

GEORGIA TECH RESEARCH CORPORATION
(An affiliate of Georgia Institute of Technology)

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2026

And Report of Independent Auditor

GEORGIA TECH RESEARCH CORPORATION
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Report of Independent Auditor

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Georgia Tech Research Corporation (“GTRC”), an affiliate of Georgia Institute of Technology, which is a unit of the University System of Georgia, which is an organizational unit of the State of Georgia, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively, comprise GTRC’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of GTRC, as of June 30, 2026, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–5 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2026, on our consideration of GTRC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of GTRC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GTRC's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Atlanta, Georgia
September 15, 2026

GEORGIA TECH RESEARCH CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2026

Introduction

The Georgia Tech Research Corporation ("GTRC") is a state-chartered, not-for-profit corporation serving the Georgia Institute of Technology ("GIT"), a unit of the University System of Georgia, as an approved cooperative organization. The Georgia Tech Applied Research Corporation ("GTARC") is a state-chartered, not-for-profit corporation serving GIT as an approved cooperative organization as defined in 6.17.1 of the University System of Georgia's Board of Regents Policy Manual.

Overview of the Financial Statements

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

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

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

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

Financial Summary

The condensed statements of net position of GTRC at June 30, 2026 and 2025 are shown below:

	2026	2025
Assets		
Current assets	\$ 210,344,398	\$ 209,660,103
Capital assets, net	36,105,116	46,255,035
Other noncurrent assets	27,573,110	35,850,740
Total Assets	274,022,624	291,765,878
Liabilities		
Current liabilities	141,020,934	132,246,781
Noncurrent liabilities	27,558,994	35,837,260
Total Liabilities	168,579,928	168,084,041
Deferred Inflows of Resources - Leases	32,817,000	42,252,837
Net Position		
Net investment in capital assets	3,117,503	3,456,232
Restricted	6,034,535	7,686,701
Unrestricted	63,473,658	70,286,067
Total Net Position	\$ 72,625,696	\$ 81,429,000

GEORGIA TECH RESEARCH CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2026

Financial Summary (continued)

The condensed statements of revenues, expenses, and changes in net position of GTRC for the years ended June 30, 2026 and 2025 are shown below:

	2026	2025
Operating revenues	\$ 479,082,854	\$ 506,107,281
Operating expenses	(490,498,592)	(515,899,504)
Loss from operations	(11,415,738)	(9,792,223)
Nonoperating revenues, net	2,612,435	2,785,124
Change in net position	(8,803,303)	(7,007,099)
Net position, beginning of year	81,428,999	88,436,098
Net position, end of year	\$ 72,625,696	\$ 81,428,999

Detailed Analysis

Current assets increased by \$684,295, or 0.3% from fiscal 2025. This balance was relatively stable year over year but within our current assets mix, cash and short-term investments increased and various receivables balances decreased as we were able to effectively collect funds from sponsors, partners and related parties. Additionally, we adopted a new investment strategy and began participating in pooled investment funds administered by the Georgia Office of the State Treasurer and the Board of Regents of Georgia.

Capital assets decreased by \$10,149,919, or 21.9% from fiscal 2025, primarily due to a reduction in the balance of right-to-use assets. During fiscal 2026, the Centennial Research Building ("CRB"), which was previously leased by the GTRC and subleased to GIT was acquired by the Board of Regents, resulting in a termination of the underlying leased right-to-use asset and obligation.

Other noncurrent assets decreased by \$8,277,630, or 23.1% from fiscal 2025, due to a decrease in the long-term portion of the lessor receivable balance. This reduction was also primarily related to the acquisition and donation of the CRB building which reduced long-term lease receivables for GTRC as the lessor.

Current liabilities increased by \$8,774,153, or 6.6% from fiscal 2025, primarily due to an increase in sponsor advanced payments. GTRC additionally had an increase in short-term payables but this was largely offset by a decrease in short-term lease liability.

Noncurrent liabilities decreased by \$8,278,266, or 23.1% from fiscal 2025, due to a decrease in long-term lease liability as a lessee related to the CRB acquisition and lease disposal.

Net position represents the difference between total assets and liabilities. There was a decrease in net position of \$8,803,303, or 10.8% from fiscal 2025, which was attributable to GTRC generating a net loss from operations in fiscal 2026.

Operating revenues consist primarily of research contracts, licensing fees, royalty revenues, gift revenue, and lease income. During fiscal 2026, operating revenues decreased by \$27,024,427, or 5.3%, from fiscal 2025. GTRC was significantly impacted by the government shutdown that occurred in October and November 2025, which resulted in a slowdown of research operations as 77% of GTRC's contract revenue during fiscal year 2026 was derived from the federal government. Operations and billings returned to normal as of Q4 of fiscal 2026.

GEORGIA TECH RESEARCH CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2026

Detailed Analysis (continued)

Operating expenses decreased by \$25,400,912, or 4.9%, from fiscal 2025, primarily due to the corresponding decrease in operating revenues.

