

GEORGIA TECH GLOBAL, INC.

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2017

And Report of Independent Auditor

GEORGIA TECH GLOBAL, INC.

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Report of Independent Auditor

To the Audit Committee of
Georgia Tech Global, Inc.
Atlanta, Georgia

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Georgia Tech Global, Inc. ("GTGI"), a component unit of Georgia Institute of Technology, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise GTGI's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 GTGI'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 GTGI'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.

Opinion

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of GTGI as of June 30, 2017, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Management has omitted the management's discussion and analysis information that is required to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Cherry Bekart LLP

March 12, 2018
Atlanta, Georgia

GEORGIA TECH GLOBAL, INC.
STATEMENT OF NET POSITION

JUNE 30, 2017

	Georgia Tech Global, Inc.	Component Unit Georgia Tech Panama Foundation	Total Business-Type Activities
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 100,410	\$ 1,061,212	\$ 1,161,622
Contribution receivable	15,000	-	15,000
Advances to Georgia Institute of Technology	-	186,312	186,312
Prepaid expenses	-	8,941	8,941
Total Current Assets	<u>115,410</u>	<u>1,256,465</u>	<u>1,371,875</u>
Noncurrent Assets:			
Capital assets, net	-	30,914	30,914
Other assets	-	3,700	3,700
Total Noncurrent Assets	<u>-</u>	<u>34,614</u>	<u>34,614</u>
Total Assets	<u>115,410</u>	<u>1,291,079</u>	<u>1,406,489</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued expenses	-	69,074	69,074
Unearned sponsorship revenues	-	980,352	980,352
Total Current Liabilities	<u>-</u>	<u>1,049,426</u>	<u>1,049,426</u>
Noncurrent Liabilities:			
Employee benefits payable	-	76,593	76,593
Total Noncurrent Liabilities	<u>-</u>	<u>76,593</u>	<u>76,593</u>
Total Liabilities	<u>-</u>	<u>1,126,019</u>	<u>1,126,019</u>
NET POSITION			
Invested in capital assets	-	30,914	30,914
Restricted	20,953	-	20,953
Unrestricted	94,457	134,146	228,603
Total Net Position	<u>\$ 115,410</u>	<u>\$ 165,060</u>	<u>\$ 280,470</u>

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

GEORGIA TECH GLOBAL, INC.**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

YEAR ENDED JUNE 30, 2017

		Component Unit	
	Georgia Tech	Georgia Tech	Total
	Global, Inc.	Panama	Business-Type
		Foundation	Activities
Changes in Unrestricted Net Assets:			
Operating Revenues:			
Contributions	\$ 402,574	\$ -	\$ 402,574
Sponsorship	-	1,077,669	1,077,669
Project income	-	334,522	334,522
Other income	-	35,954	35,954
Total Operating Revenues	<u>402,574</u>	<u>1,448,145</u>	<u>1,850,719</u>
Operating Expenses:			
Operating support provided to affiliated organization	193,895	-	193,895
Payments to Georgia Tech Research Corporation	-	508,207	508,207
Consulting fees	49,569	-	49,569
General and administrative	85,696	826,408	912,104
Total Operating Expenses	<u>329,160</u>	<u>1,334,615</u>	<u>1,663,775</u>
Income from operations	<u>73,414</u>	<u>113,530</u>	<u>186,944</u>
Increase in net position	73,414	113,530	186,944
Net position, beginning of year	<u>41,996</u>	<u>51,530</u>	<u>93,526</u>
Net position, end of year	<u>\$ 115,410</u>	<u>\$ 165,060</u>	<u>\$ 280,470</u>

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

GEORGIA TECH GLOBAL, INC.
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017

	Component Unit		
	Georgia Tech Global, Inc.	Georgia Tech Panama Foundation	Total Business-Type Activities
Cash flows from operating activities:			
Receipts from contributors and sponsors	\$ 321,858	\$ -	\$ 321,858
Receipts from grantors	-	101,220	101,220
Receipts from others	-	35,954	35,954
Operating support provided to affiliated organization	(193,895)	-	(193,895)
Payments to Georgia Institute of Technology	-	(186,312)	(186,312)
Payments to Georgia Tech Research Corporation	-	(508,207)	(508,207)
Payments to employees	-	(455,459)	(455,459)
Payments to vendors	(71,925)	(365,307)	(437,232)
Net cash from operating activities	<u>56,038</u>	<u>(1,378,111)</u>	<u>(1,322,073)</u>
Cash flows from investing activities:			
Purchases of capital assets	-	(13,716)	(13,716)
Net cash from investing activities	<u>-</u>	<u>(13,716)</u>	<u>(13,716)</u>
Net increase (decrease) in cash and cash equivalents	56,038	(1,391,827)	(1,335,789)
Cash and cash equivalents, beginning of year	44,372	2,453,039	2,497,411
Cash and cash equivalents, end of year	<u>\$ 100,410</u>	<u>\$ 1,061,212</u>	<u>\$ 1,161,622</u>
Reconciliation of operating income to net cash from operating activities:			
Operating income	\$ 73,414	\$ 113,530	\$ 186,944
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	-	12,348	12,348
Loss on disposal of capital assets	-	2,782	2,782
Changes in assets and liabilities:			
Accounts receivable from affiliated organizations	4,239	-	4,239
Contributions receivable	(15,000)	-	(15,000)
Accounts receivable	-	3,970	3,970
Advances to Georgia Institute of Technology	-	(186,312)	(186,312)
Prepaid expenses and other assets	-	2,844	2,844
Accounts payable and accrued expenses	(6,615)	(19,748)	(26,363)
Unearned sponsorship revenues	-	(1,314,941)	(1,314,941)
Employee benefits payable	-	7,416	7,416
Net cash from operating activities	<u>\$ 56,038</u>	<u>\$ (1,378,111)</u>	<u>\$ (1,322,073)</u>

