Section 1: 10-Q (10-Q)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2019
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to_______
Commission file number: 1-14260

The GEO Group, Inc.

(Exact name of registrant as specified in its charter)

Florida	**65-0043078**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

4955 Technology Way	**Boca Raton,**	**Florida**	**33431**
(Address of principal executive offices)			**(Zip Code)**

(561) 893-0101
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	**GEO**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of November 5, 2019, the registrant had 121,275,480 shares of common stock outstanding.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE GEO GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2019 AND 2018
(In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Revenues	$ 631,579	$ 583,530	$ 1,856,212	$ 1,731,956
Operating expenses	472,513	434,806	1,382,678	1,299,312
Depreciation and amortization	32,419	31,297	97,240	94,536
General and administrative expenses	48,488	47,647	142,183	136,927
Operating income	78,159	69,780	234,111	201,181
Interest income	6,686	8,428	23,127	26,194
Interest expense	(36,645)	(37,991)	(115,857)	(110,205)
Gain (loss) on extinguishment of debt	594	—	(5,147)	(574)
Income before income taxes and equity in earnings of affiliates	48,794	40,217	136,234	116,596
Provision for income taxes	5,137	3,723	14,509	12,193
Equity in earnings of affiliates, net of income tax provision of $456, $200, $1,171 and $636, respectively	2,228	2,735	6,645	7,071
Net income	45,885	39,229	128,370	111,474
Net loss attributable to noncontrolling interests	47	60	181	223
Net income attributable to The GEO Group, Inc.	$ 45,932	$ 39,289	$ 128,551	$ 111,697
Weighted-average common shares outstanding:				
Basic	119,209	119,681	119,052	120,567
Diluted	119,282	120,302	119,314	121,055
Net income per common share attributable to The GEO Group, Inc.:				
Basic:				
Net income per common share attributable to The GEO Group, Inc. - basic	$ 0.39	$ 0.33	$ 1.08	$ 0.93
Diluted:				
Net income per common share attributable to The GEO Group, Inc. - diluted	$ 0.39	$ 0.33	$ 1.08	$ 0.92
Dividends declared per share	$ 0.48	$ 0.47	$ 1.44	$ 1.41

The accompanying notes are an integral part of these unaudited consolidated financial statements.

THE GEO GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2019 AND 2018
(In thousands)

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Net income	$ 45,885	$ 39,229	$ 128,370	$ 111,474
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(4,553)	(1,342)	(2,787)	(5,882)
Pension liability adjustment, net of tax provision (benefit) of $11, $(894), $33 and $(430), respectively	42	(761)	(563)	(31)
Change in fair value of derivative instrument classified as cash flow hedge, net of tax provision of $738, $271, $1,752 and $803, respectively	(2,777)	1,536	2,969	4,550
Total other comprehensive loss, net of tax	(7,288)	(567)	(381)	(1,363)
Total comprehensive income	38,597	38,662	127,989	110,111
Comprehensive loss attributable to noncontrolling interests	62	72	191	247
Comprehensive income attributable to The GEO Group, Inc.	$ 38,659	$ 38,734	$ 128,180	$ 110,358

The accompanying notes are an integral part of these unaudited consolidated financial statements.

THE GEO GROUP, INC.
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2019 AND DECEMBER 31, 2018
(In thousands, except share data)

	September 30, 2019	December 31, 2018
	(Unaudited)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 54,030	$ 31,255
Restricted cash and cash equivalents	33,536	51,678
Accounts receivable, less allowance for doubtful accounts of $4,029 and $4,183, respectively	377,984	445,526
Contract receivable, current portion	8,193	15,535
Prepaid expenses and other current assets	43,856	57,768
Total current assets	517,599	601,762
Restricted Cash and Investments	33,728	22,431
Property and Equipment, Net	2,155,498	2,158,610
Assets Held for Sale	3,761	2,634
Contract Receivable	353,010	368,178
Operating Lease Right-of-Use Assets, Net	125,718	—
Deferred Income Tax Assets	29,924	29,924
Goodwill	776,341	776,359
Intangible Assets, Net	215,607	232,360
Other Non-Current Assets	71,693	65,860
Total Assets	$ 4,282,879	$ 4,258,118
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 96,263	$ 93,032
Accrued payroll and related taxes	57,774	76,009
Accrued expenses and other current liabilities	202,356	204,170
Operating lease liabilities, current portion	28,795	—
Current portion of finance lease liabilities, long-term debt and non-recourse debt	23,417	332,027
Total current liabilities	408,605	705,238
Deferred Income Tax Liabilities	13,681	13,681
Other Non-Current Liabilities	88,159	82,481
Operating Lease Liabilities	99,271	—
Finance Lease Liabilities	3,403	4,570
Long-Term Debt	2,355,724	2,397,227
Non-Recourse Debt	307,032	15,017
Commitments and Contingencies (Note 12)		
Shareholders' Equity		
Preferred stock, $0.01 par value, 30,000,000 shares authorized, none issued or outstanding	—	—
Common stock, $0.01 par value, 187,500,000 shares authorized, 125,432,232 and 124,794,986 issued and 121,221,978 and 120,584,732 outstanding, respectively	1,255	1,248
Additional paid-in capital	1,225,310	1,210,916
Distributions in excess of earnings	(99,607)	(52,868)
Accumulated other comprehensive loss	(23,989)	(23,618)
Treasury stock, 4,210,254 shares, at cost	(95,175)	(95,175)
Total shareholders' equity attributable to The GEO Group, Inc.	1,007,794	1,040,503
Noncontrolling interests	(790)	(599)
Total shareholders' equity	1,007,004	1,039,904
Total Liabilities and Shareholders' Equity	$ 4,282,879	$ 4,258,118

The accompanying notes are an integral part of these unaudited consolidated financial statements.

THE GEO GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2019 AND 2018
(In thousands)

	Nine Months Ended	
	September 30, 2019	September 30, 2018
Cash Flow from Operating Activities:		
Net income	$ 128,370	$ 111,474
Net loss attributable to noncontrolling interests	181	223
Net income attributable to The GEO Group, Inc.	128,551	111,697
Adjustments to reconcile net income attributable to The GEO Group, Inc. to net cash provided by operating activities:		
Depreciation and amortization expense	97,240	94,536
Stock-based compensation	16,919	16,351
Loss on extinguishment of debt	5,147	574
Amortization of debt issuance costs, discount and/or premium and other non-cash interest	6,861	5,860
Provision for doubtful accounts	126	806
Equity in earnings of affiliates, net of tax	(6,645)	(7,071)
Dividends received from unconsolidated joint venture	5,694	8,710
Loss on sale/disposal of property and equipment, net	3,736	3,652
Loss on assets held for sale	1,083	—
Changes in assets and liabilities, net of effects of acquisitions:		
Changes in accounts receivable, prepaid expenses and other assets	46,114	(13,955)
Changes in contract receivable	6,338	(3,986)
Changes in accounts payable, accrued expenses and other liabilities	11,794	3,049
Net cash provided by operating activities	322,958	220,223
Cash Flow from Investing Activities:		
Insurance proceeds - damaged property	17,389	5,998
Proceeds from sale of property and equipment	402	2,061
Proceeds from sale of assets held for sale	823	3,797
Change in restricted investments	(5,449)	(2,413)
Capital expenditures	(90,787)	(161,490)
Net cash used in investing activities	(77,622)	(152,047)
Cash Flow from Financing Activities:		
Proceeds from long-term debt	274,370	372,000
Payments on long-term debt	(310,616)	(186,033)
Payments on non-recourse debt	(332,717)	(9,636)
Proceeds from non-recourse debt	322,906	—
Taxes paid related to net share settlements of equity awards	(4,177)	(4,452)
Proceeds from issuance of common stock in connection with ESPP	400	404
Payment for repurchases of common stock	—	(70,446)
Debt issuance costs	(9,885)	(990)
Proceeds from the exercise of stock options	1,259	1,781
Cash dividends paid	(174,332)	(172,256)
Net cash used in financing activities	(232,792)	(69,628)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash and Cash Equivalents	(2,063)	(5,392)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash and Cash Equivalents	10,481	(6,844)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, beginning of period	84,472	133,545
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, end of period	$ 94,953	$ 126,701
Supplemental Disclosures:		
Non-cash Investing and Financing activities:		
Right-of-use assets obtained from operating lease liabilities upon adoption of new lease standard (Refer to Note 2 - Leases)	$ 147,000	$ —
Capital expenditures in accounts payable and accrued expenses	$ 5,231	$ 4,152

The accompanying notes are an integral part of these unaudited consolidated financial statements.

THE GEO GROUP, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The GEO Group, Inc., a Florida corporation, and subsidiaries (the “Company” or “GEO”) is a fully-integrated real estate investment trust (“REIT”) specializing in the design, financing, development and operation of secure facilities, processing centers and community reentry centers in the United States, Australia, South Africa and the United Kingdom. The Company owns, leases and operates a broad range of facilities including maximum, medium and minimum security facilities, processing centers, as well as community-based reentry facilities and offers an expanded delivery of rehabilitation services under its 'GEO Continuum of Care' platform. The 'GEO Continuum of Care' program integrates enhanced rehabilitative programs, which are evidence-based and include cognitive behavioral treatment and post-release services, and provides academic and vocational classes in life skills and treatment programs while helping individuals reintegrate into their communities. The Company develops new facilities based on contract awards, using its project development expertise and experience to design, construct and finance what it believes are state-of-the-art facilities that maximize security and efficiency. The Company provides innovative compliance technologies, industry-leading monitoring services, and evidence-based supervision and treatment programs for community-based parolees, probationers and pretrial defendants. The Company also provides secure transportation services for individuals as contracted domestically and in the United Kingdom through its joint venture GEO Amey PECS Ltd. (“GEOAmey”). At September 30, 2019, the Company’s worldwide operations include the management and/or ownership of approximately 96,000 beds at 130 facilities, including idle facilities, projects under development and recently awarded contracts, and also include the provision of community supervision services for more than 210,000 individuals, including approximately 100,000 through an array of technology products including radio frequency, GPS, and alcohol monitoring devices.

The Company's unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q have been prepared in accordance with accounting principles generally accepted in the United States and the instructions to Form 10-Q and consequently do not include all disclosures required by Form 10-K. The accounting policies followed for quarterly financial reporting are the same as those disclosed in the Notes to Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 25, 2019 for the year ended December 31, 2018. The accompanying December 31, 2018 consolidated balance sheet has been derived from those audited financial statements. Additional information may be obtained by referring to the Company’s Form 10-K for the year ended December 31, 2018. Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the previously reported financial position, results of operations or cash flows. In the opinion of management, all adjustments (consisting only of normal recurring items) necessary for a fair presentation of the financial information for the interim periods reported in this Quarterly Report on Form 10-Q have been made. Results of operations for the nine months ended September 30, 2019 are not necessarily indicative of the results for the entire year ending December 31, 2019, or for any other future interim or annual periods.

2. LEASES

On January 1, 2019, the Company adopted Accounting Standard Update ("ASU") No. 2016-02, "Leases" (Topic 842) which requires that entities record lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. The Company implemented the new standard using the transition method that provided for adoption on the adoption date and recognizing a cumulative-effect adjustment to retained earnings, if any, upon adoption. Therefore, the consolidated financial statements for the three and nine months ended September 30, 2019 are presented under the new standard, while comparative years presented are not adjusted and continue to be reported in accordance with the Company's historical accounting policy. Refer to Note 15 - Recent Accounting Pronouncements for further information.

The Company has operating and finance leases for facilities, ground leases, office space, computers, copier equipment and transportation vehicles that have remaining lease terms of one year to seventy-seven years, some of which include options to extend the lease for up to ten years. For leases with terms greater than 12 months, the Company records the related asset and obligation at the present value of the lease payments over the term of the lease. Many of GEO's leases include rental escalation clauses, renewal options and/or termination options that are factored into the determination of lease payments when appropriate. Only renewal or termination options that are reasonably certain to be exercised by the Company are included in the lease term which is used in the calculation of lease liabilities and right-of-use assets. GEO does not typically enter into lease agreements that contain a residual guarantee or that provide for variable lease payments.

When available, GEO uses the rate implicit in the lease to discount lease payments to present value, however, most of GEO's lease agreements do not provide a readily determinable implicit rate. Therefore, the Company must estimate its incremental borrowing rate to discount the lease payments based on information available at lease commencement.

Lease related assets and liabilities are recorded on the balance sheet as follows (in thousands):

	Classification on the Balance Sheet	September 30, 2019
Assets		
Operating lease assets	Operating Lease Right-of-Use Assets, Net	$ 125,718
Finance lease assets	Property and Equipment, Net	3,135
Total lease assets		$ 128,853
Liabilities		
Current		
Operating	Operating lease liabilities, current portion	$ 28,795
Finance [1]	Current portion of finance liabilities, long-term debt and non-recourse debt	1,550
Noncurrent		
Operating	Operating Lease Liabilities	99,271
Finance [1]	Finance Lease Liabilities	3,403
Total lease liabilities		$ 133,019

[1] Also refer to Note 11 - Debt.

Certain information related to the lease costs for finance and operating leases is presented as follows (in thousands):

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Operating lease cost	$ 11,611	$ 35,841
Finance lease cost:		
Amortization of right-of-use assets	256	768
Interest on lease liabilities	77	254
Total finance lease cost	333	1,022
Short-term lease cost	1,673	5,228
Total lease cost	$ 13,617	$ 42,091

Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows for operating leases	$ 12,091	$ 37,107
Operating cash flows for finance leases	$ 77	$ 254
Financing activities for finance leases	$ 406	$ 1,197
Right-of-use assets obtained in exchange for new operating lease liabilties	$ 2,335	$ 8,653

Weighted average remaining lease term:	
Operating leases	7.3 years
Finance leases	3.1 years
Weighted average discount rate:	
Operating leases	4.74%
Finance leases	8.27%

Undiscounted Cash Flows

The table below reconciles the undiscounted cash flows for each of the first five years and total of the remaining years to the operating lease liabilities and finance lease liabilities recorded on the balance sheet as of September 30, 2019 (in thousands).

	Operating Leases	Finance Leases
Remainder of 2019	$ 9,242	$ 483
2020	32,503	1,934
2021	24,824	1,936
2022	18,384	1,233
2023	14,943	—
Thereafter	53,997	—
Total minimum lease payments	153,893	5,586
Less: amount of lease payment representing interest	(25,827)	(633)
Present value of future minimum lease payments	128,066	4,953
Less: current obligations under leases	(28,795)	(1,550)
Long-term lease obligations	$ 99,271	$ 3,403

3. GOODWILL AND OTHER INTANGIBLE ASSETS

The Company has recorded goodwill as a result of its various business combinations. Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the tangible assets and intangible assets acquired net of liabilities assumed, including noncontrolling interests. Changes in the Company's goodwill balances from January 1, 2019 to September 30, 2019 are as follows (in thousands):

	January 1, 2019	Foreign Currency Translation	September 30, 2019
GEO Secure Services	$ 316,366	$ —	$ 316,366
GEO Care	459,589	—	459,589
International Services	404	(18)	386
Total Goodwill	$ 776,359	$ (18)	$ 776,341

The Company has also recorded other finite and indefinite-lived intangible assets as a result of its various business combinations. The Company's intangible assets include facility management contracts, covenants not to compete, trade names and technology, as follows (in thousands):

	September 30, 2019				December 31, 2018		
	Weighted Average Useful Life (years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Facility management contracts	16.3	$ 308,393	$ (142,998)	$ 165,395	$ 308,419	$ (127,481)	$ 180,938
Technology	7.3	33,700	(28,688)	5,012	33,700	(27,478)	6,222
Trade names (Indefinite lived)	Indefinite	45,200	—	45,200	45,200	—	45,200
Total acquired intangible assets		$ 387,293	$ (171,686)	$ 215,607	$ 388,019	$ (155,659)	$ 232,360

Amortization expense was $16.7 million and $17.3 million for the nine months ended September 30, 2019 and 2018, respectively. Amortization expense was primarily related to the GEO Secure Services and GEO Care segments' amortization of acquired facility management contracts. As of September 30, 2019, the weighted average period before the next contract renewal or extension for the acquired facility management contracts was approximately 1.8 years. Although the facility management contracts acquired have renewal and extension terms in the near term, the Company has historically maintained these relationships beyond the current contractual periods.

Estimated amortization expense related to the Company's finite-lived intangible assets for the remainder of 2019 through 2023 and thereafter is as follows (in thousands):

Fiscal Year	Total Amortization Expense
Remainder of 2019	$ 5,613
2020	22,306
2021	19,782
2022	18,204
2023	13,494
Thereafter	91,008
	$ 170,407

4. FINANCIAL INSTRUMENTS

The following tables provide a summary of the Company's significant financial assets and liabilities carried at fair value and measured on a recurring basis as of September 30, 2019 and December 31, 2018 (in thousands):

		Fair Value Measurements at September 30, 2019		
	Carrying Value at September 30, 2019	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Restricted investment:				
Rabbi Trust	$ 26,341	$ —	$ 26,341	$ —
Fixed income securities	—	—	—	—
Liabilities:				
Interest rate swap derivatives	$ 3,515	$ —	$ 3,515	$ —

		Fair Value Measurements at December 31, 2018		
	Carrying Value at December 31, 2018	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Restricted investments:				
Rabbi Trust	$ 20,892	$ —	$ 20,892	$ —
Fixed income securities	1,801	—	1,801	—
Liabilities:				
Interest rate swap derivatives	$ 8,638	$ —	$ 8,638	$ —

The Company's Level 2 financial instruments included in the tables above as of September 30, 2019 and December 31, 2018 consist of interest rate swap derivative liabilities held by GEO and the Company's Australian subsidiary, the Company's rabbi trust established for GEO employee and employer contributions to The GEO Group, Inc. Non-qualified Deferred Compensation Plan and an investment in Canadian dollar denominated fixed income securities. On May 22, 2019, the Company terminated the interest rate swap derivative liabilities in connection with a debt refinancing transaction by our Australian subsidiary. Refer to Note 10 - Derivative Financial Instruments and Note 11 - Debt for additional information.

