GEORGIA TECH ATHLETIC ASSOCIATION

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

GEORGIA TECH ATHLETIC ASSOCIATION
JUNE 30, 2019 AND 2018
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Georgia Tech Athletic Association:

Report on the Financial Statements

We have audited the accompanying financial statements of the Georgia Tech Athletic Association (the Association), a component unit of the Georgia Institute of Technology, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Association's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position the Association, as of June 30, 2019 and 2018, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions of the financial statements that collectively comprise the Association's basic financial statements. The accompanying Supplementary Schedules, as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Supplementary Schedules have not been subjected to auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

James Moore & Co., P.L.

Gainesville, Florida
September 13, 2019

Introduction

The Georgia Tech Athletic Association ("The Association") is a non-profit corporation organized in 1934 to administer the intercollegiate athletic programs of the Georgia Institute of Technology ("Georgia Tech" or "the Institute").

The primary purpose of the Association is to promote the educational programs of Georgia Tech through student body participation in "healthful exercises, recreations, athletic games and contests". Although the Association is a separate entity from Georgia Tech, its role of providing the intercollegiate athletic programs at Georgia Tech is functionally indistinguishable from the role that athletic departments of other major U.S. universities provide for their respective universities.

The Association "develops the young people who will change the world". Its mission is to "inspire and empower student-athletes to be champions in academics, competition, and life" while emphasizing four core values – excellence, innovation, teamwork, and character.

Overview of the Financial Statements and Financial Analysis

The administration of the Association is pleased to offer the readers of its financial statements this overview and analysis of financial performance during the fiscal year ended June 30, 2019. This overview, discussion, and analysis meets the requirements of Governmental Accounting Standards Board, Statement No. 35, Basic Financial Statements—and Management's Discussion and Analysis for Public Colleges and Universities, and has been prepared by management along with the financial statements and related footnote disclosures. The discussion and analysis focuses on current activities, resulting change, and current known facts from the financial statements included therein.

The Alexander-Tharpe Fund, Inc. (the "AT Fund") contributes funds, as available, to the Association to support student athletes. This support includes financial assistance in the form of scholarships, program support, and facilities improvements. Due to their interrelationship, the AT Fund is included in the Association's financial statements as a blended-component unit.

The Association meets the requirements to be reported as a component unit of Georgia Institute of Technology and is included in Georgia Tech's combined financial statements as a discretely presented component unit.

The statements of net position, statements of revenues, expenses, and changes in net position, and the statements of cash flows are designed to provide information that will assist in understanding the financial condition, health, and performance of the Association by presenting financial information in a form similar to that used by corporations.

The statements of net position include all assets and liabilities. They are prepared under the accrual basis of accounting, whereby the revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The statements of revenues, expenses, and changes in net position present the revenues earned and the expenses incurred during the year. Activities are reported as either operating or non-operating. The financial reporting model classifies endowment and quasi-endowment proceeds as non-operating revenues. As a result, the financial statements may show operating losses that are then offset by non-operating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The statements of cash flows present information on the ability of the Association to meet its financial obligations in the form of cash inflows and outflows summarized by operating, capital and non-capital financing, and investing activities.

Association Highlights

The Association's net position is one indicator of the Association's financial health. Over time, increases or decreases in net position are indicators of the changes in the Association's financial health when considered with nonfinancial facts such as the overall academic and athletic successes of its 17 sports programs and the condition of its assets. This success is evidenced by the following:

- The women's cross country program competed in the NCAA Cross Country Championships and finished the year with a 28th place finish. Also, the track and field programs had three (3) student-athletes compete in the NCAA Championships during the year. The women's track and field program finished the year with a 16th place national ranking at the end of the outdoor season.

- The football program competed in the 2018 Quick Lane Bowl and finished the season with a 7-6 record. The program experienced change in leadership with the retirement of former head coach Paul Johnson and the hiring of Geoff Collins in December 2018.

- Men's golf earned its 18th ACC Golf Championships in 2019 which is the teams tenth in the last 13 years. The program competed in the NCAA Championships and finished the year with a 12th place final ranking.

- The baseball program finished the season as the ACC Coastal Division Champion and ACC Tournament Runner-Up. With a top 10 national ranking, the baseball program earned a No. 3 national seeding for the 2019 NCAA Baseball Tournament, which is the highest for the Yellow Jackets since 2005.

- All 15 athletic programs recorded an APR score of 961 or better for 2017-18. Georgia Tech was the only Power Five institution with a multiyear NCAA APR higher than the national average in every sport. Also, six (6) teams recorded a perfect single-year APR (1000) for 2017-18 (baseball, men's basketball, men's golf, softball, women's swimming/diving, and men's tennis).

- Georgia Tech student-athletes continue to excel in the classroom by earning the highest NCAA Graduation Success Rate (GSR) of 89% for the 6th straight year. This exceeds the NCAA national average of 88% with four (4) programs earned perfect 100% GSR – women' s cross country/track & field, men's golf, women's tennis, and volleyball.

Financial Highlights

FY 2019 resulted in an operating loss of $15,301,396 due to significant increases in operational expenses during the fiscal year. The Associated experienced football and women's basketball coaching transitions and completed the construction of the ACC Network Production facility during the fiscal year.

The Association's long term financial health depends on maintaining and growing the endowment base which supports scholarships, the total person program, and facility enhancements. The net value of invested funds were slightly above $108 million at year end due to over $7 million in endowment contributions for scholarships and facility enhancements.

Condensed Financial Information

The condensed statements of net position are shown below:

Condensed Statements of Net Position
June 30, 2019, 2018, and 2017

Assets	**2019**	**2018**	**2017**
Current assets	$ 12,833,460	$ 17,371,828	$ 13,618,307
Noncurrent assets:			
Capital assets, net	170,382,079	164,171,096	164,864,696
Investments	108,299,697	109,095,500	105,608,505
Other	14,782,148	5,253,404	6,016,215
	293,463,924	278,520,000	276,489,416
Total assets	306,297,384	295,891,828	290,107,723
Deferred outflows of resources	15,109,831	16,859,114	18,624,539
Current liabilities	51,655,836	20,807,924	24,956,156
Noncurrent liabilities	197,673,686	219,804,566	222,437,217
Total liabilities	249,329,522	240,612,490	247,393,373
Net position:			
Net investment in capital assets	(44,070,216)	(40,473,605)	(40,529,669)
Unrestricted (as restated)	(6,599,952)	3,980,364	1,904,349
Restricted for:			
Nonexpendable (as restated)	45,427,130	37,154,723	33,126,080
Expendable (as restated)	77,320,731	71,476,970	66,838,129
Total net position	$72,077,693	$ 72,138,452	$ 61,338,889

Assets

Current Assets

The primary components of current assets are cash and cash equivalents, pledges, and accounts receivable. Cash and cash equivalents consist of cash in the Association's bank accounts and the fair value of highly liquid short-term investments. Pledges receivable relate primarily to pledges received to fund scholarship endowments and expenses associated with facility renovations (e.g. the Russ Chandler Stadium and Edge/Rice Building). Accounts receivable include payments due in FY 2019 still outstanding as of June 30, 2019.

The Association experienced a decrease in current assets over the previous year due to reduced cash balances from construction payments due at year end and increased operating expenses following the football and women's basketball transitions.

Noncurrent Assets

The primary components of noncurrent assets are capital assets, long-term investments held by the Georgia Tech Foundation ("the Foundation"), and long term pledges and other investments.

Capital assets include buildings, building improvements, equipment, and construction in progress net of related accumulated depreciation and totaled $170,382,079, $164,171,096 and 164,864,896 at June 30, 2019, 2018 and 2017, respectively. During the fiscal year, the Association completed the ACC Network production facility which totaled $10 million in total construction and equipment costs. There were also facility investments made to Russ Chandler and Bobby Dodd Stadiums. These additions, netted against depreciation of $7,709,956, increased net assets by $6,210,983.

Investments held by the Foundation include endowments, quasi-endowments, and other investments and are recorded at fair value. The amount held by the Foundation at June 30, 2019, 2018 and 2017, totaled $108,299,697, $109,095,500 and $105,608,505, respectively. The Association experienced payments made on outstanding pledges, new donations from the Athletic Initiative 2020 fundraising effort, and approximately 6% gross investment returns during the fiscal year.

The other component of noncurrent assets are pledge balances that will be received a year or more following year end, as well as other items such as charitable remainder trusts and deposits held by outside sources. These amounts were $14,782,148, $5,253,404 and $6,016,215 for year end June 30, 2019, 2018 and 2017, respectively.

Liabilities

Current Liabilities

Current liabilities represent the portion of the Association's debt which is payable within the next fiscal year. The primary components of current liabilities are accounts payable, accrued liabilities, deposits received for football and basketball season tickets, deferred revenues, and the current portion of long-term liabilities. Current liabilities also include short term contractual payments due to former coaches whose employment with the Association ended.

Accounts payable and accrued liabilities totaled $3,325,324, $3,826,368 and $2,733,232 at June 30, 2019, 2018 and 2017, respectively, for goods and services received prior to the end of the fiscal year.

Deposits received for football and basketball tickets represent payments received for future seasons. Deposits received totaled $11,604,705, $10,471,740 and $15,279,004 at June 30, 2019, 2018, and 2017, respectively. A postseason ending football campaign in 2018, as well as excitement surrounding new head football coach, contributed to an increase in deposits for FY 2019.