Nonoperating revenues, net decreased by \$172,689, or 6.2%, from fiscal 2025 due to a reduction in the interest rates realized from GTRC's overnight sweep investment account. This reduction, in part, led to a change in investment strategy that resulted in GTRC investing in pooled investment accounts with higher rates of return.

Significant Capital Asset and Long-term Financing Activity

GTRC's investment in capital assets and leases evolved during fiscal year 2026. Since GTRC acts as both lessee and sublessor for substantially all leased facilities, changes in lease liabilities are generally accompanied by corresponding changes in lease receivables. Overall, lease activity during the year reflected GTRC's continued commitment to supporting long-term research and operational needs through strategic facility management.

During the year, GTRC amended the lease of the Centergy facility. This resulted in increases to lease receivables and liabilities over the lease terms of approximately \$2.2 million.

Additionally, GTARC, a component unit of GTRC, was directed by GTRI to utilize fees payable to GIT to acquire the CRB and transfer the building to the Board of Regents. The acquisition of the CRB terminated the lease between GTRC and the lessor resulting in the reduction of approximately \$6.3 million of lease receivables and lease obligations.

Currently Known Facts, Decisions, or Conditions

GIT set a record in FY26 for new awards, surpassing \$1.5 billion for the first time. Sponsored research expenditures also exceeded \$1.5 billion. These new awards extend the breadth of our research which focuses on national security, energy & renewable energy, health, medical innovation, AI, manufacturing, semiconductors, aerospace and planetary science. GIT's progress has not been limited to research grants and awards. GIT set significant milestones in research commercialization during FY26 with 517 invention disclosures (up 11% year-over-year), 134 new patents granted (up 10% year-over-year), and 179 new startups launched (up 25% year-over-year), many tied directly to GIT innovations. GIT has continued to emphasize collaboration with industry partnerships and seen significant growth from non-federal sources. While award dollars increased by 4.5% overall, GIT sponsored research expenditures decreased by 6.5% from the prior year. Both FY26 award dollars and sponsored research activity were affected by the U.S. Government shutdown in late 2025, shifting federal research funding priorities, and delays in the award and funding processes, reflecting a nationwide impact. As a result, federal agencies, particularly the National Science Foundation, have distributed fewer award dollars than in a typical year. GIT is beginning to feel the effects of these changes to the traditional funding model, expects them to continue into FY27, and is working to adapt to them.

Requests for Information

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

GEORGIA TECH RESEARCH CORPORATION

STATEMENT OF NET POSITION

JUNE 30, 2026

		Component Unit	
	Georgia Tech	Georgia Tech	Total
	Research	Applied	Business-Type
	Corporation	Research	Activities
	Corporation	Corporation	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 11,629,061	\$ 11,632,303	\$ 23,261,364
Investments	111,574,299	100,057,924	211,632,223
Accounts Receivable:			
Research contracts - billed	34,521,694	155,733,594	190,255,288
Research contracts - unbilled	46,135,424	78,206,988	124,342,412
Other receivables	914,974	-	914,974
Less allowance for doubtful accounts	(1,582,454)	(3,020,649)	(4,603,103)
Accounts Receivable, Net	79,989,638	230,919,933	310,909,571
Due from Georgia Tech Applied Research Corporation	1,572,470	-	1,572,470
Leases receivable - current portion	5,437,291	7,081,733	12,519,024
Prepaid expenses	141,639	1,158,183	1,299,822
Total Current Assets	210,344,398	350,850,076	561,194,474
Noncurrent Assets:			
Equity securities	71	-	71
Leases receivable - noncurrent portion	27,558,994	49,763,983	77,322,977
Security deposits	14,045	71,123	85,168
Capital assets, net	36,105,116	52,222,324	88,327,440
Total Noncurrent Assets	63,678,226	102,057,430	165,735,656
Total Assets	274,022,624	452,907,506	726,930,130
LIABILITIES			
Current Liabilities:			
Accounts payable - GIT	45,091,061	91,189,911	136,280,972
Due to Georgia Tech Research Corporation	-	1,572,470	1,572,470
Lease obligations - current portion	5,428,619	7,081,733	12,510,352
Unearned research contract revenues	90,308,577	10,892,817	101,201,394
Unearned rent revenue	192,677	1,307,900	1,500,577
Total Current Liabilities	141,020,934	112,044,831	253,065,765
Noncurrent Liabilities:			
Lease obligations - long-term portion	27,558,994	49,763,983	77,322,977
Fees payable - GIT	-	158,784,142	158,784,142
Total Noncurrent Liabilities	27,558,994	208,548,125	236,107,119
Total Liabilities	168,579,928	320,592,956	489,172,884
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to leases	32,817,000	52,180,715	84,997,715
NET POSITION			
Net investment in capital assets	3,117,503	(4,623,392)	(1,505,889)
Restricted	6,034,535	-	6,034,535
Unrestricted	63,473,658	84,757,227	148,230,885
Total Net Position	\$ 72,625,696	\$ 80,133,835	\$ 152,759,531