The interest rate swap derivative liabilities are valued using a discounted cash flow model based on projected borrowing rates. The Company's restricted investment in the rabbi trust is invested in Company-owned life insurance policies which are recorded at their cash surrender values. These investments are valued based on the underlying investments held in the policies' separate account. The underlying assets are equity and fixed income pooled funds that are comprised of Level 1 and Level 2 securities. The Canadian dollar denominated securities, not actively traded, are valued using quoted rates for these and similar securities.

During the nine months ended September 30, 2019, the Company transferred certain accounts receivable balances that had a carrying value of approximately $3.0 million to an unrelated third party. The transfer was accounted for as a sale and the Company has no continuing involvement with the transferred assets. The Company received cash proceeds in connection with the sale of approximately $3.0 million, and as such, there was no gain or loss in connection with the transaction.

5. FAIR VALUE OF ASSETS AND LIABILITIES

The Company’s consolidated balance sheets reflect certain financial assets and liabilities at carrying value. The carrying value of certain debt instruments, if applicable, is net of unamortized discount. The following tables present the carrying values of those financial instruments and the estimated corresponding fair values at September 30, 2019 and December 31, 2018 (in thousands):

	Carrying Value as of September 30, 2019	Estimated Fair Value Measurements at September 30, 2019			
		Total Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	$ 54,030	$ 54,030	$ 54,030	$ —	$ —
Restricted cash and investments	40,923	40,923	40,923	—	—
Liabilities:					
Borrowings under senior credit facility	$ 1,222,610	$ 1,137,210	$ —	$ 1,137,210	$ —
5.875% Senior Notes due 2022	216,023	209,519	—	209,519	—
5.125% Senior Notes due 2023	300,000	266,463	—	266,463	—
5.875% Senior Notes due 2024	250,000	217,488	—	217,488	—
6.00% Senior Notes due 2026	350,000	283,486	—	283,486	—
Non-recourse debt	325,313	325,428	—	325,428	—

	Carrying Value as of December 31, 2018	Estimated Fair Value Measurements at December 31, 2018			
		Total Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	$ 31,255	$ 31,255	$ 31,255	$ —	$ —
Restricted cash and investments	53,217	53,217	50,499	2,718	—
Liabilities:					
Borrowings under senior credit facility	$ 1,273,965	$ 1,188,196	$ —	$ 1,188,196	$ —
5.875% Senior Notes due 2022	250,000	244,550	—	244,550	—
5.125% Senior Notes due 2023	300,000	271,992	—	271,992	—
5.875% Senior Notes due 2024	250,000	224,590	—	224,590	—
6.00% Senior Notes due 2026	350,000	310,177	—	310,177	—
Non-recourse debt	340,910	348,274	—	348,274	—

The fair values of the Company’s cash and cash equivalents, and restricted cash approximates the carrying values of these assets at September 30, 2019 and December 31, 2018. Restricted cash consists of money market funds, bank deposits, commercial paper and time deposits used for asset replacement funds and other funds contractually required to be maintained at the Company's Australian subsidiary. The fair value of the money market funds and bank deposits is based on quoted market prices (Level 1) and the fair value of commercial paper and time deposits is based on market prices for similar instruments (Level 2).

The fair values of the Company's 5.875% senior unsecured notes due 2022 ("5.875% Senior Notes due 2022"), 5.875% senior unsecured notes due 2024 ("5.875% Senior Notes due 2024"), 6.00% senior unsecured notes due 2026 (“6.00% Senior Notes”), and the 5.125% senior unsecured notes due 2023 ("5.125% Senior Notes"), although not actively traded, are based on published financial data for these instruments. The fair values of the Company's non-recourse debt related to the Washington Economic Development Finance Authority ("WEDFA") and the Company’s Australian subsidiary are estimated based on market prices of similar instruments. The fair value of borrowings under the senior credit facility is based on an estimate of trading value considering the Company’s borrowing rate, the undrawn spread and similar instruments.

6. RESTRICTED CASH AND CASH EQUIVALENTS

The following table provides a reconciliation of cash, cash equivalents and restricted cash and cash equivalents reported on the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows:

	September 30, 2019	September 30, 2018
Cash and Cash Equivalents	$ 54,030	$ 66,007
Restricted cash and cash equivalents - current	33,536	54,931
Restricted cash and investments - non-current	33,728	28,939
Less Restricted investments - non-current	(26,341)	(23,176)
Total cash, cash equivalents and restricted cash and cash equivalents shown in the statement of cash flows	$ 94,953	$ 126,701

Amounts included in restricted cash and cash equivalents are attributable to certain contractual cash restriction requirements at the Company's wholly owned Australian subsidiary related to non-recourse debt and asset replacement funds contractually required to be maintained and other guarantees. Restricted investments - non-current (included in Restricted Cash and Investments in the accompanying consolidated balance sheets) consists of the Company's rabbi trust established for employee and employer contributions to The GEO Group, Inc. Non-qualified Deferred Compensation Plan and is not considered to be a restricted cash equivalent. Refer to Note 4 - Financial Instruments.

7. SHAREHOLDERS' EQUITY

The following table presents the changes in shareholders' equity that are attributable to the Company's shareholders and to noncontrolling interests for the three and nine months ended September 30, 2019 and 2018 (in thousands):

	Common shares		Additional Paid-In	Distributions in Excess of	Accumulated Other Comprehensive	Treasury shares		Noncontrolling	Total Shareholders'
	Shares	Amount	Capital	Earnings	Loss	Shares	Amount	Interests	Equity
For the Three Months Ended September 30, 2019									
Balance, July 1, 2019	121,213	$ 1,254	$1,220,242	$ (87,339)	$ (16,716)	4,210	$(95,175)	$ (728)	$ 1,021,538
Proceeds from exercise of stock options	15	1	181	—	—	—	—	—	182
Stock-based compensation expense	—	—	4,739	—	—	—	—	—	4,739
Restricted stock canceled	(14)	(1)	1	—	—	—	—	—	—
Dividends paid	—	—	—	(58,200)	—	—	—	—	(58,200)
Shares withheld for net settlements of share-based awards [1]	(1)	—	(2)	—	—	—	—	—	(2)
Issuance of common stock - ESPP	9	1	149	—	—	—	—	—	150
Net income (loss)	—	—	—	45,932	—	—	—	(47)	45,885
Other comprehensive income (loss)	—	—	—	—	(7,273)	—	—	(15)	(7,288)
Balance, September 30, 2019	121,222	$ 1,255	$1,225,310	$ (99,607)	$ (23,989)	4,210	$(95,175)	$ (790)	$ 1,007,004

	Common shares		Additional Paid-In	Distributions in Excess of	Accumulated Other Comprehensive	Treasury shares		Noncontrolling	Total Shareholders'
	Shares	Amount	Capital	Earnings	Loss	Shares	Amount	Interests	Equity
For the Three Months Ended September 30, 2018									
Balance, July 1, 2018	$ 121,677	$ 1,248	$ 1,198,930	$ (11,068)	$ (25,229)	3,117	$ (70,446)	$ (498)	$ 1,092,937
Proceeds from exercise of stock options	20	—	409	—	—	—	—	—	409
Stock-based compensation expense	—	—	5,564	—	—	—	—	—	5,564
Restricted stock granted	9	—	—	—	—	—	—	—	—
Restricted stock canceled	(24)	—	—	—	—	—	—	—	—
Dividends paid	—	—	—	(57,239)	—	—	—	—	(57,239)
Shares withheld for net settlements of share-based awards [1]	(2)	—	(61)	—	—	—	—	—	(61)
Issuance of common stock - ESPP	6	—	140	—	—	—	—	—	140
Net income (loss)	—	—	—	39,289	—	—	—	(60)	39,229
Other comprehensive income (loss)	—	—	—	—	(556)	—	—	(11)	(567)
Balance, September 30, 2018	121,686	$ 1,248	$1,204,982	$ (29,018)	$ (25,785)	3,117	$(70,446)	$ (569)	$ 1,080,412

	Common shares		Additional Paid-In	Distributions in Excess of	Accumulated Other Comprehensive	Treasury shares		Noncontrolling	Total Shareholders'
	Shares	Amount	Capital	Earnings	Loss	Shares	Amount	Interests	Equity
For the Nine Months Ended September 30, 2019									
Balance January 1, 2019	$ 120,585	$ 1,248	$ 1,210,916	$ (52,868)	$ (23,618)	$ 4,210	$ (95,175)	$ (599)	$ 1,039,904
Proceeds from exercise of stock options	78	1	1,258	—	—	—	—	—	1,259
Stock-based compensation expense	—	—	16,919	—	—	—	—	—	16,919
Restricted stock granted	788	8	(8)	—	—	—	—	—	—
Restricted stock canceled	(52)	—	—	—	—	—	—	—	—
Dividends paid	—	—	—	(174,322)	—	—	—	—	(174,322)
Shares withheld for net settlements of share-based awards [1]	(198)	(2)	(4,175)	—	—	—	—	—	(4,177)
Issuance of common stock - ESPP	21	—	400	—	—	—	—	—	400
Transition adjustment for accounting standard adoption [2]	—	—	—	(968)	968	—	—	—	—
Net income (loss)	—	—	—	128,551	—	—	—	(181)	128,370
Other comprehensive income (loss)	—	—	—	—	(1,339)	—	—	(10)	(1,349)
Balance, September 30, 2019	121,222	$ 1,255	$ 1,225,310	$ (99,607)	$ (23,989)	4,210	$ (95,175)	$ (790)	$ 1,007,004

	Common shares		Additional Paid-In		Earnings in Excess of	Accumulated Other Comprehensive	Treasury shares		Noncontrolling	Total Shareholders'
	Shares	Amount	Capital		Distributions	Loss	Shares	Amount	Interests	Equity
For the Nine Months Ended September 30, 2018										
Balance, January 1, 2018	124,008	$ 1,240	$ 1,190,906		$ 31,541	$ (24,446)	—	—	$ (322)	$ 1,198,919
Proceeds from exercise of stock options	97	1	1,780	—	—	—	—	—	—	1,781
Stock-based compensation expense	—	—	16,351	—	—	—	—	—	—	16,351
Restricted stock granted	905	9	(9)	—	—	—	—	—	—	—
Restricted stock canceled	(52)	—	—	—	—	—	—	—	—	—
Dividends paid	—	—	—		(172,256)	—	—	—	—	(172,256)
Shares withheld for net settlements of share-based awards [1]	(173)	(2)	(4,450)	—	—	—	—	—	—	(4,452)
Issuance of common stock - ESPP	18	—	404	—	—	—	—	—	—	404
Repurchases of common stock	(3,117)	—	—	—	—	—	3,117	(70,446)	—	(70,446)
Net income (loss)	—	—	—		111,697	—	—	—	(223)	111,474
Other comprehensive income (loss)	—	—	—		—	(1,339)	—	—	(24)	(1,363)
Balance, September 30, 2018	121,686	$ 1,248	$ 1,204,982		$ (29,018)	$ (25,785)	3,117	$(70,446)	$ (569)	$ 1,080,412

[1] During the nine months ended September 30, 2019 and 2018, the Company withheld shares through net share settlements to satisfy statutory tax withholding requirements upon vesting of shares of restricted stock held by employees.

[2] On January 1, 2019, the Company adopted Accounting Standard Update ("ASU") No. 2018-02 "*Income Statement-Reporting Comprehensive Income-Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*". Refer to Note 15 - Recent Accounting Pronouncements for further information.

REIT Distributions

As a REIT, GEO is required to distribute annually at least 90% of its REIT taxable income (determined without regard to the dividends paid deduction and by excluding net capital gain) and began paying regular quarterly REIT dividends in 2013. The amount, timing and frequency of future dividends, however, will be at the sole discretion of GEO's Board of Directors (the "Board") and will be declared based upon various factors, many of which are beyond GEO's control, including, GEO's financial condition and operating cash flows, the amount required to maintain REIT status, limitations on distributions in GEO's existing and future debt instruments, limitations on GEO's ability to fund distributions using cash generated through GEO's taxable REIT subsidiaries ("TRSs") and other factors that GEO's Board may deem relevant.

During the nine months ended September 30, 2019 and the year ended December 31, 2018 GEO declared and paid the following regular cash distributions to its shareholders as follows:

Declaration Date	Record Date	Payment Date	Distribution Per Share	Aggregate Payment Amount (in millions)
February 5, 2018	February 16, 2018	February 27, 2018	$0.47	$58.3
April 11, 2018	April 23, 2018	May 3, 2018	$0.47	$57.4
July 10, 2018	July 20, 2018	July 27, 2018	$0.47	$57.2
October 15, 2018	October 26, 2018	November 2, 2018	$0.47	$57.2
February 4, 2019	February 15, 2019	February 22, 2019	$0.48	$57.9
April 3, 2019	April 15, 2019	April 22, 2019	$0.48	$58.2
July 9, 2019	July 19, 2019	July 26, 2019	$0.48	$58.2

Stock Buyback Program

On February 14, 2018, the Company announced that its Board authorized a stock buyback program authorizing the Company to repurchase up to a maximum of $200 million of its shares of common stock. The stock buyback program will be funded primarily with cash on hand, free cash flow and borrowings under the Company's $900 million revolving credit facility (the "Revolver"). The program is effective through October 20, 2020. The stock buyback program is intended to be implemented through purchases made from time to time in the open market or in privately negotiated transactions, in accordance with applicable Securities and Exchange Commission ("SEC") requirements. The stock buyback program does not obligate the Company to purchase any specific amount of the Company's common stock and may be suspended or extended at any time at the discretion of the Company's Board. There were no repurchases of shares of the Company's common stock during the nine months ended September 30, 2019. The Company believes it has the ability to continue to fund the stock buyback program, its debt service requirements and its maintenance and growth capital expenditure requirements, while maintaining sufficient liquidity for other corporate purposes.

Prospectus Supplement

On October 20, 2017, the Company filed with the SEC an automatic shelf registration on Form S-3. Under this shelf registration, the Company may, from time to time, sell any combination of securities described in the prospectus in one or more offerings. Each time that the Company may sell securities, the Company will provide a prospectus supplement that will contain specific information about the terms of that offering and the securities being offered. On November 9, 2017, in connection with the shelf registration, the Company filed with the SEC a prospectus supplement related to the offer and sale from time to time of the Company’s common stock at an aggregate offering price of up to $150 million through sales agents. Sales of shares of the Company’s common stock under the prospectus supplement and the equity distribution agreements entered into with the sales agents, if any, may be made in negotiated transactions or transactions that are deemed to be “at the market” offerings as defined in Rule 415 under the Securities Act of 1933. There were no shares of common stock sold under this prospectus supplement during the nine months ended September 30, 2019.

Comprehensive Income (Loss)

Comprehensive income (loss) represents the change in shareholders' equity from transactions and other events and circumstances arising from non-shareholder sources. The Company's total comprehensive income (loss) is comprised of net income attributable to GEO, net income attributable to noncontrolling interests, foreign currency translation adjustments that arise from consolidating foreign operations that do not impact cash flows, net unrealized gains and/or losses on derivative instruments, and pension liability adjustments within shareholders' equity and comprehensive income (loss).

The components of accumulated other comprehensive income (loss) attributable to GEO within shareholders' equity are as follows:

	Nine Months Ended September 30, 2019 (In thousands)			
	Foreign currency translation adjustments, net of tax attributable to The GEO Group, Inc. (1)	Change in fair value of derivatives, net of tax (2)	Pension adjustments, net of tax	Total
Balance, January 1, 2019	$ (14,573)	$ (5,746)	$ (3,299)	$ (23,618)
Current-period other comprehensive loss before reclassifications	(2,777)	(882)	(563)	(4,222)
Amounts reclassified from other comprehensive income into earnings	—	3,851	—	3,851
Net current-period other comprehensive income (loss)	(2,777)	2,969	(563)	(371)
Balance, September 30, 2019	$ (17,350)	$ (2,777)	$ (3,862)	$ (23,989)

(1) The foreign currency translation related to noncontrolling interests was not significant at September 30, 2019 or December 31, 2018.

(2) On May 22, 2019, the Company refinanced the debt associated with its Ravenhall project and terminated the associated interest rate swap derivatives which resulted in the reclassification of $3.9 million into losses that were previously reported in accumulated other comprehensive income (loss). In August 2019, the Company entered into two identical Notes in the aggregate amount of $44.3 million which are secured by loan agreements and mortgage and security agreements on certain real property and improvements. The Company has entered into interest rate swap agreements to fix the interest rate to 4.22%. Refer to Note 10 - Derivative Financial Instruments and Note 11 - Debt for additional information.

	Nine Months Ended September 30, 2018 (In thousands)			
	Foreign currency translation adjustments, net of tax attributable to The GEO Group, Inc. (1)	Change in fair value of derivatives, net of tax	Pension adjustments, net of tax	Total
Balance, January 1, 2018	(7,470)	(11,892)	(5,084)	(24,446)
Current-period other comprehensive (loss) income	(5,858)	4,550	(31)	(1,339)
Balance, September 30, 2018	(13,328)	(7,342)	(5,115)	(25,785)

(1) The foreign currency translation related to noncontrolling interests was not significant at September 30, 2018 or December 31, 2017.

8. EQUITY INCENTIVE PLANS

The Board adopted The GEO Group, Inc. 2018 Stock Incentive Plan (the "2018 Plan"), which was approved by the Company's shareholders on April 24, 2018. The 2018 Plan replaced the 2014 Stock Incentive Plan (the "2014 Plan"). As of the date the 2018 Plan was adopted, it provided for a reserve of 4,600,000 shares of common stock that may be issued pursuant to awards granted under the 2018 Plan. The Company filed a Form S-8 registration statement related to the 2018 Plan on May 11, 2018.