Contract agreement-current portion consists of short term contractual payments due to the former head coach and defensive coordinators for the football program whose employment with the Association ended December 2017 and 2018, respectively. For the former coaches, the Association will make annual payments per contract totaling $1,000,000 for FY 2019 and $580,624 for FY 2020 through FY2023.

The total short-term portion of bond payment obligations outstanding at June 30, 2019, 2018 and 2017 totaled $31,190,000, $1,145,000, and $1,105,000, respectively. Notes payable mainly consist of $900,000 in short term payments related to the purchase of land used for the for the Georgia Tech golf team practice facility.

Noncurrent Liabilities

Long-term debt and other obligations include expenses resulting from financial transactions for which the principal is due more than one year from the statement of net position date. The primary component of long-term debt is required debt service payments associated with bonds issued by the Association. These bond issuances include the following:

2001 Bond Issuance

The outstanding principal from a $22 million bond issuance that occurred in 1995 was rolled into a new bond issuance which financed reconstruction of Bobby Dodd Stadium (to include construction of the north end zone) and construction of Russ Chandler Stadium (baseball). The total amount of this bond issuance was $111,255,000.

Swaption

In March of 2004, the Association sold UBS a single exercise SIFMA swaption on the 2001 bonds for approximately $2.4 million. The resulting swaption put restrictions on the way in which the Association could re-finance debt resulting from the 2001 bond issuance.

2008 Bond Issuance

In December of 2008, $20 million in variable rate bonds which renewed annually (backed by a Letter of Credit from Northern Trust Bank) were issued. This bond issuance funded the following projects: football scoreboards, football stadium upkeep and maintenance, softball playing facility and locker room, basketball practice facility, weight room upgrades, football practice field turf replacement, and volleyball locker room.

2011 Bond Issuance

This bond issuance funded the construction of the McCamish Pavilion ($50 million) and the John and Mary Brock Football Practice Facility ($9 million). In addition, the existing principal on the 2008 bonds was rolled into this bond issuance. The resulting thirty-year $88,775,000 bond issuance was structured with tax exempt fixed rate bonds.

2012 Bond Issuance

This bond issuance refinanced the existing principal on the 2001 bonds and financed the termination of the existing swaption which totaled $94,285,000 and $28,010,000, respectively. This bond issuance also funded construction of the Byers Tennis Complex ($12 million). The resulting thirty-year bond issuance was structured primarily with fixed rate bonds. The portion supporting the swaption termination was funded with taxable bonds.

SunTrust Bank Loan Payable

A loan was secured from SunTrust Bank on July 17, 2013 to finance the purchase of 11.08 acres of land currently used as the practice facility for the Georgia Tech golf team. The ten-year loan results in $9 million of additional debt, with principal payments of $900,000 annually.

SunTrust – ACC Network

A loan was secured from SunTrust Bank on July 6, 2018 to finance the construction and related equipment for a facility capable of producing content on the ACC conference-wide network. The ten year loan results in $10 million of additional debt, with annual principal payments of $1,000,000 beginning in July 2021.

The resulting total long-term portion of debt obligations outstanding at June 30, 2019, 2018 and 2017, totaled $197,673,686, $219,804,566 and $222,437,217, respectively.

Net Position

Net position represents the difference between the Association's assets and liabilities. Total net position at June 30, 2019, 2018 and 2017, was $72,077,693, $72,138,452 and $61,338,889, respectively. The increase in net position is explained in detail on page 14, in the section headed "Net Position."

Unrestricted net position represents those balances from operational activities that have not been restricted by parties external to the Association such as donors. This includes funds that have been designated by the governing board for specific purposes as well as amounts that have been contractually committed for goods and services that have not yet been received. In addition, certain funds held by the Georgia Tech Foundation are to be classified as unrestricted based on specific donor agreements.

Restricted nonexpendable net position consists of endowment gifts with specific restrictions on spending the principal given. These assets are made up largely of endowments supporting scholarship expenses.

Restricted expendable net position primarily consists of gifts related to the quasi-endowment established by the gifts received from the Candler Estate as well as the quasi-endowments established to support capital project expenses.

The condensed statements of revenues, expenses, and changes in net position are shown below:

Condensed Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2019, 2018, and 2017

	2019	2018	2017
Operating revenues:			
Ticket sales	$10,789,084	$ 14,070,352	$ 11,304,108
Atlantic Coast Conference revenue			
Distributions	27,914,687	28,098,370	27,435,811
Contributions	3,528,289	2,745,332	4,122,330
Event related	16,648,997	20,260,951	17,979,515
Other	10,325,607	11,107,856	9,737,057
Total operating revenues	69,206,664	76,282,861	70,578,821
Operating expenses:			
Salaries and benefits	35,828,010	29,333,641	26,436,377
Programs and facilities	31,774,839	31,740,947	30,226,758
General and administrative	9,195,255	7,964,449	8,055,443
Depreciation	7,709,956	7,496,855	7,587,218
Total operating expenses	84,508,060	76,535,892	72,305,796
Operating profit (loss)	(15,301,396)	(253,031)	(1,726,975)
Nonoperating revenues (expenses):			
Investment income	593,980	343,360	289,035
Permanent endowment contributions	2,335,080	2,618,107	1,969,742
Increase (decrease) in fair value of investments	6,670,580	9,525,586	12,139,519
Interest on long-term debt	(12,598,066)	(12,403,227)	(12,455,065)
Debt service contributions to other affiliated organizations	(137,400)	(137,400)	(137,400)
Restricted contributions	907,869	813,928	756,968
Total nonoperating revenues (expenses)	(2,227,957)	760,354	656,456
Capital contributions	17,468,594	10,292,240	-
Increase (decrease) in net position	(60,759)	10,799,563	(1,070,519)
Net position, beginning of year	72,138,452	61,338,889	62,409,408
Net position, end of year	$72,077,693	$ 72,138,452	$ 61,338,889

Operating Revenues

Ticket Sales

Ticket sales are generated from support of the Association's various sports through paid admissions primarily to home events. Ticket sales were normalized in 2019 following the strong response to the football game held at Mercedes-Benz Stadium against the University of Tennessee in 2018.

	2019	2018	2017
Football	$ 8,556,738	$ 12,035,236	$ 9,397,200
Men's basketball	1,883,964	1,810,984	1,687,368
Women's basketball	41,020	53,760	58,620
Baseball	297,232	160,563	150,852
Volleyball	10,130	9,809	10,068
Total	$ 10,789,084	$ 14,070,352	$ 11,304,108

ACC Revenue

The Atlantic Coast Conference ("the ACC") distributions include all revenues collected on behalf of the membership. This includes television rights fees, bowl game distributions, tournament and championship profits, and net NCAA distributions. The revenues are reduced by the conference's operating expenses then distributed evenly among its 15 members. The ACC distributions totaled $27,914,687 in FY 2019, $28,098,370 in FY 2018, and $27,435,811 in FY 2017. The conference revenue remained flat in FY 19 which varies from steady increases experienced the past few fiscal years. ACC television revenue grew during the year, but there was a reduction in annual bowl related distributions to conference members due to the financial arrangement between the College Football Playoff (CFP), ACC, and Orange Bowl.

Contributions

Contributions include any unrestricted donations. Contribution revenue totaled $3,528,289 in FY 2019, $2,745,332 in FY 2018, and $4,122,330 in FY 2017. Unrestricted contributions increased as donors invested in facility enhancements, the annual scholarship fund, and Athletic Director initiatives.

Event Related

In addition to ticket sales, other revenues are generated during hosted Association events. The components of event related revenues for the years ended June 30, 2019, 2018, and 2017, respectively, are as follows:

	2019	2018	2017
Premium lease fees	$ 9,280,181	$ 9,442,347	$ 9,591,533
Radio rights fees	5,678,059	5,747,491	5,739,444
Sponsorships	304,035	1,058,345	1,010,466
Concessions	482,691	878,733	1,028,126
Licensing fees	174,071	169,608	174,323
Guarantees – football	550,000	2,850,000	326,000
Guarantees – other	59,000	58,000	-
Stinger seatbacks	98,664	50,592	83,254
Auxiliary Sales	22,296	5,835	26,369
Total event related	$16,648,997	$ 20,260,951	$ 17,979,515

Premium lease fees are contributions tied to seat location in areas with upgraded benefits in Bobby Dodd Stadium and McCamish Pavilion. These fees totaled $9,280,181, $9,442,347 and $9,591,533 for the years ended June 30, 2019, 2018 and 2017, respectively.

Radio rights fees and sponsorships include revenues generated by the Association's advertising efforts in all forms to include facility signage, print, radio and apparel-related licensing. Radio rights fees have remained consistent over the past three (3) years.

Concessions represent the commissions received by the Association from the third party contractor that operates all concessions at Association venues. The Association reduced the number of hosted external events in FY 2019. The Association hosted the Atlanta United and Atlanta Dream in fiscal years 2017 and 2018, respectively.

Guarantees include a contracted fee or portion of revenues collected at away games in which Georgia Tech participates and are intended to offset the costs associated with traveling to the away game site. Guarantees normalized in FY 2019 as the Association received a significant guarantee in FY 2018 for its participation in the Chick-Fil-A Kickoff game at Mercedes Benz Stadium.

