GEORGIA TECH ATHLETIC ASSOCIATION

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

GEORGIA TECH ATHLETIC ASSOCIATION
JUNE 30, 2016 AND 2015
TABLE OF CONTENTS

James Moore
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S 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), as of and for the years ended June 30, 2016 and 2015, 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, 2016 and 2015, 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 Schedule: Cash Basis Financials is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Supplementary Schedule: Cash Basis Financials has 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 it.

James Moore & Co., P.L.

Gainesville, Florida
September 12, 2016

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’s 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, 2016. 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.

Beginning with the fiscal year ended June 30, 2005, the Association met the requirements under Governmental Accounting Standards Board, Statement No. 39, Determining Whether Certain Organizations Are Component Units, 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:

- Men's basketball advanced to the quarterfinals of the National Invitational Tournament (NIT) after defeating Houston and South Carolina in the first and second rounds, respectively. It was Georgia Tech's first appearance in the NIT since 2003.

- Baseball was one of 10 ACC teams to earn an NCAA Regional appearance (ACC record) which marked Georgia Tech's 28th NCAA bid in last 31 years (third-most in Division I).

- Women's tennis earned a top 20 ranking and competed in the NCAA Tournament Round of 16 after defeating Princeton and South Carolina in the first and second rounds, respectively. Men's tennis also made an NCAA appearance for the second straight year.

- Each of the Georgia Tech's 15 athletics programs are in good standing per the latest Academic Progress Rate (APR) reporting, while an impressive 13 of Georgia Tech's 15 teams scored 980 or better out of a possible 1,000 points. Golf, men's swimming & diving, and volleyball are all tied for the top multi-year APR score in the ACC with each reporting 1,000, while football has the second-highest APR among ACC football programs with a 987.

- Georgia Tech student-athletes continued to excel in the classroom with a strong spring semester. Nearly 60% of Georgia Tech's 363 student-athletes earned a 3.0 or higher grade point average. Softball recorded the highest team GPA at 3.30 with golf and women's swimming and diving in second and third, respectively.

Financial Highlights

FY 16 resulted in a net operating loss of approximately $1 million due to a reduction in conference distributions and fundraising contributions during the year. The Association has posted positive operating income in six of the last eight years.

There were no new major capital projects embarked upon in 2015-16, however, the Noonan Golf Facility continued to incur construction and other operating expenses in preparation for fall 2016 completion.

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 dropped to approximately $98 million at year end due to reported investment losses coupled with annual endowment withdrawals necessary to cover scholarship and debt service expenses.

Condensed Financial Information

The condensed statements of net position are shown below:

Condensed Statements of Net Position
June 30, 2016, 2015, and 2014

Assets	**2016**	**2015**	**2014**
Current assets	$ 12,619,521	$ 15,150,256	$ 7,541,156
Noncurrent assets:			
Capital assets, net	167,490,996	170,952,714	171,494,676
Investments	98,449,829	109,163,112	109,860,997
Other	9,805,272	9,625,970	11,173,749
	275,746,097	289,741,796	292,529,422
Total assets	288,365,618	304,892,052	300,070,578
Deferred outflows of resources	20,397,906	22,166,262	23,934,618
Current liabilities	19,911,267	21,778,781	14,278,357
Noncurrent liabilities	226,442,849	229,272,957	232,660,704
Total liabilities	246,354,116	251,051,738	246,939,061
Deferred inflows of resources	-	-	-
Net position:			
Deficit in capital assets, net of related debt	(38,988,334)	(35,940,475)	(36,035,965)
Unrestricted (as restated)	11,891,318	11,840,947	9,105,854
Restricted for:			
Nonexpendable	33,640,336	30,472,704	28,421,969
Expendable (as restated)	55,866,088	69,633,400	75,574,277
Total net position	$ 62,409,408	$ 76,006,576	$ 77,066,135

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 projects (Zelnak Basketball Facility, Mary R. and John F. Brock III Football Facility, McCamish Pavilion, Noonan Golf Facility, Byers Tennis Center, and renovations to Chandler Stadium and The Edge/Rice Building). Accounts receivable include payments due in FY 16 that were still outstanding as of June 30, 2016.

The Association saw a decrease in cash on hand over the previous year largely due to a reduction in conference distributions during FY 16. Also, an emphasis on improving collections throughout the year helped to decrease the accounts receivable balance by over $1 million from FY 15. The combination led to an overall decrease in current assets of $2,530,735 for fiscal year 2016.

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 $167,490,996, $170,952,714 and $171,494,676, at June 30, 2016, 2015, and 2014, respectively. The facilities of the Association are continually enhanced but with improvements totaling $3,904,710 and depreciation expenses of $7,366,430, a net decrease in capital assets of $3,461,720 was reported in FY 16.

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, 2016, 2015, and 2014, totaled $98,449,829, $109,163,112 and $109,860,997, respectively. The decrease for FY 16 is attributable to a significant shift in investment market conditions resulting in 4% net investment losses for FY 16.

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 $ 9,805,272, $9,625,970 and 11,173,749 for year end June 30, 2016, 2015 and 2014, 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 $2,697,272, $3,370,032 and $2,028,118 at June 30, 2016, 2015, and 2014, respectively, for goods and services received prior to the end of the fiscal year. The decrease in FY 16 was due primarily to more timely closeouts of outstanding construction projects and management’s focus on accounts payable processing.

Deposits received for football and basketball tickets represent payments received for future seasons. Deposits received totaled $10,716,022, $12,653,851 and $6,551,073 at June 30, 2016, 2015, and 2014, respectively.

Contract agreement-current portion consists of short term contractual payments due to former head men's basketball coaches whose employment with the Association ended in April of 2011 and 2016, respectively. As required by contract, the Association will make annual payments totaling $1,575,564 for FY 17 and FY 18, and $906,250 for FY 19.