Stock Options

The Company uses a Black-Scholes option valuation model to estimate the fair value of each time-based or performance-based option awarded. For options granted during the nine months ended September 30, 2019, the fair value was estimated using the following assumptions: (i) volatility of 40.69%; (ii) expected term of 5.0 years; (iii) risk free interest rate of 2.44%; and (iv) expected dividend yield of 8.47%. A summary of the activity of stock option awards issued and outstanding under Company plans was as follows for the nine months ended September 30, 2019:

	Shares	Wtd. Avg. Exercise Price	Wtd. Avg. Remaining Contractual Term (years)	Aggregate Intrinsic Value
	(in thousands)			(in thousands)
Options outstanding at January 1, 2019	1,462	$ 24.30	7.20	$ 924
Options granted	391	22.68		
Options exercised	(78)	16.03		
Options forfeited/canceled/expired	(151)	24.48		

Options outstanding at September 30, 2019	1,624	$	24.31	7.17	$	314
Options vested and expected to vest at September 30, 2019	1,538	$	24.37	7.08	$	314
Options exercisable at September 30, 2019	819	$	24.88	5.80	$	314

On March 1, 2019, the Company granted approximately 391,000 options to certain employees which had a per share grant date fair value of $3.96. For the nine months ended September 30, 2019 and September 30, 2018, the amount of stock-based compensation expense related to stock options was $0.8 million and $0.7 million, respectively. As of September 30, 2019, the Company had $2.2 million of unrecognized compensation costs related to non-vested stock option awards that are expected to be recognized over a weighted average period of 2.7 years.

Restricted Stock

Compensation expense for nonvested stock awards is recorded over the vesting period based on the fair value at the date of grant. Generally, the restricted stock awards vest in equal increments over either a three or four-year period. The fair value of restricted stock awards, which do not contain a market-based vesting condition, is determined using the closing price of the Company's common stock on the date of grant. The Company has historically issued share-based awards with service-based, performance-based and market-based vesting criteria.

A summary of the activity of restricted stock outstanding is as follows for the nine months ended September 30, 2019:

	Shares	Wtd. Avg. Grant Date Fair Value
	(in thousands)	
Restricted stock outstanding at January 1, 2019	2,018	$ 27.62
Granted	788	23.79
Vested	(701)	24.09
Forfeited/canceled	(53)	24.11
Restricted stock outstanding at September 30, 2019	2,052	$ 27.32

During the nine months ended September 30, 2019, the Company granted approximately 788,000 shares of restricted stock to certain employees and executive officers. Of these awards, 250,000 are market and performance-based awards which will be forfeited if the Company does not achieve certain annual metrics during 2019, 2020 and 2021.

The vesting of these performance-based restricted stock grants are subject to the achievement by GEO of two annual performance metrics as follows: (i) up to 50% of the shares of restricted stock ("TSR Target Award") can vest at the end of a three year performance period if GEO meets certain total shareholder return ("TSR") performance targets, as compared to the total shareholder return of a peer group of companies, over a three year period from January 1, 2019 to December 31, 2021 and (ii) up to 50% of the shares of restricted stock ("ROCE Target Award") can vest at the end of a three year period if GEO meets certain return on capital employed ("ROCE") performance targets over a three year period from January 1, 2019 to December 31, 2021. These market and performance awards can vest at between 0% and 200% of the target awards for both metrics. The number of shares shown for the performance-based awards is based on the target awards for both metrics.

The metric related to ROCE is considered to be a performance condition. For share-based awards that contain a performance condition, the achievement of the targets must be probable before any share-based compensation expense is recorded. The Company reviews the likelihood of which the target in the range will be achieved and if deemed probable, compensation expense is recorded at that time. If subsequent to initial measurement there is a change in the estimate of the probability of meeting the performance condition, the effect of the change in the estimated quantity of awards expected to vest is recognized by cumulatively adjusting compensation expense. If ultimately the performance targets are not met, for any awards where vesting was previously deemed probable, previously recognized compensation expense will be reversed in the period in which vesting is no longer deemed probable. The fair value of these awards was determined based on the closing price of the Company's common stock on the date of grant.

The metric related to TSR is considered to be a market condition. For share-based awards that contain a market condition, the probability of satisfying the market condition must be considered in the estimate of grant-date fair value and previously recorded compensation expense is not reversed if the market condition is never met. The fair value of these awards was determined based on a Monte Carlo simulation, which calculates a range of possible outcomes and the probabilities that they will occur, using the following key assumptions: (i) volatility of 43.7%; (ii) beta of 1.0; and (iii) risk free rate of 2.53%.

For the nine months ended September 30, 2019 and September 30, 2018, the Company recognized $16.1 million and $15.6 million, respectively, of compensation expense related to its restricted stock awards. As of September 30, 2019, the Company had $31.2 million of unrecognized compensation costs related to non-vested restricted stock awards, including non-vested restricted stock awards with performance-based and market-based vesting, that are expected to be recognized over a weighted average period of 2.2 years.

Employee Stock Purchase Plan

The Company previously adopted The GEO Group Inc. 2011 Employee Stock Purchase Plan (the “Plan or "ESPP”) which was approved by the Company's shareholders. The purpose of the Plan, which is qualified under Section 423 of the Internal Revenue Service Code of 1986, as amended, is to encourage stock ownership through payroll deductions by the employees of GEO and designated subsidiaries of GEO in order to increase their identification with the Company’s goals and secure a proprietary interest in the Company’s success. These deductions are used to purchase shares of the Company’s common stock at a 5% discount from the then current market price. The Company has made available up to 750,000 shares of its common stock, which were registered with the SEC on May 4, 2012, as amended on July 18, 2014, for sale to eligible employees under the Plan.

The Plan is considered to be non-compensatory. As such, there is no compensation expense required to be recognized. Share purchases under the Plan are made on the last day of each month. During the nine months ended September 30, 2019, 21,411 shares of the Company's common stock were issued in connection with the Plan.

9. EARNINGS PER SHARE

Basic earnings per share of common stock is computed by dividing the net income attributable to The GEO Group, Inc. by the weighted average number of outstanding shares of common stock. The calculation of diluted earnings per share is similar to that of basic earnings per share except that the denominator includes dilutive common stock equivalents such as stock options and shares of restricted stock. Basic and diluted earnings per share were calculated for the three and nine months ended September 30, 2019 and 2018 as follows (in thousands, except per share data):

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Net income	$ 45,885	$ 39,229	$ 128,370	$ 111,474
Net loss attributable to noncontrolling interests	47	60	181	223
Net income attributable to The GEO Group, Inc.	45,932	39,289	128,551	111,697
Basic earnings per share attributable to The GEO Group, Inc.:				
Weighted average shares outstanding	119,209	119,681	119,052	120,567
Per share amount	$ 0.39	$ 0.33	$ 1.08	$ 0.93
Diluted earnings per share attributable to The GEO Group, Inc.:				
Weighted average shares outstanding	119,209	119,681	119,052	120,567
Dilutive effect of equity incentive plans	73	621	262	488
Weighted average shares assuming dilution	119,282	120,302	119,314	121,055
Per share amount	$ 0.39	$ 0.33	$ 1.08	$ 0.92

Three Months

For the three months ended September 30, 2019, 1,522,227 weighted average shares of common stock underlying options were excluded from the computation of diluted earnings per share ("EPS") because the effect would be anti-dilutive. There were 1,801,015 common stock equivalents from restricted shares that were anti-dilutive.

For the three months ended September 30, 2018, 613,224 weighted average shares of common stock underlying options were excluded from the computation of diluted EPS because the effect would be anti-dilutive. There were 477,941 common stock equivalents from restricted shares that were anti-dilutive.

Nine Months

For the nine months ended September 30, 2019, 1,497,922 weighted average shares of common stock underlying options were excluded from the computation of diluted EPS because the effect would be anti-dilutive. There were 1,479,719 common stock equivalents from restricted shares that were anti-dilutive.

For the nine months ended September 30, 2018, 904,375 weighted average shares of common stock underlying options were excluded from the computation of diluted EPS because the effect would be anti-dilutive. There were 671,149 common stock equivalents from restricted shares that were anti-dilutive.

10. DERIVATIVE FINANCIAL INSTRUMENTS

The Company's primary objective in holding derivatives is to reduce the volatility of earnings and cash flows associated with changes in interest rates. The Company measures its derivative financial instruments at fair value.

In August 2019, the Company entered into two interest rate swap agreements in the aggregate notional amount of $44.3 million to fix the interest rate on certain of its variable rate debt to 4.22%. The Company has designated these interest rate swaps as hedges against changes in the cash flows of two identical promissory notes (the "Notes") which are secured by loan agreements and mortgage and security agreements on certain real property and improvements. The Company has determined that the swaps have payment, expiration dates, and provisions that coincide with the terms of the Notes and are therefore considered to be effective cash flow hedges. Accordingly, the Company records the change in fair value of the interest rate swaps as accumulated other comprehensive income, net of applicable taxes. Total unrealized losses recorded in other comprehensive income, net of tax, related to these cash flow hedges was $2.8 million during the nine months ended September 30, 2019. The total fair value of the swap liabilities as of September 30, 2019 was $3.5 million and is recorded as a component of Other Non-Current liabilities within the accompanying balance sheet. There was no material ineffectiveness for the period presented. The Company does not expect to enter into any transactions during the next twelve months which would result in reclassification into earnings or losses associated with these swaps currently reported in accumulated other comprehensive income (loss). Refer to Note 11 - Debt for additional information.

The Company's Australian subsidiary had entered into interest rate swap agreements to fix the interest rate on its variable rate non-recourse debt related to a project in Ravenhall, a locality near Melbourne, Australia to 4.2%. The Company had determined that the swaps had payment, expiration dates, and provisions that coincided with the terms of the non-recourse debt and were therefore considered to be effective cash flow hedges. Accordingly, the Company recorded the change in the fair value of the interest rate swaps in accumulated other comprehensive income, net of applicable income taxes. On May 22, 2019, the Company refinanced the associated debt and terminated the swap agreements which resulted in the reclassification of $3.9 million into losses that were previously reported in accumulated other comprehensive income. Refer to Note 11 - Debt for additional information.

11. DEBT

Debt outstanding as of September 30, 2019 and December 31, 2018 consisted of the following (in thousands):

	September 30, 2019	December 31, 2018
Senior Credit Facility:		
Term loan	$ 780,000	$ 786,000
Unamortized discount on term loan	(2,429)	(2,878)
Unamortized debt issuance costs on term loan	(5,761)	(6,826)
Revolver	445,039	490,843
Total Senior Credit Facility	1,216,849	1,267,139
6.00% Senior Notes:		
Notes Due in 2026	350,000	350,000
Unamortized debt issuance costs	(4,420)	(4,820)
Total 6.00% Senior Notes Due in 2026	345,580	345,180
5.875% Senior Notes:		
Notes Due in 2024	250,000	250,000
Unamortized debt issuance costs	(2,645)	(2,971)
Total 5.875% Senior Notes Due in 2024	247,355	247,029
5.125% Senior Notes:		
Notes Due in 2023	300,000	300,000
Unamortized debt issuance costs	(3,049)	(3,548)
Total 5.125% Senior Notes Due in 2023	296,951	296,452
5.875% Senior Notes:		
Notes Due in 2022	216,023	250,000
Unamortized debt issuance costs	(1,677)	(2,514)
Total 5.875% Senior Notes Due in 2022	214,346	247,486
Non-Recourse Debt	325,410	341,074
Unamortized debt issuance costs on non-recourse debt	(5,425)	(3,883)
Unamortized discount on non-recourse debt	(97)	(164)
Total Non-Recourse Debt	319,888	337,027
Finance Lease Liabilities	4,953	6,059
Other debt	43,654	2,469
Total debt	2,689,576	2,748,841
Current portion of finance lease liabilities, long-term debt and non-recourse debt	(23,417)	(332,027)
Finance Lease Liabilities, long-term portion	(3,403)	(4,570)
Non-Recourse Debt, long-term portion	(307,032)	(15,017)
Long-Term Debt	$ 2,355,724	$ 2,397,227

Amended Credit Agreement

On June 12, 2019, GEO entered into Amendment No. 2 to Third Amended and Restated Credit Agreement (the "Credit Agreement") by and among the refinancing lenders party thereto, the other lenders party thereto, GEO and GEO Corrections Holdings, Inc. and the administrative agent. Under the amendment, the maturity date of the revolver component of the Credit Agreement has been extended to May 17, 2024. The borrowing capacity under the amended revolver will remain at $900.0 million, and its pricing will remain unchanged currently bearing interest at LIBOR plus 2.25%. As a result of the transaction, the Company incurred a loss on extinguishment of debt of $1.2 million related to certain unamortized deferred loan costs. Additionally, loan costs of $4.7 million were incurred and capitalized in connection with the transaction.

The Credit Agreement evidences a credit facility (the "Credit Facility") consisting of a $792.0 million term loan bearing interest at LIBOR plus 2.00% (with a LIBOR floor of 0.75%), and a $900.0 million revolver initially bearing interest at LIBOR plus

2.25% (with no LIBOR floor) together with AUD275 million available solely for the issuance of financial letters of credit and performance letters of credit, in each case denominated in Australian Dollars under the Australian Dollar Letter of Credit Facility (the "Australian LC Facility"). As of September 30, 2019, there were no letters of credit issued under the Australian LC Facility. Amounts to be borrowed by GEO under the Credit Agreement are subject to the satisfaction of customary conditions to borrowing. The term loan component is scheduled to mature on March 23, 2024. The revolving credit commitment component is scheduled to mature on May 17, 2024. The Credit Agreement also has an accordion feature of $450.0 million, subject to lender demand and prevailing market conditions and satisfying the relevant borrowing conditions.

The Credit Agreement contains certain customary representations and warranties, and certain customary covenants that restrict GEO's ability to, among other things (i) create, incur or assume any indebtedness, (ii) create, incur, assume or permit liens, (iii) make loans and investments, (iv) engage in mergers, acquisitions and asset sales, (v) make certain restricted payments, (vi) issue, sell or otherwise dispose of capital stock, (vii) engage in transactions with affiliates, (viii) allow the total leverage ratio to exceed 6.25 to 1.00, allow the senior secured leverage ratio to exceed 3.50 to 1.00, or allow the interest coverage ratio to be less than 3.00 to 1.00, (ix) cancel, forgive, make any voluntary or optional payment or prepayment on, or redeem or acquire for value any senior notes, except as permitted, (x) alter the business GEO conducts, and (xi) materially impair GEO's lenders' security interests in the collateral for its loans.

Events of default under the Credit Agreement include, but are not limited to, (i) GEO's failure to pay principal or interest when due, (ii) GEO's material breach of any representation or warranty, (iii) covenant defaults, (iv) liquidation, reorganization or other relief relating to bankruptcy or insolvency, (v) cross default under certain other material indebtedness, (vi) unsatisfied final judgments over a specified threshold, (vii) certain material environmental liability claims asserted against GEO, and (viii) a change in control.

All of the obligations under the Credit Agreement are unconditionally guaranteed by certain domestic subsidiaries of GEO and the Credit Agreement and the related guarantees are secured by a perfected first-priority pledge of substantially all of GEO's present and future tangible and intangible domestic assets and all present and future tangible and intangible domestic assets of each guarantor, including but not limited to a first-priority pledge of all of the outstanding capital stock owned by GEO and each guarantor in their domestic subsidiaries.

GEO Australasia Holdings Pty Ltd, GEO Australasia Finance Holdings Pty Ltd as trustee for the GEO Australasia Finance Holding Trust, and together with GEO Australasia Holdings, collectively ("the Australian Borrowers") are wholly owned foreign subsidiaries of GEO. GEO has designated each of the Australian Borrowers as restricted subsidiaries under the Credit Agreement. However, the Australian Borrowers are not obligated to pay or perform any obligations under the Credit Agreement other than their own obligations as Australian Borrowers under the Credit Agreement. The Australian Borrowers do not pledge any of their assets to secure any obligations under the Credit Agreement.

On August 18, 2016, the Company executed a Letter of Offer providing for a bank guarantee line and bank guarantee/standby sub-facility in an aggregate amount of approximately AUD100 million, or $70.0 million, based on exchange rates in effect as of September 30, 2019 (collectively, the "Bank Guarantee Facility"). The Bank Guarantee Facility allows GEO to provide letters of credit to assure performance of certain obligations of its wholly owned subsidiary relating to its correctional facility in Ravenhall, located near Melbourne, Australia. The Bank Guarantee Facility is unsecured. The issuance of letters of credit under the Bank Guarantee Facility is subject to the satisfaction of the conditions precedent specified in the Letter of Offer. Letters of credit issued under the bank guarantee lines are due on demand and letters of credit issued under the bank guarantee/standby sub-facility cannot have a duration exceeding twelve months. The Bank Guarantee Facility may be terminated by the lender on 90 days written notice. As of September 30, 2019, there was AUD100 million in letters of credit issued under the Bank Guarantee Facility.

As of September 30, 2019, the Company had approximately $780 million in aggregate borrowings outstanding under its term loan, approximately $445 million in borrowings under its revolver, and approximately $62 million in letters of credit which left approximately $393 million in additional borrowing capacity under the Revolver. The weighted average interest rate on outstanding borrowings under the Credit Agreement as of September 30, 2019 was 4.1%.

6.00% Senior Notes due 2026

Interest on the 6.00% Senior Notes accrues at the stated rate. The Company pays interest semi-annually in arrears on April 15 and October 15 of each year. On or after April 15, 2019, the Company may, at its option, redeem all or part of the 6.00% Senior Notes at the redemption prices set forth in the indenture governing the 6.00% Senior Notes. The indenture contains certain covenants, including limitations and restrictions on the Company and its subsidiary guarantors. Refer to Note 16- Condensed Consolidating Financial Information.

5.875% Senior Notes due 2024

Interest on the 5.875% Senior Notes due 2024 accrues at the stated rate. The Company pays interest semi-annually in arrears on April 15 and October 15 of each year. On or after October 15, 2019, the Company may, at its option, redeem all or part of the 5.875% Senior Notes due 2024 at the redemption prices set forth in the indenture governing the 5.875% Senior Notes due 2024. The indenture contains certain covenants, including limitations and restrictions on the Company and its subsidiary guarantors. Refer to Note 16- Condensed Consolidating Financial Information.