Other Revenue

Other revenues totaled $10,325,607, $11,107,856 and $9,737,057 for the years ended June 30, 2019, 2018 and 2017, respectively, and was comprised of the following:

	2019	2018	2017
Student athletic fees	$ 5,541,826	$ 5,448,836	$ 5,387,074
Institutional support	2,715,356	2,659,767	2,264,352
Handling charges	259,558	229,471	488,767
Special events	-	-	-
Miscellaneous	1,808,867	2,769,782	1,596,864
Total other revenue	$ 10,325,607	$ 11,107,856	$ 9,737,057

The athletic fee remained unchanged in FY 2019 but revenue growth is due to an increase in student enrollment.

Institutional support revenues represent the amount of out-of-state tuition that Georgia Tech does not charge the Association in an effort to assist the operations ("tuition waivers") as well as provide administrative salary support. The increase in revenue in FY 2018 was primarily due to the Association receiving 13 additional tuition waivers for the fiscal year. Institutional support for FY19 remained consistent from the prior year.

Handling charges are the additional fees assessed to ticket purchases to cover postage, processing, and software management expenses incurred by the Association's ticket office. The ticket office updated its fee structure in FY 2018 to reduce overall fees for ticket purchasers. There were no additional changes to the fee structure in FY 2019.

Miscellaneous revenue includes facility rental fees, football and men's basketball parking revenue, as well as other miscellaneous revenues.

Operating Expenses

Salaries and Benefits

Salaries and benefits represent salary expenses and the associated costs of benefits. In FY 2019, the expenses increased by approximately 10% as compared to FY 2018. The increase is attributed to the contractual payments due during the football and women's basketball coaching staff transitions, as well as athletic and academic performance bonuses.

	2019	2018	2017
Salaries	$ 30,352,423	$ 24,201,698	$ 21,851,510
Benefits & Fringes	5,475,587	5,131,943	4,584,867
Total salaries and benefits	$ 35,828,010	$ 29,333,641	$ 26,436,377

Programs and facilities

Programs and facilities expenses include sport programs, direct support of those programs by other departments, and the maintenance of the facilities in which these programs perform. These expenses increased slightly by $33,892 from FY 2018 to FY 2019.

	2019	2018	2017
Scholarships	$ 12,213,964	$ 11,472,295	$ 11,071,266
Guarantees	2,054,432	4,291,454	1,879,986
Travel	6,541,114	4,450,024	6,319,067
Events and other services	4,250,473	4,184,500	4,149,395
Recruiting	1,818,131	1,323,949	1,407,796
Utilities	1,898,168	1,898,941	1,978,465
Operation, maintenance, and plant	2,143,194	3,094,361	2,450,618
Uniforms and equipment	855,363	1,025,423	970,165
Total program and facilities	$ 31,774,839	$ 31,740,947	$ 30,226,758

Scholarship expenses include charges associated with the cost of attendance at Georgia Tech for student athletes receiving financial aid from the Association. These expenses increased during FY 2019 due to rising tuition, room, and board costs charged by the Institution.

Guarantee expenses include the costs associated with providing contractually established fees or percentage of revenues collected at a home event to the opponent to offset the opponent's travel costs. Guarantees returned to more traditional levels in FY 2019 as there was a significant ticket commitment for the Chick-Fil-A Kickoff football game held in FY 2018.

Travel expenses include the costs of staff and student athletes traveling to competition events. Travel costs fluctuate annually depending on the location of road opponents and post season events. In FY 2019, expenses increased with the expenses associated with football's postseason bowl game. A similar increase was reflected in FY 2017.

Events and other services expenses include costs associated with managing home events as well as expenses for premium seating areas and sponsorships, remained consistent.

Recruiting expenses include the costs of staff traveling for recruiting purposes and bringing in recruits for official visits to Georgia Tech's campus. Costs include all reasonable modes of transportation, meals, and accommodations. These costs are driven by the number of scholarships available in each respective sport over the next two years. The expenses for FY 2019 increased with new football and women's basketball coaching staff's enhanced recruiting efforts.

Utilities remained constant with FY 2019 expenses.

Operations, maintenance and plant expenses include costs associated with the repair and upkeep of the Association's $170 million in net capital assets. Maintenance and repairs on the Association's facilities will continue to be managed as the Association could experience increases in the future.

Uniforms and equipment expenses include the costs associated with supplying the teams with clothing and protective gear used on the field of play. These costs may rise and fall due to rotation of replacement uniforms, roster sizes, and changes to apparel providers. The Association experience a slight reduction in FY2019 with the start of the new apparel partnership with Adidas.

General and Administrative

General and administrative expenses include costs incurred to manage and administer all 17 sports programs as well as development costs to raise funds. General and administrative expenses totaled $9,195,255 in FY 2019, $8,030,831 in FY 2018, and $8,055,443 in FY 2017.

Depreciation

Depreciation expense includes the depreciation of the Association's capital assets, including building improvements, furniture and fixtures, scoreboards and vehicles, and the amortization of certain bond-related items.

Nonoperating Revenues (Expenses)

Nonoperating revenues (expenses) include income earned on investments, permanent endowment and restricted contributions, interest expense, changes in the net present value of charitable remainder trusts, changes in the fair market value of the Association's investment portfolio and additional nonoperating expenses. With investments managed by Georgia Tech Foundation receiving slightly under $7 million in net investment earnings, and expenses and revenues remaining constant, nonoperating expenses of approximately $2.2 million were recorded.

Capital Contributions

Capital Contributions consist of contributions and pledges restricted by donors for construction of new facilities or improvements to existing facilities. GTAA recorded capital contributions of $17,468,594 and 10,292,240 in FY 2019 and FY 2018, respectively, with the increase primarily due to facility investments tied to Athletic Initiative 2020.

Special Items

Special items are non-recurring, often one time transactions that, due to their unique nature are classified separately from operating and non-operating revenues and expenses. For FY 2019, there were no special items.

Net Position

In FY 2019, year-end net position decreased $60,759 to a total balance of $72,077,693. As the expenses needed to maintain athletic competitiveness continue to rise, so too has the need to grow revenues. The Association continues to emphasize securing funds to enhance facilities, support scholarships, and grow unrestricted operational revenues.

The condensed statements of cash flows are shown below:

Condensed Statements of Cash Flows
Years Ended June 30, 2019, 2018, and 2017

	2019	2018	2017
Cash flows from operating activities	$ (4,926,403)	$ 1,549,237	$ 11,382,809
Cash flows from noncapital financing activity	3,242,499	3,432,035	820,367
Cash flows used in capital and related financing activities	(11,054,543)	(9,712,701)	(18,220,684)
Cash flows from investing activities	8,081,811	6,387,220	5,578,301
Net change in cash and cash equivalents	(4,656,186)	1,655,791	(439,207)
Cash and cash equivalents, beginning of year	7,935,052	6,279,261	6,718,468
Cash and cash equivalents, end of year	$ 3,278,866	$ 7,935,052	$ 6,279,261

Cash flows from operations include receipts from customers, student fees, advertisers, donors, and conference distributions. The major uses of funds were payments to Georgia Tech for scholarship-related costs, as well as utilities and facility maintenance, employee payroll, operations, and other suppliers of operating needs.

Cash flows from noncapital financing represent cash received for permanent endowment purposes.

Cash flows from capital and related financing activities are comprised of proceeds from debt issuance, construction costs of facilities improvements, and principal and interest payments on debt.

Cash flows from investing activities are comprised primarily of proceeds from sales and maturities of investments, purchases of investments, and income earned on investments.

During the fiscal year ended June 30, 2019, these activities created an overall $4,656,186 decrease in cash and cash equivalents.

Outlook for the Future

The "Athletics Initiative 2020" was launched in May 2018 with the goal of raising $125 million over a three (3) year period ending December 2020. The focus of the initiative is to raise scholarship, facility, and operational funds to help build a better student-athlete, improve recruiting, and win games. As of August 2019, the Association has raised over $90 million towards the initiative.

The Association was able to realize the ACC and ESPN's creation of a conference specific television network which launched in August 2019. The Association has incurred infrastructure and production costs over the past year which should result in significant revenue growth beginning in FY 2020.

In the winter of 2019, the Association announced a five (5) year partnership with Mercedes Benz Stadium to host an annual "home" football game at its facility. The partnership starts fall 2020 and is expected to generate an additional $10 million in revenue over the five (5) year period.

After funding the long term debt servicing model for its 2011 and 2012 bond issuances, the Association capitalized on market conditions and refinanced its outstanding taxable and tax-exempt bonds in August 2019. The refinancing provided interest savings of over $24 million, reduced average annual debt service to approximately $14 million ($17 million previously), and provided $20 million of new funding for future capital projects (i.e. Russ Chandler Stadium Phase II and Bobby Dodd Stadium deferred maintenance).

The Association's financial outlook is positive based on anticipated revenue growth from the conference, fundraising, and external partnerships, as well as reduced annual debt service payments.