The total short-term portion of bond payment obligations outstanding at June 30, 2016, 2015 and 2014 totaled $1,050,000, $1,010,000 and $970,000, respectively. Notes payable mainly consist of $900,000 in short term payments related to the purchase of land used as the practice facility for the Georgia Tech golf team.

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.

The resulting total long-term portion of debt obligations outstanding at June 30, 2016, 2015, and 2014, totaled $226,442,849, $229,272,957 and $232,660,704, respectively.

Net Position

Net position represents the difference between the Association's assets and liabilities. Total net position at June 30, 2016, 2015 and 2014, was $62,409,408, $76,006,576 and $77,066,135, respectively. The decrease 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. These funds were classified as restricted in prior years, but have been reclassified as unrestricted for FY 16. A prior period adjustment was recorded to document the change in previous years reporting. See note 17, in the Notes to Financial Statements for more information and calculation of the adjustment.

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, 2016, 2015, and 2014

	2016	2015	2014
Operating revenues:			
Ticket sales	$ 12,573,349	$ 8,771,271	$ 10,531,133
Atlantic Coast Conference revenue distributions	22,874,800	27,248,839	19,060,757
Contributions	1,560,420	2,678,033	4,544,650
Event related	17,309,664	17,463,152	16,638,091
Other	9,431,144	9,500,143	8,920,268
Total operating revenues	63,749,377	65,661,438	59,694,899
Operating expenses:			
Salaries and benefits	23,868,096	23,532,967	22,149,444
Programs and facilities	25,675,850	24,983,098	23,347,211
General and administrative	7,841,571	7,136,080	6,793,592
Depreciation	7,366,430	7,198,378	7,255,440
Total operating expenses	64,751,947	62,850,523	59,545,687
Operating profit (loss)	(1,002,570)	2,810,915	149,212
Nonoperating revenues (expenses):			
Investment income	746,569	397,129	550,028
Permanent endowment contributions	1,878,683	2,050,735	1,316,963
Increase (decrease) in fair value of investments	(4,267,207)	1,797,680	14,223,610
Interest on long-term debt	(12,448,477)	(12,517,948)	(12,619,354)
Debt service contributions to other affiliated organizations	(137,400)	(137,400)	(137,400)
Restricted contributions	2,943,355	4,539,330	5,100,580
Early contract termination settlement	(1,310,121)	-	-
Total nonoperating revenues (expenses)	(12,594,598)	(3,870,474)	8,434,427
Increase (decrease) in net position	(13,597,168)	(1,059,559)	8,583,639
Net position, beginning of year	76,006,576	77,066,135	68,482,496
Net position, end of year	$ 62,409,408	$ 76,006,576	$ 77,066,135

Operating Revenues

Ticket Sales

Ticket sales are generated from support of the Association’s various sports through paid admissions primarily to home events. Following the success of the 2015 football season and a strong seven game home schedule which included Florida State, Virginia Tech, and Georgia, ticket sales experienced a larger than usual increase of over $3.8 million for FY 16.

	2016	2015	2014
Football	$ 11,179,475	$ 6,940,487	$ 8,560,739
Men’s basketball	1,159,489	1,621,168	1,713,274
Women’s basketball	50,410	44,902	53,082
Baseball	173,581	152,722	191,952
Volleyball	10,394	11,992	12,086
Total	$ 12,573,349	$ 8,771,271	$ 10,531,133

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 the 15 members. The ACC distribution totaled $22,874,800 in FY 16, $27,248,839 in FY 15 and $19,060,757 in FY 14. There was a decline in ACC distributions in 2016 due to the contractual arrangement between the conference, College Football Playoff (CFP), and the Orange Bowl as well as the football program not competing in a bowl game.

Contributions

Contributions include any unrestricted donations. Contribution revenue totaled $1,560,420 in FY 16, $2,678,033 in FY 15 and $4,544,650 in FY 14. The decrease in contributions in FY 16 can be attributed to continued fundraising efforts toward scholarship endowments and capital project donations, as well as the pay and write off of older unrestricted pledges.

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, 2016, 2015, and 2014, respectively, are as follows:

	2016	2015	2014
Premium lease fees	$ 9,691,493	$ 9,544,269	$ 9,133,131
Radio rights fees	5,797,563	5,657,403	5,674,898
Sponsorships	957,550	973,000	896,633
Concessions	552,465	452,358	439,820
Licensing fees	147,974	148,377	157,207
Guarantees – football	73,650	600,000	250,000
Guarantees - other	-	-	-
Stinger seatbacks	79,709	78,088	83,679
Auxiliary Sales	9,260	9,657	2,723
Total event related	$ 17,309,664	$ 17,463,152	$ 16,638,091

Premium lease fees are contributions tied to seat location in areas with upgraded benefits in Bobby Dodd Stadium and McCamish Pavilion. These fees totaled $9,691,493, $9,544,269 and $9,133,131 for the years ended June 30, 2016, 2015 and 2014, 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 remained relatively consistent in FY 16 as compared to prior years.

Concessions represent the commissions received by the Association from the third party contractor that operates all concessions at Association venues. The large increase in football game attendance created an increase of over $100,000 in concession commissions for 2016.

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. In FY 16, there were no contracted guarantees for football and therefore, the Association received minimal guarantees totaling $73,650. This included payments for men's basketball participation in the NIT pre-season tournament, as well as non-conference softball and volleyball tournaments.

Other Revenue

Other revenues totaled $9,431,144, $9,500,143 and $8,920,268 for the years ended June 30, 2016, 2015 and 2014, respectively, and was comprised of the following:

	2016	2015	2014
Student athletic fees	$ 5,270,384	$ 5,151,400	$ 5,073,873
Institutional support	2,171,534	2,120,382	2,033,903
Handling charges	565,559	473,846	405,564
Special events	-	298,968	-
Miscellaneous	1,423,667	1,455,547	1,406,928
Total other revenue	$ 9,431,144	$ 9,500,143	$ 8,920,268

The athletic fee remained unchanged in FY 16 at $127 per student per semester. The increased revenue recorded in FY 16 resulted from 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 Association's operations ("tuition waivers") as well as provide administrative salary support.