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

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

YEAR ENDED JUNE 30, 2026

		Component Unit	
	Georgia Tech	Georgia Tech	Total
	Research	Applied	Business-Type
	Corporation	Research	Activities
	Corporation	Corporation	
Operating Revenues:			
Research contracts	\$ 465,964,805	\$ 917,536,480	\$ 1,383,501,285
Licenses and royalties	2,529,318	-	2,529,318
Lease revenue	6,044,750	9,926,182	15,970,932
Gift revenue	2,225,422	-	2,225,422
Other revenue	2,318,559	13,497	2,332,056
Total Operating Revenues	479,082,854	927,476,159	1,406,559,013
Operating Expenses:			
Sponsored research and gift expenses subcontracted to GIT	444,423,634	906,355,252	1,350,778,886
Depreciation and amortization	6,190,333	7,641,405	13,831,738
Administrative and general expenses	8,744,296	7,476,388	16,220,684
Licenses and royalties expenses	7,595,376	-	7,595,376
Lease expenses	568,503	2,264,319	2,832,822
Payments to or on behalf of GIT	19,948,655	2,073,488	22,022,143
Gift expenses	3,027,795	-	3,027,795
Total Operating Expenses	490,498,592	925,810,852	1,416,309,444
(Loss) Income from Operations	(11,415,738)	1,665,307	(9,750,431)
Total Other Nonoperating Revenues (Expenses), Net:			
Interest income	2,612,435	4,393,203	7,005,638
Interest income - leases	610,547	1,067,347	1,677,894
Interest expense - leases	(610,547)	(1,067,347)	(1,677,894)
Total Other Nonoperating Revenues (Expenses), Net	2,612,435	4,393,203	7,005,638
Change in net position	(8,803,303)	6,058,510	(2,744,793)
Net position, beginning of year	81,428,999	74,075,325	155,504,324
Net position, end of year	\$ 72,625,696	\$ 80,133,835	\$ 152,759,531

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

GEORGIA TECH RESEARCH CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2026

		Component Unit	
	Georgia Tech	Georgia Tech	Total
	Research	Applied	Business-Type
	Corporation	Research	Activities
	Corporation	Corporation	
Cash flows from operating activities:			
Receipts from grantors	\$ 492,982,849	\$ 879,633,168	\$ 1,372,616,017
Receipts of licenses and royalties	2,529,318	-	2,529,318
Other operating receipts	5,104,138	2,400,975	7,505,113
Receipts from (payments to) related party	18,600,000	(18,600,000)	-
Payments for research contract costs	(442,200,658)	(904,003,487)	(1,346,204,145)
Payments for licenses and royalties	(7,595,376)	-	(7,595,376)
Payments to vendors	(5,323,928)	(4,270,798)	(9,594,726)
Net cash flows from operating activities	32,375,077	(47,312,117)	(14,937,040)
Cash flows from capital and related financing activities:			
Payments on lease obligations	(5,728,960)	(6,278,586)	(12,007,546)
Receipt on lessor receivable	5,728,960	6,278,586	12,007,546
Net cash flows from capital and related financing activities	-	-	-
Cash flows from investing activities:			
Purchase of investments	(111,574,303)	(100,057,924)	(211,632,227)
Interest income	2,612,435	4,393,203	7,005,638
Interest income - leases	610,547	1,067,347	1,677,894
Interest expense - leases	(610,547)	(1,067,347)	(1,677,894)
Net cash flows from investing activities	(108,961,868)	(95,664,721)	(204,626,589)
Change in cash and cash equivalents	(76,586,791)	(142,976,838)	(219,563,629)
Cash and cash equivalents, beginning of year	88,215,852	154,609,141	242,824,993
Cash and cash equivalents, end of year	\$ 11,629,061	\$ 11,632,303	\$ 23,261,364

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

GEORGIA TECH RESEARCH CORPORATION
STATEMENT OF CASH FLOWS (CONTINUED)

YEAR ENDED JUNE 30, 2026

		Component Unit	
	Georgia Tech	Georgia Tech	Total
	Research	Applied	Business-Type
	Corporation	Research	Activities
		Corporation	
Reconciliation of operating loss to net cash flows			
from operating activities:			
(Loss) Income from operations	\$ (11,415,738)	\$ 1,665,307	\$ (9,750,431)
Adjustments to reconcile operating loss to net cash flows			
from operating activities:			
Amortization	5,476,790	7,638,245	13,115,035
Depreciation	713,543	3,160	716,703
Change in allowance for doubtful accounts	(1,045,943)	(358)	(1,046,301)
Changes in assets and liabilities:			
Accounts receivable	19,980,147	(40,018,685)	(20,038,538)
Prepaid expenses	379,380	(63,903)	315,477
Due from (to) component unit	13,464,675	(13,464,675)	-
Accounts payable to GIT	2,222,976	16,832,624	19,055,600
Fees payable - GIT	-	(14,480,859)	(14,480,859)
Unearned research contract revenue	8,083,840	2,115,731	10,199,571
Unearned rent revenue	261	99,541	99,802
Deferred inflows of resources - leases	(5,484,854)	(7,638,245)	(13,123,099)
Net cash flows from operating activities	<u>\$ 32,375,077</u>	<u>\$ (47,312,117)</u>	<u>\$ (14,937,040)</u>
Noncash investing, capital, and financing transactions:			
Acquisition of right-to-use assets through lease obligations	<u>\$ 2,171,875</u>	<u>\$ 13,111,161</u>	<u>\$ 15,283,036</u>
Reduction to right-to-use assets due to lease terminations, net	<u>\$ 6,131,461</u>	<u>\$ -</u>	<u>\$ 6,131,461</u>