Contacting Management

This financial narrative is designed to provide the reader with a general overview of the Georgia Tech Athletic Association's finances and show the Association's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Association's Business Office at Bobby Dodd Stadium, Atlanta, Georgia:

Georgia Tech Athletic Association
Attn: Chief Financial Officer
150 Bobby Dodd Way
Atlanta, GA 30332-0455
(404) 894-8129

GEORGIA TECH ATHLETIC ASSOCIATION
STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,278,866	$ 7,935,052
Pledges receivable - current portion, net	5,742,113	3,327,816
Accounts receivable, net	2,720,108	3,871,523
Due from Georgia Tech Facilities, Inc.	-	1,034,347
Prepaid expenses and other assets	1,092,373	1,203,090
Total current assets	12,833,460	17,371,828
Noncurrent assets		
Pledges receivable - long-term, net	14,053,703	4,529,908
Investments held by Georgia Tech Foundation	108,299,697	109,095,500
Capital assets not being depreciated	10,250,010	13,534,158
Capital assets being depreciated, net	160,132,069	150,636,938
Other noncurrent assets	728,445	723,496
Total noncurrent assets	293,463,924	278,520,000
Total Assets	$ 306,297,384	$ 295,891,828
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding of debt, net	$ 15,109,831	$ 16,859,114
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	$ 3,325,324	$ 3,826,368
Accrued interest payable	2,700,577	2,715,541
Deposits received for football and basketball tickets	11,604,705	10,471,740
Deferred sponsorship agreements	556,166	354,537
Capital leases - current portion	330,603	69,087
Contract agreements - current portion	1,000,000	1,279,688
Notes payable - current portion	948,461	945,963
Bonds payable - current portion	31,190,000	1,145,000
Total current liabilities	51,655,836	20,807,924
Long-term liabilities		
Capital leases - long-term	836,364	51,815
Contract agreements - long-term	580,624	765,928
Notes payable - long-term	13,188,112	4,136,573
Bonds payable - long-term	183,068,586	214,850,250
Total long-term liabilities	197,673,686	219,804,566
Total Liabilities	$ 249,329,522	$ 240,612,490
NET POSITION (See Note 12)		
Net investment in capital assets	$ (44,070,216)	$ (40,473,605)
Unrestricted	(6,599,952)	3,980,364
Restricted		
Nonexpendable	45,427,130	37,154,723
Expendable for capital improvements, athletic teams, and scholarships	77,320,731	71,476,970
Total Net Position	$ 72,077,693	$ 72,138,452

The accompanying notes to the financial statements
are an integral part of these statements.

GEORGIA TECH ATHLETIC ASSOCIATION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Operating revenues		
Ticket sales	$ 10,789,084	$ 14,070,352
Atlantic Coast Conference revenue distributions	27,914,687	28,098,370
Contributions	3,528,289	2,745,332
Student athletic fees	5,541,826	5,448,836
Premium lease fees	9,280,181	9,442,347
Advertising and sponsorships	6,759,816	7,910,604
Guarantees	609,000	2,908,000
Institutional support	2,715,356	2,659,767
Other	2,068,425	2,999,253
Total operating revenues	69,206,664	76,282,861
Operating expenses		
Salaries and benefits	35,828,010	29,333,641
Scholarships	12,213,964	11,405,913
General and administrative	9,195,255	8,030,831
Depreciation	7,709,956	7,496,855
Guarantees	2,054,432	4,291,454
Travel	6,541,114	4,450,024
Recruiting	1,818,131	1,323,949
Events and other services	4,250,473	4,184,500
Utilities	1,898,168	1,898,941
Operation, maintenance, and plant	2,143,194	3,094,361
Uniforms and equipment	855,363	1,025,423
Total operating expenses	84,508,060	76,535,892
Operating loss	(15,301,396)	(253,031)
Nonoperating revenues (expenses)		
Investment income	593,980	343,360
Increase in fair value of investments	6,670,580	9,525,586
Permanent endowment contributions	2,335,080	2,618,107
Interest on long-term debt	(12,598,066)	(12,403,227)
Debt service contributions to other affiliated organizations	(137,400)	(137,400)
Restricted contributions	907,869	813,928
Total nonoperating revenues (expenses)	(2,227,957)	760,354
Income (loss) before capital contributions	(17,529,353)	507,323
Capital contributions	17,468,594	10,292,240
Change in net position	(60,759)	10,799,563
Net position, beginning of year	72,138,452	61,338,889
Net position, end of year	$ 72,077,693	$ 72,138,452

The accompanying notes to the financial statements
are an integral part of these statements.

GEORGIA TECH ATHLETIC ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities		
Receipts from customers	$ 14,107,811	$ 8,333,559
Receipts from student fees	5,541,826	5,448,836
Receipts from Atlantic Coast Conference	27,914,687	28,098,370
Receipts from other NCAA institutions	609,000	2,908,000
Receipts from donors for unrestricted contributions	3,528,289	2,745,332
Receipts from advertisers and sponsors	6,961,445	7,756,148
Receipts from premium lease fees	9,280,181	9,442,347
Payments to suppliers	(34,145,476)	(32,968,301)
Payments to employees	(23,471,825)	(20,491,092)
Payments to Georgia Institute of Technology	(17,294,369)	(12,723,215)
Other receipts, net	2,042,028	2,999,253
Net cash provided by (used in) operating activities	(4,926,403)	1,549,237
Cash flows from noncapital financing activities		
Receipts from permanent endowment and restricted contributions	3,242,949	3,432,035
Cash flows from capital and related financing activities		
Proceeds from capital debt	10,000,000	-
Receipts from donors for capital contributions	5,530,502	10,292,240
Purchases of capital assets	(12,553,396)	(6,498,128)
Principal paid on debt	(2,090,963)	(2,048,965)
Debt service contributions to affiliated organizations	(137,400)	(137,400)
Payments on capital lease obligations	(347,875)	(73,133)
Interest paid	(11,455,411)	(11,247,315)
Net cash used in capital and related financing activities	(11,054,543)	(9,712,701)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	19,888,496	15,254,703
Purchases of investments	(12,400,665)	(9,210,843)
Investment income	593,980	343,360
Net cash provided by investing activities	8,081,811	6,387,220
Net increase (decrease) in cash and cash equivalents	(4,656,186)	1,655,791
Cash and cash equivalents, beginning of year	7,935,052	6,279,261
Cash and cash equivalents, end of year	$ 3,278,866	$ 7,935,052

The accompanying notes to the financial statements
are an integral part of these statements.

GEORGIA TECH ATHLETIC ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018
(Continued)

	2019	2018
Reconciliation of operating loss to net cash provided by (used in) operating activites		
Operating loss	$ (15,301,396)	$ (253,031)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	7,709,956	7,496,855
Changes in assets and liabilities:		
Accounts receivable, net	1,151,415	104,818
Due from Georgia Tech Facilities, Inc.	1,034,347	(1,034,347)
Prepaid expenses and other assets	110,717	(50,674)
Accounts payable and accrued expenses	(501,044)	428,024
Contract agreements	(464,992)	(180,688)
Deposits received for football and basketball tickets	1,132,965	(4,807,264)
Deferred sponsorship agreements	201,629	(154,456)
Net cash provided by (used in) operating activities	$ (4,926,403)	$ 1,549,237
Supplemental disclosure of noncash activity		
Noncash investing activites		
Changes in fair value of investments	$ 6,670,580	$ 12,447,942
Noncash capital and related financing activities		
Purchases of capital assets through issuance of capital lease obligations	$ 1,393,940	$ -

The accompanying notes to the financial statements are an integral part of these statements.

(1) **Summary of Significant Accounting Policies**:

The following is a summary of the more significant accounting policies of the Georgia Tech Athletic Association (the Association), which affect significant elements of the accompanying basic financial statements.

(a) **Reporting entity**—The Association operates sports, athletic facilities, and programs for the benefit of the Georgia Institute of Technology (Georgia Tech or the Institute).

The Association qualifies for treatment as a component unit of Georgia Tech; therefore, the Association's financial statements are included in Georgia Tech's combined financial statements as a discretely presented component unit.

(b) **Basis of presentation**—The Association's financial statements have been prepared in accordance with the accounting principles generally accepted in the United States as prescribed by the Governmental Accounting Standards Board (GASB).

The financial statement presentation provides a comprehensive, entity-wide perspective of the Association's assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows. In addition, the Association presents a Management's Discussion and Analysis (MD&A). The MD&A is considered to be required supplemental information and precedes the financial statements.

(c) **Basis of accounting—**For financial reporting purposes, the Association is considered a special-purpose government engaged only in business-type activities. Accordingly, the Association's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

The Association distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses for the Association are those that result from the operation of Georgia Tech's intercollegiate athletic programs. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Capital contributions and endowment contributions are not considered operating revenues or expenses and are reported after nonoperating revenues and expenses in the accompanying statements of revenue, expenses, and changes in net position.

(d) **Cash and cash equivalents—**The Association considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

(e) **Accounts receivable**—Accounts receivable are stated at the amount management expects to collect from balances at year-end. Based on management's assessment of the credit history with organizations having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end should be immaterial. However, the Association recorded an allowance for doubtful accounts at June 30, 2019 of $114,872 and $114,872 in 2018 as a conservative estimate. The Association has no policy requiring collateral or other security to support its accounts receivable.