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 increase in this area correlates with a significant increase in ticket sales for the 2015 football season.

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

Operating Expenses

Salaries and Benefits

Salaries and benefits represent salary expenses and the associated costs of benefits. In FY 16, these expenses increased by only 1.5% as compared to FY15.

	2016	2015	2014
Salaries	$ 19,272,469	$ 19,087,778	$ 17,341,251
Benefits & Fringes	4,595,627	4,445,189	4,808,193
Total salaries and benefits	$ 23,868,096	$ 23,532,967	$ 22,149,444

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 $692,752 from FY 15 to FY 16.

	2016	2015	2014
Scholarships	$ 10,412,150	$ 9,334,446	$ 9,019,421
Guarantees	1,619,557	1,431,205	1,371,492
Travel	4,362,161	5,648,787	4,297,586
Events and other services	3,897,070	3,288,410	3,336,800
Recruiting	1,365,539	1,310,505	1,399,630
Utilities	1,239,882	1,139,734	944,954
Operation, maintenance, and plant	1,950,872	2,184,315	2,370,683
Uniforms and equipment	828,619	645,696	606,645
Total program and facilities	$ 25,675,850	$ 24,983,098	$ 23,347,211

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 16 due to rising tuition, room, and board costs, as well as additional payments provided to student athletes following newly adopted NCAA autonomy legislation.

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. Guarantee expenses increased in FY 16 as costs associated with building balanced athletic schedules continue to escalate.

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. In FY 16, travel expenses decreased by $1,286,626 from the prior year mainly due to football not competing in a bowl game.

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

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 16 remained consistent with the prior year.

Operations, maintenance and plant expenses include costs associated with the repair and upkeep of the Association's $167 million in net capital assets. Maintenance and repairs on the Association's many upgraded facilities will continue to be a growing expense 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 sponsorship changes. These expenses increased $182,923 in FY 16.

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 $7,841,571 in FY 16, $7,136,080 in FY 15, and $6,793,592 in FY 14. These expenses increased by over $700,000 due to additional nutritional expenses and a rise in ticket processing fees following strong football sales in 2016.

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. FY 16 resulted in a $9 million increase in nonoperating expenses which is attributable to the Association experiencing 4% investment losses on the funds invested at the Georgia Tech Foundation coupled with annual endowment draws to cover scholarship expenses.

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. In FY 16, the termination of the previous men's basketball coach's contract for a total of 1,310,121 will be classified as a special item for FY 16.

Net Position

In FY 16, year-end net position decreased by $13,597,168 to an amount of $62,409,408. The Association experienced tremendous growth in FY 14 and remained stable in FY 15. The lack of investment returns in conjunction with the net impact of bond issuances, facility construction, and long term debt strategies have caused the decline for FY 16.

The condensed statements of cash flows are shown below:

Condensed Statements of Cash Flows
Years Ended June 30, 2016, 2015, and 2014

	2016	2015	2014
Cash flows from operating activities	$ 3,966,970	$ 15,375,838	$ 1,389,790
Cash flows from noncapital financing activity	4,822,038	6,590,065	6,532,074
Cash flows used in capital and related financing activities	(17,337,619)	(20,044,225)	(15,076,266)
Cash flows from investing activities	7,271,600	2,913,886	5,385,230
Net change in cash and cash equivalents	(1,277,011)	4,835,564	(1,769,172)
Cash and cash equivalents, beginning of year	7,995,479	3,159,915	4,929,087
Cash and cash equivalents, end of year	$ 6,718,468	$ 7,995,479	$ 3,159,915

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, 2016, these activities created an overall $1,277,011 decrease in cash and cash equivalents. The majority of this decrease was related to a reduction in conference distributions as compared to the prior year.

Outlook for the Future

In July of 2016, the ACC and ESPN announced that their existing partnership will be enhanced as a television network will be launched by August 2019. The linear network will broadcast more than 1,300 live events per year and increase the league's overall value. The Association will incur infrastructure and production costs over the next few years in preparation for the network, but will see a significant increase in annual revenue beginning in FY 18 as a result of the ACC/ESPN partnership and introduction of the network.

In August 2016, Mike Bobinski accepted the Director of Athletics position at another institution. An interim Athletic Director has been named and the Association is conducting a national search to find a new leader by the spring of 2017.

During the Athletic Director transition, the strategic plan (launched in the spring of 2016) will provide a framework for the leadership of the Association to continue its goal of creating the best possible opportunities for student-athletes to excel on fields of play and in the classroom, and to give Yellow Jackets' fans a first-class product to support.

After four years of funding the long term debt servicing model for its 2011 and 2012 bond issuances, the Association's balances in the quasi endowment funds (used to service debt in a manner that does not significantly impact the short or long term operations of the Association) are meeting original projections. The Association will continue to analyze the long term debt service model and monitor market conditions to determine potential opportunities to capitalize on favorable interest rates.

Operationally, the implementation of zero based budgeting will continue to provide the Association with the flexibility to manage escalating operational costs (e.g. salaries, scholarships, travel, etc.) as well as annual fluctuations in ticket sales and fundraising revenues.

