

GEORGIA TECH RESEARCH CORPORATION

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2022

And Report of Independent Auditor

GEORGIA TECH RESEARCH CORPORATION
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Report of Independent Auditor

To the Board of Trustees
Georgia Tech Research Corporation
Atlanta, Georgia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the Georgia Tech Research Corporation (“GTRC”), an affiliate of Georgia Institute of Technology, which is a unit of the University System of Georgia, which is an organizational unit of the state of Georgia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and discretely presented component unit of GTRC, as of June 30, 2022, and the respective changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of GTRC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about GTRC’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GTRC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about GTRC's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–5 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2022, on our consideration of GTRC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of GTRC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GTRC's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Atlanta, Georgia
September 19, 2022

GEORGIA TECH RESEARCH CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

Introduction

The Georgia Tech Research Corporation ("GTRC") is a state-chartered, not-for-profit corporation serving the Georgia Institute of Technology ("GIT"), a unit of the University System of the state of Georgia, as an approved cooperative organization. The Georgia Tech Applied Research Corporation ("GTARC") is a state-chartered, not-for-profit corporation serving GIT as an approved cooperative organization.

GTRC and GTARC are organized and operate primarily for the purpose of soliciting grants and contracts, accepting grants or entering into contracts for research or services to be performed by or in conjunction with GIT or to be performed using GIT's facilities, and for related objectives. GTRC serves the business segments of GIT, which perform research in accordance with guidance released by the Office of Management and Budget ("OMB"). Awards adhere to Uniform Administrative Requirements, Cost Principles, and Audit Requirements contained in Title 2 of the Code of Federal Regulations. With respect to subsequent incremental funding provided on awards which were received preceding the changes to OMB guidance, GTRC administers the research in accordance with instruction provided by the individual awarding federal agencies.

Description of the Financial Statements

The statements of net position; revenues, expenses, and changes in net position; and cash flows are designed to provide information which will assist in understanding the financial condition and performance of GTRC. The net position is an indicator of GTRC's financial health. Over time, increases or decreases in net position are another measure of the changes in GTRC's financial condition when considered with other non-financial facts.

The statement of net position presents the assets, liabilities, deferred inflows of resources and net position of GTRC.

The statement of revenues, expenses, and changes in net position presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. The financial reporting model classifies interest income, interest expense, investment earnings and changes in the fair value of investments as nonoperating revenues. As a result, the financial statements may show operating losses that are then offset by nonoperating revenues from a total financial perspective.

The statement of cash flows presents information in the form of cash inflows and outflows summarized by operating activities, capital and related financing activities, and investing activities.

GEORGIA TECH RESEARCH CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

Financial Highlights

The condensed statements of net position of GTRC at June 30, 2022 and 2021 are shown below:

	<u>2022</u>	<u>2021</u>
Assets		
Current assets	\$ 216,700,136	\$ 173,364,966
Capital assets, net	563,275	690,998
Right-to-use assets, net	58,820,160	-
Noncurrent assets	<u>54,022,898</u>	<u>2,076,483</u>
Total Assets	<u>330,106,469</u>	<u>176,132,447</u>
Liabilities		
Current liabilities	148,891,196	120,357,993
Noncurrent liabilities	<u>53,922,136</u>	<u>2,055,091</u>
Total Liabilities	<u>202,813,332</u>	<u>122,413,084</u>
Deferred Inflows of Resources - Leases	<u>58,829,364</u>	<u>-</u>
Net Position		
Invested in capital assets	(256,932)	690,998
Restricted	4,717,786	434,559
Unrestricted	<u>64,002,919</u>	<u>52,593,806</u>
Total Net Position	<u>\$ 68,463,773</u>	<u>\$ 53,719,363</u>

Current assets increased by \$43,335,170, or 25.0% from fiscal 2021, due primarily to an increase in accounts receivable balances.

Capital assets decreased by \$127,723, or 18.5% from fiscal 2021, primarily due to depreciation.

Effective July 1, 2021, GTRC adopted Governmental Accounting Standards Board ("GASB") Statement No. 87, *Leases* ("GASB No. 87") and recorded right-to-use assets, lessor receivables, lease obligations and deferred inflows of resources related to leases that GTRC was the lessee and lessor. At July 1, 2021, right-to-use assets and lease obligations were \$66,122,783, and lessor receivables and deferred inflows of resources were \$66,133,265. The adoption of GASB No. 87 had no impact on GTRC's net position at July 1, 2021.

Current liabilities increased by \$28,533,303, or 23.7% from fiscal 2021, primarily due to an increase in advance payments on research contracts, payables due to GIT and recording of the current portion of lease obligations in accordance with GASB No. 87.

Noncurrent liabilities increased by \$51,867,045 or 2523.8% from fiscal 2021, primarily due to recording of lease obligations in accordance with GASB No.87.

Net position represents the difference between total assets and liabilities. There was an increase in net position of \$14,744,410, or 27.4% from fiscal 2021, which was attributable to GTRC generating net income from operations in fiscal 2022.

GEORGIA TECH RESEARCH CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

Financial Highlights (continued)

The condensed statements of revenues, expenses, and changes in net position of GTRC for the years ended June 30, 2022 and 2021 are shown below:

	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 394,291,912	\$ 361,677,019
Operating expenses	(379,849,679)	(349,427,698)
Income from operations	14,442,233	12,249,321
Nonoperating revenues, net	302,177	301,269
Increase in net position	14,744,410	12,550,590
Net position, beginning of year	53,719,363	41,168,773
Net position, end of year	<u>\$ 68,463,773</u>	<u>\$ 53,719,363</u>

Operating revenues consist primarily of research contracts, licensing fees, royalty revenues, gift revenue, and lease income. During fiscal 2022, operating revenues increased by \$32,614,893 or 9.0%, primarily due to increased research project revenues, and lease income.

Operating expenses increased by \$30,421,981 or 8.7%, which is primarily due to a nearly proportional increase in research expenses relative to operating revenues.

Nonoperating revenues increased by \$908 or .3%, from a primarily due to a slight increase in interest income compared with fiscal 2021.

Economic Outlook

GIT, through GTRC and GTARC, received approximately \$1.276 billion in sponsored research awards in fiscal year 2022. Research awards grew in the academic units of GIT. GTRC received approximately \$443 million in new research funding while GTARC received nearly \$833 million. Overall, new funding for GIT research increased approximately 6.5% over new funding received in 2021.