(1) **Summary of Significant Accounting Policies:** (Continued)

(f) **Pledges receivable**—The Association receives pledges and bequests of financial support from corporations, foundations, and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of such promise, revenue is recognized when the gift is received. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, endowment pledges are not recorded as assets until the related gift is received. The Association reduces pledges receivable to estimated net realizable value by recording an allowance to uncollectible pledges. An allowance for uncollectible pledges receivable is provided based on management's judgment of potential uncollectible amounts and includes such factors as prior collection history, type of gift, ad nature of fundraising.

(g) **Investments**—The Association states certain investments at their fair value if the investment has a readily determinable market value. Investments received as gifts are recorded at their fair market or appraised value as of the date of the gift.

(h) **Capital assets**—Capital assets are recorded at cost must exceed $10,000 or more before the assets are capitalized. Depreciation is recorded on a straight-line basis over estimated useful lives of the respective assets as follows:

Furniture and equipment	5 years
Scoreboards	15 years
Athletic Facilities / Buildings	30 – 40 years Property/improvements 30 years or length of debt service

(i) **Deferred outflows of resources**—In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The Association only had one item that qualifies for reporting in this category at June 30, 2019 and 2018, which is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. This amortization is included in interest expense on the statement of revenues, expenses, and changes in net position.

(j) **Net position**—The Association's net position is classified as follows:

- *Restricted – Nonexpendable*: Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal.

- *Restricted – Expendable*: Restricted expendable net position includes resources for which the Association is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

(1) **Summary of Significant Accounting Policies:** (Continued)

- *Net investment in capital assets:* Net position invested in capital assets, consists of capital assets, net of accumulated depreciation, plus deferred charge on refunding of debt, and is reduced by the outstanding balances of any debt that is attributable to those assets.

- *Unrestricted*: This represents Association resources which do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted net position is available for use, it is the Association's policy to use restricted resources first, then unrestricted resources as they are needed.

(k) **Contributions**—The Association recognizes receivables and revenues from private donations that are voluntary nonexchange transactions when all applicable eligibility requirements are met. All contributions are available for unrestricted use unless specifically restricted by the donor.

(l) **Postretirement benefits—**All employees who provide services to the Association are employees of the Institute. Employees are eligible, upon retirement, for certain healthcare and life insurance benefits. Substantially all employees may become eligible for these benefits if they reach normal retirement age while working for the Association or complete 15 years of service. Twelve and thirteen employees were eligible for postretirement coverage at June 30, 2019 and 2018, respectively.

The postretirement health care benefits allow the retiree to continue the health care coverage that was provided as an active employee. Beginning January 2016, the Association is no longer responsible for payments for health benefits, but does continue to offer dental and life insurance benefits to retired employees should they elect coverage. The Association made no payments for retiree insurance premiums for the years ended June 30, 2019 and June 30, 2018. In order for an employee to be eligible for postretirement health care benefits, the employee must have been employed 10 consecutive years, be at least 60 years of age and continue the benefits immediately upon retirement by paying the employee portion of the premium cost.

The postretirement life insurance benefits allow the retiree to continue the life insurance policy that he or she was eligible for as an active employee by continuing to pay the insurance premiums. A portion of the postretirement life insurance benefits are paid by the retiree.

The Other Postemployment Benefits (OPEB) liability and expense for the Institute has been reported in the Institute's consolidated financial statements. Since all employees who provide services to the Association are Institute employees, no OPEB liability or expense has been reflected in the accompanying financial statements of the Association.

Georgia Tech participates in various retirement plans administered by the State of Georgia under two major retirement systems: Teachers Retirement System of Georgia (TRS) and Employees' Retirement System of Georgia (ERS). These two systems issue separate publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained from the respective administrative offices. More detailed information can be found in the

(1) **Summary of Significant Accounting Policies:** (Continued)

plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

All teachers of Georgia Tech as defined in §47-3-60 of the Official Code of Georgia Annotated (O.C.G.A.) are provided a pension through the TRS. TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at www.trsga.com/publications.

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00 % of their annual pay during fiscal year 2019.

ERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.html.

Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The Institute's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2019 was 24.81% of annual covered payroll for old and new plan members and 21.81% for GSEPS members. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

(m) **Income taxes**—The Association is generally exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Management of the Association considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur, including changes to the Association's status as a not-for-profit entity. Management believes the Association met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore no provision for income taxes has been provided in these financial statements. The Association's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

(n) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(o) **Reclassifications**—Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation. These reclassifications had no effect on 2018 change in net position and did not change the classification of total net position.

(2) **Deposit and Investment Risk:**

Custodial credit risk is the risk related to deposits and investment securities. Custodial credit risk is the risk that in the event of a bank failure, the Association's deposits or funds invested may not be returned to it. The Association does not have a policy that addresses custodial credit risk. As of June 30, 2019 and 2018, $2,651,189 and $5,589,501 respectively, of the Association's bank balance of $3,151,772 and $6,090,114, respectively, was exposed to custodial credit risk.

Since the Association's investments represent investments in an external investment pool (see Note 4) they are not considered to be exposed to custodial credit risk, and therefore, no custodial credit risk disclosure is required.

Funds belonging to the State of Georgia cannot be placed in a depository paying interest longer than ten days without the depository providing a surety bond to the State. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the Official Code of Georgia Annotated Section 50-17-59:

1) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia.

2) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.

3) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.

4) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.

5) Bonds, bills, certificates of indebtedness, notes or other direct obligations of a subsidiary Authority of the United States government, which are fully guaranteed by the United States government, both as to principal and interest and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

6) Insurance of accounts provided by the Federal Deposit Insurance Corporation and the Federal Savings and Loan Insurance Corporation.

(3) Pledges Receivable:

The Association records pledges receivable from various fundraising campaigns. Pledges receivable at June 30, 2019 and 2018 primarily relate to funds received to fund certain construction projects, to include the Edge Building renovations, the Noonan Golf Facility, the Ken Byers Tennis Complex, the McCamish Pavilion and the Russ Chandler Baseball Stadium as well as to provide funds for athletic program support and to improve other athletic facilities of the Association. The Association has recorded pledges receivable at the present value of the future expected payments at June 30, 2019 and 2018, as follows:

	2019	2018
Pledges receivable	$ 22,054,684	$ 12,325,489
Allowance for uncollectible pledges	(384,671)	(3,775,803)
Present value discount (discount rates ranging from 1.4% to 3.4%)	(1,874,197)	(691,962)
Total	19,795,816	7,857,724
Less: Pledges receivable – current portion, net	5,742,113	3,327,816
Total pledges receivable – long-term, net	$ 14,053,703	$ 4,529,908

Based upon the terms of such pledges at June 30, 2019, the Association expects such pledges will be received as follows:

Less than one year	$ 5,742,113
One to five years	11,482,949
Greater than five years	2,570,754
Total	$ 19,795,816

(4) Funds Managed by the Georgia Tech Foundation:

The Association has transferred assets to the Georgia Tech Foundation (the Foundation) to be managed on its behalf. Assets managed by the Foundation on behalf of the Association totaled $108,299,697 and $109,095,500 at June 30, 2019 and 2018, respectively. The Foundation manages these assets by investing in pooled investment funds. Interest, dividend income, and gains and losses earned on pooled funds are allocated equitably based on the fair value of the assets of each entity that participates in the pooled investment funds. The Association is entitled to all earnings on these assets; however, distributions are made by the Foundation to the Association only when requested. The pooled funds held at the Foundation are valued on a quarterly basis and all earnings are allocated to the participants at that time. All purchases and redemptions are calculated as of the last business day of the calendar quarter in which the additions or withdrawals are made. Withdrawals from the pooled investments are charged at the exit price, which is based on the most recent quarterly valuation. Additionally, the Foundation and Alexander-Tharpe Fund, Inc. have agreed to a six-month advance notice prior to full redemption of funds from the pooled investments. Interest, dividend income, gains and losses from these funds, net of fees, totaled $6,670,581 and $9,530,856 for the years ended June 30, 2019 and 2018, respectively, and are included in investment income and increase in fair value of investments in the statements of revenues, expenses, and changes in net position. The Foundation distributed $19,852,058 and $15,254,703 to the Association for the years ended June 30, 2019 and 2018, respectively.

(4) **Funds Managed by the Georgia Tech Foundation:** (Continued)

In addition, based on donor designations, the Association is allocated earnings from certain endowments of the Foundation not reported on the financial statements, which had aggregate fair values of $18,855,282 and $18,229,967 at June 30, 2019 and 2018, respectively. The Foundation distributed $593,980 and $343,360 to the Association from these endowments for the years ended June 30, 2019 and 2018, respectively. These distributions are included in “proceeds of sales and maturities of investments” in the Statements of Cash Flows.

The Foundation prepares separate annual financial statements which are audited in accordance with auditing standards generally accepted in the United States of America. Information regarding investments held by the Foundation on behalf of the Association can be obtained from the Foundation.