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, 2016 AND 2015

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 6,718,468	$ 7,995,479
Pledges receivable - current portion, net	2,771,332	2,555,012
Accounts receivable, net	2,218,101	3,297,242
Prepaid expenses and other assets	911,620	1,302,523
Total current assets	12,619,521	15,150,256
Noncurrent assets		
Pledges receivable - long-term, net	8,754,616	8,512,822
Investments held by Georgia Tech Foundation	98,449,829	109,163,112
Assets held under charitable remainder trusts	842,733	921,688
Capital assets not being depreciated	12,383,898	9,365,499
Capital assets being depreciated, net	155,107,098	161,587,215
Deposits	207,923	191,460
Total noncurrent assets	275,746,097	289,741,796
Total Assets	288,365,618	304,892,052
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding of debt, net	20,397,906	22,166,262
Total Deferred Outflows of Resources	20,397,906	22,166,262
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	2,697,272	3,370,032
Accrued interest payable	2,758,285	2,766,397
Deposits received for football and basketball tickets	10,716,022	12,653,851
Deferred sponsorship agreements	113,090	76,051
Capital leases - current portion	59,567	56,731
Contract agreement - current portion	1,575,564	906,250
Notes payable - current portion	941,467	939,469
Bonds payable - current portion	1,050,000	1,010,000
Total current liabilities	19,911,267	21,778,781
Long-term liabilities		
Capital leases - long-term	-	59,567
Contract agreement - long-term	2,145,192	2,339,655
Notes payable - long-term	6,026,501	6,967,968
Bonds payable - long-term	218,271,156	219,905,767
Total long-term liabilities	226,442,849	229,272,957
Total Liabilities	246,354,116	251,051,738
NET POSITION (See Note 17)		
Net investment in capital assets	(38,988,334)	(35,940,475)
Unrestricted	11,891,318	11,840,947
Restricted		
Nonexpendable	33,640,336	30,472,704
Expendable for capital improvements, athletic teams, and scholarships	55,866,088	69,633,400
Total Net Position	$ 62,409,408	$ 76,006,576

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, 2016 AND 2015

	2016	2015
Operating revenues		
Ticket sales	$ 12,573,349	$ 8,771,271
Atlantic Coast Conference revenue distributions	22,874,800	27,248,839
Contributions	1,560,420	2,678,033
Student athletic fees	5,270,384	5,151,400
Premium lease fees	9,691,493	9,544,269
Advertising and sponsorships	7,544,521	7,318,883
Guarantees	73,650	600,000
Institutional support	2,171,534	2,120,382
Other	1,989,226	2,228,361
Total operating revenues	63,749,377	65,661,438
Operating expenses		
Salaries and benefits	23,868,096	23,532,967
Scholarships	10,412,150	9,334,446
General and administrative	7,841,571	7,136,080
Depreciation	7,366,430	7,198,378
Guarantees	1,619,557	1,431,205
Travel	4,362,161	5,648,787
Recruiting	1,365,539	1,310,505
Events and other services	3,897,070	3,288,410
Utilities	1,239,882	1,139,734
Operation, maintenance, and plant	1,950,872	2,184,315
Uniforms and equipment	828,619	645,696
Total operating expenses	64,751,947	62,850,523
Operating income (loss)	(1,002,570)	2,810,915
Nonoperating revenues (expenses)		
Investment income	746,569	397,129
Increase (decrease) in fair value of investments	(4,267,207)	1,797,680
Permanent endowment contributions	1,878,683	2,050,735
Interest on long-term debt	(12,448,477)	(12,517,948)
Debt service contributions to other affiliated organizations	(137,400)	(137,400)
Restricted contributions	2,943,355	4,539,330
Total nonoperating revenues (expenses)	(11,284,477)	(3,870,474)
Special items		
Early contract termination settlement	(1,310,121)	-
Change in net position	(13,597,168)	(1,059,559)
Net position, beginning of year	76,006,576	77,066,135
Net position, end of year	$ 62,409,408	$ 76,006,576

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, 2016 AND 2015

	2016	2015
Cash flows from operating activities		
Receipts from customers	$ 11,714,661	$ 12,353,155
Receipts from student fees	5,270,384	5,151,400
Receipts from Atlantic Coast Conference	22,874,800	27,248,839
Receipts from other NCAA institutions	73,650	600,000
Receipts from donors	3,273,840	6,995,112
Receipts from advertisers and sponsors	7,581,560	7,301,998
Receipts from premium lease fees	9,691,493	9,544,269
Payments to suppliers	(29,639,474)	(23,797,975)
Payments to employees	(5,074,608)	(4,810,892)
Payments to Georgia Tech	(23,772,099)	(27,435,453)
Other receipts, net	1,972,763	2,225,385
Net cash provided by operating activities	3,966,970	15,375,838
Cash flows from noncapital financing activities		
Permanent endowment and restricted contributions	4,822,038	6,590,065
Cash flows from capital and related financing activities		
Purchases of capital assets	(3,921,175)	(6,659,392)
Principal paid on debt	(1,969,822)	(1,907,470)
Debt service contributions to affiliated organizations	(137,400)	(137,400)
Payments on capital lease	(56,731)	(54,029)
Interest paid	(11,252,491)	(11,285,934)
Net cash used in capital and related financing activities	(17,337,619)	(20,044,225)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	11,978,024	14,526,343
Purchases of investments	(5,452,993)	(12,009,586)
Investment income	746,569	397,129
Net cash provided by investing activities	7,271,600	2,913,886
Net increase (decrease) in cash and cash equivalents	(1,277,011)	4,835,564
Cash and cash equivalents, beginning of year	7,995,479	3,159,915
Cash and cash equivalents, end of year	$ 6,718,468	$ 7,995,479

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, 2016 AND 2015
(Continued)

	2016	2015
Reconciliation of operating income (loss) to net cash provided by operating activites		
Operating income	$ (1,002,570)	$ 2,810,915
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	7,366,430	7,198,378
(Increase) decrease in allowance for uncollectible pledges receivable	673,049	(1,268,481)
Changes in assets and liabilities:		
Pledges receivable, net	(1,131,163)	3,465,178
Accounts receivable, net	1,079,141	(2,520,894)
Prepaid expenses and other assets	390,903	(919,776)
Accounts payable and accrued expenses	(672,760)	1,341,914
Contract agreements	(835,270)	(817,289)
Deposits received for football and basketball tickets	(1,937,829)	6,102,778
Deferred sponsorship agreements	37,039	(16,885)
Net cash provided by operating activities	$ 3,966,970	$ 15,375,838
Supplemental disclosure of noncash activity		
Noncash noncapital financing activities		
Increase in contracts payable related to the early contract termination settlement	$ 1,310,121	$ -
Noncash investing activites		
Changes in fair value of investments	$ (4,188,252)	$ 1,818,872
Changes in present value of charitable remainder trust	(78,955)	(21,192)
Total noncash investing activities	$ (4,267,207)	$ 1,797,680