GIT has ongoing research initiatives with public and private sponsors in several key areas. GIT received \$65 million in Federal sponsorship to work on artificial intelligence initiatives as part of the Build Back Better legislation. In addition to Artificial Intelligence, some focal points for GIT research include Semi-Conductor Technology, Quantum Computing, Manufacturing and Cybersecurity. Georgia Tech is currently establishing three SRC centers related to Semi-Conductor research as part of a \$100 million investment. Georgia Tech continues to be a globally recognized leader in the teaching and discovery of machine learning. Another focal point for current and future GIT research efforts is Climatology, Climate change, clean energy, and sustainability. The outlook for research expansion and increased funding in fiscal year 2022 was positive and sponsor investment in GIT research continues to increase for the future.

Requests for Information

This financial report is designed to provide a general overview of Georgia Tech Research Corporation's finances for all those with an interest in the corporation's finances. Questions concerning any of the information provided in this report or requests for additional financial information, including the separately issued financial statements for Georgia Tech Applied Research Corporation, should be addressed to the Office of the Controller, Georgia Tech Research Corporation, 926 Dalney Street N.W. Atlanta, Georgia, 30332-0415.

GEORGIA TECH RESEARCH CORPORATION
STATEMENT OF NET POSITION

JUNE 30, 2022

	Georgia Tech Research Corporation	Component Unit Georgia Tech Applied Research Corporation	Total Business-Type Activities
ASSETS			
Current Assets:			
Cash	\$ 120,665,951	\$ 78,420,307	\$ 199,086,258
Accounts Receivable:			
Research contracts - billed	32,498,574	82,937,552	115,436,126
Research contracts - unbilled	56,934,274	69,820,619	126,754,893
Other receivables - GIT	1,099,268	-	1,099,268
Less allowance for doubtful accounts	<u>(3,105,712)</u>	<u>(3,084,365)</u>	<u>(6,190,077)</u>
Accounts Receivable, Net	87,426,404	149,673,806	237,100,210
Due from Georgia Tech Applied Research Corporation	715,797	-	715,797
Financed sale of equipment - current portion	466,731	-	466,731
Lessor receivable - current portion	7,116,493	5,984,894	13,101,387
Prepaid expenses	308,760	1,074,749	1,383,509
Total Current Assets	<u>216,700,136</u>	<u>235,153,756</u>	<u>451,853,892</u>
Noncurrent Assets:			
Investments	61	-	61
Financed sale of equipment - long-term portion	1,413,646	-	1,413,646
Right-to-use assets, net	58,820,160	41,985,079	100,805,239
Lessor receivable - noncurrent portion	52,595,778	37,460,564	90,056,342
Security deposits	13,413	71,123	84,536
Capital assets, net	563,275	54,249	617,524
Total Noncurrent Assets	<u>113,406,333</u>	<u>79,571,015</u>	<u>192,977,348</u>
Total Assets	<u>330,106,469</u>	<u>314,724,771</u>	<u>644,831,240</u>
LIABILITIES			
Current Liabilities:			
Accounts payable - GIT	46,355,752	82,888,168	129,243,920
Due from Georgia Tech Research Corporation	-	715,797	715,797
Financed purchase of equipment - current portion	482,029	-	482,029
Lease obligations - current portion	7,116,579	5,984,894	13,101,473
Unearned research contract revenues	94,798,232	6,481,914	101,280,146
Deferred rent revenue	138,604	1,065,054	1,203,658
Total Current Liabilities	<u>148,891,196</u>	<u>97,135,827</u>	<u>246,027,023</u>
Noncurrent Liabilities:			
Financed purchase of equipment - noncurrent portion	1,398,348	-	1,398,348
Lease obligations - long-term portion	52,523,788	37,433,037	89,956,825
Funds held on behalf of others	-	67,117,376	67,117,376
Total Noncurrent Liabilities	<u>53,922,136</u>	<u>104,550,413</u>	<u>158,472,549</u>
Total Liabilities	<u>202,813,332</u>	<u>201,686,240</u>	<u>404,499,572</u>
DEFERRED INFLOWS OF RESOURCES	<u>58,829,364</u>	<u>41,985,079</u>	<u>100,814,443</u>
NET POSITION			
Invested in capital assets	(256,932)	(1,378,603)	(1,635,535)
Restricted	4,717,786	-	4,717,786
Unrestricted	64,002,919	72,432,055	136,434,974
Total Net Position	<u>\$ 68,463,773</u>	<u>\$ 71,053,452</u>	<u>\$ 139,517,225</u>

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

GEORGIA TECH RESEARCH CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2022

	Georgia Tech Research Corporation	Component Unit Georgia Tech Applied Research Corporation	Total Business-Type Activities
Operating Revenues:			
Research contracts	\$ 378,096,509	\$ 699,621,958	\$ 1,077,718,467
Licenses and royalties	2,773,455	-	2,773,455
Revenue related to GIT online learning	1,200,000	-	1,200,000
Lease income	7,611,436	8,068,985	15,680,421
Gift revenue	4,601,696	-	4,601,696
Other revenue	8,816	1,191	10,007
Total Operating Revenues	<u>394,291,912</u>	<u>707,692,134</u>	<u>1,101,984,046</u>
Operating Expenses:			
Research subcontracted to GIT	357,902,869	672,570,838	1,030,473,707
Depreciation and amortization	7,445,566	6,302,188	13,747,754
Administrative and general expenses	2,108,436	4,270,935	6,379,371
Licenses and royalties expenses	5,409,390	-	5,409,390
Expenses in support of GIT online learning	3,115,429	-	3,115,429
Lease expenses	309,657	1,894,880	2,204,537
Payments to or on behalf of GIT	3,558,332	1,320,567	4,878,899
Total Operating Expenses	<u>379,849,679</u>	<u>686,359,408</u>	<u>1,066,209,087</u>
Income from Operations	<u>14,442,233</u>	<u>21,332,726</u>	<u>35,774,959</u>
Nonoperating Income:			
Interest income	142,181	129,684	271,865
Interest income - leases	797,673	361,672	1,159,345
Interest expense - leases	(797,673)	(361,672)	(1,159,345)
Net gain on sales of investments	159,996	-	159,996
Total Nonoperating Income	<u>302,177</u>	<u>129,684</u>	<u>431,861</u>
Increase in net position	14,744,410	21,462,410	36,206,820
Net position, beginning of year	<u>53,719,363</u>	<u>49,591,042</u>	<u>103,310,405</u>
Net position, end of year	<u>\$ 68,463,773</u>	<u>\$ 71,053,452</u>	<u>\$ 139,517,225</u>