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

GEORGIA TECH GLOBAL, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Note 1—Description of organization

Georgia Tech Global Inc. (“GTGI”) was established September 25, 2009, as a not-for-profit corporation affiliated with the Georgia Institute of Technology (“GIT”), a unit of the University System of the State of Georgia. GTGI was established for the purpose of engaging in charitable, scientific, literary, and educational purposes and to receive, hold, invest, and administer property and to make expenditures to, or for the benefit of, GIT and to support the international activities and initiatives of GIT. In 2009, GTGI entered into a Memorandum of Understanding with GIT designating GTGI as a Cooperative Organization (“Cooperative Agreement”). GTGI serves as the contracting entity for certain international activities and initiatives of GIT.

GTGI is the Founder and Foundation Council of the Georgia Tech Panama Foundation. The Georgia Tech Panama Foundation is a private foundation governed by the laws of the Republic of Panama, formed in August 2010, to support the educational, research and economic development activities of GIT in Panama. Georgia Tech Panama Foundation works with GIT’s Supply Chain & Logistics Institute to operate the Logistics Innovation & Research Center located in Panama City. The Center has three core activities: applied research, education, and competitiveness. The strategic objectives of the Center are to improve the logistics performance of the country and to aid in developing the logistics and trade capabilities that will enable Panama to become the trade hub of the Americas. Georgia Tech Panama Foundation meets the criteria to be presented in the financial statements of GTGI as a discretely presented component unit.

GTGI is the sole quota holder of Georgia Tech Costa Rica, Ltda. a limited liability company formed to support the operation of a Trade-chain Innovation and Productivity Center established by the Supply Chain and Logistics Institute of GIT in San Jose, Costa Rica. During the year ended June 30, 2014 the Georgia Tech Costa Rica Foundation, a Costa Rica nonprofit, was formed to be the vehicle for future operations in Costa Rica. GTGI holds the position of Chair of Georgia Tech Costa Rica Foundation. This new entity became fully operational on July 15, 2016, upon the transfer of assets from GT Costa Rica, Ltda. GT Costa Rica, Ltda. was dissolved during the year ended June 30, 2017. GT Costa Rica, Ltda. meets the criteria to be presented in the financial statements of GTGI as a discretely presented component unit. However, no financial activity or information of GT Costa Rica, Ltda. has been included in the financial statements of GTGI for the year ended June 30, 2017 due to limited operating activity for the year then ended and GT Costa Rica Ltda. having no assets, liabilities or net position as of June 30, 2017. Georgia Tech Costa Rica Foundation does not meet the criteria to be reported as a component unit of GTGI.

GTGI is one of five full members of Institute Lafayette in Metz, France. Institute Lafayette provides state-of-the-art nanofabrication facilities for innovations in optoelectronics and advanced materials research. The additional members of Institute Lafayette are Georgia Tech Lorraine, The General Council of Moselle, the Urban Community – Metropole of Metz, and the Regional Council Grand-Est (formerly Regional Council of Lorraine). The members do not have a profit sharing interest in Institute Lafayette. Institute Lafayette does not meet the criteria to be reported as a component unit of GTGI.

Note 2—Summary of significant accounting policies

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

Basis of Accounting – GTGI’s financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (“GAAP”) as prescribed by the Governmental Accounting Standards Board (“GASB”). In accordance with GAAP the financial statements of GTGI have been prepared on the accrual basis of accounting and are presented in conformity with GAAP. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

GEORGIA TECH GLOBAL, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Note 2—Summary of significant accounting policies (continued)

Reporting Entity – In accordance with the criteria in Statement of Governmental Accounting Standards (“SGAS”) No. 61, *The Financial Reporting Entity*, GTGI has included all funds and organizations and has considered all potential component units for which GTGI is financially accountable, and other organizations for which the nature and significance of their relationship with GTGI are such that exclusion would cause GTGI’s financial statements to be misleading or incomplete. Accordingly, as GTGI is financially accountable for the Georgia Tech Panama Foundation, its financial statements are presented with the financial statements of GTGI as a discretely presented component unit. Georgia Tech Panama Foundation has a calendar year end of December 31 and therefore amounts included in these financial statements are as of and for the year ended December 31, 2016.