As quantified in the previous paragraphs, draws are made annually from funds invested by the Georgia Tech Foundation on behalf of the Georgia Tech Athletic Association. All of the investments contain either permanent or temporary restrictions regarding how the funds and certain related earnings can be used. In general, as a result of these restrictions, funds drawn from these investments can only be used to fund sports related scholarships or expenses incurred by specific sports or sport related activities. The draws from these investments fund many of the transactions recorded as operating expenses on the Statements of Revenues, Expenses and Changes in Net position. The amount withdrawn from these investments is included in the “Proceeds from sales and maturities of investments” recorded on the Statements of Cash Flows. The breakdown of Endowment spending for the past two fiscal years is as follows:

	2019	2018
Restricted – expendable	$ 11,545,058	$ 10,404,703
Unrestricted	8,307,000	4,850,000
Total endowment spending	$ 19,852,058	$ 15,254,703

Restrictions on the assets included in the investment base from which these draws are made are as follows:

- 33% are classified as restricted, non-expendable. The earnings from these non-expendable assets are available to support scholarship expenses.
- 24% are restricted expendable assets for student-athlete support expenses. However, funds can also be drawn from these investments to cover approved capital projects and special project expenses.
- 35% are classified as restricted expendable assets. Draws can be made from these investments to fund facility enhancements and special projects expenses.
- The remaining 8% are classified as unrestricted expendable

(5) **Fair Value Measurements:**

The Association categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy 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.

(5) **Fair Value Measurements:** (Continued)

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.

Level 2 – Valuations based on pricing inputs that are other than quoted prices in active markets, which are either directly or indirectly observable. Examples include commingled funds which hold actively traded public securities, but whose valuations are determined only periodically, (typically monthly). Other 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 derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and require significant professional judgment in determining the fair value assigned to such assets and liabilities. Level 3 investments primarily comprise alternative investments that do not have a liquid market at the balance sheet date. Inputs used for Level 3 may include the original transaction price, recent transactions in the same or similar market, completed or pending third party transactions in the underlying investment or comparable issuers, and subsequent rounds of financing. When observable prices are not available, these investments are valued using one or more valuation techniques described below:

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

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

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

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

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

The fair value of the Association's investments held by Georgia Tech Foundation is measured on a recurring basis, which is valued based on the Association's share of the Foundation's investment pool, using significant unobservable inputs (Level 3).

(5) **Fair Value Measurements:** (Continued)

During the years ended June 30, 2019 and 2018, the fair value of assets classified as Level 3 in the fair value hierarchy changed as follows:

	Investments held by Georgia Tech Foundation
Balance at June 30, 2017	$ 105,608,505
Net income, earnings attributable to balances	9,530,856
Additions during the year	9,210,842
Withdrawals during the year	(15,254,703)
Balance at June 30, 2018	109,095,500
Net income, earnings attributable to balances	6,670,581
Additions during the year	12,385,674
Withdrawals during the year	(19,852,058)
Balance at June 30, 2019	$ 108,299,697

(6) **Capital Assets:**

Capital assets at June 30, 2019, consist of the following:

	Beginning Balance	Additions	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 9,218,600	$ -	$ -	$ 9,218,600
Construction in progress	4,315,558	1,031,410	(4,315,558)	1,031,410
Total capital assets, not being depreciated	13,534,158	1,031,410	(4,315,558)	10,250,010
Arthur B. Edge Athletic Center	15,923,627	1,079,189	-	17,002,816
Alexander Memorial Coliseum improvements	71,093,937	-	-	71,093,937
Chandler Baseball Stadium	15,264,408	482,134	-	15,746,542
Bobby Dodd Stadium	78,763,826	473,550	-	79,237,376
William C. Wardlaw Center	3,416,862	-	-	3,416,862
Scoreboards	8,684,580	1,752,801	-	10,437,381
Griffin Track	365,809	-	-	365,809
Moore Tennis Center	12,563,143	-	-	12,563,143
Other buildings and improvements	28,287,991	13,380,075	-	41,668,066
Furniture and equipment	2,312,562	37,338	-	2,349,900
Total capital assets, being depreciated	236,676,745	17,205,087	-	253,881,832
Less accumulated depreciation	86,039,807	7,709,956	-	93,749,763
Total capital assets, being depreciated, net	150,636,938	9,495,131	-	160,132,069
Total net capital assets	$ 164,171,096	$ 10,526,541	$ (4,315,558)	$ 170,382,079

(6) **Capital Assets:** (Continued)

Capital assets at June 30, 2018, consist of the following:

	Beginning Balance	Additions	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 9,032,000	$ 186,600	$ -	$ 9,218,600
Construction in progress	503,785	4,280,637	(468,864)	4,315,558
Total capital assets, not being depreciated	9,535,785	4,467,237	(468,864)	13,534,158
Arthur B. Edge Athletic Center	15,287,296	636,331	-	15,923,627
Alexander Memorial Coliseum improvements	71,093,937	-	-	71,093,937
Chandler Baseball Stadium	15,173,947	90,461	-	15,264,408
Bobby Dodd Stadium	77,953,012	810,814	-	78,763,826
William C. Wardlaw Center	3,416,862	-	-	3,416,862
Scoreboards	8,507,958	176,622	-	8,684,580
Griffin Track	349,159	16,650	-	365,809
Moore Tennis Center	12,563,143	-	-	12,563,143
Other buildings and improvements	27,518,305	769,686	-	28,287,991
Furniture and equipment	2,008,244	304,318	-	2,312,562
Total capital assets, being depreciated	233,871,863	2,804,882	-	236,676,745
Less accumulated depreciation	78,542,952	7,496,855	-	86,039,807
Total capital assets, being depreciated, net	155,328,911	(4,691,973)	-	150,636,938
Total net capital assets	$ 164,864,696	$ (224,736)	$ (468,864)	$ 164,171,096

Additions and improvements to the athletic facilities used by the Association become the property of the State of Georgia upon installation or acquisition. Under a lease agreement with the Board or Regents of the University System of Georgia, the Association has the use of this property for up to 40 years.

Included in capital assets as of June 30, 2019 and 2018, is equipment leased under capital leases. The gross cost amount of these assets was $1,670,289 and $287,138 as of June 30, 2019 and 2018, respectively, with related accumulated depreciation of $253,738 and $114,855 as of June 30, 2019 and 2018, respectively. Equipment under capital leases is amortized over the shorter of the lease term or the estimated useful lives of the assets. Obligations under capital leases were $1,166,967 and $120,902 as of June 30, 2019 and 2018, respectively.

(7) Long-term Obligations:

The change in long-term obligations for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes and bonds payable	$ 221,077,786	$ 10,000,000	$ (2,682,627)	$ 228,395,159	$ 32,138,461
Capital leases	120,902	1,393,940	(347,875)	1,166,967	330,603
Contract agreements	2,045,616	-	(464,992)	1,580,624	1,000,000
Total	$ 223,244,304	$ 11,393,940	$ (3,495,494)	$ 231,142,750	$ 33,469,064

The change in long-term obligations for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes and bonds payable	$ 223,714,540	$ -	$ (2,636,754)	$ 221,077,786	$ 2,090,963
Capital leases	194,035	-	(73,133)	120,902	69,087
Contract agreements	2,226,304	1,700,000	(1,880,688)	2,045,616	1,279,688
Total	$ 226,134,879	$ 1,700,000	$ (4,590,575)	$ 223,244,304	$ 3,439,738

(8) **Notes and Bonds Payable:**

Notes and bonds payable at June 30, 2019, consist of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Note Payable, unsecured note payable representing the Association's obligation to Georgia Tech Foundation, Inc. with respect to the William C. Wardlaw Center, interest payable semi-annually. Effective interest rate at June 30, 2019, is 4.25%.	$ 582,536	$ -	$ (45,963)	$ 536,573	$ 48,461
Note Payable, secured by real property, interest payable quarterly at a variable rate of 30-day LIBOR plus 1.85% per annum (3.10% at June 30, 2019) with quarterly principal payments of $900,000 beginning July 2014 thru July 2023.	4,500,000	10,000,000	(900,000)	13,600,000	900,000
Series 2011 Bonds Payable, fixed rate bonds (interest rates ranging from 2.00% to 5.75% at June 30, 2019) with annual principal payments ranging from $25,000 to $8,235,000 beginning October 2011 thru October 2041.	84,915,000	-	(855,000)	84,060,000	890,000
Series 2012 Bonds Payable, fixed rate bonds (interest rates ranging from 1.32% to 5.31% at June 30, 2019) with annual principal payments ranging from $260,000 to $13,580,000 beginning October 2012 thru October 2042.	124,855,000	-	(290,000)	124,565,000	30,300,000
	214,852,536	10,000,000	(2,090,963)	222,761,573	32,138,461
Unamortized discount and premium	6,225,250	-	(591,664)	5,633,586	-
	$ 221,077,786	$ 10,000,000	$ (2,682,627)	$ 228,395,159	$ 32,138,461

(8) **Notes and Bonds Payable:** (Continued)

Notes and bonds payable at June 30, 2018, consist of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Note Payable, unsecured note payable representing the Association's obligation to Georgia Tech Foundation, Inc. with respect to the William C. Wardlaw Center, interest payable semi-annually. Effective interest rate at June 30, 2018, is 4.25%.	$ 626,501	$ -	$ (43,965)	$ 582,536	$ 45,963
Note Payable, secured by real property, interest payable quarterly at a variable rate of 30-day LIBOR plus 1.85% per annum (3.85% at June 30, 2018) with quarterly principal payments of $900,000 beginning July 2014 thru July 2023.	5,400,000	-	(900,000)	4,500,000	900,000
Series 2011 Bonds Payable, fixed rate bonds (interest rates ranging from 2.00% to 5.75% at June 30, 2018) with annual principal payments ranging from $25,000 to $8,235,000 beginning October 2011 thru October 2041.	85,730,000	-	(815,000)	84,915,000	855,000
Series 2012 Bonds Payable, fixed rate bonds (interest rates ranging from 1.32% to 5.31% at June 30, 2018) with annual principal payments ranging from $260,000 to $13,580,000 beginning October 2012 thru October 2042.	125,145,000	-	(290,000)	124,855,000	290,000
	216,901,501	-	(2,048,965)	214,852,536	2,090,963
Unamortized discount and premium	6,813,039	-	(587,789)	6,225,250	-
	$ 223,714,540	$ -	$ (2,636,754)	$ 221,077,786	$ 2,090,963

(8) **Notes and Bonds Payable:** (Continued)

In January of 2011, the Development Authority of Fulton County issued Georgia Tech Athletic Association Revenue Bonds, Series 2011 with a par value of $88,775,000 to finance the construction of the McCamish Pavilion basketball coliseum and the Mary R. and John F. Brock III Football Facility as well as to refinance the $20,915,460 principal outstanding on the series 2008A bonds. This is a fixed rate, tax exempt bond issuance. The bonds were marketed at an All-In Total Interest Cost of 5.939%.