5.125% Senior Notes due 2023

Interest on the 5.125% Senior Notes accrues at the stated rate. The Company pays interest semi-annually in arrears on April 1 and October 1 of each year. On or after April 1, 2018, the Company may, at its option, redeem all or part of the 5.125% Senior Notes at the redemption prices set forth in the indenture governing the 5.125% Senior Notes. The indenture contains certain covenants, including limitations and restrictions on the Company and its subsidiary guarantors. Refer to Note 16- Condensed Consolidating Financial Information.

5.875% Senior Notes due 2022

Interest on the 5.875% Senior Notes due 2022 accrues at the stated rate. The Company pays interest semi-annually in arrears on January 15 and July 15 of each year. On or after January 15, 2017, the Company may, at its option, redeem all or part of the 5.875% Senior Notes due 2022 at the redemption prices set forth in the indenture governing the 5.875%Senior Notes due 2022. The indenture contains certain covenants, including limitations and restrictions on the Company and its subsidiary guarantors. Refer to Note 16- Condensed Consolidating Financial Information.

Debt Repurchases

On August 16, 2019, the Company's Board of Directors authorized the Company to repurchase and/or retire a portion of the 6.00% Senior Notes due 2026, the 5.875% Senior Notes due 2024, the 5.125% Senior Notes due 2023, the 5.875% Senior Notes due 2022 (collectively the "GEO Senior Notes") and the Company's term loan under its Amended Credit Agreement through cash purchases, in open market purchases, privately negotiated transactions, or otherwise, up to an aggregate maximum of $100 million, subject to certain limitations through December 31, 2020.

During the third quarter of 2019, the Company repurchased approximately $34.0 million in aggregate principal amount of its 5.875% Senior Notes due 2022 at a weighted average price of 97.48% for a total cost of $33.1 million. As a result of these repurchases, the Company recognized a net gain on extinguishment of debt of $0.6 million.

Non-Recourse Debt

Tacoma Processing Center

The remaining balance of the original debt service requirement under the $54.4 million note payable ("2011 Revenue Bonds") to WEDFA is $22.9 million, of which $7.3 million is classified as current in the accompanying consolidated balance sheet as of September 30, 2019. The payment of principal and interest on the 2011 Revenue Bonds issued by WEDFA is non-recourse to GEO. The 2011 Revenue Bonds will mature in October 2021 with a fixed coupon rate of 5.25%.

As of September 30, 2019, included in current restricted cash and cash equivalents is $8.3 million of funds held in trust for debt service and other reserves with respect to the above mentioned note payable to WEDFA.

Australia - Ravenhall

In connection with a design and build project agreement with the State of Victoria, in September 2014, the Company entered into a syndicated facility agreement (the "Construction Facility") to provide debt financing for construction of the project. The Construction Facility provided for non-recourse funding up to AUD 791.0 million, or approximately $534.2 million, based on exchange rates as of September 30, 2019. In accordance with the terms of the contract, upon completion and commercial acceptance of the project, the State made a lump sum payment of AUD 310.0 million, or approximately $209.0 million, based on exchange rates as of September 30, 2019. The term of the Construction Facility was through September 2019 and bore interest at a variable rate quoted by certain Australian banks plus 200 basis points. On May 22, 2019, the Company completed an offering of AUD 461.6 million, or $311.8 million, based on exchange rates as of September 30, 2019, aggregate principal amount of non-recourse senior secured notes due 2042 (the "Non-Recourse Notes"). The amortizing Non-Recourse Notes were issued by Ravenhall Finance Co Pty Limited in a private placement pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended. The Non-Recourse Notes were issued with a coupon and yield to maturity of 4.23% with a maturity date of March 31, 2042. The net proceeds from this offering were used to refinance the outstanding Construction Facility and to pay all related fees, costs and expenses associated with the transaction. As a result of the transaction, the Company incurred a $4.5 million loss on extinguishment of debt related to swap termination fees and unamortized deferred costs associated with the Construction Facility. Additionally, loan costs of approximately $7.5 million were incurred and capitalized in connection with the offering.

Other

In August 2019, the Company entered into two identical Notes in the aggregate amount of $44.3 million which are secured by loan agreements and mortgage and security agreements on certain real property and improvements. The terms of the Notes are through September 1, 2034 and bear interest at LIBOR plus 200 basis points and are payable in monthly installments plus interest. The Company has entered into interest rate swap agreements to fix the interest rate to 4.22%. Included in the balance at September 30, 2019 is $0.7 million of deferred loan costs incurred in the transaction. Refer to Note 10 - Derivative Financial Instruments for further information.

Guarantees

Australia

The Company has entered into a guarantee in connection with the operating performance of a facility in Australia. The obligation amounted to approximately AUD100.0 million, or $67.5 million, based on exchange rates as of September 30, 2019. The guarantee is secured by outstanding letters of credit under the Company's Revolver.

At September 30, 2019, the Company also had seven other letters of credit outstanding under separate international facilities relating to performance guarantees of its Australian subsidiary totaling $9.0 million.

South Africa

In connection with the creation of South African Custodial Services Pty. Limited ("SACS"), the Company entered into certain guarantees related to the financing, construction and operation of the South African facility. The Company guaranteed certain obligations of SACS under its debt agreements to SACS' former senior lenders through the issuance of letters of credit under the Company's Revolver. In July 2018, SACS settled all amounts due under the debt facilities and has therefore discharged the guaranteed obligations, therefore the guarantees related to these obligations were no longer necessary and the letters of credit were not renewed. Additionally, SACS was required to maintain funding in a rectification account maintained for the payment of certain costs in the event of contract termination. SACS has met the required funding obligation and there is no further requirement to maintain the required funding rectification account.

In addition to the above, the Company also agreed to provide a loan, if required, of up to 20 million South African Rand, or $1.3 million based on exchange rates as of September 30, 2019, referred to as the shareholder's standby facility, to SACS for the purpose of financing SACS' obligations under its contract with the South African government. No amounts have been funded under the shareholder's standby facility. The Company's obligations under the shareholder's standby facility expired upon SACS' release from its obligations under the common terms agreement in February 2019 with the final payment of the facility management fees.

The Company also guaranteed certain obligations of SACS to the security trustee for SACS' lenders. The Company secured its guarantee to the security trustee by ceding its rights to claims against SACS in respect of any loans or other finance agreements, and by pledging the Company's shares in SACS. The Company's liability under the guarantee is limited to the cession and pledge of shares. The guarantee expired in February 2019 when of all SACS' obligations in terms of the finance agreements were settled.

Except as discussed above, the Company does not have any off balance sheet arrangements.

12. COMMITMENTS AND CONTINGENCIES

Litigation, Claims and Assessments

As previously reported and described in the Company's prior periodic reports, including most recently in our Form 10-Q for the quarter ended June 30, 2019, former civil immigration detainees at the Aurora Immigration Processing Center filed a class action lawsuit on October 22, 2014, against the Company in the United States District Court for the District of Colorado (the “Court”). The complaint alleges that the Company was in violation of the Colorado Minimum Wages of Workers Act and the federal Trafficking Victims Protection Act ("TVPA"). The plaintiff class claims that the Company was unjustly enriched because of the level of payment the detainees received for work performed at the facility, even though the voluntary work program as well as the wage rates and standards associated with the program that are at issue in the case are authorized by the Federal government under guidelines approved by the United States Congress. On July 6, 2015, the Court found that detainees were not employees under the Colorado Minimum Wage Order and dismissed this claim. In February 2017, the Court granted the plaintiff-class’ motion for class certification on the TVPA and unjust enrichment claims. The plaintiff class seeks actual damages, compensatory damages, exemplary damages, punitive damages, restitution, attorneys’ fees and costs, and such other relief as the Court may deem proper. In the time since the Colorado suit was initially filed, three similar lawsuits have been filed - two in Washington and one in California. In Washington, one of the two lawsuits was filed on September 9, 2017 by immigration detainees against the Company in the U.S. District Court for the Western District of Washington. The second lawsuit was filed on September 20, 2017 by the State Attorney General against the Company in the Superior Court of the State of Washington for Pierce County, which the Company removed to the U.S. District Court for the Western District of Washington on October 9, 2017. In California, a class-action lawsuit was filed on December 19, 2017 by immigration detainees against the Company in the U.S. District Court Eastern Division of the Central District of California. All three lawsuits allege violations of the respective state’s minimum wage laws. However, the California lawsuit, like the Colorado suit, also includes claims that the Company violated the TVPA and California's equivalent state statute. On September 27, 2019, the California plaintiff class filed a motion for class certification of both California-based and nationwide classes. The Company filed a response to this motion disputing the plaintiff class' right to broad class treatment of the claims at issue. On July 2, 2019, the Company filed a Motion for Summary Judgment in the Washington Attorney General’s Tacoma lawsuit based on the Company’s position that its legal defenses prevent the case from proceeding to trial. The federal court in Washington denied the Company's Motion for Summary Judgment on August 6, 2019. However, on August 20, 2019, the Department of Justice filed a Statement of Interest, which asked the Washington court to revisit its prior denial of the Company's intergovernmental immunity defense in the case. While the Washington court ultimately elected not to dismiss the case at the time, its order importantly declared that the Company's intergovernmental immunity defense was legally viable, to be ultimately determined at trial. The two Washington cases are currently set for trial in March 2020. The Company intends to take all necessary steps to vigorously defend itself and has consistently refuted the allegations and claims in these lawsuits. The Company has not recorded an accrual relating to these matters at this time, as a loss is not considered probable nor reasonably estimable at this stage of the lawsuits. The Company establishes accruals for specific legal proceedings when it is considered probable that a loss has been incurred and the amount of the loss can be reasonably estimated. However, the results of these claims or proceedings cannot be predicted with certainty, and an unfavorable resolution of one or more of these claims or proceedings could have a material adverse effect on the Company's financial condition, results of operations or cash flows. Our accruals for loss contingencies are reviewed quarterly and adjusted as additional information becomes available. We do not accrue for anticipated legal fees and costs, but expense those items as incurred.

The nature of the Company's business exposes it to various types of third-party legal claims or litigation against the Company, including, but not limited to, civil rights claims relating to conditions of confinement and/or mistreatment, sexual misconduct claims, medical malpractice claims, claims relating to the TVPA, product liability claims, intellectual property infringement claims, claims relating to employment laws (including, but not limited to, employment discrimination claims, union grievances and wage and hour claims), property loss claims, environmental claims, automobile liability claims, indemnification claims by its customers and other third parties, contractual claims and claims for personal injury or other damages resulting from contact with the Company's facilities, programs, electronic monitoring products, personnel, inmates or detainees, including damages arising from an escape or from a disturbance or riot at a facility. Expenses associated with legal proceedings may fluctuate from quarter to quarter based on the level of activity required during the different stages of legal proceedings, new developments that arise in the course of the legal proceedings, and the Company's litigation strategy. The Company does not expect the outcome of any pending claims or legal proceedings to have a material adverse effect on its financial condition, results of operations or cash flows. However, the results of these claims or proceedings cannot be predicted with certainty, and an unfavorable resolution of one or more of these claims or proceedings could have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Other Assessment

A state non-income tax audit completed in 2016 included tax periods for which the state tax authority had previously processed a substantial tax refund. At the completion of the audit fieldwork, the Company received a notice of audit findings disallowing deductions that were previously claimed by the Company, approved by the state tax authority and served as the basis for the approved refund claim. In early January 2017, the Company received a formal Notice of Assessment of Taxes and Demand for Payment from the taxing authority disallowing the deductions. The total tax, penalty and interest related to the assessment is approximately $18.8 million. The Company has filed an administrative protest and disagrees with the assessment and intends to take all necessary steps to vigorously defend its position. The Company has established a reserve based on its estimate of the most probable loss based on the facts and circumstances known to date and the advice of outside counsel in connection with this matter.

Commitments

The Company currently has contractual commitments for a number of projects using Company financing. The Company's management estimates that the cost of these existing capital projects will be approximately $193 million of which $143 million was spent through the first nine months of 2019. The Company estimates the remaining capital requirements related to these capital projects will be $50 million which will be spent through the remainder of 2019.

Idle Facilities

As of September 30, 2019, the Company was marketing approximately 3,000 vacant beds at four of its idle facilities to potential customers. The carrying values of these idle facilities, which are included in Property and Equipment, Net in the accompanying consolidated balance sheets, totaled $49.6 million as of September 30, 2019, excluding equipment and other assets that can be easily transferred for use at other facilities. There was no indication of impairment related to the Company's idle facilities at September 30, 2019.

13. BUSINESS SEGMENTS AND GEOGRAPHIC INFORMATION

Operating and Reporting Segments

The Company conducts its business through four reportable business segments: the GEO Secure Services segment; the GEO Care segment; the International Services segment; and the Facility Construction & Design segment. The Company's segment revenues from external customers and a measure of segment profit are as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Revenues:				
GEO Secure Services	$ 411,078	$ 379,351	$ 1,201,063	$ 1,107,016
GEO Care	153,422	141,808	462,772	431,819
International Services	57,634	62,371	176,246	193,121
Facility Construction & Design [1]	9,445	—	16,131	—
Total revenues	$ 631,579	$ 583,530	$ 1,856,212	$ 1,731,956
Operating income from segments:				
GEO Secure Services	$ 85,085	$ 77,885	$ 248,462	$ 224,386
GEO Care	36,325	35,959	113,936	102,795
International Services	5,211	3,583	13,870	10,927
Facility Construction & Design [1]	26	—	26	—
Operating income from segments	$ 126,647	$ 117,427	$ 376,294	$ 338,108
General and Administrative Expenses	(48,488)	(47,647)	$ (142,183)	(136,927)
Total Operating Income	$ 78,159	$ 69,780	$ 234,111	$ 201,181

[1] In 2019, Facility Construction & Design revenues related to an expansion project at the Company's managed-only Fulham Correctional Centre in Australia which is expected to be completed in the third quarter of 2020.

Pre-Tax Income Reconciliation of Segments

The following is a reconciliation of the Company’s total operating income from its reportable segments to the Company’s income before income taxes and equity in earnings of affiliates (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Operating income from segments	$ 126,647	$ 117,427	$ 376,294	$ 338,108
Unallocated amounts:				
General and Administrative Expenses	(48,488)	(47,647)	(142,183)	(136,927)
Net Interest Expense	(29,959)	(29,563)	(92,730)	(84,011)
Gain (Loss) on Extinguishment of Debt	594	—	(5,147)	(574)
Income before income taxes and equity in earnings of affiliates	$ 48,794	$ 40,217	$ 136,234	$ 116,596

Equity in Earnings of Affiliates

Equity in earnings of affiliates includes the Company’s 50% owned joint ventures in SACS, located in South Africa, and GEOAmey, located in the United Kingdom. The Company's investments in these entities are accounted for under the equity method of accounting. The Company’s investments in these entities are presented as a component of Other Non-Current Assets in the accompanying consolidated balance sheets.

The Company has recorded $1.2 million and $3.8 million in earnings, net of tax, for SACS operations during the three and nine months ended September 30, 2019, and $2.2 million and $5.9 million in earnings, net of tax, for SACS operations during the three and nine months ended September 30, 2018, respectively, which are included in equity in earnings of affiliates, net of income tax provision in the accompanying consolidated statements of operations. As of September 30, 2019 and December 31, 2018, the Company’s investment in SACS was $10.9 million and $13.4 million, respectively, and represents its share of cumulative reported earnings.

The Company has recorded $1.0 million and $2.8 million in earnings, net of tax, for GEO Amey's operations during the three and nine months ended September 30, 2019, and $0.6 million and $1.2 million in earnings, net of tax, for GEO Amey's operations during the three and nine months ended September 30, 2018, respectively, which are included in equity in earnings of affiliates, net of income tax provision in the accompanying consolidated statements of operations. As of September 30, 2019 and December 31, 2018, the Company's investment in GEOAmey was $7.3 million and $4.8 million, respectively, and represents its share of cumulative reported earnings.

14. BENEFIT PLANS

The following table summarizes key information related to the Company's pension plans and retirement agreements (in thousands):

	Nine Months Ended September 30, 2019	Year Ended December 31, 2018
Change in Projected Benefit Obligation		
Projected benefit obligation, beginning of period	$ 32,474	$ 32,820
Service cost	749	1,200
Interest cost	1,045	1,242
Actuarial gain	—	(2,166)
Benefits paid	(585)	(622)
Projected benefit obligation, end of period	$ 33,683	$ 32,474
Change in Plan Assets		
Plan assets at fair value, beginning of period	$ —	$ —
Company contributions	585	622
Benefits paid	(585)	(622)
Plan assets at fair value, end of period	$ —	$ —
Unfunded Status of the Plan	$ 33,683	$ 32,474

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Components of Net Periodic Benefit Cost				
Service cost	$ 300	$ 300	$ 749	$ 900
Interest cost	348	310	1,045	931
Net loss	53	133	158	399
Net periodic pension cost	$ 701	$ 743	$ 1,952	$ 2,230

The long-term portion of the pension liability as of September 30, 2019 and December 31, 2018 was $33.4 million and $32.1 million, respectively, and is included in Other Non-Current Liabilities in the accompanying consolidated balance sheets.

15. RECENT ACCOUNTING PRONOUNCEMENTS

The Company implemented the following accounting standards during the nine months ended September 30, 2019:

In June 2018, the FASB issued ASU No. 2018-07, "*Compensation - Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting"* as a part of its Simplification Initiative. The amendments in this update expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. An entity should apply the requirements of Topic 718 to nonemployee awards except for specific guidance on inputs to an option pricing model and the period of time over which share-based payment awards vest and the pattern of cost recognition over that period. The amendments specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606,"*Revenue from Contracts with Customers.*" The new standard became effective for the Company beginning January 1, 2019. The adoption of this standard did not have a material impact on the Company's financial position, results of operations or cash flows.