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

GEORGIA TECH ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

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

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

In accordance with the criteria in Statements of Governmental Accounting Standards (SGAS) No. 39, *Determining Whether Certain Organizations Are Component Units*, 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 statements of the Association are prepared in accordance with SGAS No. 35, *Basic Financial Statements—and Management's Discussion and Analysis for Public Colleges and Universities, as amended by SGAS No. 37, Basic Financial Statements—and Management's Discussion and Analysis—State and Local Governments: Omnibus—an Amendment of GASB Statements No. 21 and No. 34*, and SGAS No. 38, *Certain Financial Statement Note Disclosures*. The financial statement presentation required by these statements provide a comprehensive, entity-wide perspective of the Association's assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows and replaces the fund-group perspective previously required. In addition, these statements require the Association to present 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. As required by SGAS No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, 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.

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

(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. There was no allowance for doubtful accounts recorded at June 30, 2016 or 2015. The Association has no policy requiring collateral or other security to support its accounts receivable.

(f) **Investments**—In accordance with SGAS No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Association is required to state 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.

(g) **Capital assets**—Capital assets are recorded at cost. 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	
New Construction	40 years

(h) **Assets held under charitable remainder trusts**—Charitable remainder trusts are arrangements in which donors have established and funded trusts which specify distributions to designated beneficiaries over the terms of the trusts (generally over the lives of the beneficiaries). Upon termination of the trusts, the remaining assets of the trusts will be distributed to the Association. Charitable trusts are recorded at the present value of the estimated future benefits to be received when the trust assets are distributed to the Association.

(i) **Deferred outflows of resources**—In addition to assets, the statement of financial 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, 2016 and 2015, 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.

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

(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.

- *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**—In accordance with SGAS No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, 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. Fifteen employees were eligible for postretirement coverage at June 30, 2016 and 2015, 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 paid a total of $20,365 and $72,860 for retiree insurance premiums for the years ended June 30, 2016 and 2015, respectively. 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.

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

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.

On July 1, 2008, Georgia Tech adopted SGAS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, in accounting for its postretirement healthcare costs. The Other Postemployment Benefits (OPEB) liability and expense related to SGAS No. 45 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 plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the TRS and ERS and additions to/deductions for TRS's and ERS's fiduciary net position have been determined on the same basis as they are reported by TRS and ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 2016.

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.

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, 2016 was 21.96% of annual covered payroll for old and new plan members and 18.87% 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.

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

In fiscal year 2015, Georgia Tech adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Since all employees who provide services to the Association are Institute employees, GASB No. 68 had no impact on the accompanying financial statements of the Association.

In fiscal year 2016, Georgia Tech adopted Governmental Accounting Standards Board (GASB) Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The provisions of this Statement address practice issues regarding the scope and applicability of GASB 68. GASB 78 had no impact on the accompanying financial statements of the Association.

(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 2015 financial statements have been reclassified to conform to the 2016 presentation. These reclassifications had no effect on 2015 change in net position and did not change the classification of net position.

(p) **Implementation of new accounting standards**—At June 30, 2016 and for the year then ended, the Association has implemented Governmental Accounting Standards Board (GASB) *Statement No. 72*, *Fair Value Measurement and Application*. See Note 5 for the effects of GASB 72 on fair value investment disclosures.

At June 30, 2016 and for the year then ended, the Association has implemented Governmental Accounting Standards Board (GASB) *Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which supersedes GASB *Statement No. 55*. GASB 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

(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, 2016 and 2015, $6,154,665 and $7,759,302 respectively, of the Association's bank balance of $6,655,458 and $8,260,095 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, 2016 and 2015, primarily relate to funds received to fund certain construction projects, to include the Zelnak Basketball Practice Facility, the John and Mary Brock III Football Indoor Practice Facility, the Edge

(3) **Pledges Receivable:** (Continued)

Building renovations, the Noonan Golf Facility, the Ken Byers Tennis Complex and the McCamish Pavilion 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, 2016 and 2015, as follows:

	2016	2015
Pledges receivable	$ 13,898,041	$ 13,574,647
Allowance for uncollectible pledges	(1,095,432)	(1,768,481)
Present value discount (discount rates ranging from 1.4% to 2.4%)	(1,276,661)	(738,332)
Total	11,525,948	11,067,834
Less: Pledges receivable – current portion, net	2,771,332	2,555,012
Total pledges receivable – long-term, net	$ 8,754,616	$ 8,512,822

Based upon the terms of such pledges at June 30, 2016, the Association expects such pledges will be received as follows:

Less than one year	$ 2,771,332
One to five years	5,314,900
Greater than five years	3,439,716
Total	$ 11,525,948

(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 $98,449,829 and $109,163,112 at June 30, 2016 and 2015, 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 $(4,188,251) and $1,818,874 for the years ended June 30, 2016 and 2015, 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 $11,978,024 and $14,526,342 to the Association for the years ended June 30, 2016 and 2015, respectively.

In addition, based on donor designations, the Association is allocated earnings from certain endowments of the Foundation, which had aggregate fair values of $15,489,156 and $16,941,721 at June 30, 2016 and 2015, respectively. The Foundation distributed $746,549 and $397,129 to the Association from these endowments for the years ended June 30, 2016 and 2015, respectively. These distributions are included in “proceeds of sales and maturities of investments” in the Statements of Cash Flows.

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

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:

	2016	2015
Restricted – expendable	$ 11,528,024	$ 14,526,342
Unrestricted	450,000	-
Total endowment spending	$ 11,978,024	$ 14,526,342

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

- 31% 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.
- 37% 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. 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.

