as real estate reserves, but could be made available, if necessary, for general use.

(20) Commitments and Contingencies

In June 2021, the Foundation approved $28,163 of funds without donor restrictions to support the Institute's program and development operations, with a condition that the funds are to be expended during 2022 and 2023. If the funds are not expended by June 30, 2023, the remainder is retained by the Foundation. As of June 30, 2022, the Foundation expended a total of $23,090 to support the Institute's program and development operations and $5,073 remained as a commitment.

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 2022, but was amended to expire in June 2023. As consideration for the limited guaranty agreement, GATV pays the Foundation 0.20% of the limited guaranty amount annually.

(21) Tax Matters

The Foundation does not have any material unrecognized tax positions that should be recognized in the consolidated financial statements for 2022 or 2021.

(22) Subsequent Events

In connection with the preparation of the consolidated financial statements, the Foundation management reviewed subsequent events after June 30, 2022 through September 15, 2022, 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.