In February 2018, the FASB issued ASU No. 2018-02, "*Income Statement-Reporting Comprehensive Income-Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*". The amendments in this update allow an entity to elect to reclassify the income tax effects resulting from the Tax Cuts and Jobs Act on items within accumulated other comprehensive income ("AOCI") to retained earnings. The new standard is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption was permitted. The Company adopted the new standard effective January 1, 2019 and has made a policy election to reclassify the income tax effects resulting from the Tax

Cuts and Jobs Act on items within AOCI to distributions in excess of earnings on a prospective basis. As a result, the Company reclassified $0.7 million for the tax effect of the tax rate reduction related to its pension liability and $1.7 million for the tax effect of other income tax effects of tax reform on items remaining in AOCI related to currency translation adjustments to distributions in excess of earnings on January 1, 2019. The net effect of both adjustments resulted in an aggregate increase to distributions in excess of earnings of approximately $1.0 million. Refer to Note 7 - Shareholders' Equity.

In August 2017, the FASB issued ASU No. 2017-12, "*Derivatives and Hedging - Targeted Improvements to Accounting for Hedging Activities.*" The objective of this guidance is to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. Certain of the amendments in this update as they relate to cash flow hedges, eliminate the requirement to separately record hedge ineffectiveness currently in earnings. Instead, the entire change in the fair value of the hedging instrument is recorded in other comprehensive income. Those amounts are reclassified to earnings in the same income statement line item that is used to present the earnings effect of the hedged item when the hedged item affects earnings. The new standard became effective for the Company beginning January 1, 2019. The adoption of this standard did not have a material impact on the Company's financial position, results of operations or cash flows.

In February 2016, the FASB issued ASU 2016-02, "*Leases*," which requires entities to recognize lease assets and lease liabilities on the balance sheet and to disclose key information about leasing arrangements. For finance leases and operating leases, a lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term with each initially measured at the present value of the lease payments. The amendments in ASU 2016-02 became effective for the Company on January 1, 2019. The Company elected the package of transition expedients available for expired or existing lease contracts, which allowed it to carry forward its historical assessments of (1) whether contracts are or contain leases, (2) lease classification and (3) initial direct costs. The Company also elected not to apply the recognition requirements to lease arrangements that have terms of twelve months or less. The adoption had a material impact in the Company's consolidated balance sheets, but did not have an impact on its consolidated statements of operations or cash flows. The most significant impact was the recognition of right-of-use assets and lease liabilities for operating leases, while our accounting for finance leases remained substantially unchanged. The new standard resulted in the recording of operating right-of-use lease assets and operating lease liabilities of approximately $140 million and $147 million, respectively, as of January 1, 2019. Refer to Note 2 - Leases for further discussion and additional required disclosures.

The following accounting standards will be adopted in future periods:

In August 2018, the FASB issued ASU No. 2018-14, "*Compensation-Retirement Benefits-Defined Benefit Plans-General (Topic 715.20)"* as a part of its disclosure framework project. The amendments in this update remove, modify and add certain disclosures primarily related to amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year, explanations for reasons for significant gains and losses related to changes in the benefit obligation for the period, and projected and accumulated benefit obligations. The new standard is effective for the Company beginning January 1, 2021. The adoption of this standard is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

In August 2018, the FASB issued ASU No. 2018-13, "*Fair Value Measurement (Topic 820)"* as a part of its disclosure framework project. The amendments in this update remove, modify and add certain disclosures primarily related to transfers between Level 1 and Level 2 of the fair value hierarchy, various disclosures related to Level 3 fair value measurements and investments in certain entities that calculate net asset value. The new standard is effective for the Company beginning January 1, 2020. The adoption of this standard is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

In June 2016, the FASB issued ASC No. 2016-13, "*Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*". The purpose of Update No. 2016-13 is to replace the current incurred loss impairment methodology for financial assets measured at amortized cost with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information, including forecasted information, to develop credit loss estimates. Update No. 2016-13 is effective for annual periods beginning after December 15, 2019, including interim periods within those annual periods. Early adoption is permitted for annual periods beginning after December 15, 2018. The Company is in the process of determining the effect that the adoption will have on its financial position and results of operations.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants and the SEC did not, or are not expected to, have a material effect on the Company's results of operations or financial position.

16. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

As of September 30, 2019, the Company's 6.00% Senior Notes, 5.125% Senior Notes, the 5.875% Senior Notes due 2022 and the 5.875% Senior Notes due 2024 were fully and unconditionally guaranteed on a joint and several senior unsecured basis by the Company and certain of its wholly-owned domestic subsidiaries (the “Subsidiary Guarantors”). The following condensed consolidating financial information, which has been prepared in accordance with the requirements for presentation of Rule 3-10(d) of Regulation S-X promulgated under the Securities Act, presents the condensed consolidating financial information separately for:

(i) The GEO Group, Inc., as the issuer of the notes;

(ii) The Subsidiary Guarantors, on a combined basis, which are 100% owned by The GEO Group, Inc., and which are guarantors of the notes;

(iii) The Company's other subsidiaries, on a combined basis, which are not guarantors of the notes (the "Non-Guarantor Subsidiaries");

(iv) Consolidating entries and eliminations representing adjustments to (a) eliminate intercompany transactions between or among the Company, the Subsidiary Guarantors and the Subsidiary Non-Guarantors and (b) eliminate the investments in the Company's subsidiaries; and

(v) The Company and its subsidiaries on a consolidated basis.

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
(dollars in thousands)
(unaudited)

	For the Three Months Ended September 30, 2019				
	The GEO Group, Inc.	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ 241,389	$ 513,194	$ 69,734	$ (192,738)	$ 631,579
Operating expenses	194,174	412,866	58,211	(192,738)	472,513
Depreciation and amortization	7,303	24,352	764	—	32,419
General and administrative expenses	18,365	24,818	5,305	—	48,488
Operating income	21,547	51,158	5,454	—	78,159
Interest income	3,443	2,207	6,022	(4,986)	6,686
Interest expense	(22,370)	(14,382)	(4,879)	4,986	(36,645)
Loss on extinguishment of debt	—	594	—	—	594
Income before income taxes and equity in earnings of affiliates	2,620	39,577	6,597	—	48,794
Income tax provision	295	3,006	1,836	—	5,137
Equity in earnings of affiliates, net of income tax provision	—	—	2,228	—	2,228
Income before equity in income of consolidated subsidiaries	2,325	36,571	6,989	—	45,885
Income from consolidated subsidiaries, net of income tax provision	43,560	—	—	(43,560)	—
Net income	45,885	36,571	6,989	(43,560)	45,885
Net loss attributable to noncontrolling interests	—	—	47	—	47
Net income attributable to The GEO Group, Inc.	$ 45,885	$ 36,571	$ 7,036	$ (43,560)	$ 45,932
Net income	$ 45,885	$ 36,571	$ 6,989	$ (43,560)	$ 45,885
Other comprehensive income (loss), net of tax	(2,777)	42	(4,553)	—	(7,288)
Total comprehensive income	$ 43,108	$ 36,613	$ 2,436	$ (43,560)	$ 38,597
Comprehensive loss attributable to noncontrolling interests	—	—	62	—	62
Comprehensive income attributable to The GEO Group, Inc.	$ 43,108	$ 36,613	$ 2,498	$ (43,560)	$ 38,659

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
(dollars in thousands)

(unaudited)

	For the Three Months Ended September 30, 2018				
	The GEO Group, Inc.	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ 208,607	$ 479,175	$ 65,028	$ (169,280)	$ 583,530
Operating expenses	171,038	379,892	53,156	(169,280)	434,806
Depreciation and amortization	6,742	23,621	934	—	31,297
General and administrative expenses	16,878	25,568	5,201	—	47,647
Operating income	13,949	50,094	5,737	—	69,780
Interest income	3,415	1,159	8,660	(4,806)	8,428
Interest expense	(20,765)	(13,714)	(8,318)	4,806	(37,991)
Income (loss) before income taxes and equity in earnings of affiliates	(3,401)	37,539	6,079	—	40,217
Income tax provision	162	2,446	1,115	—	3,723
Equity in earnings of affiliates, net of income tax provision	—	—	2,735	—	2,735
Income (loss) before equity in income of consolidated subsidiaries	(3,563)	35,093	7,699	—	39,229
Income from consolidated subsidiaries, net of income tax provision	42,792	—	—	(42,792)	—
Net income	39,229	35,093	7,699	(42,792)	39,229
Net loss attributable to noncontrolling interests	—	—	60	—	60
Net income attributable to The GEO Group, Inc.	$ 39,229	$ 35,093	$ 7,759	$ (42,792)	$ 39,289
Net income	$ 39,229	$ 35,093	$ 7,699	$ (42,792)	$ 39,229
Other comprehensive income (loss), net of tax	—	(761)	194	—	(567)
Total comprehensive income	$ 39,229	$ 34,332	$ 7,893	$ (42,792)	$ 38,662
Comprehensive loss attributable to noncontrolling interests	—	—	72	—	72
Comprehensive income attributable to The GEO Group, Inc.	$ 39,229	$ 34,332	$ 7,965	$ (42,792)	$ 38,734

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
(dollars in thousands)
(unaudited)

	For the Nine Months Ended September 30, 2019				
	The GEO Group, Inc.	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ 703,310	$ 1,506,490	$ 200,341	$ (553,929)	$ 1,856,212
Operating expenses	555,000	1,217,343	164,264	(553,929)	1,382,678
Depreciation and amortization	22,021	72,744	2,475	—	97,240
General and administrative expenses	53,379	73,599	15,205	—	142,183
Operating income	72,910	142,804	18,397	—	234,111
Interest income	10,418	5,722	21,937	(14,950)	23,127
Interest expense	(68,793)	(42,932)	(19,082)	14,950	(115,857)
Loss on extinguishment of debt	(486)	(197)	(4,464)	—	(5,147)
Income before income taxes and equity in earnings of affiliates	14,049	105,397	16,788	—	136,234
Income tax provision	823	8,935	4,751	—	14,509
Equity in earnings of affiliates, net of income tax provision	—	—	6,645	—	6,645
Income before equity in income of consolidated subsidiaries	13,226	96,462	18,682	—	128,370
Income from consolidated subsidiaries, net of income tax provision	115,147	—	—	(115,147)	—
Net income	128,373	96,462	18,682	(115,147)	128,370
Net loss attributable to noncontrolling interests	—	—	181	—	181
Net income attributable to The GEO Group, Inc.	$ 128,373	$ 96,462	$ 18,863	$ (115,147)	$ 128,551
Net income	$ 128,373	$ 96,462	$ 18,682	$ (115,147)	$ 128,370
Other comprehensive income (loss), net of tax	(2,777)	(563)	2,959	—	(381)
Total comprehensive income	$ 125,596	$ 95,899	$ 21,641	$ (115,147)	$ 127,989
Comprehensive loss attributable to noncontrolling interests	—	—	191	—	191
Comprehensive income attributable to The GEO Group, Inc.	$ 125,596	$ 95,899	$ 21,832	$ (115,147)	$ 128,180

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
(dollars in thousands)

(unaudited)

	For the Nine Months Ended September 30, 2018				
	The GEO Group, Inc.	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ 606,424	$ 1,412,868	$ 201,090	$ (488,426)	$ 1,731,956
Operating expenses	483,982	1,138,897	164,859	(488,426)	1,299,312
Depreciation and amortization	19,766	71,759	3,011	—	94,536
General and administrative expenses	47,499	73,753	15,675	—	136,927
Operating income	55,177	128,459	17,545	—	201,181
Interest income	10,998	4,023	26,951	(15,778)	26,194
Interest expense	(58,460)	(42,133)	(25,390)	15,778	(110,205)
Loss on extinguishment of debt	(574)	—	—	—	(574)
Income before income taxes and equity in earnings of affiliates	7,141	90,349	19,106	—	116,596
Income tax provision	1,055	6,188	4,950	—	12,193
Equity in earnings of affiliates, net of income tax provision	—	—	7,071	—	7,071
Income before equity in income of consolidated subsidiaries	6,086	84,161	21,227	—	111,474
Income from consolidated subsidiaries, net of income tax provision	105,388	—	—	(105,388)	—
Net income	111,474	84,161	21,227	(105,388)	111,474
Net loss attributable to noncontrolling interests	—	—	223	—	223
Net income attributable to The GEO Group, Inc.	$ 111,474	$ 84,161	$ 21,450	$ (105,388)	$ 111,697
Net income	$ 111,474	$ 84,161	$ 21,227	$ (105,388)	$ 111,474
Other comprehensive loss, net of tax	—	(31)	(1,332)	—	(1,363)
Total comprehensive income	$ 111,474	$ 84,130	$ 19,895	$ (105,388)	$ 110,111
Comprehensive loss attributable to noncontrolling interests	—	—	247	—	247
Comprehensive income attributable to The GEO Group, Inc.	$ 111,474	$ 84,130	$ 20,142	$ (105,388)	$ 110,358

CONDENSED CONSOLIDATING BALANCE SHEET
(dollars in thousands)

(unaudited)

	As of September 30, 2019				
	The GEO Group, Inc.	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$ 26,150	$ 6,364	$ 21,516	$ —	$ 54,030
Restricted cash and cash equivalents	—	—	33,536	—	33,536
Accounts receivable, less allowance for doubtful accounts	145,803	189,421	39,641	3,119	377,984
Contract receivable, current portion		—	8,193	—	8,193
Prepaid expenses and other current assets	1,235	35,796	8,829	(2,004)	43,856
Total current assets	173,188	231,581	111,715	1,115	517,599
Restricted Cash and Investments	—	26,500	7,228	—	33,728
Property and Equipment, Net	847,996	1,223,695	83,807	—	2,155,498
Assets Held for Sale	705	3,056	—	—	3,761
Contract Receivable	—	—	353,010	—	353,010
Operating Lease Right-of-Use Assets, Net	23,359	101,652	707	—	125,718
Intercompany Receivable	976,826	236,081	9,718	(1,222,625)	—
Deferred Income Tax Assets	798	27,928	1,198	—	29,924
Goodwill	—	775,954	387	—	776,341
Intangible Assets, Net	—	215,112	495	—	215,607
Investment in Subsidiaries	1,465,543	573,816	2,190	(2,041,549)	—
Other Non-Current Assets	10,445	119,925	19,368	(78,045)	71,693
Total Assets	$ 3,498,860	$ 3,535,300	$ 589,823	$ (3,341,104)	$ 4,282,879
LIABILITIES AND SHAREHOLDERS' EQUITY					
Accounts payable	$ 15,451	$ 76,226	$ 4,586	$ —	$ 96,263
Accrued payroll and related taxes	—	40,297	17,477	—	57,774
Accrued expenses and other current liabilities	41,156	134,948	26,560	(308)	202,356
Operating lease liabilities, current portion	5,151	23,282	362	—	28,795
Current portion of finance lease liabilities, long-term debt and non-recourse debt	8,000	2,560	12,857	—	23,417
Total current liabilities	69,758	277,313	61,842	(308)	408,605
Deferred Income Tax Liabilities	—	—	13,681	—	13,681
Intercompany Payable	108,182	1,094,114	18,906	(1,221,202)	—
Other Non-Current Liabilities	3,677	156,904	5,623	(78,045)	88,159
Operating lease Liabilities	18,764	80,162	345	—	99,271
Finance Lease Liabilities	—	3,403	—	—	3,403
Long-Term Debt	2,290,685	—	65,039	—	2,355,724
Non-Recourse Debt	—	—	307,032	—	307,032
Commitments & Contingencies and Other					
Shareholders' Equity:					
The GEO Group, Inc. Shareholders' Equity	1,007,794	1,923,404	118,145	(2,041,549)	1,007,794
Noncontrolling Interests	—	—	(790)	—	(790)
Total Shareholders' Equity	1,007,794	1,923,404	117,355	(2,041,549)	1,007,004
Total Liabilities and Shareholders' Equity	$ 3,498,860	$ 3,535,300	$ 589,823	$ (3,341,104)	$ 4,282,879

CONDENSED CONSOLIDATING BALANCE SHEET
(dollars in thousands)

	As of December 31, 2018				
	The GEO Group, Inc.	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$ 4,468	$ 7,873	$ 18,914	$ —	$ 31,255
Restricted cash and cash equivalents	2,854	—	48,824	—	51,678
Accounts receivable, less allowance for doubtful accounts	190,594	221,957	44,377	(11,402)	445,526
Contract receivable, current portion	—	—	15,535	—	15,535
Prepaid expenses and other current assets	2,011	50,482	7,114	(1,839)	57,768
Total current assets	199,927	280,312	134,764	(13,241)	601,762
Restricted Cash and Investments	—	21,009	1,422	—	22,431
Property and Equipment, Net	845,291	1,227,223	86,096	—	2,158,610
Assets Held for Sale	705	1,929	—	—	2,634
Contract Receivable	—	—	368,178		368,178
Intercompany Receivable	990,365	150,710	22,407	(1,163,482)	—
Deferred Income Tax Assets	798	27,928	1,198	—	29,924
Goodwill	—	775,955	404	—	776,359
Intangible Assets, Net	—	231,787	573	—	232,360
Investment in Subsidiaries	1,503,841	458,229	2,190	(1,964,260)	—
Other Non-Current Assets	9,541	115,695	19,334	(78,710)	65,860
Total Assets	$ 3,550,468	$ 3,290,777	$ 636,566	$ (3,219,693)	$ 4,258,118
LIABILITIES AND SHAREHOLDERS' EQUITY					
Accounts payable	$ 13,566	$ 72,128	$ 7,338	$ —	$ 93,032
Accrued payroll and related taxes	—	56,543	19,466	—	76,009
Accrued expenses and other current liabilities	23,565	168,231	25,615	(13,241)	204,170
Current portion of finance lease liabilities, long-term debt and non-recourse debt	8,000	2,017	322,010	—	332,027
Total current liabilities	45,131	298,919	374,429	(13,241)	705,238
Deferred Income Tax Liabilities	—	—	13,681	—	13,681
Intercompany Payable	142,055	989,856	31,571	(1,163,482)	—
Other Non-Current Liabilities	1,395	152,815	6,981	(78,710)	82,481
Finance Lease Liabilities	—	4,570	—	—	4,570
Long-Term Debt	2,321,384	—	75,843	—	2,397,227
Non-Recourse Debt	—	—	15,017	—	15,017
Commitments & Contingencies and Other					
Shareholders' Equity:					
The GEO Group, Inc. Shareholders' Equity	1,040,503	1,844,617	119,643	(1,964,260)	1,040,503
Noncontrolling Interests	—	—	(599)	—	(599)
Total Shareholders' Equity	1,040,503	1,844,617	119,044	(1,964,260)	1,039,904
Total Liabilities and Shareholders' Equity	$ 3,550,468	$ 3,290,777	$ 636,566	$ (3,219,693)	$ 4,258,118