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

GEORGIA TECH RESEARCH CORPORATION
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2022

	Component Unit		
	Georgia Tech	Georgia Tech	Total
	Research	Applied	Business-Type
	Corporation	Research	Activities
	Corporation	Corporation	Activities
Cash flows from operating activities:			
Receipts from grantors	\$ 403,172,290	\$ 659,345,239	\$ 1,062,517,529
Receipts of license fees and royalties	2,773,455	-	2,773,455
Receipts from GIT online learning	1,200,000	-	1,200,000
Receipts from leases	7,411,961	7,147,235	14,559,196
Miscellaneous receipts	8,816	1,191	10,007
Payments (to) from component unit	(2,407,906)	2,407,906	-
Payments to or on behalf of GIT	(3,558,332)	(1,320,567)	(4,878,899)
Payments for research contract costs	(351,460,231)	(656,696,472)	(1,008,156,703)
Payments for licenses and royalties	(5,409,390)	-	(5,409,390)
Payments for GIT online learning	(2,815,429)	-	(2,815,429)
Payments for leases	(323,070)	(2,256,552)	(2,579,622)
Payments to suppliers	(2,292,005)	(4,453,910)	(6,745,915)
Net cash flows from operating activities	<u>46,300,159</u>	<u>4,174,070</u>	<u>50,474,229</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	(15,220)	-	(15,220)
Payments on lease obligations	(7,114,590)	(4,866,176)	(11,980,766)
Net cash flows from capital and related financing activities	<u>(7,129,810)</u>	<u>(4,866,176)</u>	<u>(11,995,986)</u>
Cash flows from investing activities:			
Interest income	142,181	129,684	271,865
Interest income - leases	797,673	361,672	1,159,345
Interest expense - leases	(797,673)	(361,672)	(1,159,345)
Proceeds from sales of investments	159,996	-	159,996
Net cash flows from investing activities	<u>302,177</u>	<u>129,684</u>	<u>431,861</u>
Net change in cash	39,472,526	(562,422)	38,910,104
Cash, beginning of year	81,193,423	78,982,729	160,176,152
Cash, end of year	<u>\$ 120,665,949</u>	<u>\$ 78,420,307</u>	<u>\$ 199,086,256</u>
Reconciliation of operating income to net cash flows from operating activities:			
Income from operations	\$ 14,442,233	\$ 21,332,726	\$ 35,774,959
Adjustments to reconcile operating income to net cash flows from operating activities:			
Amortization	7,302,623	6,299,028	13,601,651
Depreciation	142,943	3,160	146,103
Change in allowance for doubtful accounts	(828,729)	(640,215)	(1,468,944)
Changes in assets and liabilities:			
Accounts receivable	5,012,546	(40,833,414)	(35,820,868)
Lessor receivables	(250,733)	(1,460,379)	(1,711,112)
Prepaid expenses	(183,569)	(111,852)	(295,421)
Security depositis	(13,413)	(71,123)	(84,536)
Payments (to) from component unit	(2,407,906)	2,407,906	-
Accounts payable to GIT	6,742,638	20,705,393	27,448,031
Funds held on behalf of others	-	(4,831,027)	(4,831,027)
Unearned research contract revenue	16,290,268	1,196,910	17,487,178
Deferred rent revenue	51,258	176,957	228,215
Net cash flows from operating activities	<u>\$ 46,300,159</u>	<u>\$ 4,174,070</u>	<u>\$ 50,474,229</u>

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

GEORGIA TECH RESEARCH CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 1—Description of organization

The Georgia Tech Research Corporation (“GTRC”) was chartered on April 13, 1937, as the Industrial Development Council, a state-chartered, not-for-profit corporation serving the Georgia Institute of Technology (“GIT”), a unit of the University System of the state of Georgia, as an approved cooperative organization. GTRC was established for the purpose of engaging in sponsored research for scientific, literary, and educational purposes or related objectives. On February 9, 1946, the corporate charter was amended and included a provision to change the name from the Industrial Development Council to the Georgia Tech Research Institute (“GTRI”). On April 6, 1984, GTRI amended its corporate charter to change the name to the GTRC.

GTRC serves as the contracting entity for GIT, which performs research in accordance with guidance released by the Office of Management and Budget (“OMB”). Awards adhere to Uniform Administrative Requirements, Cost Principles, and Audit Requirements contained in Title 2 of the Code of Federal Regulations (“CFR”). With respect to subsequent incremental funding provided on awards which were received preceding the changes to OMB guidance, GTRC administers the research in accordance with instruction provided by the individual awarding federal agencies.

GTRC enters into contracts and grant agreements with various organizations, including federal agencies, and subcontract with GIT to provide services in connection with these agreements. Since 1946, GTRC has served as a “university-connected research foundation”. As part of the relationship, payments occur between GIT and GTRC for certain sponsored project expenditures and research administration.

On July 1, 1998, the Georgia Tech Applied Research Corporation (“GTARC”) was established. GTARC was organized as the contracting entity for units of GIT performing research in accordance with guidance released by the OMB and Federal Acquisition Regulations (“FAR”) 31.2. Awards adhere to guidance contained in Title 2 of the CFR and FAR 31.2. With respect to subsequent incremental funding provided on awards which were received preceding the changes to OMB guidance, GTARC administers the research in accordance with instruction provided by the individual awarding federal agencies.

In a Memorandum of Understanding (“MOU”) dated April 1, 1953, the Board of Regents of the University System of the state Georgia authorized GTRC (then GTRI) to serve as the official grantee for all contracts and grants for the conduct of sponsored research at GIT. The MOU also assigned all intellectual property developed through the performance of contracts subcontracted to GIT to GTRC. GTRC is the administrative organization for discoveries, innovations, inventions, patents, and copyrights and is responsible for intellectual property management including patenting and licensing. Currently, pursuant to the Cooperative Organization Guiding Principles Memoranda of Understanding and the Board of Regents Policy 1905, payments occur with GIT for certain sponsored project expenditures and research administration. Balances are held in trust for GIT on any balances, after the payment of necessary operating costs, for the promotion of research at GIT and for the benefit of research at GIT. Intellectual property created in the course of research and other activities at GIT is assigned to GTRC in accordance with the GIT Intellectual Property Policy.

In accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) applicable to governments, the financial statements present the individual financial statements of GTRC and GTARC, a discretely presented component unit of GTRC. In addition, the accompanying financial statements present a total column which represents the entity-wide financial statements of GTRC. Separately issued financial statements for Georgia Tech Applied Research Corporation can be obtained by contacting the Office of the Controller, Georgia Tech Applied Research Corporation, 926 Dalney Street N.W., Atlanta, Georgia 30332-0415.

GEORGIA TECH RESEARCH CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 2—Summary of significant accounting policies

The financial statements have been prepared in accordance with U.S. GAAP as prescribed by the Governmental Accounting Standards Board (“GASB”). The financial statements of GTRC have been prepared on the accrual basis of accounting and are presented in conformity with U.S. GAAP.

The following is a summary of certain significant accounting policies followed in the preparation of the financial statements.

Reporting Entity – In accordance with the criteria in GASB Statement No. 61, *The Financial Reporting Entity*, GTRC and GTARC are legally separate, tax-exempt component units of the state of Georgia. Although GIT is not fiscally accountable for GTRC and GTARC, it has been determined that the nature and significance of the relationship between GIT, GTRC, and GTARC is such that exclusion of GTARC and GTRC from GIT’s departmental financial statements would render those statements misleading.

Revenues – Revenues are derived from grants and cost reimbursement contracts which provide for the recovery of direct and indirect costs. Revenue recognized associated with direct and indirect costs as the related costs are incurred for approved research activities. The recovery of indirect costs is generally recorded at fixed rates negotiated with the sponsoring agency. License and royalty revenues are recorded when earned.

Revenue generated from normal operational cycles are classified as operating income. Revenue streams such as research contracts, licenses and royalties, gifts, and lease income are examples of what are considered to be operating revenues. Revenues that are not generated during the normal operating cycle such as interest income and unrealized gains and losses on investments are classified as nonoperating revenues.

Unbilled Accounts Receivable and Unearned Research Contract Revenue – Unbilled accounts receivable represent costs incurred and charged to projects in excess of amounts invoiced on those projects. Unearned research contract revenue represents amounts invoiced on various projects in excess of costs incurred and charged to those projects.

Funds Held on Behalf of Others – Sponsored research projects have fees charged to sponsors in accordance with FAR 31.2. These fees are held on behalf of GIT and can be invoiced to GTARC by the appropriate department of GIT.

Overhead Revenue – Reimbursements are received from sponsoring agencies for indirect costs incurred. GTRC retains a portion of the indirect costs which is used for operating expenses, and the remainder is granted back to GIT for the benefit of research at GIT. The overhead revenue is reported as revenue from research contracts in the accompanying financial statements.

Cash – At June 30, 2022, the bank balance was \$121,168,567 and \$78,537,368, and the book balance was \$120,665,951 and \$78,420,307 for GTRC and GTARC, respectively. Cash balances usually exceed federally insured amounts. GTRC mitigates this risk by depositing and investing cash with major financial institutions. GTRC has not experienced any loss in such accounts and believes it is not exposed to any significant credit risk on cash. At June 30, 2022, the bank balances were collateralized by a pool of pledged securities administered under the direction of the Georgia Office of Treasury and Fiscal Services.

Investments – Investments consist entirely of equity securities which are acquired as partial consideration for licenses. These equity securities are held exclusively in GTRC’s name and are not subject to GTRC’s investments policy. These equity securities usually do not have readily determinable fair values and are recorded at their fair value at acquisition, which is generally zero or an insignificant amount. Any subsequent disposition of these equity securities is recorded as a gain or loss on sale of investments in nonoperating revenues on the statement of revenues, expenses, and changes in net position.

GEORGIA TECH RESEARCH CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 2—Summary of significant accounting policies (continued)

Major Clients and Concentration of Credit Risk – During the fiscal year ended June 30, 2022, GTRC and GTARC derived approximately 78.0% and 98.6%, respectively, of their revenue from contracts with the U.S. government. At June 30, 2022, approximately 36.1% of the GTRC billed research contracts accounts receivable was from the U.S. government. At June 30, 2022, approximately 86.1% of the GTARC billed research contracts accounts receivable balance was from the U.S. government and approximately 5.4% was from the Georgia Department of Community Health. Management does not believe these receivables represent significant credit risk at June 30, 2022.

Federal Income Taxes – GTRC and GTARC are exempt from income taxes as provided by Section 501(c)(3) of the Internal Revenue Code.

Allowance for Doubtful Accounts – The allowance for doubtful accounts is determined by evaluating the prior experience, nature of the contract, and credit rating of the sponsor for each contract. Changes in the allowance for doubtful accounts for the year ended June 30, 2022 are as follows:

	Georgia Tech Research Corporation	Component Unit Georgia Tech Applied Research Corporation
Beginning balance	\$ 3,934,441	\$ 3,724,580
Write-offs	(828,729)	(640,215)
Ending balance	<u>\$ 3,105,712</u>	<u>\$ 3,084,365</u>

Capital Assets – A threshold of \$5,000 has been established for capitalizing equipment. All capitalized assets purchased under the terms of equipment and facilities grants are donated to GIT when fully depreciated. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives which range from three to ten years. The straight-line method of depreciation is followed for all capital assets.

Right-to-Use Assets, Lease Receivables and Lease Obligations – GTRC leases certain academic spaces, administrative offices, and equipment under lease agreements. GTRC has both leases under which it is obligated as a lessee and leases for which it is a lessor.

Leases, as a lessee, are included in right-to-use assets and lease obligations on the statement of net position. A right-to-use asset represents GTRC's right to use an underlying asset for the lease term. Lease obligations represent GTRC's liability to make lease payments arising from the lease agreement. Right-to-use assets and lease obligations are recognized based on the present value of lease payments over the lease term, where the initial term exceeds 12 months. Residual value guarantees and the value of an option to extend or terminate a lease are reflected to the extent it is reasonably certain to be paid or exercised. Variable payments based on future performance or usage are not included in the measurement of the lease liability. Right-to-use assets are amortized using a straight-line basis over the shorter of the lease term or useful life of the underlying asset.

Rental income arising from leases where GTRC is the lessor is included as lease receivables and deferred inflows of resources at the commencement of the lease on the statement of net position. Revenue under these lease arrangements is recognized on a straight-line basis over the lease term.

Deferred Inflows of Resources – Deferred inflows of resources consist of the acquisition of net position that is applicable to a future reporting period.