In February of 2012, the Development Authority of Fulton County issued Georgia Tech Athletic Association Revenue Bonds, Series 2012A with a par value of $97,925,000. This bond issuance re-financed the remaining $94,285,000 principal outstanding on the Series 2001 bonds. This bond issuance also financed the construction of the Ken Byers Tennis Complex. This is a fixed rate, tax exempt bond issuance. Also in February of 2012, the Development Authority of Fulton County issued Georgia Tech Athletic Association Revenue Bonds, Series 2012B with a par value of $26,615,000. This bond issuance funded the termination of the swaption that the Association entered into in 2003. This is a fixed rate, taxable bond issuance. The bonds were marketed at an All-In Total Interest Cost of 4.144%.

On July 30, 2013, Georgia Tech Athletic Association, Inc. purchased property from Georgia Tech Foundation, Inc., to be used for the benefit of the golf program. The property was purchased using a 10-year, unsecured Term loan issued by SunTrust bank in the amount of $9,000,000. The terms of the loan are interest of 30-Day LIBOR plus 1.85% due quarterly plus principal payments of $900,000 due annually.

Maturities of notes and bonds payable during the fiscal years subsequent to June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total Principal and Interest
2020	$ 32,138,462	$ 10,560,617	$ 42,699,079
2021	3,185,959	9,779,826	12,965,785
2022	3,348,457	9,782,234	13,130,691
2023	33,536,455	8,952,045	42,488,500
2024	2,818,953	8,091,621	10,910,574
2025–2029	21,313,287	38,549,733	59,863,020
2030–2034	32,150,000	30,269,704	62,419,704
2035–2039	45,100,000	19,504,909	64,604,909
2040–2043	49,170,000	5,393,263	54,563,263
	222,761,573	140,883,952	363,645,525
Unamortized discount and premium	5,633,586	-	5,633,586
Total	$ 228,395,159	$ 140,883,952	$ 369,279,111

Principal and interest paid during the years ended June 30, 2019 and 2018, totaled approximately $13.0 million.

(9) **Capital Leases:**

The Association has entered into four lease agreements as a lessee for turf and irrigation equipment and videoboard equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception dates.

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2019, were as follows:

Year Ending June 30,	Amount
2020	$ 332,111
2021	278,788
2022	278,788
2023	278,788
Total minimum lease payments	1,168,475
Less: Amounts representing interest	1,508
Present value of minimum lease payments	$ 1,166,967

Interest rates on capitalized leases vary from 0.99% to 2.91% and are imputed based on the lower of the Association's incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return.

Certain capital leases provide renewal or purchase options. Generally, purchase options are at prices representing the expected fair value of the property at the expiration of the lease term.

Amortization of leased buildings and improvements and equipment, furniture, fixtures and vehicles under capital leases is included with depreciation expense.

(10) **Line of Credit:**

The Association has an unsecured revolving line of credit in the amount of $10 million with a regional bank. The line of credit is due on demand, but if no demand for payment is made, the line matures on July 4, 2020. Accrued interest is due on the 15th day of each month. The interest rate on the line of credit is the one-month LIBOR plus 1.25%. A fee of 0.20% will be charged quarterly on the unused portion of the revolving credit facility. There was no balance outstanding on the line of credit at June 30, 2019 and 2018.

(11) **Employee Benefits:**

As disclosed in Note 1(m) above, all employees who provide services to the Association are employees of the Institute. As such, all employees are eligible to participate either in the State of Georgia's Teacher's Retirement Plan or its Optional Retirement Plan which varies in match percentage between 9.24% and 21.14%. The expense related to this benefit is included in a straight benefit assessment percentage based on total salary expense of 31%. This benefit expense includes insurance coverage, payroll tax expense and pension expense. For the purpose of this footnote, the percent attributed to pension is one-third or approximately 10%.

Total retirement plan expenses totaled $1,825,196 and $1,534,352 for the years ended June 30, 2019 and 2018, respectively.

(12) **Net Position**:

Investment income, including unrealized appreciation and depreciation, is allocated to the restricted expendable account on a pro rata basis based on the nonexpendable balance. Absent any donor restrictions, these funds are then available for expenditure.

Restricted expendable net position consists of gifts related to the quasi-endowment established by the gifts received from the Candler Estate. Also included in restricted expendable net position is the Association's Long-Term Support Fund.

Restricted nonexpendable net position includes endowments established to support specific expenses. This total includes endowments that fund scholarship and operating expenses for specified sports teams.

(13) **Candler Fund:**

The Association was named beneficiary in Lee Candler's estate and a charitable remainder trust established by her prior to her death. Upon the death of Lee Candler, the trust was terminated, and all funds therein where distributed to the Association. Total assets received by the Association from the charitable remainder trust and Lee Candler's estate were $54,566,495. These assets were transferred to the Foundation to be managed on the Association's behalf and were combined to form the Candler Fund.

The Candler Fund is being managed by the Association as a quasi-endowment. A substantial portion of the income from Candler Fund is to be used to support the operations of the Total Person Program, the Howard Candler, Jr. Football Conference Center, and the Homer C. Rice Center for Sports Performance. The Association's endowment spending policy for the Candler Fund for the years ended June 30, 2019 and 2018, was a minimum of 5% of the fair value of the assets, as measured on December 31, of the respective year, for support of the specified programs.

(14) **Debt Service Contributions to Affiliated Organizations:**

The Association leases executive boxes in the Student Success Center during the football season. Under the terms of the agreement with the Georgia Tech Foundation, the Association is required to remit $137,400 annually to the Georgia Tech Foundation until the related indebtedness has been fully satisfied. The related debt is scheduled to be extinguished in 2027. The modified agreement also provides for a review of the terms of the agreement at a minimum of every five years, at which time any required modifications will be made. Debt service contributions made by the Association totaled $137,400 for each of the years ended June 30, 2019 and 2018.

(15) **Operating Leases:**

The Association has entered into operating leases for facilities and equipment used in its operations. Rent expense is included in general administrative expenses in the statements of revenues, expenses, and change in net position. For the years ended June 30, 2019 and 2018, the Association recognized rent expense related to payments under these operating leases of $73,135 and $102,009, respectively. Future minimum lease payments are projected to be as follows:

Year Ending June 30,	Amount
2020	$ 60,191
2021	54,100
2022	54,100
2023	54,100
Total	$ 222,491

(16) **Commitments and Contingencies:**

The Association has entered into employment contracts with certain employees expiring in years through 2025 that provide for a minimum annual salary. At June 30, 2019, the total commitment for all contracts for each of the next five years and in the aggregate is as follows:

Year Ending June 30,	Amount
2020	$ 8,062,500
2021	8,190,000
2022	6,486,000
2023	6,550,000
2024	4,275,000
2025	4,400,000
Total	$ 37,963,500

The Association is a party in a number of legal actions. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, for these legal actions will not have a material adverse effect on the Association’s financial position.

(17) **Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the Association’s financial statements:

(a) GASB issued Statement No. 84, Fiduciary Activities, in June 2017. GASB 84 seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The provisions in GASB 84 are effective for fiscal years beginning after December 15, 2018. The Association is currently evaluating the impact this statement will have on its financial statements.

(b) GASB issued Statement No. 87, Leases, in June 2017. GASB 87 aims to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The provisions in GASB 87 are effective for periods beginning after December 15, 2019. The Association is currently evaluating the impact this statement will have on its financial statements.

SUPPLEMENTARY SCHEDULES

GEORGIA TECH ATHLETIC ASSOCIATION
SUPPLEMENTARY SCHEDULE I: CASH BASIS FINANCIALS
JUNE 30, 2019 AND 2018

On a quarterly basis, the Georgia Tech Athletic Association prepares cash based financial statements for review by the Association's Board of Trustees. This presentation provides an accounting of real funds received and expended during the fiscal year. Highlighted below is the fiscal year 2019 Cash-Based Income Statement. Explanations for the variance between the Governmental Accounting Standards Board (GASB) Statement No. 35 based financials and the Cash-Based Financials are provided in the notes below.