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(dollars in thousands)
(unaudited)

	For the Nine Months Ended September 30, 2019			
	The GEO Group, Inc.	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Consolidated
Cash Flow from Operating Activities:				
Net cash provided by operating activities	$ 212,177	$ 55,258	$ 55,523	$ 322,958
Cash Flow from Investing Activities:				
Insurance proceeds - damaged property	—	17,389	—	17,389
Proceeds from sale of property and equipment	—	402	—	402
Proceeds from sale of assets held for sale	—	823	—	823
Change in restricted investments	—	(5,449)	—	(5,449)
Capital expenditures	(22,941)	(66,723)	(1,123)	(90,787)
Net cash used in investing activities	(22,941)	(53,558)	(1,123)	(77,622)
Cash Flow from Financing Activities:				
Proceeds from long-term debt	274,370	—	—	274,370
Payments on long-term debt	(310,616)	—	—	(310,616)
Payments on non-recourse debt	—	—	(332,717)	(332,717)
Proceeds from non-recourse debt	—	—	322,906	322,906
Taxes paid related to net share settlements of equity awards	(4,177)	—	—	(4,177)
Proceeds from issuance of common stock in connection with ESPP	400	—	—	400
Debt issuance costs	(4,656)	—	(5,229)	(9,885)
Proceeds from stock options exercised	1,259	—	—	1,259
Dividends paid	(174,332)	—	—	(174,332)
Net cash used in financing activities	(217,752)	—	(15,040)	(232,792)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash and Cash Equivalents	—	—	(2,063)	(2,063)
Net (Decrease) Increase in Cash. Cash Equivalents and Restricted Cash and Cash Equivalents	(28,516)	1,700	37,297	10,481
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, beginning of period	54,666	4,823	24,983	84,472
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, end of period	$ 26,150	$ 6,523	$ 62,280	$ 94,953

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(dollars in thousands)
(unaudited)

	For the Nine Months Ended September 30, 2018			
	The GEO Group, Inc.	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Consolidated
Cash Flow from Operating Activities:				
Net cash provided by operating activities	$ 112,599	$ 70,040	$ 37,584	$ 220,223
Cash Flow from Investing Activities:				
Proceeds from sale of property and equipment	—	—	2,061	2,061
Proceeds from sale of assets held for sale	—	3,797		3,797
Insurance proceeds - damaged property	—	5,998	—	5,998
Change in restricted investments	—	(2,413)	—	(2,413)
Capital expenditures	(95,461)	(64,015)	(2,014)	(161,490)
Net cash (used in) provided by investing activities	(95,461)	(56,633)	47	(152,047)
Cash Flow from Financing Activities:				
Proceeds from long-term debt	372,000	—	—	372,000
Payments on long-term debt	(183,000)	—	(3,033)	(186,033)
Payments on non-recourse debt	—	—	(9,636)	(9,636)
Taxes paid related to net share settlements of equity awards	(4,452)	—	—	(4,452)
Proceeds from issuance of common stock in connection with ESPP	404	—	—	404
Debt issuance costs	(990)	—	—	(990)
Proceeds from stock options exercised	1,781	—	—	1,781
Payments for repurchases of common stock	(70,446)	—	—	(70,446)
Dividends paid	(172,256)	—	—	(172,256)
Net cash used in financing activities	(56,959)	—	(12,669)	(69,628)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash and Cash Equivalents	—	—	(5,392)	(5,392)
Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash and Cash Equivalents	(39,821)	13,407	19,570	(6,844)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, beginning of period	54,666	4,952	73,927	133,545
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, end of period	$ 14,845	$ 18,359	$ 93,497	$ 126,701

17. SUBSEQUENT EVENTS

Dividend

On October 14, 2019, the Board of Directors declared a quarterly cash dividend of $0.48 per share of common stock which was paid on November 1, 2019 to shareholders of record as of the close of business on October 25, 2019.

Contract Discontinuations

As the Company had previously announced, its contract for its Central Valley facility was discontinued by the California Department of Corrections and Rehabilitation at the end of September 2019, and the Company expects that its California contract for the Desert View Facility will be discontinued by April 1, 2020 followed by the Golden State Facility contract being discontinued by July 1, 2020.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Forward-Looking Information

This Quarterly Report on Form 10-Q and the documents incorporated by reference herein contain "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. "Forward-looking" statements are any statements that are not based on historical information. Statements other than statements of historical facts included in this report, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are "forward-looking" statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate" or "continue" or the negative of such words or variations of such words and similar expressions. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements and we can give no assurance that such forward-looking statements will prove to be correct. Important factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements, or "cautionary statements," include, but are not limited to:

- our ability to timely build and/or open facilities as planned, successfully manage such facilities and successfully integrate such facilities into our operations without substantial additional costs;
- our ability to fulfill our debt service obligations and its impact on our liquidity;
- our ability to successfully refinance any of our debt service obligations within the anticipated timing;
- our ability to estimate the government's level of utilization of public-private partnerships for secure services and the impact of any modifications or reductions by our government customers of their utilization of public-private partnerships;
- our ability to accurately project the size and growth of public-private partnerships for secure services in the U.S. and internationally and our ability to capitalize on opportunities for public-private partnerships;
- our ability to successfully respond to any challenges or concerns that our government customers may raise regarding their use of public-private partnerships for secure services, including finding other government customers or

alternative uses for facilities where a government customer has discontinued or announced that a contract with us will be discontinued;

- our ability to successfully respond to delays encountered by states pursuing public-private partnerships for secure services and cost savings initiatives implemented by a number of states;
- our ability to activate the inactive beds at our idle facilities;
- our ability to maintain or increase occupancy rates at our facilities;
- our ability to expand, diversify and grow our secure services, reentry, community-based services, monitoring services, evidence-based supervision and treatment programs and secure transportation services businesses;
- our ability to win management contracts for which we have submitted proposals, retain existing management contracts and meet any performance standards required by such management contracts;
- our ability to control operating costs associated with contract start-ups;
- our ability to raise new project development capital given the often short-term nature of the customers' commitment to use newly developed facilities;
- our ability to develop long-term earnings visibility;
- our ability to identify suitable acquisitions, and to successfully complete and integrate such acquisitions on satisfactory terms, to enhance occupancy levels and the financial performance of assets acquired and estimate the synergies to be achieved as a result of such acquisitions;
- our exposure to the impairment of goodwill and other intangible assets as a result of our acquisitions;
- our ability to successfully conduct our operations in the United Kingdom, South Africa and Australia through joint ventures or a consortium;
- our ability to obtain future financing on satisfactory terms or at all, including our ability to secure the funding we need to complete ongoing capital projects;
- our exposure to political and economic instability and other risks impacting our international operations;
- the instability of foreign exchange rates, exposing us to currency risks in Australia, the United Kingdom, and South Africa, or other countries in which we may choose to conduct our business;
- our exposure to risks impacting our information systems, including those that may cause an interruption, delay or failure in the provision of our services;
- our exposure to rising general insurance costs;
- an increase in unreimbursed labor rates;
- our exposure to federal, state and foreign income tax law changes, including changes to the REIT provisions and the Tax Cuts and Jobs Act and our exposure as a result of federal, state and international examinations of our tax returns or tax positions and examinations of non-income tax filings as well as changes in related laws;
- our exposure to claims for which we are uninsured;
- our exposure to rising medical costs;
- our ability to manage costs and expenses relating to ongoing litigation arising from our operations;
- our ability to accurately estimate on an annual basis, loss reserves related to general liability, workers compensation and automobile liability claims;

- the ability of our government customers to secure budgetary appropriations to fund their payment obligations to us and continue to operate under our existing agreements and/or renew our existing agreements;

- our ability to pay quarterly dividends consistent with our requirements as a REIT, and expectations as to timing and amounts;

- our ability to remain qualified for taxation as a real estate investment trust, or REIT;

- our ability to comply with government regulations and applicable contractual requirements;
- our ability to acquire, protect or maintain our intellectual property;

- the risk that a number of factors could adversely affect the market price of our common stock;

- our ability to purchase or retire a portion of our outstanding senior notes and our term loan and the timing and amounts of any future purchases and/or retirement; and

- other factors contained in our filings with the Securities and Exchange Commission, or the SEC, including, but not limited to, those detailed in our Quarterly Reports on Form 10-Q, our Annual Report on Form 10-K for the year ended December 31, 2018 and our Current Reports on Form 8-K filed with the SEC.

We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements included in this Quarterly Report on Form 10-Q.

Introduction

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of our consolidated results of operations and financial condition. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of numerous factors including, but not limited to, those described above under “Forward-Looking Information”, those described below under "Part II - Item 1A. Risk Factors" and under “Part I - Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018. The discussion should be read in conjunction with our unaudited consolidated financial statements and notes thereto included in this Quarterly Report on Form 10-Q.

We are a real estate investment trust (“REIT”) specializing in the ownership, leasing and management of secure services and reentry facilities and the provision of community-based services in the United States, Australia, South Africa, and the United Kingdom. We own, lease and operate a broad range of secure services facilities including maximum, medium and minimum security facilities, processing centers, and community-based reentry facilities and we offer an expanded delivery of rehabilitation services under our 'GEO Continuum of Care' platform. We offer counseling, education and/or treatment to individuals with alcohol and drug abuse problems at most of the domestic facilities we manage. We are also a provider of innovative compliance technologies, industry-leading monitoring services, and evidence-based supervision and treatment programs for community-based parolees, probationers and pretrial defendants.

At September 30, 2019, our worldwide operations include the management and/or ownership of approximately 96,000 beds at 130 secure services and reentry facilities, including idle facilities, projects under development and recently awarded contracts, and also include the provision of community supervision services for more than 210,000 individuals, including approximately 100,000 through an array of technology products including radio frequency, GPS, and alcohol monitoring devices.

We provide a diversified scope of services on behalf of our government clients:

- our secure management services involve the provision of security, administrative, rehabilitation, education and provision of meals, primarily at adult male secure services facilities;

- our community-based services involve supervision of parolees and probationers and the provision of temporary housing, programming, employment assistance and other rehabilitative and educational programs and services with the intention of the successful reintegration of residents into the community;

- our monitoring services provide our governmental clients with innovative compliance technologies, industry-leading monitoring services, and evidence-based supervision and treatment programs for community-based parolees, probationers and pretrial defendants; including services provided under the Intensive Supervision Appearance Program, which we refer to as ISAP, for the provision of services designed to improve the participation in the immigration court system;

- we develop new facilities using our project development experience to design, construct and finance what we believe are state-of-the-art facilities that maximize security and efficiency;

- we provide secure transportation services for individuals as contracted domestically and internationally - our joint venture GEOAmey is responsible for providing escort and custody services in the United Kingdom, including all of Wales and England except London and the East of England; and

- our services are provided at facilities which we either own, lease or are owned by our customers.

For the nine months ended September 30, 2019 and September 30, 2018, we had consolidated revenues of $1,856.2 million and $1,732.0 million, respectively. We maintained an average company wide facility occupancy rate of 93.1% including 92,053 active beds and excluding 3,284 idle beds which includes those being marketed to potential customers for the nine months ended September 30, 2019, and 92.3% including 88,480 active beds and excluding 7,068 idle beds which includes those being marketed to potential customers and beds under development for the nine months ended September 30, 2018.

As a REIT, we are required to distribute annually at least 90% of our REIT taxable income (determined without regard to the dividends paid deduction and by excluding net capital gain) and we began paying regular quarterly REIT dividends in 2013. The amount, timing and frequency of future dividends, however, will be at the sole discretion of our Board of Directors (the "Board") and will be declared based upon various factors, many of which are beyond our control, including, our financial condition and operating cash flows, the amount required to maintain REIT status, limitations on distributions in our existing and future debt instruments, limitations on our ability to fund distributions using cash generated through our taxable REIT subsidiaries ("TRSs") and other factors that our Board may deem relevant.

During the nine months ended September 30, 2019 and the year ended December 31, 2018, respectively, we declared and paid the following regular cash distributions to our shareholders as follows:

Declaration Date	Record Date	Payment Date	Distribution Per Share	Aggregate Payment Amount (in millions)
February 5, 2018	February 16, 2018	February 27, 2018	$0.47	$58.3
April 11, 2018	April 23, 2018	May 3, 2018	$0.47	$57.4
July 10, 2018	July 20, 2018	July 27, 2018	$0.47	$57.2
October 15, 2018	October 26, 2018	November 2, 2018	$0.47	$57.2
February 4, 2019	February 15, 2019	February 22, 2019	$0.48	$57.9
April 3, 2019	April 15, 2019	April 22, 2019	$0.48	$58.2
July 9, 2019	July 19, 2019	July 26, 2019	$0.48	$58.2

On October 14, 2019, our Board declared a quarterly cash dividend of $0.48 per share of common stock which was paid on November 1, 2019 to shareholders of record as of the close of business on October 25, 2019.

Reference is made to Part II, Item 7 of our Annual Report on Form 10-K filed with the SEC on February 25, 2019, for further discussion and analysis of information pertaining to our financial condition and results of operations as of and for the fiscal year ended December 31, 2018.

2019 Developments

Idle Facilities

We are currently marketing approximately 3,000 vacant beds at four of our idle facilities to potential customers. The carrying values of these idle facilities totaled $49.6 million as of September 30, 2019, excluding equipment and other assets that can be easily transferred for use at other facilities.

Contract Awards

We have been awarded a ten-year contract renewal for the continued delivery of secure transportation under our GEO Amey joint venture in the United Kingdom. Total revenue over the ten-year period is expected to be approximately $760 million.

On June 5, 2019, we announced that our Australian subsidiary is currently in negotiation discussions with the State of Victoria, Australia to increase the capacity at our Ravenhall Correctional Centre by an additional 300 beds increasing the capacity of the facility to 1,600 beds. The 300-bed capacity increase is expected to generate incremental annualized revenues of approximately $19 million.

On June 5, 2019, we also announced that we have entered into a contract modification to increase the contract capacity at our company-owned Montgomery Processing Center in Conroe, Texas by 314 beds increasing the center's capacity to 1,314 beds. The 314-bed contract capacity increase became fully operational in the third quarter of 2019 and is expected to generate incremental annualized revenues of approximately $10 million.

On May 2, 2019, we announced that we have entered into a new ten-year contract, inclusive of renewal option periods, with the Federal Bureau of Prisons (“BOP”) for the reactivation of our existing company-owned, 1,800-bed North Lake Correctional Facility located in Baldwin, Michigan. The contract became operational on October 1, 2019 and is expected to generate approximately $37 million in incremental annualized revenues. We also announced on May 2, 2019 that Reeves County, Texas has entered into two new ten-year contracts, inclusive of renewal periods, with the BOP for the county-owned, 1,800-bed Reeves County Detention Center I & II and the county-owned, 1,376-bed Reeves County Detention Center III. We provide management consulting and support services to Reeves County. The new ten-year contracts were awarded to GEO and Reeves County under a long-standing procurement, for the housing of non-U.S. citizen criminal aliens, commonly referred to as Criminal Alien Requirement (CAR) 19, which was issued by the BOP in 2017.

On April 25, 2019, we announced that we had signed a contract modification for the reactivation of our existing company-owned 1,000-bed South Louisiana Processing Center (the "Center") located in Basile, Louisiana. The previously idled Center will house federal immigration detainees under an existing intergovernmental service agreement. The Center began the intake process during the third quarter of 2019 and is expected to generate approximately $25 million in incremental annualized revenues.

Critical Accounting Policies

The accompanying unaudited consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States. As such, we are required to make certain estimates, judgments and assumptions that we believe are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. We routinely evaluate our estimates based on historical experience and on various other assumptions that management believes are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. During the nine months ended September 30, 2019, we did not experience any significant changes in estimates or judgments inherent in the preparation of our consolidated financial statements. A summary of our significant accounting policies is contained in Note 1 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018.

RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our unaudited consolidated financial statements and the notes to our unaudited consolidated financial statements included in Part I, Item 1, of this Quarterly Report on Form 10-Q.

Comparison of Third Quarter 2019 and Third Quarter 2018

Revenues

	2019	% of Revenue	2018	% of Revenue	$ Change	% Change
	(Dollars in thousands)					
GEO Secure Services	$ 411,078	65.1%	$ 379,351	65.0%	$ 31,727	8.4 %
GEO Care	153,422	24.3%	141,808	24.3%	11,614	8.2 %
International Services	57,634	9.1%	62,371	10.7%	(4,737)	(7.6)%
Facility Construction & Design	9,445	1.5%	—	—%	9,445	100.0 %
Total	$ 631,579	100.0%	$ 583,530	100.0%	$ 48,049	8.2 %

GEO Secure Services

Revenues increased in Third Quarter 2019 compared to Third Quarter 2018 primarily due to aggregate increases of $15.6 million due to aggregate net increases in population, transportation services and rates. We also had increases of $20.7 million resulting from the activation of our contracts at our company-owned Montgomery Processing Center in Conroe, Texas and our company-owned and previously idled South Louisiana Processing Center in Basile, Louisiana during the third quarter of 2019, as well as our company-owned Eagle Pass Facility in Eagle Pass, Texas which was activated in the fourth quarter of 2018. These increases were partially offset by net decreases of $4.6 million at certain of our facilities due to contract terminations.