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

GEORGIA TECH RESEARCH CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

Note 1—Description of organization

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

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

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

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

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

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

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

GEORGIA TECH RESEARCH CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

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:

Reporting Entity – GTRC and GTARC are legally separate, tax-exempt component units of the State of Georgia. Although GIT is not fiscally accountable for GTRC and GTARC, it has been determined that the nature and significance of the relationship between GIT, GTRC, and GTARC is such that exclusion of GTARC and GTRC from GIT's departmental financial statements would render those statements misleading.

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

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

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

Fees Payable to GIT – Sponsored research projects have fees charged to sponsors in accordance with FAR 31.2. These fees are held on behalf of GIT and can be invoiced to GTARC by the appropriate department of GIT. The short-term portion represents the amounts requested by GIT not paid as of year-end and are reported in accounts payable – GIT in the statement of net position.

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

Cash and Cash Equivalents – Cash and cash equivalents consist of demand deposits and cash sweep accounts in authorized financial institutions. Cash and cash equivalents in excess of set levels in demand deposit accounts are automatically transferred to a higher interest-earning account at the close of each business day, a cash sweep account.

GTRC and GTARC participate in the State of Georgia's Secure Deposit Program ("SDP") of the Georgia Office of State Treasurer ("OST"), a multi-bank pledging pool. The SDP requires participating banks that accept public deposits in Georgia to operate under the policy and procedures of the program. OST sets the collateral requirements and pledging level for each covered depository. There are four tiers of collateralization levels specifying percentages of eligible securities to secure covered deposits: 25%, 50%, 75%, and 110%. The SDP also provides for collateral levels to be increased to an amount of up to 125% if economic or financial conditions warrant. The program lists the type of eligible collateral. The OST approves authorized custodians. In accordance with the SDP, if a covered depository defaults, losses to public depositors are first satisfied with any applicable insurance, followed by demands of payment under any letters of credit or sale of the covered depository's collateral. If necessary, any remaining losses are to be satisfied by assessments made against the other participating covered depositories. Therefore, for disclosure purposes, all demand deposit accounts of the SDP are considered to be fully collateralized.

GEORGIA TECH RESEARCH CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

Note 2—Summary of significant accounting policies (continued)

At June 30, 2026, GTRC's bank balance was \$12,005,114 and the book balance was \$11,629,061. Of the bank balance, \$1,172,991 was in demand deposits and \$10,832,123 was in a cash sweep account. The cash sweep account consists of uncollateralized bank balances insured by the Federal Deposit Insurance Corporation ("FDIC") up to applicable statutory limits. Uncollateralized sweep account balances in excess of the FDIC limits were \$10,582,123 at June 30, 2026.

At June 30, 2026, GTARC's bank balance was \$11,849,151 and the book balance was \$11,632,303. Of the bank balance, \$2,550,000 was in demand deposits and \$9,299,151 was in a cash sweep account. The cash sweep account consists of uncollateralized bank balances insured by the FDIC up to applicable statutory limits. Uncollateralized sweep account balances in excess of the FDIC limits were \$9,049,151 at June 30, 2026.

Cash balances usually exceed federally insured amounts. GTRC and GTARC have not experienced any loss in such accounts and believe they are not exposed to any significant credit risk on cash balances.

Investments – GTRC and GTARC invest in Georgia Fund 1, an investment pool managed in trust by the Georgia Office of the State Treasurer. GTRC and GTARC also invest in the Board of Regents of the University System of Georgia's Pooled Investment Fund Program, a centralized investment program created to manage the financial assets of public colleges, universities, and affiliated organizations across Georgia. Investments are recorded at fair value, with realized and unrealized gains and losses reported as increases or decreases in unrestricted net position. Estimated fair values are determined based on management's assessment of available market information and appropriate valuation methodologies.