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

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).

During the years ended June 30, 2016 and 2015, the fair value of assets classified as Level 3 in the fair value hierarchy changed as follows:

	Investments held by Georgia Tech Foundation (000's)
Balance at June 30, 2014	$ 109,862
Net income, earnings attributable to balances	1,818
Additions during the year	12,246
Withdrawals during the year	(14,763)
Balance at June 30, 2015	109,163
Net income, earnings attributable to balances	(4,188)
Additions during the year	5,453
Withdrawals during the year	(11,978)
Balance at June 30, 2016	$ 98,450

(6) Capital Assets:

Capital assets at June 30, 2016, consist of the following:

	Beginning Balance	Additions	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 9,025,000	$ 3,283,135	$ -	$ 12,308,135
New Construction	340,499	3,110,113	(3,374,849)	75,763
Total capital assets, not being depreciated	9,365,499	6,393,248	(3,374,849)	12,383,898
Arthur B. Edge Athletic Center	15,084,718	46,196	-	15,130,914
Alexander Memorial Coliseum improvements	71,093,937	-	-	71,093,937
Chandler Baseball Stadium	14,797,856	331,238	-	15,129,094
Bobby Dodd Stadium	76,414,273	185,551	-	76,599,824
William C. Wardlaw Center	3,416,862	-	-	3,416,862
Scoreboards	8,507,958	-	-	8,507,958
Griffin Track	225,445	67,799	-	293,244
Moore Tennis Center	12,563,143	-	-	12,563,143
Other buildings and improvements	21,467,129	241,334	-	21,708,463
Furniture and equipment	1,605,198	14,195	-	1,619,393
Total capital assets, being depreciated	225,176,519	886,313	-	226,062,832
Less accumulated depreciation for:				
Arthur B. Edge Athletic Center	6,956,668	638,571	-	7,595,239
Alexander Memorial Coliseum Improvements	14,080,905	2,085,596	-	16,166,501
Chandler Baseball Stadium	4,438,773	491,545	-	4,930,318
Bobby Dodd Stadium	26,513,431	2,419,393	-	28,932,824
William C. Wardlaw Center	2,290,496	245,050	-	2,535,546
Scoreboards	4,686,478	489,651	-	5,176,129
Griffin Track	30,848	19,475	-	50,323
Moore Tennis Center	782,404	318,442	-	1,100,846
Other buildings and improvements	3,099,512	585,434	-	3,684,946
Furniture and equipment	709,789	73,273	-	783,062
Total accumulated depreciation	63,589,304	7,366,430	-	70,955,734
Total capital assets, being depreciated, net	161,587,215	(6,480,117)	-	155,107,098
Total net capital assets	$ 170,952,714	$ (86,869)	$ (3,374,849)	$ 167,490,996

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

Capital assets at June 30, 2015, consist of the following:

	Beginning Balance	Additions	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 9,025,000	$ -	$ -	$ 9,025,000
Construction in progress	27,909	340,499	(27,909)	340,499
Total capital assets, not being depreciated	9,052,909	340,499	(27,909)	9,365,499
Capital assets, being depreciated:				
Arthur B. Edge Athletic Center	15,052,882	87,870	(56,034)	15,084,718
Alexander Memorial Coliseum Improvements	70,420,727	673,210	-	71,093,937
Chandler Baseball Stadium	10,785,721	4,012,135	-	14,797,856
Bobby Dodd Stadium	75,952,341	461,932	-	76,414,273
William C. Wardlaw Center	3,036,725	380,137	-	3,416,862
Scoreboards	8,507,958	-	-	8,507,958
Griffin Track	126,800	98,645	-	225,445
Moore Tennis Center	12,594,643	-	(31,500)	12,563,143
Other buildings and Improvements	21,400,274	66,855	-	21,467,129
Furniture and equipment	1,259,745	563,042	(217,589)	1,605,198
Total capital assets, being depreciated	219,137,816	6,343,826	(305,123)	225,176,519
Less accumulated depreciation for:				
Arthur B. Edge Athletic Center	6,450,585	562,117	(56,034)	6,956,668
Alexander Memorial Coliseum Improvements	12,006,136	2,074,769	-	14,080,905
Chandler Baseball Stadium	4,058,740	380,033	-	4,438,773
Bobby Dodd Stadium	24,132,180	2,381,251	-	26,513,431
William C. Wardlaw Center	2,113,264	177,232	-	2,290,496
Scoreboards	4,193,857	492,621	-	4,686,478
Griffin Track	26,372	4,476	-	30,848
Moore Tennis Center	494,921	318,983	(31,500)	782,404
Other buildings and improvements	2,531,854	567,658	-	3,099,512
Furniture and equipment	688,140	239,238	(217,589)	709,789
Total accumulated depreciation	56,696,049	7,198,378	(305,123)	63,589,304
Total capital assets, being depreciated, net	162,441,767	(854,552)	-	161,587,215
Total net capital assets	$ 171,494,676	$ (514,053)	$ (27,909)	$ 170,952,714

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.

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

Included in capital assets as of June 30, 2016, is equipment leased under capital leases. The gross cost amount of these assets was $221,784 as of June 30, 2016, with related accumulated depreciation of $133,070 as of June 30, 2016. 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 $59,567 and $ 116,298 as of June 30, 2016 and 2015, respectively.