The number of compensated mandays in GEO Secure Services facilities was approximately 7.4 million in Third Quarter 2019 and 7.2 million in Third Quarter 2018. We experienced an aggregate net increase of approximately 200,000 mandays as a result of population increases with our federal clients and our contract activations discussed above, offset by contract terminations. We look at the average occupancy in our facilities to determine how we are managing our available beds. The average occupancy is calculated by taking compensated mandays as a percentage of capacity. The average occupancy in our GEO Secure Services facilities was 95.8% and 96.0% of capacity in the Third Quarter 2019 and Third Quarter 2018, respectively, excluding idle facilities.

GEO Care

Revenues increased in Third Quarter 2019 compared to Third Quarter 2018 primarily due to aggregate increases of $5.9 million related to increases in average client and participant counts under our ISAP and electronic monitoring services. We also had increases of $7.3 million due to net increases in census levels at certain of our community-based and reentry centers and new programs activated in December 2018. These increases were partially offset by $1.6 million related to contract terminations/closures of underutilized facilities.

International Services

Revenues for International Services in Third Quarter 2019 compared to Third Quarter 2018 decreased by $4.7 million. We experienced a net decrease in revenues of $1.0 million which was primarily due to the transition of our Parklea Correctional Centre by our Australian subsidiary to a new operator in March 2019. Additionally, we had a decrease due to foreign exchange rate fluctuations of $3.7 million resulting from the strengthening of the U.S. dollar against certain international currencies.

Facility Construction & Design

Beginning in the fourth quarter of 2018 and into 2019, we had facility construction & design services related to an expansion project at our Fulham Correctional Centre in Australia which is expected to be completed in the fourth quarter of 2020.

Operating Expenses

	2019	% of Segment Revenues	2018	% of Segment Revenues	$ Change	% Change
			(Dollars in thousands)			
GEO Secure Services	$ 305,181	74.2%	$ 282,332	74.4%	$ 22,849	8.1 %
GEO Care	104,581	68.2%	94,169	66.4%	10,412	11.1 %
International Services	53,332	92.5%	58,305	93.5%	(4,973)	(8.5)%
Facility Construction & Design	9,419	100.0%	—	—%	9,419	100.0 %
Total	$ 472,513	74.8%	$ 434,806	74.5%	$ 37,707	8.7 %

GEO Secure Services

Operating expenses for GEO Secure Services increased by $22.8 million in Third Quarter 2019 compared to Third Quarter 2018. The increase was primarily due to aggregate net increases in population, transportation services and the variable costs associated with those services of $12.8 million. We also experienced increases of $12.9 million resulting from the activation of our contracts at our company-owned Eagle Pass Facility in Eagle Pass, Texas during the fourth quarter of 2018, our company-owned Montgomery Processing Center in Conroe, Texas and our company-owned and previously idled South Louisiana Processing Center in Basile, Louisiana as well as start up costs incurred in connection with our company-owned North Lake Correctional Facility in Baldwin, Michigan which was activated during the fourth quarter of 2019. These increases were partially offset by decreases of $2.9 million at certain of our facilities primarily due to contract terminations.

GEO Care

Operating expenses for GEO Care increased during Third Quarter 2019 from Third Quarter 2018 primarily due to $10.8 million of net increases related to census levels at certain of our community-based and reentry centers and new programs activated in December 2018. We also experienced an increase of $3.3 million related to increases in average client and participant counts under our ISAP and electronic monitoring services. These increases were partially offset by decreases of $3.7 million from contract terminations/closures of underutilized facilities.

International Services

Operating expenses for International Services in Third Quarter 2019 compared to Third Quarter 2018 decreased by $5.0 million. We experienced a net decrease in operating expenses of $1.5 million which was primarily due to the transition of our Parklea Correctional Centre by our Australian subsidiary to a new operator in March 2019. Additionally, we had a decrease due to foreign exchange rate fluctuations of $3.5 million resulting from the strengthening of the U.S. dollar against certain international currencies.

Facility Construction & Design

Beginning in the fourth quarter of 2018 and into 2019, we had facility construction & design services related to an expansion project at our Fulham Correctional Centre in Australia which is expected to be completed in the fourth quarter of 2020.

Depreciation and Amortization

	2019	% of Segment Revenue	2018	% of Segment Revenue	$ Change	% Change
			(Dollars in thousands)			
GEO Secure Services	$ 19,591	4.8%	$ 19,134	5.0%	$ 457	2.4 %
GEO Care	12,516	8.2%	11,680	8.2%	836	7.2 %
International Services	312	0.5%	483	0.8%	(171)	(35.4)%
Total	$ 32,419	5.1%	$ 31,297	5.4%	$ 1,122	3.6 %

GEO Secure Services

GEO Secure Services depreciation and amortization expense increased slightly in Third Quarter 2019 compared to Third Quarter 2018 primarily due to the activation of our contracts at our company-owned Eagle Pass Facility in Eagle Pass, Texas, our company-owned Montgomery Processing Center in Conroe, Texas and our company-owned South Louisiana Processing Center in Basile Louisiana as well as renovations made at several of our other facilities.

GEO Care

GEO Care depreciation and amortization expense increased in Third Quarter 2019 compared to Third Quarter 2018 primarily due to renovations at certain of our centers.

International Services

Depreciation and amortization expense decreased slightly in Third Quarter 2019 compared to Third Quarter 2018 as a result of certain assets becoming fully depreciated and there were no significant renovations during 2018 or 2019 at our international subsidiaries.

Other Unallocated Operating Expenses

	2019	% of Revenue	2018	% of Revenue	$ Change	% Change
			(Dollars in thousands)			
General and Administrative Expenses	$ 48,488	7.7%	$ 47,647	8.2%	$ 841	1.8%

General and administrative expenses comprise substantially all of our other unallocated operating expenses which primarily includes corporate management salaries and benefits, professional fees and other administrative expenses. General and administrative expenses increased slightly in Third Quarter 2019 compared to Third Quarter 2018 primarily due to normal personnel and compensation adjustments, professional, consulting, business development and other administrative expenses.

Non Operating Expenses

Interest Income and Interest Expense

	2019	% of Revenue	2018	% of Revenue	$ Change	% Change
			(Dollars in thousands)			
Interest Income	$ 6,686	1.1%	$ 8,428	1.4%	$ (1,742)	(20.7)%
Interest Expense	$ 36,645	5.8%	$ 37,991	6.5%	$ (1,346)	(3.5)%

Interest income decreased in the Third Quarter 2019 compared to Third Quarter 2018 primarily due to a lower balance on our contract receivable related to our facility in Ravenhall, Australia. Also contributing to the decrease was the effect of the strengthening of the U.S. dollar against certain international currencies.

Interest expense decreased in Third Quarter 2019 compared to Third Quarter 2018 primarily due to lower overall debt balances as well as lower interest rates on our variable rate debt. Additionally, during Third Quarter 2019, we repurchased approximately $34.0 million in aggregate principal amount of our 5.875% Senior Notes due 2022. Refer to Note 11- Debt of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further discussion.

Gain on Extinguishment of Debt

	2019	% of Revenue	2018	% of Revenue	$ Change	% Change
			(Dollars in thousands)			
Gain on Extinguishment of Debt	$ 594	0.1%	$ 574	—%	$ 20	3.5%

During Third Quarter 2019, we repurchased approximately $34 million in aggregate principal amount of our 5.875% Senior Notes due 2022 at a weighted average price of 97.48% for a total cost of $33.1 million. As a result of the repurchases, we recognized a net gain on extinguishment of debt of $0.6 million. Refer to Note 11- Debt of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further discussion.

Income Tax Provision

	2019	Effective Rate	2018	Effective Rate	$ Change	% Change
			(Dollars in thousands)			
Provision for Income Taxes	$ 5,137	10.5%	$ 3,723	9.3%	$ 1,414	38.0%

The provision for income taxes during Third Quarter 2019 increased compared to Third Quarter 2018 along with our effective tax rate. The increase in the effective rate is primarily due to a change in the composition of our income. In Third Quarter 2019 more income was earned by our taxable REIT subsidiaries, which are fully subject to tax and which increased our effective rate. As a REIT, we are required to distribute at least 90% of our taxable income to shareholders and in turn we are allowed a deduction for the distribution at the REIT level. Our wholly-owned taxable REIT subsidiaries continue to be fully subject to federal, state and foreign income taxes, as applicable. We estimate our annual effective tax rate to be in the range of approximately 9% to 11% exclusive of any discrete items.

Equity in Earnings of Affiliates, net of Income Tax Provision

	2019	% of Revenue	2018	% of Revenue	$ Change	% Change
			(Dollars in thousands)			
Equity in Earnings of Affiliates	$ 2,228	0.4%	$ 2,735	0.5%	$ (507)	(18.5)%

Equity in earnings of affiliates, presented net of income tax provision, represents the earnings of SACS and GEOAmey in the aggregate. Equity in earnings of affiliates during Third Quarter 2019 compared to Third Quarter 2018 decreased primarily due to labor related expenses in connection with the ramp up of GEOAmey's court custody and escort services contract in Scotland which began in the first quarter of 2019.

Comparison of Nine Months 2019 and Nine Months 2018

Revenues

	2019	% of Revenue	2018	% of Revenue	$ Change	% Change
			(Dollars in thousands)			
GEO Secure Services	$ 1,201,063	64.7%	$ 1,107,016	64.0%	$ 94,047	8.5 %
GEO Care	462,772	24.9%	431,819	24.9%	30,953	7.2 %
International Services	176,246	9.5%	193,121	11.2%	(16,875)	(8.7)%
Facility Construction & Design	16,131	0.9%	—	—%	16,131	100.0 %
Total	$ 1,856,212	100.0%	$ 1,731,956	100.0%	$ 124,256	7.2 %

GEO Secure Services

Revenues increased in Nine Months 2019 compared to Nine Months 2018 primarily due to aggregate increases of $54.6 million due to net increases in population with our federal clients, transportation services and rates. We also had increases of $51.0 million resulting from the activation of our contracts at our company-owned Montgomery Processing Center in Conroe, Texas and our company-owned and previously idled South Louisiana Processing Center in Basile, Louisiana during the third quarter of 2019, as well as our company-owned Eagle Pass Facility in Eagle Pass, Texas which was activated during the fourth quarter of 2018. These increases were partially offset by net decreases of $11.6 million at certain of our facilities due to contract terminations.

The number of compensated mandays in GEO Secure Services facilities was approximately 17.7 million in Nine Months 2019 and 17.1 million in Nine Months 2018. We experienced an aggregate net increase of approximately 600,000 mandays as a result of population increases with our federal clients and our contract activations discussed above, offset by contract terminations. We look at the average occupancy in our facilities to determine how we are managing our available beds. The average occupancy is calculated by taking compensated mandays as a percentage of capacity. The average occupancy in our GEO Secure Services facilities was 95.7% and 95.1% of capacity in the Nine Months 2019 and Nine Months 2018, respectively, excluding idle facilities.

GEO Care

Revenues increased in Nine Months 2019 compared to Nine Months 2018 primarily due to aggregate increases of $25.9 million related to increases in average client and participant counts under our ISAP and electronic monitoring services. We also had increases of $27.9 million due to net increases in census levels at certain of our community-based and reentry centers and new programs activated in December 2018. These increases were partially offset by $22.8 million related to contract terminations/closures of underutilized facilities.

International Services

Revenues for International Services in Nine Months 2019 compared to Nine Months 2018 decreased by $16.9 million. We experienced a net decrease in revenues of $1.6 million which was primarily due to the transition of our Parklea Correctional Centre by our Australian subsidiary to a new operator in March 2019. Additionally, we had a decrease due to foreign exchange rate fluctuations of $15.3 million resulting from the strengthening of the U.S. dollar against certain international currencies.

Facility Construction & Design

Beginning in the fourth quarter of 2018 and into 2019, we had facility construction & design services related to an expansion project at our Fulham Correctional Centre in Australia which is expected to be completed in the fourth quarter of 2020.

Operating Expenses

	2019	% of Segment Revenues	2018	% of Segment Revenues	$ Change	% Change
			(Dollars in thousands)			
GEO Secure Services	$ 892,337	74.3%	$ 825,475	74.6%	$ 66,862	8.1 %
GEO Care	$ 311,758	67.4%	$ 293,299	67.9%	$ 18,459	6.3 %
International Services	$ 162,478	92.2%	$ 180,538	93.5%	$ (18,060)	(10.0)%
Facility Construction & Design	$ 16,105	99.8%	$ —	—%	$ 16,105	100.0 %
Total	$ 1,382,678	74.5%	$ 1,299,312	75.0%	$ 83,366	6.4 %

GEO Secure Services

Operating expenses for GEO Secure Services increased by $66.9 million in Nine Months 2019 compared to Nine Months 2018. The increase was primarily due to aggregate net increases in population, transportation services and the variable costs associated with those services of $43.3 million. We also experienced increases of $32.5 million resulting from the activation of our contracts at our company-owned Eagle Pass Facility in Eagle Pass, Texas during the fourth quarter of 2018, our company-owned Montgomery Processing Center in Conroe, Texas and our company-owned and previously idled South Louisiana Processing Center in Basile, Louisiana as well as start up costs incurred in connection with our company-owned North Lake Correctional Facility in Baldwin, Michigan which was activated during the fourth quarter of 2019. These increases were partially offset by decreases of $8.9 million at certain of our facilities primarily due to contract terminations.

GEO Care

Operating expenses for GEO Care increased during Nine Months 2019 from Nine Months 2018 primarily due to an increase of $28.6 million related to new programs activated in December 2018 and increases in census levels at certain of our community-based and reentry centers. We also experienced an increase of $12.5 million related to increases in average client and participant counts under our ISAP and electronic monitoring services. These increases were partially offset by decreases of $22.7 million from contract terminations/closures of underutilized facilities.

International Services

Operating expenses for International Services in Nine Months 2019 compared to Nine Months 2018 decreased by $18.1 million. This decrease was primarily due to foreign exchange rate fluctuations of $14.2 million resulting from the strengthening of the U.S. dollar against certain international currencies. Although we experienced net increases in our Australia subsidiary due to the operation of our Ravenhall correctional facility project which began operations during the fourth quarter of 2017 and continued to ramp up in 2018, we also experienced partially offsetting decreases in operating expenses in connection with the transition of our Parklea Correctional Centre to a new operator in March 2019 resulting in an aggregate net decrease of $3.9 million.

Facility Construction & Design

Beginning in the fourth quarter of 2018 and into 2019, we had facility construction & design services related to an expansion project at our Fulham Correctional Centre in Australia which is expected to be completed in the fourth quarter of 2020.

Depreciation and Amortization

	2019	% of Segment Revenue	2018	% of Segment Revenue	$ Change	% Change
			(Dollars in thousands)			
GEO Secure Services	$ 59,043	4.9%	$ 57,155	5.2%	$ 1,888	3.3 %
GEO Care	$ 37,078	8.0%	$ 35,725	8.3%	$ 1,353	3.8 %
International Services	$ 1,119	0.6%	$ 1,656	0.9%	$ (537)	(32.4)%
Total	$ 97,240	5.2%	$ 94,536	5.4%	$ 2,704	2.9 %

GEO Secure Services

GEO Secure Services depreciation and amortization expense increased in Nine Months 2019 compared to Nine Months 2018 primarily due to the activation of our contracts at our company-owned Eagle Pass Facility in Eagle Pass, Texas and our company-owned Montgomery Processing Center in Conroe, Texas and our company-owned South Louisiana Processing Center in Basile Louisiana as well as renovations made at several of our other facilities.

GEO Care

GEO Care depreciation and amortization expense increased in Nine Months 2019 compared to Nine Months 2018 primarily due to renovations at certain of our centers.

International Services

Depreciation and amortization expense decreased in Nine Months 2019 compared to Nine Months 2018 as a result of certain assets becoming fully depreciated and there were no significant renovations during 2018 or 2019 at our international subsidiaries.

Other Unallocated Operating Expenses

	2019	% of Revenue	2018	% of Revenue	$ Change	% Change
			(Dollars in thousands)			
General and Administrative Expenses	$142,183	7.7%	$ 136,927	7.9%	$ 5,256	3.8%

General and administrative expenses comprise substantially all of our other unallocated operating expenses which primarily includes corporate management salaries and benefits, professional fees and other administrative expenses. General and administrative expenses increased in Nine Months 2019 compared to Nine Months 2018 primarily due to normal personnel and compensation adjustments, professional, consulting, business development and other administrative expenses.

Non Operating Expenses

Interest Income and Interest Expense

	2019	% of Revenue	2018	% of Revenue	$ Change	% Change
			(Dollars in thousands)			
Interest Income	$ 23,127	1.2%	$ 26,194	1.5%	$ (3,067)	(11.7)%
Interest Expense	$ 115,857	6.2%	$ 110,205	6.4%	$ 5,652	5.1 %

Interest income decreased in the Nine Months 2019 compared to Nine Months 2018 primarily due to a lower balance on our contract receivable related to our facility in Ravenhall, Australia. Also contributing to the decrease was the effect of the strengthening of the U.S. dollar against certain international currencies.

Interest expense increased in Nine Months 2019 compared to Nine Months 2018 primarily due to higher average debt balances on our Revolver during Nine Months 2019 compared to Nine Months 2018. Refer to Note 11- Debt of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further discussion.

Loss on Extinguishment of Debt

	2019	% of Revenue	2018	% of Revenue	$ Change	% Change
			(Dollars in thousands)			
Loss on Extinguishment of Debt	$ 5,147	0.3%	$ 574	—%	$ 4,573	796.7%

On May 22, 2019, we completed an offering of Non-Recourse Notes related to our Ravenhall facility in Australia. The net proceeds from this offering were used to refinance our outstanding Construction Facility. As a result of the transaction, we incurred a $4.5 million loss on extinguishment of debt related to swap termination fees and unamortized deferred loan costs associated with the Construction Facility. Additionally, on June 12, 2019, GEO entered into Amendment No. 2 to our Credit

Agreement. Under the amendment, the maturity date of our Revolver has been extended to May 17, 2024. As a result of the amendment, we incurred a loss on extinguishment of debt of $1.2 million related to certain unamortized deferred loan costs.
Additionally, during the third quarter of 2019, we repurchased approximately $34 million in aggregate principal amount of our 5.875% Senior Notes due 2022 at a weighted average price of 97.48% for a total cost of $33.1 million. As the result of the repurchases,we recognized a net gain on extinguishment of debt of $0.6 million which partially offset the loss discussed above. Refer to Note 11- Debt of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further discussion.