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

Fair Value Measurements – Assets recorded at fair value in the statement of net position are categorized within a fair value hierarchy in accordance with GASB 72, Fair Value Measurement and Application, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 – Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Research Foundation's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

GEORGIA TECH RESEARCH CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

Note 2—Summary of significant accounting policies (continued)

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

Allowance for Doubtful Accounts – The allowance for doubtful accounts is determined by evaluating the prior experience, nature of the contract, and credit rating of the sponsor for each contract. Changes in the allowance for doubtful accounts for the year ended June 30, 2026 are as follows:

	Georgia Tech Research Corporation	Component Unit Georgia Tech Applied Research Corporation
Beginning balance	\$ 2,628,397	\$ 3,021,007
Write-offs	(1,045,943)	(358)
Ending balance	<u>\$ 1,582,454</u>	<u>\$ 3,020,649</u>

Capital Assets – A threshold of \$5,000 has been established for capitalizing equipment. All capitalized assets purchased under the terms of equipment and facilities grants are donated to GIT when fully depreciated. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives which range from 3 to 10 years. The straight-line method of depreciation is followed for all capital assets.

Leases – GTRC leases certain academic spaces, administrative offices, and equipment under lease agreements. GTRC has both leases under which it is obligated as a lessee and leases for which it is a lessor.

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

GTRC’s lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, GTRC may receive variable lease payments that are based on future performance or usage. The variable payments are recorded as an inflow of resources in the period the payment is received. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Deferred Inflows of Resources – Deferred inflows of resources consist of the acquisition of net position that is applicable to a future reporting period and will not be recognized as revenue until that time.

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

GEORGIA TECH RESEARCH CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

Note 2—Summary of significant accounting policies (continued)

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

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

New Accounting Pronouncements – In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*, which focuses on improvements in the following areas: (1) management's discussion and analysis (MD&A), (2) unusual or infrequent items, (3) presentation of proprietary fund statement of revenues, expenses and changes in fund net position, (4) major component unit information, (5) budgetary comparison information and (6) financial trends information in the statistical section. The requirements of this statement are effective for the year ended June 30, 2026. The adoption of this pronouncement did not have a material impact on GTRC's financial statements for the year ended June 30, 2026.

Note 3—Investments

GTRC and GTARC invest funds in accordance with their formally adopted investment policies. GTRC and GTARC's investment policies are intended to preserve principal, maintain liquidity, and obtain a reasonable return within established risk limitations. GTRC and GTARC measure and report their investments at fair value in accordance with applicable accounting standards. Fair value measurements are categorized within the fair value hierarchy based on the observability of inputs used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets and the lowest priority to unobservable inputs. The preceding valuation method may produce valuations that are not indicative of net realizable value or reflective of future fair values. Although GTRC and GTARC believe the valuation methods are appropriate and consistent with methodologies used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different valuations at the reporting date.

Certain investments that do not have readily determinable fair values are measured using net asset value ("NAV") per share, or its equivalent, as a practical expedient. NAV, in certain instances, may not equal the fair value that would be calculated under the fair value measurement standards.

Office of the State Treasurer Investment Pool

The Georgia Fund 1 Investment Pool, managed by the Office of the State Treasurer, is not registered with the U.S. Securities and Exchange Commission as an investment company, and the State of Georgia does not consider Georgia Fund 1 to be a 2a7-like pool. This investment is valued at the pool's share price, \$1.00 per share. The Georgia Fund 1 Investment Pool is an AAf/S1 rated investment pool by Fitch. The weighted average maturity of the Fund is 53 days. The NAV of GTRC and GTARC's investments in Georgia Fund 1 as of June 30, 2026, totaled \$50,821,414 and \$30,046,320, respectively. The Georgia Fund 1 Investment Pool generally has a one business day advance notice for all withdrawals. GTRC and GTARC had no unfunded commitments associated with these investments as of June 30, 2026.

GEORGIA TECH RESEARCH CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

Note 3—Investments (continued)

Board of Regents Pooled Investment Program

The University System of Georgia ("USG") serves as fiscal agent for various units of the USG and affiliated organizations. The USG pools the monies of these organizations with the USG's monies for investment purposes. The investment pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The fair value of the investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each pooled investment fund balance at fair value along with a pro rata share of the pooled fund's investment returns. The USG maintains investment policy guidelines for each pooled investment fund that is offered to qualified University System participants. These policies are intended to foster the sound and prudent responsibility each institution has to the citizens of the State of Georgia and which conforms to the Board of Regents' investment policy. All investments must be consistent with donor intent, Board of Regents of USG policy, and applicable Federal and state laws. Units of the USG and their affiliated organizations may participate in the Pooled Investment Fund program. The overall character of the pooled fund portfolio should be one of above average quality, possessing at most an average degree of investment risk.

At June 30, 2026, GTRC and GTARC held investments totaling \$60,752,885 and \$70,011,604 in the Board of Regents Pooled Investment Program's Short-Term Fund (the "Fund"). The Fund provides a current return and stability of principal while affording a means of overnight liquidity for projected cash needs. Investments are in securities allowed under O.C.G.A. sections 50-17-59 and 50-17-63. The average maturities of investments in this fund will typically range between daily and four years, and the fund will typically have an overall average duration of one year. The overall character of the portfolio is of Agency quality, possessing a minimal degree of financial risk. The Fund has no major redemption restrictions. GTRC and GTARC had no unfunded commitments with the Fund as of June 30, 2026.