(7) **Long-term Obligations:**

The change in long-term obligations for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes and bonds payable	$ 228,823,204	$ -	$ (2,534,080)	$ 226,289,124	$ 1,991,467
Capital leases	116,298	-	(56,731)	59,567	59,567
Contract agreements	3,245,905	1,310,121	(835,270)	3,720,756	1,575,564
Total	$ 232,185,407	$ 1,310,121	$ (3,426,081)	$ 230,069,447	$ 3,626,598

The change in long-term obligations for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes and bonds payable	$ 231,294,932	$ -	$ (2,471,728)	$ 228,823,204	$ 1,949,469
Capital leases	170,327	-	(54,029)	116,298	56,731
Contract agreements	4,063,194	-	(817,289)	3,245,905	906,250
Total	$ 235,528,453	$ -	$ (3,343,046)	$ 232,185,407	$ 2,912,450

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

Notes and bonds payable at June 30, 2016, 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, 2014, is 4.25%.	$ 707,437	$ -	$ (39,469)	$ 667,968	$ 41,467
Note Payable, secured by real property, interest payable quarterly at a variable rate of 30-day LIBOR plus 1.85% per annum (2% at June 30, 2014) with quarterly principal payments of $900,000 beginning July 2014 thru July 2023.	7,200,000	-	(900,000)	6,300,000	900,000
Series 2011 Bonds Payable, fixed rate bonds (interest rates ranging from 2.00% to 5.75% at June 30, 2014) with annual principal payments ranging from $25,000 to $8,235,000 beginning October 2011 thru October 2041.	87,245,000	-	(740,000)	86,505,000	775,000
Series 2012 Bonds Payable, fixed rate bonds (interest rates ranging from 1.32% to 5.31% at June 30, 2014) with annual principal payments ranging from $260,000 to $13,580,000 beginning October 2012 thru October 2042.	125,690,000	-	(270,000)	125,420,000	275,000
	220,842,437	-	(1,949,469)	218,892,968	1,991,467
Unamortized discount and premium	7,980,767	-	(584,611)	7,396,156	-
	$ 228,823,204	$ -	$ (2,534,080)	$ 226,289,124	$ 1,991,467

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

Notes and bonds payable at June 30, 2015, 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, 2014, is 4.25%.	$ 744,907	$ -	$ (37,470)	$ 707,437	$ 39,469
Note Payable, secured by real property, interest payable quarterly at a variable rate of 30-day LIBOR plus 1.85% per annum (2% at June 30, 2014) with quarterly principal payments of $900,000 beginning July 2014 thru July 2023.	8,100,000	-	(900,000)	7,200,000	900,000
Series 2011 Bonds Payable, fixed rate bonds (interest rates ranging from 2.00% to 5.75% at June 30, 2014) with annual principal payments ranging from $25,000 to $8,235,000 beginning October 2011 thru October 2041.	87,950,000	-	(705,000)	87,245,000	740,000
Series 2012 Bonds Payable, fixed rate bonds (interest rates ranging from 1.32% to 5.31% at June 30, 2014) with annual principal payments ranging from $260,000 to $13,580,000 beginning October 2012 thru October 2042.	125,955,000	-	(265,000)	125,690,000	270,000
	222,749,907	-	(1,907,470)	220,842,437	1,949,469
Unamortized discount and premium	8,545,025	-	(564,258)	7,980,767	-
	$ 231,294,932	$ -	$ (2,471,728)	$ 228,823,204	$ 1,949,469

(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, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total Principal and Interest
2017	$ 1,991,467	$ 11,112,706	$ 13,104,173
2018	2,048,965	11,049,043	13,098,008
2019	2,090,963	10,986,078	13,077,041
2020	32,138,462	10,210,617	42,349,079
2021	2,185,959	9,429,826	11,615,785
2022–2026	41,021,264	40,563,073	81,584,337
2027–2031	23,025,888	34,336,320	57,362,208
2032–2036	36,280,000	26,111,098	62,391,098
2037–2041	51,850,000	14,309,238	66,159,238
2042–2043	26,260,000	1,366,381	27,626,381
	218,892,968	169,474,380	388,367,348
Unamortized discount and premium	7,396,156	-	7,396,156
Total	$ 226,289,124	$ 169,474,380	$ 395,763,504

Principal and interest paid during the years ended June 30, 2016 and 2015, totaled approximately $12.5 million and $13.0 million, respectively. There was no interest capitalized during the years ended June 30, 2016 and 2015.

(9) **Capital Leases:**

The Association has entered into two lease agreements as a lessee for turf and irrigation 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, 2016, were as follows:

Year Ending June 30,	Amount
2017	$ 62,546
Total minimum lease payments	62,546
Less: Amounts representing interest	2,979
Present value of minimum lease payments	$ 59,567

Interest rates on capitalized leases vary from 5.96% to 6.03% 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.

Leased equipment under capital leases in capital assets at June 30, 2016 included the following:

Equipment and vehicles	$ 221,784
Less: Accumulated depreciation	133,070
Total	$ 88,714

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 June 30, 2017. 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, 2016 and 2015.

(11) **Employee Benefits:**

As disclosed in Note 1(l) 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 8.25% and 9.15%. The expense related to this benefit is included in a straight benefit assessment percentage based on total salary expense of 30%. 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 10%.

Total retirement plan expenses totaled $ 1,395,552 and $1,320,425 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015, 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 for the years totaled $137,400 for each of the years ended June 30, 2016 and 2015.

(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, 2016 and 2015, the Association recognized rent expense related to payments under these operating leases of $135,924 and $126,028, respectively. Future minimum lease payments are projected to be as follows:

Year Ending June 30,	Interest
2017	$ 93,743
2018	91,568
2019	58,185
2020	-
2021	-
Total	$ 243,496

(16) **Commitments:**

The Association has entered into employment contracts with certain employees expiring in years through 2022 that provide for a minimum annual salary. At June 30, 2016, the total commitment for all contracts for each of the next five years and in the aggregate is as follows:

Year Ending June 30,	Interest
2017	$ 7,506,891
2018	7,444,018
2019	6,278,319
2020	6,427,373
2021	2,395,000
2022	2,200,000
Total	$ 32,251,601

(17) **Prior Period Adjustment:**

During 2016 the Association reclassified a portion of net position from Restricted – expendable to Unrestricted. This reclassification has no effect on total net position and relates to funds held at the Georgia Tech Foundation that were reported as restricted in prior years even though the funds could be used for any purpose by the Association. As a result, the Association's 2015 financial statements have been restated. See below for a summary of the financial statement items affected:

	As Previously Reported	Adjustment	As Restated
Net investment in capital assets	$ (35,940,475)	$ -	$ (35,940,475)
Unrestricted	2,783,939	9,057,008	11,840,947
Restricted – nonexpendable	30,472,704	-	30,472,704
Restricted – expendable	78,690,408	(9,057,008)	69,633,400
Total net position	$ 76,006,576	$ -	$ 76,006,576

(18) **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. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, in June 2015, which establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB. GASB 73 is intended to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The requirements of GASB 74 are effective for fiscal years beginning after June 15, 2016.