GEORGIA TECH RESEARCH CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 2—Summary of significant accounting policies (continued)

Grants to Georgia Institute of Technology – Pursuant to an agreement between GTRC and the Board of Regents of the University System of Georgia, dated April 1, 1953, the GTRC Board of Trustees will issue grants from time to time as it sees fit for the promotion of research at GIT. These grants will be funded from the balances held in trust for GIT which are reflected in unrestricted net position.

Net Position – Net position is classified as follows: *Invested in capital assets* represents total investment in capital assets, net of related depreciation and total right-to-use assets, net of related amortization. *Restricted net position* represents gift revenues not yet expended for the restricted purposes stipulated by the donor. *Unrestricted net position* represents resources derived primarily from research contracts, licensing, royalties, and lease income. These resources can be used for ongoing operations. However, in accordance with the April 1, 1953, Memorandum of Understanding between GTRC and the Board of Regents of the University System of Georgia, all balances held after the payment of necessary operating costs are to be held in trust for GIT for the promotion of research at GIT. These balances will be returned to GIT in the form of grants which are made at the discretion of the Board of Trustees of GTRC.

Use of Estimates in Preparation of Financial Statements – The preparation of financial statements in conformity with U.S. GAAP 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.

New Accounting Pronouncements – In June 2017, GASB issued Statement No. 87, *Leases* (“GASB No. 87”), which improves the accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

GTRC adopted GASB No. 87 on July 1, 2021. For the leases where GTRC is the lessee, the adoption of GASB No. 87 resulted in an increase in assets and liabilities of \$66,122,783. For the leases where GTRC is the lessor, the adoption of GASB No. 87 resulted in an increase in lease receivables and deferred inflows of resources of \$66,133,265. The cumulative effect on GTRC’s net position from the adoption of GASB No. 87 was \$-0-.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest costs incurred prior to the end of a construction period. This statement establishes accounting requirements for interest cost incurred before the end of a construction period and aligns the reporting of these costs as expenditures on a basis consistent with governmental fund accounting principles. GTRC adopted this statement on July 1, 2021; the adoption of this statement had no impact on GTRC’s financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which standardizes the reporting of conduit debt obligations by issuers and eliminates diversity in reporting practices. This statement clarifies reporting by establishing that conduit debt obligations are not the liability of issuers. The requirements of this statement are effective for the fiscal year ending June 30, 2023. GTRC’s management does not believe that implementing this statement will have a material impact on its financial statements.

GEORGIA TECH RESEARCH CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 3—Capital assets and right-to-use assets, net

Following are changes in capital assets for the year ended June 30, 2022:

	Balance June 30, 2021	Additions	Disposals	Transfers	Balance June 30, 2022
Capital assets not being depreciated:					
Construction in progress	\$ -	\$ -	\$ -	\$ -	\$ -
Historical treasures and works of art	240,735	-	-	-	240,735
Total capital assets not being depreciated	240,735	-	-	-	240,735
Capital assets being depreciated:					
Building improvements	222,583	-	-	-	222,583
Computer software	1,262,977	-	-	-	1,262,977
Furniture and equipment	1,643,626	15,220	-	-	1,658,846
Total capital assets being depreciated	3,129,186	15,220	-	-	3,144,406
Less accumulated depreciation for:					
Building improvements	(29,379)	(21,959)	-	-	(51,338)
Computer software	(1,261,473)	(1,061)	-	-	(1,262,534)
Furniture and equipment	(1,388,071)	(119,923)	-	-	(1,507,994)
Total accumulated depreciation	(2,678,923)	(142,943)	-	-	(2,821,866)
Total capital assets, net	\$ 690,998	\$ (127,723)	\$ -	\$ -	\$ 563,275

During the year ended June 30, 2022, GTRC's capital assets had related depreciation expense of \$142,943.

GTRC has recorded right-to-use assets related to leased space for remote field offices. The related lease obligations are discussed in Note 5. Following are changes in right-to-use assets for the year ended June 30, 2022:

	Beginning Balance July 1, 2021	Additions	Reductions	Ending Balance June 30, 2022
Right-to-use assets:				
Building and building improvements	\$ 66,122,783	\$ -	\$ -	\$ 66,122,783
Total right-to-use assets being amortized	66,122,783	-	-	66,122,783
Less accumulated amortization for:				
Building and building improvements	-	(7,302,623)	-	(7,302,623)
Total accumulated amortization	-	(7,302,623)	-	(7,302,623)
Total right-to-use assets, net	\$ 66,122,783	\$ (7,302,623)	\$ -	\$ 58,820,160

GEORGIA TECH RESEARCH CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 4—Net Investment in Master Lease

On April 15, 2015, GTRC entered into a Master Lease Agreement (“Master Lease”) with Banc of America Leasing & Capital, LLC (“BOA”), covering the acquisition and lease of certain research equipment; see Note 7. On June 17, 2015, GTRC and GIT entered into a state of Georgia Standard Agency Agreement (the “Agency Agreement”) whereby GIT leased the research equipment acquired under the Master Lease from GTRC. Per the terms of the Agency Agreement, GIT will pay consideration to GTRC in an amount equal to the consideration due under the Master Lease. The original Agency Agreement between GTRC and GIT has a term of 119 months beginning on June 25, 2015 with quarterly payments until April 15, 2025; at which time the research equipment will be conveyed to GIT. Therefore, GIT has recorded the research equipment as a capital asset on its books and, conversely, GTRC has recorded the asset as a financed sale of equipment on the statement of net position.

In 2016, GIT made an advanced payment to GTRC for the remaining balance of the lease. GTRC recorded this as an advanced payment and is reported in accounts payable - GIT on the statement of net position. GTRC will amortize these payments ratably over the remaining life of the lease.

Future minimum net amounts to be amortized under this financed sale of equipment arrangement at June 30, 2022 are as follows:

<u>Years Ending June 30,</u>	
2023	\$ 727,400
2024	727,400
2025	<u>727,400</u>
Gross balance in financed sale of equipment	2,182,200
Less unearned interest income	<u>(301,823)</u>
Net balance in financed sale of equipment	<u>\$ 1,880,377</u>

Note 5—Lease obligations

Research Facilities – GTRC is committed to an operating lease with The University Financing Foundation, Inc., a Georgia nonprofit corporation, for the Centennial Research Building. The lease carries successive two-year terms that are automatically renewed at prevailing market rates in effect at the time of the renewal. GTRC may cancel the lease provided notice is given during July of any lease year to be effective as of June 30 of the then current lease year. The term of this lease expires June 30, 2029. As of June 30, 2022, future minimum lease payments through the term of the lease total \$11,896,123.