Credit Quality Risk – Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. GTRC and GTARC's formally adopted investment policies limit exposure to credit quality risk by permitting specified investment types and by requiring minimum credit ratings for certain investments. The policies state that GTRC and GTARC use ratings issued by Standard & Poor's or Moody's Investors Services, and if an investment has split ratings, the lower rating applies.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. GTRC and GTARC manage interest rate risk through maturity limitations established in their investment policies. The policy limits the maximum maturity of investments to five years. In addition, the policy provides that no more than \$10,000,000 may be invested in funds with maturity over two years. For variable-rate securities, the policy uses the reset date to determine maximum maturity.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, GTRC or GTARC will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. GTRC and GTARC's investment policies require all investments to be held in accounts in GTRC or GTARC's name. The policies provide that GTRC and GTARC will not take physical delivery of investment instruments and require timely confirmations of sales and/or safekeeping receipts with full transaction details. The policies also require timely monthly or quarterly interim statements and year-end statements. As of June 30, 2026, all of GTRC and GTARC's investments were uninsured and held by the respective counterparties in GTRC or GTARC's name.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GTRC and GTARC's investment policies require investments to be diversified to minimize the risk of principal loss or inappropriate concentration with any one entity. The policies provide that the portfolio must not hold more than 20% in any one issuer, except U.S. Treasury and other federal government issuances and obligations.

GEORGIA TECH RESEARCH CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

Note 3—Investments (continued)

As of June 30, 2026, approximately 54% and 46% of GTRC's investments were in the Board of Regents Short Term Fund Pool and Local Government Investment Pool (Georgia Fund 1), respectively. As of June 30, 2026, GTARC had approximately 69% and 31% of its investments in the Short-Term Fund of the Board of Regents Investment Pool Program and Georgia Fund 1, local government investment pool, respectively. None of these counterparties or positions represent an individual issuer.

Note 4—Capital assets, net

Capital asset activity for the year ended June 30, 2026 is as follows:

	Balance June 30, 2025	Additions	Disposals	Transfers	Balance June 30, 2026
Capital assets not being depreciated:					
Historical treasures and works of art	\$ 240,735	\$ -	\$ -	\$ -	\$ 240,735
Total capital assets not being depreciated	240,735	-	-	-	240,735
Capital assets being depreciated:					
Building improvements	222,583	-	-	-	222,583
Computer software	1,262,977	-	-	-	1,262,977
Furniture and equipment	5,955,963	-	-	-	5,955,963
Leased buildings - right-to-use assets	67,276,332	2,171,875	(13,080,445)	-	56,367,762
Total capital assets being depreciated	74,717,855	2,171,875	(13,080,445)	-	63,809,285
Less accumulated depreciation for:					
Building improvements	(117,217)	(21,957)	-	-	(139,174)
Computer software	(1,262,977)	-	-	-	(1,262,977)
Furniture and equipment	(2,301,841)	(691,586)	-	-	(2,993,427)
Less accumulated amortization for:					
Leased buildings - right-to-use assets	(25,021,520)	(5,476,790)	6,948,984	-	(23,549,326)
Total accumulated depreciation and amortization	(28,703,555)	(6,190,333)	6,948,984	-	(27,944,904)
Total capital assets, net	\$ 46,255,035	\$ (4,018,458)	\$ (6,131,461)	\$ -	\$ 36,105,116

Note 5—Leases

GTRC has entered into agreements to lease remote field offices that are used to engage in research on behalf of GTRI. These facilities are subleased to GIT. The subleases carry successive one-year terms that are renewable annually. The timing and amount of rental payments under the subleases are substantially the same as those under their corresponding lease agreements between GTRC and the third party lessors. GTRC expects to receive revenues sufficient to offset its obligations under the lease agreements through annual renewal of the subleases by GIT. These agreements shall terminate if the University System of Georgia Board of Regents ("Board of Regents"), a related entity, does not provide adequate funding to GIT, but that is considered a remote possibility. The lease revenue is measured at the present value of the future rent payments expected to be received during the lease term at discount rates ranging from 0.5% to 2.59%. During the year ended June 30, 2026, GTRC recognized \$5,476,251 of lease revenue released from deferred inflows of resources on leases in the statement of net position, \$568,499 of lease revenue from additional inflows, and \$610,547 of interest revenue under these leases. As of June 30, 2026, the balance of lease receivables was \$32,996,285.