	FY 2018 CASH BASED FINANCIALS	FY 2019 AUDITED FINANCIALS	FY 2019 CASH BASED FINANCIALS	VARIANCE CASH vs. AUDITED	
REVENUES					
ACC Distribution	$ 28,098,370	$ 27,914,687	$ 27,914,687	$ -	
Ticket Sales	14,070,352	10,789,084	10,789,084	-	
Guarantees Received	2,908,000	609,000	609,000	-	
Premium Lease Fees	9,442,347	9,280,181	9,280,181	-	
Sponsorships	7,905,049	6,759,816	7,015,372	255,556	*A*
Student Fees	5,448,836	5,541,826	5,541,826	-	
Contributions	17,339,292	3,528,289	16,623,645	13,095,356	*B*
Institutional Support	2,659,767	2,715,356	2,715,356	-	
Other	2,999,253	2,068,425	2,068,425	-	
TOTAL REVENUES	90,871,266	69,206,664	82,557,576	13,350,912	
EXPENSES					
Personnel	30,909,205	35,828,010	35,527,074	(300,936)	*C*
Scholarships	11,472,295	12,213,964	12,213,964	-	
Travel & Post Season	4,450,024	6,541,114	6,541,114	-	
Depreciation	-	7,709,956	-	(7,709,956)	*D*
Recruiting	1,323,949	1,818,131	1,818,131	-	
Event & Other Services	4,184,500	4,250,473	4,250,473	-	
General and Administrative	7,964,449	9,195,255	9,195,255	-	
Guarantees	4,291,454	2,054,432	2,054,432	-	
Operations, Maintenance & Plant	6,787,359	2,143,194	5,052,545	2,909,351	*E*
Utilities	1,898,941	1,898,168	1,898,168	-	
Uniforms and Equipment	1,025,423	855,363	855,363	-	
Debt Service	13,433,680	-	13,683,775	13,683,775	*F*
TOTAL EXPENSES	87,741,279	84,508,060	93,090,294	8,582,234	
NET INCOME	$ 3,129,987	$ (15,301,396)	$ (10,532,718)	$ 4,768,678	

GEORGIA TECH ATHLETIC ASSOCIATION
NOTES TO SUPPLEMENTARY SCHEDULE
JUNE 30, 2019 AND 2018

A. Sponsorships

In December 2012, the Association executed an amended contract with IMG College that extended the previous agreement three years with the resulting final year of the agreement being FY 2021. As part of the agreement, IMG paid GTAA a $5 million signing bonus in December of 2012. These funds were a prepayment of future contracted revenue owed to the Association, $3,435,000 of which was not due to the Association until FY 2014. GTAA deposited the $5 million pre-payment in an investment earning quasi endowment managed by the Georgia Tech Foundation.

Following GASB Statement No. 35, the audited financial statements require that the total payments be recognized as revenue on a straight-line method over the life of the contract. Based on this method of revenue recognition, the resulting revenue recorded will result in either deferred revenue or an accounts receivable on June 30th financials, for the years effected. For fiscal year FY 2019, the sponsorship revenues reported on the audited financial statement are $255,556 less than the total reported on the cash based financials.

B. Contributions

GASB Statement No. 35 based revenues total all contributions received during the fiscal year, to include donations that ultimately are deposited in one or more of the AT Fund's restricted endowment accounts and invested by the Georgia Tech Foundation. Since these funds are not expended by the Association when they are received, the donation amount is not recorded on the Cash Based Income Statement.

For most endowments, the Association draws a portion of the interest earned annually. The dollars drawn are used to fund Association expenses (typically scholarship expenses) as permitted by the original endowment agreement. For any given fiscal year, on the Cash Based Income Statement, these draws are recorded as revenue because they are used to fund expenses incurred during that fiscal year. Under GASB Statement No. 35, a portion of the revenue drawn has already been recorded as contribution revenue during the fiscal year in which it was received. In addition, the interest earned on the original investment is added to the assets on the audited financial statements Balance Sheet. Because this draw has been reflected elsewhere, these funds are not recorded as contribution revenue on the audited Statement of Revenues, Expenses, and Changes in Net Position.

GASB Statement No. 35 based accounting records pledges received as contribution revenue during the year in which the contribution is received. When pledges are determined to be uncollectible, they are written off. The amount written off is deducted from contribution revenue during the year in which the write off occurred. Because pledges are not actually received in cash form, the amount pledged (or amount written off) is not recorded on the cash based income statement.

As a result of these factors, contribution revenues for the two different methods of accounting are derived from the following sources:

GASB Statement No. 35 Accounting

Funds contributed to Athletic Directors Initiative Fund during FY 2019	$	1,789,837
Annual unrestricted cash contributions		3,496,901
Unrestricted Pledge Balances		(1,758,449)
	$	3,528,289

Cash Based Accounting

Annual draw from restricted endowment base	$	2,283,000
Annual draws from Candler Fund endowments		2,100,000
Annual draw from Athletic Directors Initiative Fund		1,600,000
Annual draw from Long Term Growth Fund		7,143,744
Annual unrestricted cash contributions		3,496,901
	$	16,623,645

C. Personnel

Following GASB Statement No. 35 guidelines, the net present value of the entire balance owed to the former Head Men's Basketball and Football Coaches, was reflected as a long term liability on the FY 2011 and FY 2019 Statement of Net Position. As a result, compensation paid after their full time employment ended in March of 2011 and December of 2017 was not shown as a personnel expense on the Statement of Revenues, Expenses, and Changes in Net Position, but was instead deducted from the long term liability established on the FY 2011 and FY 2019 financials. For FY 2019 the net present value of the entire balance of amounts owed to the Former Head Football and Defensive coordinators' after their employment ended December of 2018 were recorded on the FY 2019 Statement of Net Position and as a result this, compensation was added as a personnel expense for FY 2019. Therefore, the net result of these transactions are recorded as a reduction to the cash basis due to the amounts for FY 2019 recorded as a long term liability.

D. Depreciation

As outlined in footnote 1(h) to the audited financial statements, under GASB Statement No. 35 based accounting, capital assets are recorded at cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of these assets, resulting in the depreciation expense noted on the audited financials. Since no actual cash outlay is associated with this activity, depreciation expense is not recorded on the cash based financial statements.

E. Operations, Maintenance & Plant

Under GASB Statement No. 35 accounting guidelines, expenses associated with physical plant additions are capitalized and reflected in the Capital Assets total on the Statement of Net Position and not on the Statement of Revenues, Expenses, and Changes in Net Position. These expenses, totaling $2,561,476 in FY 2019 were primarily renovations to the Edge Building and Rice Museum and the majority of the expenses were for the newly constructed ACC Network Additionally, upgrades to Bobby Dodd Stadium, Chandler and other miscellaneous projects are included under the "Operations, Maintenance and Plant" line item on the Cash Based Income Statement.

As outlined in footnote 6 to the audited financial statements, under GASB Statement No. 35 based accounting, included in capital assets on the Statement of Net Position is equipment leased under capital leases. Equipment under capital leases is amortized over the shorter of the lease term or the estimated useful lives of the assets. As a result, lease payments for equipment are not recorded as operating expenses on the GASB Statement No. 35 based Statement of Revenues, Expenses, and Changes in Net Position, but are instead amortized under capital assets on the Statement of Net Position. The largest examples of equipment leases charged to Operations, Maintenance & Plant accounts include costs associated with the grounds maintenance equipment provider. Lease payments generated $347,875 in expenses that were shown on the cash based income statement in FY 2019, but not included in the audited financial statements' Statement of Revenues, Expenses, and Changes in Net Position.

F. Debt Service

Under GASB Statement No. 35 accounting guidelines, debt payments associated with the 2011 Series Revenue Bonds and the 2012 Series Revenue Bonds are broken into interest payments and payments against the principal. Interest payments are not recorded as operating expenses on the GASB Statement No. 35 based Statement of Revenues, Expenses, and Changes in Net Position, but are instead shown below the Operating Profit (Loss) line as “non-operating expenses.” Principal payments are deducted from the “Bonds Payable- Long Term” total on the Statement of Net Position. Because GTAA dollars were used to fund all debt payments made during FY 2019, this expense is included on the Cash Based Income Statement.

GEORGIA TECH ATHLETIC ASSOCIATION
SUPPLEMENTARY SCHEDULE II: ATTENDANCE AND ASSOCIATED REVENUE
JUNE 30, 2019

The intercollegiate football and men's basketball programs at Georgia Tech generate the vast majority of fan attendance and revenue (primarily through ticket sales and television contract revenue) for GTAA. The following table lists the top five intercollegiate sports at Georgia Tech in terms of fan attendance and associated revenue:

Sport	2018-2019 Total Attendance	2018-2019 Average Attendance per Game	Associated Revenue[(1)]
Football	258,523	43,087	$ 45,613,000
Men's Basketball	111,202	5,853	6,391,000
Baseball	54,743	1,480	180,000
Women's Basketball	21,715	1,206	65,000
Volleyball	10,556	621	22,000
Total	**456,739**	**52,247**	**$ 52,271,000**

(1) Associated Revenue is event related sales (*i.e.*, tickets, suite and club seat sales, TECH fund donations, concessions, parking and guarantees) and associated television revenues received through ACC conference distributions.