Cobb County Research Campus – In May 2010, The Development Authority of Cobb County issued Revenue Bonds in an aggregate principal amount of \$18,975,000 for the TUFF Cobb Research Campus – Georgia Tech Research Corporation Project. The proceeds of the bonds were loaned to TUFF Cobb Research LLC (“TUFF”), a Georgia limited liability company, the sole member of which is The University Financing Foundation, Inc., a Georgia nonprofit corporation. Simultaneous with the issuance of the Series 2010 bonds, TUFF issued \$12,575,000 Series 2010A Taxable Revenue Bonds. The aggregate amount of the two bond issues was \$31,550,000. According to the Offering Memorandums, TUFF used the proceeds from the 2010 bond issue primarily for capital improvements to the Cobb County Research Campus, and the proceeds from the 2010A bond issue primarily for general corporate purposes.

GEORGIA TECH RESEARCH CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 5—Lease obligations (continued)

The Cobb County Research Campus is a six-building, 160,000 square foot Research Park located on approximately 53.2 acres in Cobb County, Georgia. GTRC leases the property from TUFF. GTRC subleases the property to the Board of Regents of the University System of Georgia for the benefit of GIT. The lease is a general obligation of GTRC. The end of the lease term is September 30, 2036, the maturity date of the bonds. The lease also has an option to extend the lease term through September 30, 2041. The sublease is an annually renewable lease agreement. The timing and amount of rental payments under the sublease total approximately \$54,144,016, adequate to meet the debt service and debt service reserve fund requirement related to the 2010 and 2010A bonds of approximately \$53,620,668. In May 2020, GTRC and TUFF amended the agreement requiring TUFF to provide \$1,522,000 in capital improvements. GTRC will pay TUFF a monthly special rent assessment of \$15,751 through the end of the lease term in consideration for the capital improvements. As of June 30, 2022, future minimum lease payments through the extension option of the lease total \$34,139,820.

GTRC has entered into agreements to lease 6 remote field offices as of June 30, 2022. These remote field offices are used to engage in research on behalf of GTRI. These facilities are subleased to GIT. The subleases carry successive one-year terms that are renewable annually. The timing and amount of rental payments under the subleases are substantially the same as those under their corresponding lease agreements between GTRC and the third-party lessors. GTRC expects to receive revenues sufficient to offset its obligations under the lease agreements through annual renewal of the subleases by GIT. These agreements shall terminate if the state does not provide adequate funding to GIT, but that is considered a remote possibility. GTRC's principal and interest payments related to leases for the year ended June 30, 2022 were \$6,482,416 and \$797,763, respectively. Interest rate ranges from 0.50% to 6.50%.

The following is a summary of the carrying values of right-to-use assets held under lease at June 30, 2022:

Description	Gross Amount	Less Accumulated Amortization	Net Assets Held Under Lease at June 30, 2022	Outstanding Balance per Lease Agreements at June 30, 2022
Building and building Improvements	\$ 66,122,783	\$ 7,302,623	\$ 58,820,160	\$ 59,640,367
Total Assets Held Under Lease	<u>\$ 66,122,783</u>	<u>\$ 7,302,623</u>	<u>\$ 58,820,160</u>	<u>\$ 59,640,367</u>

The following schedule lists pertinent information for each of GTRC's leases at June 30, 2022:

Description	Lessor	Original Principal	End Month/Year	Remaining Lease Term	Outstanding Principal
Data Center - Atlanta, GA	Data Center Atlanta LLC	\$ 6,935,563	03/29	7 years	\$ 6,313,138
Centergy - Atlanta, GA	Centergy One Associates LLC	10,623,679	12/26	4.5 years	9,190,872
Cobb - Atlanta, GA	TUFF CRB LLC	30,866,661	09/41	19 years	29,346,762
CRB - Atlanta, GA	TUFF CRB LLC	13,080,461	06/29	7 years	11,500,304
Aberdeen - Atlanta, GA	St. John Properties, Inc.	339,670	05/25	3 years	256,675
Wells Fargo - Atlanta, GA	Prime US-171 17th Street, LLC	4,276,749	12/24	2.5 years	3,032,616
Total		<u>\$ 66,122,783</u>			<u>\$ 59,640,367</u>

GEORGIA TECH RESEARCH CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 5—Lease obligations (continued)

Future commitments related to the outstanding lease obligations at June 30, 2022 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 7,116,579	\$ 735,365	\$ 7,851,944
2024	7,386,778	669,420	8,056,198
2025	6,934,321	599,052	7,533,373
2026	6,379,365	534,011	6,913,376
2027	5,414,539	470,012	5,884,551
2028-2032	13,918,501	1,616,212	15,534,713
2033-2037	8,774,603	719,966	9,494,569
2038-2042	3,715,681	146,311	3,861,992
	<u>\$ 59,640,367</u>	<u>\$ 5,490,349</u>	<u>\$ 65,130,716</u>

Changes in lease obligations for the year ended June 30, 2022 are shown below:

	<u>Beginning Balance July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2022</u>
Lease obligations	\$ 66,122,783	\$ -	\$ (6,482,416)	\$ 59,640,367
	<u>\$ 66,122,783</u>	<u>\$ -</u>	<u>\$ (6,482,416)</u>	<u>\$ 59,640,367</u>

Note 6—Deferred inflows of resources

Deferred inflows of resources reported on the statement of net position as of June 30, 2022, consist of deferred inflows of resources related to leases where GTRC is the lessor. The University System of Georgia Board of Regents, a related entity, is the lessee under all leases where GTRC is the lessor.