GEORGIA TECH RESEARCH CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

Note 5—Leases (continued)

Deferred inflows of resources reported on the statement of net position as of June 30, 2026, consist of deferred inflows of resources related to leases where GTRC is the lessor. The Board of Regents, a related entity, is the lessee under all leases where GTRC is the lessor. The deferred inflow of resources on lease activity for the fiscal year ended June 30, 2026 is as follows:

	Beginning Balance July 1, 2025	Additions	Revenue Recognized	Terminations	Ending Balance June 30, 2026
Deferred inflows of resources related to leases	\$ 42,252,837	\$ 2,171,875	\$ (5,476,251)	\$ (6,131,461)	\$ 32,817,000

Changes in lease obligations for the year ended June 30, 2026 are as follows:

	Beginning Balance July 1, 2025	Increases	Principal Payments	Terminations	Ending Balance June 30, 2026	Current Portion
Lease obligations	\$ 42,798,803	\$ 2,171,875	\$ (5,728,960)	\$ (6,254,105)	\$ 32,987,613	\$ 5,428,619

GTRC's principal and interest payments related to leases for the year ended June 30, 2026 were \$5,728,960 and \$610,547, respectively. Interest rates range from 0.5% to 2.59%.

Future commitments related to the outstanding lease obligations at June 30, 2026 are as follows:

<u>Years Ending June 30,</u>	Principal	Interest	Total
2027	\$ 5,428,619	\$ 581,748	\$ 6,010,367
2028	4,485,848	475,775	4,961,623
2029	3,122,175	411,192	3,533,367
2030	2,472,050	358,969	2,831,019
2031	2,542,904	306,928	2,849,832
2032-2036	10,096,977	897,806	10,994,783
2037-2041	4,612,053	222,732	4,834,785
2042-2046	226,987	370	227,357
	<u>\$ 32,987,613</u>	<u>\$ 3,255,520</u>	<u>\$ 36,243,133</u>

Note 6—Contingencies and concentrations

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

During the fiscal year ended June 30, 2026, GTRC and GTARC derived approximately 77.0% and 94.1%, respectively, of their revenue from contracts with the U.S. government. At June 30, 2026, approximately 46.7% of the GTRC billed research contracts accounts receivable was from the U.S. government and approximately 24.7% was from the Department of Commerce. At June 30, 2026, approximately 78.2% of the GTARC billed research contracts accounts receivable balance was from the U.S. government and approximately 39.4% was from the Army. Management does not believe these receivables represent significant credit risk at June 30, 2026.

GEORGIA TECH RESEARCH CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

Note 7—Component unit – Georgia Tech Applied Research Corporation

Line of Credit – On November 10, 2017, GTARC and Bank of America, N.A. (the “Lender”) entered into a Loan Agreement (the “Original Agreement”). The Original Agreement provides GTARC with a revolving line of credit (“line of credit”) of up to \$3,000,000 at an interest rate of the LIBOR daily floating rate plus 1.00%. The line of credit is unsecured and not subject to early termination penalties. On November 5, 2018, the Original Agreement was amended (the “First Amendment”) to increase the borrowing limit to \$10,000,000 and extend the expiration date to October 31, 2019. On May 24, 2019, the Original Agreement was again amended (the “Second Amendment”) to increase the borrowing limit to \$43,000,000 and extend the expiration date to May 20, 2020. The increase in the borrowing limit was to ensure operational cash needs would be met in case of delayed cash collections related to Federal Government sponsors. Effective May 22, 2020, the expiration date was extended to May 22, 2021. On May 22, 2021, the Original Agreement was again amended (the “Third Amendment”) to extend the expiration date to May 21, 2022 and the borrowing limit was decreased to \$10,000,000. On December 28, 2021, the Original Agreement was again amended (the “Fourth Amendment”) to extend the expiration date to November 10, 2022 and increase the borrowing limit to \$50,000,000. The increase in the borrowing limit was to ensure adequate working capital and due to the possibility of government shutdowns. Effective December 10, 2022, the line of credit was renewed and the expiration date was extended to December 10, 2023. On December 8, 2023, the Original Agreement was again amended (the “Fifth Amendment”) to extend the expiration date to December 9, 2024 and to change the interest rate to the Daily Secured Overnight Financing Rate (“SOFR”) plus 1.00%. On November 22, 2024, the Original Agreement was amended (the “Sixth Amendment”) to extend the expiration date to December 8, 2025. On June 3, 2025, the Original Agreement was amended (the “Seventh Amendment”) to increase the borrowing limit to \$80,000,000. On December 4, 2025, the Original Agreement was amended (the “Eighth Amendment”) to extend the expiration date to December 3, 2026.

The Loan Agreement contains various covenants and restrictions. At June 30, 2026, management believes GTARC was in compliance with these covenants and restrictions.

During the year ended June 30, 2026, GTARC incurred \$201,066 in bank fees related to the line of credit, which are recorded in general and administrative expenses in the statement of revenues, expenses and changes in net position.

At June 30, 2026, the interest rate on the line of credit was 4.68%. During the year ended June 30, 2026, there were no draws on the line of credit and there was no balance outstanding at June 30, 2026.