Management has determined it meaningful information to present total columns in the accompanying financial statements. These total columns represent the summation of the GTGI and Georgia Tech Panama Foundation balances in order to provide an entity-wide presentation of GTGI, as permitted by GASB. No amounts have been eliminated nor does this presentation purport to or represent a consolidation under GAAP.

Cash – At June 30, 2017, the GTGI bank balance and book balance were \$100,410. At times, cash balances may exceed federally insured amounts. GTGI mitigates this risk by depositing and investing cash with a major financial institution in the United States of America. GTGI has not experienced any loss in such accounts and believes it is not exposed to any significant credit risk on cash. At June 30, 2017, the bank balance was fully insured by the Federal Deposit Insurance Corporation.

Capital Assets – Capital assets are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives which range from five to ten years. The straight-line method of depreciation is followed for all capital assets.

Net Position – Net position of GTGI is classified in three components. *Unrestricted net position* includes amounts not subject to donor or other stipulations imposed by outside sources. *Restricted net position* represents revenues that are subject to donor or other stipulations imposed by outside sources. *Invested in capital assets* represents total investment in capital assets net of accumulated depreciation.

As of June 30, 2017, there was \$20,953 of net assets restricted for expenses related to the GT Shenzhen Education Foundation.

Revenue Recognition – Contributions, including unconditional promises to give, are recognized as revenues in the period that the contribution is received or the unconditional promise is made and all eligibility requirements have been satisfied. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor for a specific purpose or time period. It is GTGI’s policy to first apply restricted resources followed by unrestricted resources, if necessary.

Other income is recognized when earned and collectability of the associated receivable is reasonably assured.

Sponsorship and other revenues for Georgia Tech Panama Foundation are recognized at fair value of the consideration received or to be received for the services rendered. Revenue is recognized in the period in which costs and expenses of operations are recognized. Sponsorship revenue is used to cover the basic operations of Georgia Tech Panama Foundation in conformity with the specifications of each sponsorship agreement.

GEORGIA TECH GLOBAL, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Note 2—Summary of significant accounting policies (continued)

Federal Income Taxes – GTGI is exempt from income taxes as provided by Section 501(c)(3) of the Internal Revenue Code (the “Code”), whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax.

Use of Estimates in Preparation of Financial Statements – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements – During the year ended June 30, 2017 GTGI adopted SGAS No. 80, *Blending Requirements For Certain Component Units – An Amendment of GASB Statement No. 14*, which clarifies the financial statement presentation requirements for certain component units. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The adoption of this statement had no effect on GTGI’s financial statements.

In June 2017, GASB issued SGAS No. 87, *Leases*, which improves the accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. SGAS 87 is effective for reporting periods beginning after December 15, 2019. GTGI is currently evaluating the impact implementing SGAS No. 87 will have on its financial statements.

Note 3—Contributed services

GIT employees provide all personnel support needed for the operations of GTGI pursuant to the Cooperative Agreement between GTGI and GIT. During the year ended June 30, 2017, GTGI received a total of \$69,955 of contributed services from GIT, and GTGI did not reimburse GIT for any of these costs. This amount is recorded in contributions revenues and general and administrative expenses in the accompanying statement of revenues, expenses and changes in net position.

Note 4—Transactions with affiliated organizations

GTGI received the \$304,362 of contributions from Georgia Tech Foundation during the year ended June 30, 2017.

GTGI made the following payments to provide operating support to affiliated organizations during the year ended June 30, 2017:

Georgia Tech Shenzhen Education Foundation	\$ 15,895
Georgia Tech Costa Rica Foundation	178,000
	<u>\$ 193,895</u>

GEORGIA TECH GLOBAL, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Note 5—Component Unit - Georgia Tech Panama Foundation

Changes in the Georgia Tech Panama Foundation’s capital assets for the year ended June 30, 2017 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Furniture and equipment	\$ 65,704	\$ 13,716	\$ (33,309)	\$ 46,111
Less accumulated depreciation	(33,376)	(12,348)	30,527	(15,197)
Total capital assets, net	<u>\$ 32,328</u>	<u>\$ 1,368</u>	<u>\$ (2,782)</u>	<u>\$ 30,914</u>

Georgia Tech Panama Foundation through the Georgia Tech Panama Logistics Innovation & Research Center and the National Secretariat of Science, Technology and Innovation- SENACYT established the development of a logistics center for innovation and research in Panama in July 2016 for a period of five years ending in December of 2021. Georgia Tech Panama Foundation must comply with the delivery of an annual report of projects at the beginning of each year and later with the delivery of progress reports of the activities carried out on a monthly basis.

Georgia Tech Panama Foundation has entered into contract with Georgia Tech Research Corporation for the purpose of providing scientific knowledge and assisting on scientific education of graduate students. This contract was in force for the year ended June 30, 2017 and may be renewed annually. The cost of compensation and expenses may not exceed \$373,343.

Note 6—Subsequent events

Subsequent events have been evaluated through March 12, 2018, the date these financial statements were available to be issued.