(18) **Recent Accounting Pronouncements:** (Continued)

(b) GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in June 2015, which establishes standards for recognizing and measuring liabilities, deferred outflows or resources, deferred inflows of resources, and expense/expenditures. GASB 75 seeks to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The provisions in GASB 75 are effective for fiscal years beginning after June 15, 2017.

(c) GASB issued Statement No. 80, *Blending Requirements for Certain Component Units* – an amendment of GASB Statement No. 14, in January 2016. GASB 80 clarifies the financial statement presentation requirements for certain component units and amends the blending requirements for the financial statement presentation of component units. The provisions in GASB 80 are effective for periods beginning after June 15, 2016.

(d) GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, in March 2016. GASB 81 provides recognition and measurement guidance for irrevocable split-interest agreements in which a government is a beneficiary of the agreement. The provisions in GASB 81 are effective for fiscal years beginning after December 15, 2016.

(e) GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, in March 2016, which addresses issues regarding: (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee contribution requirements. The provisions in GASB 82 are effective for periods beginning after June 15, 2016.

SUPPLEMENTARY SCHEDULE

GEORGIA TECH ATHLETIC ASSOCIATION
SUPPLEMENTARY SCHEDULE: CASH BASIS FINANCIALS
JUNE 30, 2016 AND 2015

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 2016-15 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 2014-15 CASH BASED FINANCIALS	FY 2015-16 AUDITED FINANCIALS	FY 2015-16 CASH BASED FINANCIALS	VARIANCE CASH vs. AUDITED	
REVENUES					
ACC Distribution	$ 27,248,839	$ 22,874,800	$ 22,874,800	$ -	
Ticket Sales	8,771,271	12,573,349	12,573,349	-	
Guarantees Received	600,000	73,650	73,650	-	
Premium Lease Fees	9,544,269	9,691,493	9,691,493	-	
Sponsorships	6,724,439	7,544,521	7,100,076	(444,445)	***A***
Student Fees	5,151,400	5,270,384	5,270,384	-	
Contributions	16,108,936	1,560,420	13,977,543	12,417,123	***B***
Institutional Support	2,120,382	2,171,534	2,171,534	-	
Other	2,221,498	1,989,226	1,989,226	-	
TOTAL REVENUES	78,491,034	63,749,377	75,722,055	11,972,678	
EXPENSES					
Personnel	24,435,937	23,868,096	24,774,346	906,250	***C***
Scholarships	9,334,448	10,412,150	10,412,150	-	
Travel & Post Season	5,739,370	7,841,571	7,841,571	-	
Depreciation	-	7,366,430	-	(7,366,430)	***D***
Recruiting	1,312,053	1,619,557	1,619,557	-	
Event & Other Services	3,181,260	4,362,161	4,362,161	-	
General and Administrative	7,155,137	1,365,539	1,365,539	-	
Guarantees	1,431,205	3,897,070	3,897,070	-	
Operations, Maintenance & Plant	8,922,669	1,239,882	5,201,323	3,361,441	***E***
Utilities	1,139,734	1,950,872	1,950,872	-	
Uniforms and Equipment	645,694	828,619	828,619	-	
Debt Service	13,193,406	-	13,361,358	13,361,358	***F***
TOTAL EXPENSES	76,490,913	64,751,947	75,614,566	10,862,619	
NET INCOME	$ 2,000,121	$ (1,002,570)	$ 107,489	$ 1,110,059	

A. Sponsorships

In December 2012, the GTAA executed an amended contract with IMG College that extended the previous agreement three years with the resulting final year of the agreement being FY 21. 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 GTAA, $3,435,000 of which was not due to the Association until FY 14. 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 FY16, the sponsorship revenues reported on the audited financial statement are $444,445 greater 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.

As touched on in footnote 4, 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 15	$	666,579
Annual unrestricted cash contributions		1,292,663
Written off pledges		(398,822)
	$	1,564,420

Cash Based Accounting

Annual draw from restricted endowment base	$	2,664,980
Annual draws from Candler Fund endowments		2,120,000
Annual draw from Athletic Directors Initiative Fund		300,000
Annual draw from Long Term Growth Fund		7,449,900
Draw from Athletic Fund Balance account		150,000
Annual unrestricted cash contributions		1,292,663
	$	13,977,543

C. Personnel

Following GASB Statement No. 35 guidelines, the net present value of the entire balance owed to the former Head Men's Basketball Coach was reflected as a long term liability on the 2010-11 Statement of Net Position. As a result, compensation paid after his full time employment ended in March of 2011 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 11 financials. Because GTAA dollars were used to fund these payments during the 2015-16 fiscal year, they are recorded as personnel expenses on the Cash Based Income Statement. The higher salary and benefit expenses on the cash based incomes statement versus the audited financial income statement results from the fact that the total amounts paid to the former men's basketball head coach in FY 16 is shown as salary and benefit expenses on the cash based income statement

D. Depreciation

As outlined in footnote 2g 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 $3,904,710 in FY 16 were primarily a major renovation to the new Noonan Golf Practice Facility. 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 $56,731 in expenses that were shown on the cash based income statement in FY 16, 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 the 2014-15 fiscal year, this expense is included on the Cash Based Income Statement.