Capital Assets – Capital asset activity for the year ended June 30, 2026 is as follows:

	Balance June 30, 2025	Additions	Disposals	Balance June 30, 2026
Capital assets being depreciated:				
Building improvements	\$ 79,003	\$ -	\$ -	\$ 79,003
Leased buildings - right-to-use assets	74,016,381	13,111,161	(251,354)	86,876,188
Total capital assets being depreciated	74,095,384	13,111,161	(251,354)	86,955,191
Less accumulated depreciation for:				
Building improvements	(34,234)	(3,160)	-	(37,394)
Less accumulated amortization for:				
Leased buildings - right-to-use assets	(27,308,582)	(7,638,245)	251,354	(34,695,473)
Total accumulated depreciation and amortization	(27,342,816)	(7,641,405)	251,354	(34,732,867)
Total capital assets, net	\$ 46,752,568	\$ 5,469,756	\$ -	\$ 52,222,324

GEORGIA TECH RESEARCH CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

Note 7—Component unit – Georgia Tech Applied Research Corporation (continued)

Leases – GTARC has entered into agreements to lease space for remote field offices that are used to engage in research on behalf of GTRI. These facilities are subleased to GIT. The subleases carry successive one-year terms that are renewable annually. The timing and amount of rental payments under the subleases are substantially the same as those under their corresponding lease agreements between GTARC and the third party lessors. GTARC expects to receive revenues sufficient to offset its obligations under the lease agreements through annual renewal of the subleases by GIT. These agreements shall terminate if the University System of Georgia Board of Regents (“Board of Regents”), a related entity, does not provide adequate funding to GIT, but that is considered a remote possibility. The lease revenue is measured at the present value of the future rent payments expected to be received during the lease term at discount rates ranging from 0.34% to 6.5%. During the year ended June 30, 2026, GTARC recognized \$7,638,245 of lease revenue released from deferred inflows of resources on leases in the statement of net position, \$2,287,937 of lease revenue from additional inflows, and \$1,067,347 of interest revenue under these leases. As of June 30, 2026, the balance of leases receivable was \$56,845,716.

Deferred inflows of resources reported on the statement of net position as of June 30, 2026, consist of deferred inflows of resources related to leases where GTARC is the lessor. The Board of Regents, a related entity, is the lessee under all leases where GTARC is the lessor.

The deferred inflow of resources on lease activity for the fiscal year ended June 30, 2026 is as follows:

	Beginning Balance July 1, 2025	Additions	Revenue Recognized	Ending Balance June 30, 2026
Deferred inflows of resources related to leases	\$ 46,707,799	\$ 13,111,161	\$ (7,638,245)	\$ 52,180,715

Changes in lease obligations for the year ended June 30, 2026 are as follows:

	Beginning Balance July 1, 2025	Increases	Principal Payments	Ending Balance June 30, 2026	Current Portion
Lease obligations	\$ 50,013,141	\$ 13,111,161	\$ (6,278,586)	\$ 56,845,716	\$ 7,081,733

GTARC’s principal and interest payments related to leases for the year ended June 30, 2026 were \$6,278,586 and \$1,067,347, respectively. Interest rate ranges from 0.34% to 6.5%.

Future commitments related to the outstanding lease obligations at June 30, 2026 are as follows:

Years Ending June 30,	Principal	Interest	Total
2027	\$ 7,081,733	\$ 1,190,960	\$ 8,272,693
2028	8,184,134	1,025,585	9,209,719
2029	6,939,543	859,095	7,798,638
2030	7,148,778	704,748	7,853,526
2031	7,238,663	548,716	7,787,379
2032-2036	20,252,865	959,264	21,212,129
	<u>\$ 56,845,716</u>	<u>\$ 5,288,368</u>	<u>\$ 62,134,084</u>

GEORGIA TECH RESEARCH CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

Note 8—Related party transactions

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

For the year ended June 30, 2026, GTARC reimbursed GTRC \$7,013,766 for allocated research administration costs of which \$5,088,810 represents GIT billings to GTRC. In addition, for the year ended June 30, 2026, GIT directly billed and received reimbursement of \$2,529,538 for other research administration from GTARC. These amounts are reported in administrative and general expenses in the statement of revenues, expenses, and changes in net position. At June 30, 2026, GTARC had an outstanding payable of \$1,572,470 to GTRC.

Note 9—Corporate gifts to benefit research

On November 8, 2019, the GTRC Board of Trustees authorized the General Manager of the Corporation to develop a plan to accept and administer monetary donations from corporate donors in the support of research at GIT. The Board of Trustees further resolved that prior to the implementation of any such program that final approval must be given by the audit committee of the Board of Trustees, GIT, and the Georgia Tech Foundation. On May 15, 2020, the GTRC Board of Trustees unanimously voted to accept corporate gifts for research. Research gifts were accepted in accordance with the resolution beginning during fiscal year 2026. For the year ended June 30, 2026, GTRC recognized \$2,225,422 in corporate gifts for research and \$3,027,795 of expenses for research funded by corporate gifts, which are reported as individual line items on the statement of revenues, expenses, and changes in net position.

Note 10—Subsequent events

Management has evaluated subsequent events through September 15, 2026, the date the financial statements were available to be issued.