The following is a summary of assets with deferred inflows of resources held under lease at June 30, 2022:

<u>Description</u>	<u>Lessee</u>	<u>End Month/Year</u>	<u>Remaining Lease Term</u>	<u>Amortized Revenue for the Year Ended June 30, 2022</u>	<u>Deferred Inflow of Resources at June 30, 2022</u>
Data Center - Atlanta, GA	Board of Regents	03/29	7 years	\$ 904,433	\$ 6,041,712
Centergy - Atlanta, GA	Board of Regents	12/26	4.5 years	1,931,578	8,692,101
Cobb - Atlanta, GA	Board of Regents	09/41	19 years	1,524,280	29,342,381
CRB - Atlanta, GA	Board of Regents	06/29	7 years	1,635,058	11,445,403
Aberdeen - Atlanta, GA	Board of Regents	05/25	3 years	86,724	252,947
Wells Fargo - Atlanta, GA	Board of Regents	12/24	2.5 years	1,221,928	3,054,820
Total				<u>\$ 7,304,001</u>	<u>\$ 58,829,364</u>

GEORGIA TECH RESEARCH CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 7—Obligation under Master Lease

BOA Master Lease Agreement – On April 15, 2015, GTRC entered into a Master Lease with BOA, covering the acquisition and lease of certain research equipment in an amount not to exceed \$5,800,000. BOA entered into an Acquisition Fund and Account Control Agreement with Deutsche Bank National Trust Company, as the Acquisition Fund Custodian, to provide the Acquisition Funding for the Master Lease. The Master Lease requires that the cost of the equipment be deposited into an Acquisition Fund for the purpose of fully funding the Master Lease, and the Acquisition Fund Custodian provide for a mechanism for the application of such amounts to the purchase of and payment for the equipment. GTRC has arranged for, supervised and provided for, or cause to be supervised and provided for, the acquisition of the equipment, with moneys available in the Acquisition Fund. The Master Lease expires on April 15, 2025.

Future minimum payments under this arrangement at June 30, 2022 are as follows:

<u>Years Ending June 30,</u>	
2023	\$ 727,400
2024	727,400
2025	<u>727,400</u>
Total minimum payments for financed purchase of equipment	2,182,200
Less amount representing interest	<u>(301,823)</u>
	<u>\$ 1,880,377</u>

On June 17, 2015, GTRC and GIT entered into an Agency Agreement whereby GIT leased the research equipment acquired under the Master Lease from GTRC; see Note 4.

Note 8—Contingencies

Federal and state funded research projects are subject to special audits. Such audits could result in some allocated costs being disallowed or indirect cost rates adjusted. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

Note 9—Component unit – Georgia Tech Applied Research Corporation

Capital Assets

During the year ended June 30, 2022, GTARC capital assets had related depreciation expense of \$3,160 with a resulting net book value of \$54,249.

Line of Credit

On November 10, 2017, GTARC and Bank of America, N.A. (the “Lender”) entered into a Loan Agreement (the “Original Agreement”). The Original Agreement provides GTARC with a revolving line of credit (“line of credit”) of up to \$3,000,000 at an interest rate of the LIBOR daily floating rate plus 1.00%. The line of credit is unsecured and not subject to early termination penalties. On November 5, 2018, the Original Agreement was amended (the “First Amendment”) to increase the borrowing limit to \$10,000,000 and extend the expiration date to October 31, 2019. On May 24, 2019, the Original Agreement was again amended (the “Second Amendment”) to increase the borrowing limit to \$43,000,000 and extend the expiration date to May 20, 2020. The increase in the borrowing limit was to ensure operational cash needs would be met in case of delayed cash collections related to Federal Government sponsors. Effective May 22, 2020, the expiration date was extended to May 22, 2021. On May 22, 2021, the Original Agreement was again amended (the “Third Amendment”) to extend the expiration date to May 21, 2022, and the borrowing limit was decreased to \$10,000,000.

GEORGIA TECH RESEARCH CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 9—Component unit – Georgia Tech Applied Research Corporation (continued)

On December 28, 2021, the Original Agreement was again amended (the “Fourth Amendment”) to extend the expiration date to November 10, 2022 and increase the borrowing limit to \$50,000,000. The increase in the borrowing limit was to ensure adequate working capital and due to the possibility of government shutdowns. At June 30, 2022, management believes GTARC was in compliance with these covenants and restrictions. During the year ended June 30, 2022, GTARC incurred \$63,146 in bank fees related to the line of credit. At June 30, 2022, the interest rate on the line of credit was 2.58%. During the year ended June 30, 2022, there were no draws on the line of credit and there was \$-0- outstanding at June 30, 2022.

Right-to-Use Assets

Changes in intangible right-to-use assets for the year ended June 30, 2022 are shown below:

	Beginning Balance July 1, 2021	Additions	Reductions	Ending Balance June 30, 2022
Right-to-use assets:				
Building and building improvements	\$ 48,032,748	\$ 251,359	\$ -	\$ 48,284,107
Total right-to-use assets being amortized	48,032,748	251,359	-	48,284,107
Less accumulated amortization for:				
Building and building improvements	-	(6,299,028)	-	(6,299,028)
Total accumulated amortization	-	(6,299,028)	-	(6,299,028)
Right-to-use assets, net	\$ 48,032,748	\$ (6,047,669)	\$ -	\$ 41,985,079

Lease Obligations

GTARC has entered into agreements to lease space for 14 remote field offices as of June 30, 2022. These remote field offices are used to engage in research on behalf of GTRI. These facilities are subleased to GIT. The subleases carry successive one-year terms that are renewable annually. The timing and amount of rental payments under the subleases are substantially the same as those under their corresponding lease agreements between GTARC and the third-party lessors. GTARC expects to receive revenues sufficient to offset its obligations under the lease agreements through annual renewal of the subleases by GIT. These agreements shall terminate if the state does not provide adequate funding to GIT, but that is considered a remote possibility. GTARC’s principal and interest payments related to leases for the year ended June 30, 2022 were \$4,866,176 and \$361,672, respectively. Interest rate ranges from 0.50% to 6.50%.

The following is a summary of the carrying values of intangible right-to-use assets held under lease at June 30, 2022:

Description	Gross Amount	Less Accumulated Amortization	Net Assets Held Under Lease at June 30, 2022	Outstanding Balance per Lease Agreements at June 30, 2022
Building and Building Improvements	\$ 48,284,107	\$ 6,299,028	\$ 41,985,079	\$ 43,417,931
Total Assets Held Under Lease	\$ 48,284,107	\$ 6,299,028	\$ 41,985,079	\$ 43,417,931

GEORGIA TECH RESEARCH CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 9—Component unit – Georgia Tech Applied Research Corporation (continued)

The following schedule lists pertinent information for each of GTARC's leases at June 30, 2022:

Description	Lessor	Original Principal	End Month/Year	Remaining Lease Term	Outstanding Principal at June 30, 2022
Orlando, FL	EIP UP, LLC	\$ 617,975	12/25	3.5 years	\$ 488,912
Panama City, FL	Devine Spa and Sa	99,193	06/23	1 year	50,212
Shalimar, FL	Radboud Propertie	277,649	04/24	2 years	180,102
Boston, MA	RCS-Bedford (DM)	3,926,870	04/31	9 years	3,582,102
Quantico, VA	Patricia Group, LLC	1,365,329	03/27	5 years	1,175,737
Arlington, VA	Rosslyn Metro Cen	6,439,986	05/32	10 years	6,441,090
Dayton, OH	2970 Presidential C	3,041,620	06/30	8 years	2,740,143
Tucson, AZ	ABP, LLC	369,502	06/25	3 years	267,042
Phoenix, AZ	Shirinian Properties	996,636	06/28	6 years	868,121
Pax River, MD	Wildewood One, LI	1,498,937	06/28	6 years	1,292,061
Huntsville, AL	LW Redstone Com	3,716,088	04/25	3 years	2,790,810
San Diego, CA	LVA5 San Diego Lf	9,543,569	03/29	7 years	8,533,841
CODA - Atlanta, GA	Portman Tech, LLC	9,020,418	05/34	12 years	8,429,844
ATC - Atlanta, GA	GTF ATC, LLC	7,370,335	06/28	6 years	6,577,914
	Total	<u>\$ 48,284,107</u>			<u>\$ 43,417,931</u>

Future commitments related to the outstanding lease obligations at June 30, 2022 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 5,984,894	\$ 320,756	\$ 6,305,650
2024	6,246,611	271,403	6,518,014
2025	6,214,772	218,960	6,433,732
2026	5,331,528	174,152	5,505,680
2027	4,957,421	135,193	5,092,614
2028-2032	13,248,440	249,157	13,497,597
2033-2037	1,434,265	9,372	1,443,637
	<u>\$ 43,417,931</u>	<u>\$ 1,378,993</u>	<u>\$ 44,796,924</u>

Changes in lease obligations for the year ended June 30, 2022 are shown below:

	<u>Beginning Balance July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2022</u>
Lease obligations	\$ 48,032,748	\$ 251,359	\$ (4,866,176)	\$ 43,417,931
	<u>\$ 48,032,748</u>	<u>\$ 251,359</u>	<u>\$ (4,866,176)</u>	<u>\$ 43,417,931</u>

GEORGIA TECH RESEARCH CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 9—Component unit – Georgia Tech Applied Research Corporation (continued)

Deferred Inflows of Resources

Deferred inflows of resources reported on the statement of net position as of June 30, 2022, consist of deferred inflows of resources related to leases where GTARC is the lessor.

The following is a summary of assets with deferred inflows of resources held under lease at June 30, 2022:

Description	Lessee	End Month/Year	Remaining Lease Term	Amortized Revenue Year Ended June 30, 2022	Deferred Inflow of Resource at June 30, 2022
Orlando, FL	Board of Regents	12/25	3.5 years	\$ 137,328	\$ 480,647
Panama City, FL	Board of Regents	06/23	1 year	49,596	49,596
Shalimar, FL	Board of Regents	04/24	2 years	97,994	179,656
Boston, MA	Board of Regents	04/31	9 years	399,343	3,527,528
Quantico, VA	Board of Regents	03/27	5 years	237,448	1,127,880
Arlington, VA	Board of Regents	05/32	10 years	589,922	5,850,064
Dayton, OH	Board of Regents	06/30	8 years	337,958	2,703,663
Tucson, AZ	Board of Regents	06/25	3 years	92,376	277,127
Phoenix, AZ	Board of Regents	06/28	6 years	142,377	854,259
Pax River, MD	Board of Regents	06/28	6 years	214,134	1,284,803
Huntsville, AL	Board of Regents	04/25	3 years	969,414	2,746,674
San Diego, CA	Board of Regents	03/29	7 years	1,231,428	8,312,141
CODA - Atlanta, GA	Board of Regents	05/34	12 years	730,347	8,290,070
ATC - Atlanta, GA	Board of Regents	06/28	6 years	1,069,363	6,300,971
Total				<u>\$ 6,299,028</u>	<u>\$ 41,985,079</u>

Note 10—Related party transactions

During the course of normal business, GIT, GTARC and GTRC have numerous shared transactions. On a monthly basis, GIT bills GTRC and GTARC for research administration costs. GTRC allocates and receives reimbursement from GTARC for its proportionate share of the costs GIT bills to GTRC. In addition, GTARC is billed directly by GIT for other research administration costs. Intercompany balances between GTRC and GTARC are reconciled monthly and funds are transferred between the entities to settle intercompany obligations at management's discretion.

For the year ended June 30, 2022, GTRC reimbursed GIT \$1,713,282 for research administration costs. For the year ended June 30, 2022, GTARC reimbursed GTRC \$3,115,930 for allocated research administration costs of which \$2,377,491 represents GIT billings to GTRC. In addition, for the year ended June 30, 2022, GIT directly billed and received reimbursement of \$1,155,005 for other research administration from GTARC. These amounts are reported in administrative and general expenses in the statement of revenues, expenses and changes in net position. At June 30, 2022, GTARC had an outstanding payable of \$715,797 due to GTRC

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Note 11—Transactions related to online learning platforms

GTRC, on behalf of GIT, maintained contracts with external online learning platform providers. GIT utilizes these providers to assist in building and maintaining online curriculum that facilitated a broader focus of remote learning and degree programs for students. GTRC paid \$3,115,429 to vendors who provided these online learning platform services to GIT and was reimbursed \$1,200,000 by GIT for the year ended June 30, 2022. These amounts are reported as revenue related to GIT online learning and expenses in support of GIT online learning in the statement of revenues, expenses, and changes in net position.

Note 12—Corporate gifts to benefit research

On November 8, 2019, the GTRC Board of Trustees authorized the General Manager of the Corporation to develop a plan to accept and administer monetary donations from corporate donors in the support of research at GIT. The Board of Trustees further resolved that prior to the implementation of any such program that final approval must be given by the audit committee of the Board of Trustees, GIT, and the Georgia Tech Foundation. On May 15, 2020, the GTRC Board of Trustees unanimously voted to accept corporate gifts for research. Research gifts were accepted in accordance with the resolution beginning during fiscal year 2022. For the year ended June 30, 2022, GTRC recognized \$4,601,696 in corporate gifts for research.

Note 13—Subsequent events

On August 29, 2022, GTRC made a payment to BOA in the amount of \$1,903,755 which paid the remaining balance owed under the Master Lease agreement in full.