Income Tax Provision

	2019	Effective Rate	2018	Effective Rate	$ Change	% Change
			(Dollars in thousands)			
Provision for Income Taxes	$14,509	10.7%	$ 12,193	10.5%	$ 2,316	19.0%

The provision for income taxes during Nine Months 2019 increased compared to Nine Months 2018 along with the effective tax rate which is primarily due to a change in the composition of our income. Additionally, in the Nine Months of 2019, there was a $0.5 million discrete tax expense related to stock compensation that vested during the period. In contrast, in the Nine Months 2018, there was a $1.1 million discrete tax expense net of a $2.2 million discrete tax benefit related to stock compensation that vested during that period. As a REIT, we are required to distribute at least 90% of our taxable income to shareholders and in turn are allowed a deduction for the distribution at the REIT level. Our wholly-owned taxable REIT subsidiaries continue to be fully subject to federal, state and foreign income taxes, as applicable. We estimate our annual effective tax rate to be in the range of approximately 9% to 11% exclusive of any discrete items.

Equity in Earnings of Affiliates, net of Income Tax Provision

	2019	% of Revenue	2018	% of Revenue	$ Change	% Change
			(Dollars in thousands)			
Equity in Earnings of Affiliates	$ 6,645	0.4%	$ 7,071	0.4%	$ (426)	(6.0)%

Equity in earnings of affiliates, presented net of income tax provision, represents the earnings of SACS and GEOAmey in the aggregate. Equity in earnings of affiliates during Nine Months 2019 compared to Nine Months 2018 decreased slightly primarily due to labor related expenses in connection with the ramp up of GEOAmey's court custody and escort services contract in Scotland which began in the first quarter of 2019.

Financial Condition

Capital Requirements

Our current cash requirements consist of amounts needed for working capital, distributions of our REIT taxable income in order to maintain our REIT qualification, debt service, supply purchases, investments in joint ventures, and capital expenditures related to either the development of new secure services and reentry facilities, or the maintenance of existing facilities. In addition, some of our management contracts require us to make substantial initial expenditures of cash in connection with opening or renovating a facility. Generally, these initial expenditures are subsequently fully or partially recoverable as pass-through costs or are billable as a component of the per diem rates or monthly fixed fees to the contracting agency over the original term of the contract.

We currently have contractual commitments for a number of projects using Company financing. We estimate that the cost of these existing capital projects will be approximately $193 million of which $143 million was spent through September 30, 2019. We estimate that the remaining capital requirements related to these capital projects will be $50 million which will be spent through 2019.

Liquidity and Capital Resources

Indebtedness

On June 12, 2019, we entered into Amendment No. 2 to the Third Amended and Restated Credit Agreement (the "Credit Agreement") by and among the refinancing lenders party thereto, the other lenders party thereto, GEO and GEO Corrections Holdings, Inc. and the administrative agent. Under the amendment, the maturity date of the revolver has been extended to May 17, 2024. The borrowing capacity under the amended revolver will remain at $900.0 million, and its pricing will remain unchanged currently bearing interest at LIBOR plus 2.25%. As a result of the amendment, we incurred a loss on extinguishment of debt of $1.2 million related to certain unamortized deferred loan costs. Additionally, loan costs of $4.7 million were incurred and capitalized in connection with the amendment.

A syndicate of approximately 65 lenders participate in our Credit Agreement, six of which have indicated that they do not intend to provide new financing to GEO but will honor their existing obligations (Refer to Item 1A - Risk Factors included in Part II of this Quarterly Report on Form 10-Q for further discussion on certain financial institutions who have recently announced that they will not be renewing existing agreements or entering into new agreements with companies that operate correctional facilities, processing centers and community reentry centers under public-private partnerships). The banks that have withdrawn participation remain contractually committed for approximately five years. Additionally, these six banks represent less than 25% of our overall borrowing capacity under our Credit Agreement and the withdrawal of their participation is not expected to negatively impact our financial flexibility. We are also in frequent communication with potential new lenders as well as the credit rating agencies who have not changed our credit ratings for over 30 months.

As of September 30, 2019, we had approximately $780 million in aggregate borrowings outstanding, net of discount, under our term loan and approximately $445 million in borrowings under our Revolver, and approximately $62 million in letters of credit which left approximately $393 million in additional borrowing capacity under our Revolver. Refer to Note 11 - Debt of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further discussion.

Australia - Ravenhall

In connection with a design and build project agreement with the State of Victoria, in September 2014, we entered into a syndicated facility agreement (the "Construction Facility") to provide debt financing for construction of the project. The Construction Facility provided for non-recourse funding up to AUD 791.0 million, or approximately $534.2 million, based on exchange rates as of September 30, 2019. In accordance with the terms of the contract, upon completion and commercial acceptance of the project, the State made a lump sum payment of AUD310 million, or approximately $209 million, based on exchange rates as of September 30, 2019. The term of the Construction Facility was through September 2019 and bore interest at a variable rate quoted by certain Australian banks plus 200 basis points. On May 22, 2019, we completed an offering of AUD 461.6 million, or $311.8 million, based on exchange rates as of September 30, 2019, aggregate principal amount of the Non-Recourse Notes. The amortizing Non-Recourse Notes were issued by Ravenhall Finance Co Pty Limited in a private placement pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended. The Non-Recourse Notes were issued with a coupon and yield to maturity of 4.23% with a maturity date of March 31, 2042. The net proceeds from this offering were used to refinance the outstanding Construction Facility and to pay all related fees, costs and expenses associated with the transaction. As a result of the transaction, we incurred a $4.5 million loss on extinguishment of debt related to swap termination fees and unamortized deferred costs associated with the Construction Facility. Additionally, loan costs of approximately $7.5 million were incurred and capitalized in connection with the offering.

Other

In August 2019, we entered into two identical Notes in the aggregate amount of $44.3 million which are secured by loan agreements and mortgage and security agreements on certain real property and improvements. The terms of the Notes are through September 1, 2034 and bear interest at LIBOR plus 200 basis points and are payable in monthly installments plus interest. We have entered into interest rate swap agreements to fix the interest rate to 4.22%. Included in the balance at September 30, 2019 is $0.7 million of deferred loan costs incurred in the transaction. Refer to Note 10 - Derivative Financial Instruments for further information. Refer to Note 10 - Derivative Financial Instruments and Note 11 - Debt of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further discussion.

In addition to the debt outstanding under the Credit Facility, the 6.00% Senior Notes, the 5.125% Senior Notes, the 5.875% Senior Notes due 2022 and the 5.875% Senior Notes due 2024, we also have significant debt obligations which, although these obligations are non-recourse to us, require cash expenditures for debt service. Our significant debt obligations could have material consequences. See "Risk Factors-Risks Related to Our High Level of Indebtedness" in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018. We are exposed to various commitments and contingencies which may have a material adverse effect on our liquidity. We also have guaranteed certain obligations for certain of our international subsidiaries. These non-recourse obligations, commitments and contingencies and guarantees are further discussed in our Annual Report on Form 10-K for the year ended December 31, 2018.

Debt Repurchases

On August 16, 2019, our Board of Directors authorized us to repurchase and/or retire a portion of our GEO Senior Notes and the term loan under our Amended Credit Agreement through cash purchases, in open market purchases, privately negotiated transactions, or otherwise, up to an aggregate maximum of $100 million, subject to certain limitations through December 31, 2020. During the third quarter of 2019, we repurchased approximately $34 million in aggregate principal amount of our 5.875% Senior Notes due 2022 at a weighted average price of 97.48% for a total cost of $33.1 million. As a result of these repurchases, we recognized a net gain on extinguishment of debt of $0.6 million.

Refer to Note 11 - Debt of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information on our indebtedness.

We consider opportunities for future business and/or asset acquisitions as we deem appropriate when market conditions present opportunities. If we are successful in our pursuit of any new projects, our cash on hand, cash flows from operations and borrowings under the existing Credit Facility may not provide sufficient liquidity to meet our capital needs and we could be forced to seek additional financing or refinance our existing indebtedness. There can be no assurance that any such financing or refinancing would be available to us on terms equal to or more favorable than our current financing terms, or at all. In the future, our access to capital and ability to compete for future capital intensive projects will also be dependent upon, among other things, our ability to meet certain financial covenants in the indenture governing the 5.125% Senior Notes, the indenture governing the 5.875% Senior Notes due 2022, the indenture governing the 5.875% Senior Notes due 2024, the indenture governing the 6.00% Senior Notes due 2026 and our Credit Agreement. A substantial decline in our financial performance could limit our access to capital pursuant to these covenants and have a material adverse affect on our liquidity and capital resources and, as a result, on our financial condition and results of operations. In addition to these foregoing potential constraints on our capital, a number of state government agencies have been suffering from budget deficits and liquidity issues. While we expect to be in compliance with our debt covenants, if these constraints were to intensify, our liquidity could be materially adversely impacted as could our ability to remain in compliance with these debt covenants.

We may from time to time seek to purchase or retire our outstanding senior notes through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

As a REIT, we are subject to a number of organizational and operational requirements, including a requirement that we annually distribute to our shareholders an amount equal to at least 90% of our REIT taxable income (determined before the deduction for dividends paid and by excluding any net capital gain). Generally, we expect to distribute all or substantially all of our REIT taxable income so as not to be subject to the income or excise tax on undistributed REIT taxable income. The amount, timing and frequency of distributions will be at the sole discretion of our Board and will be based upon various factors.

We plan to fund all of our capital needs, including distributions of our REIT taxable income in order to maintain our REIT qualification, and capital expenditures, from cash on hand, cash from operations, borrowings under our Credit Facility and any other financings which our management and Board, in their discretion, may consummate. Currently, our primary source of liquidity to meet these requirements is cash flow from operations and borrowings under our $900.0 million Revolver. Our management believes that cash on hand, cash flows from operations and availability under our Credit Facility will be adequate to support our capital requirements for 2019 as disclosed under "Capital Requirements" above.

Stock Buyback Program

Refer to Note 7 - Shareholders' Equity of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information.

Prospectus Supplement

Refer to Note 7 - Shareholders' Equity of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information.

Executive Retirement Agreement

We have a non-qualified deferred compensation agreement with our Chief Executive Officer ("CEO"). The current agreement, as amended, provides for a lump sum payment upon retirement, no sooner than age 55. Our CEO has reached age 55 and is eligible to receive the payment upon retirement. If our CEO had retired as of September 30, 2019, we would have had to pay him approximately $8.6 million. Based on our current capitalization, we do not believe that making this payment would materially adversely impact our liquidity.

Off-Balance Sheet Arrangements

Except as discussed in the notes to our Unaudited Consolidated Financial Statements included in Part I, Item 1 of this quarterly report on Form 10-Q, we do not have any off-balance sheet arrangements.

Cash Flow

Cash, cash equivalents and restricted cash and cash equivalents as of September 30, 2019 was $95.0 million, compared to $126.7 million as of September 30, 2018.

Operating Activities

Cash provided by operating activities amounted to $323.0 million for the nine months ended September 30, 2019 versus cash provided by operating activities of $220.2 million for the nine months ended September 30, 2018. Cash provided by operating activities during the nine months ended September 30, 2019 was positively impacted by net income attributable to GEO, non-cash expenses such as depreciation and amortization, amortization of debt issuance costs, discount and/or premium and other non-cash interest, stock-based compensation expense and loss on extinguishment of debt. Equity in earnings of affiliates, net of tax negatively impacted cash. Changes in accounts receivable, prepaid expenses and other assets decreased in total by $46.1 million, representing a positive impact on cash. The decrease was primarily driven by the timing of billings and collections. Changes in accounts payable, accrued expenses and other liabilities increased by $11.8 million which positively impacted cash. The increase was primarily driven by the timing of payments. Additionally, cash provided by operating activities for the nine months ended September 30, 2019 was positively impacted by a decrease in changes in contract receivable related to our correctional facility in Ravenhall, Australia of $6.3 million which was a result of the timing of interest accruals and payments made towards the contract receivable.

Cash provided by operating activities during the nine months ended September 30, 2018 was positively impacted by net income attributable to GEO, non-cash expenses such as depreciation and amortization, amortization of debt issuance costs, and stock-based compensation expense. Equity in earnings of affiliates negatively impacted cash. Changes in accounts receivable, prepaid expenses and other assets increased in total by $14.0 million, representing a negative impact on cash. The increase was primarily driven by the timing of billings and collections. Changes in accounts payable, accrued expenses and other liabilities increased by $3.0 million which positively impacted cash. The increase was primarily driven by the timing of payments. Additionally, cash provided by operating activities for the nine months ended September 30, 2018 was negatively impacted by an increase in changes in contract receivable related to our correctional facility in Ravenhall, Australia of $4.0 million which was a result of the timing of interest accruals and payments made towards the contract receivable.

Investing Activities

Cash used in investing activities of $77.6 million during the nine months ended September 30, 2019 was primarily the result of capital expenditures of $90.8 million. Cash used in investing activities of $152.0 million during the nine months ended September 30, 2018 was primarily the result of capital expenditures of $161.5 million.

Financing Activities

Cash used in financing activities during the nine months ended September 30, 2019 was approximately $232.8 million compared to cash used in financing activities of $69.6 million during the nine months ended September 30, 2018. Cash used in financing activities during the nine months ended September 30, 2019 was primarily the result of dividends paid of $174.3 million, payments on long-term debt of $310.6 million and payments on non-recourse debt of $332.7 million. These decreases were partially offset by proceeds from long-term debt of $274.4 million and proceeds from non-recourse debt of $322.9 million. Cash used in financing activities during the nine months ended September 30, 2018 was primarily the result of dividends paid of $172.3 million, payments for repurchases of common stock of $70.4 million, payments on long-term debt of $186.0 million and payments on non-recourse debt of $9.6 million. These decreases were partially offset by proceeds from long-term debt of $372.0 million.

Non-GAAP Measures

Funds from Operations ("FFO") is a widely accepted supplemental non-GAAP measure utilized to evaluate the operating performance of real estate investment trusts. It is defined in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT, which defines FFO as net income (loss) attributable to common shareholders (computed in accordance with Generally Accepted Accounting Principles), excluding real estate related depreciation and amortization, excluding gains and losses from the cumulative effects of accounting changes, extraordinary items and sales of properties, and including adjustments for unconsolidated partnerships and joint ventures.

We also present Normalized Funds From Operations, or Normalized FFO, and Adjusted Funds from Operations, or AFFO, as supplemental non-GAAP financial measures of real estate investment trusts' operating performance.

Normalized FFO is defined as FFO adjusted for certain items which by their nature are not comparable from period to period or that tend to obscure the Company’s actual operating performance, including for the periods presented the net Tax Cuts and Jobs Act impact, gain/loss on extinguishment of debt, start-up expenses, legal related expenses, escrow releases and the tax effect of adjustments to FFO.

AFFO is defined as Normalized FFO adjusted by adding non-cash expenses such as non-real estate related depreciation and amortization, stock based compensation expense, the amortization of debt issuance costs, discount and/or premium and other non-cash interest, and by subtracting recurring consolidated maintenance capital expenditures.

Because of the unique design, structure and use of our secure facilities, we believe that assessing the performance of our secure facilities without the impact of depreciation or amortization is useful and meaningful to investors. Although NAREIT has published its definition of FFO, companies often modify this definition as they seek to provide financial measures that meaningfully reflect their distinctive operations. We have modified FFO to derive Normalized FFO and AFFO that meaningfully reflect our operations.

Our assessment of our operations is focused on long-term sustainability. The adjustments we make to derive the non-GAAP measures of Normalized FFO and AFFO exclude items which may cause short-term fluctuations in net income attributable to GEO but have no impact on our cash flows, or we do not consider them to be fundamental attributes or the primary drivers of our business plan and they do not affect our overall long-term operating performance. We may make adjustments to FFO from time to time for certain other income and expenses that do not reflect a necessary component of our operational performance on the basis discussed above, even though such items may require cash settlement. Because FFO, Normalized FFO and AFFO exclude depreciation and amortization unique to real estate as well as non-operational items and certain other charges that are highly variable from year to year, they provide our investors with performance measures that reflect the impact to operations from trends in occupancy rates, per diem rates, operating costs and interest costs, providing a perspective not immediately apparent from net income attributable to GEO.

We believe the presentation of FFO, Normalized FFO and AFFO provide useful information to investors as they provide an indication of our ability to fund capital expenditures and expand our business. FFO, Normalized FFO and AFFO provide disclosure on the same basis as that used by our management and provide consistency in our financial reporting, facilitate internal and external comparisons of our historical operating performance and our business units and provide continuity to investors for comparability purposes. Additionally, FFO, Normalized FFO and AFFO are widely recognized measures in our industry as a real estate investment trust.

Our reconciliation of net income attributable to The GEO Group, Inc. to FFO, Normalized FFO and AFFO for the three and nine months ended September 30, 2019 and 2018 is as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Net income attributable to The GEO Group, Inc.	**$ 45,932**	**$ 39,289**	**$ 128,551**	**$ 111,697**
Add (Subtract):				
Real estate related depreciation and amortization	17,931	17,634	53,970	52,531
Loss on real estate assets	1,196	2,209	2,693	**2,701**
NAREIT Defined FFO	**$ 65,059**	**$ 59,132**	**$ 185,214**	**$ 166,929**
Add (Subtract):				
Net Tax Cuts and Jobs Act Impact	—	—	—	304
Start-up expenses, pre-tax	5,593	3,728	7,467	3,826
Legal related expenses, pre-tax	—	—	—	4,500
Escrow releases, pre-tax	—	—	—	(2,273)
(Gain) loss on extinguishment of debt, pre-tax	(594)	—	5,147	574
Tax effect of adjustments to Funds From Operations *	248	74	(650)	(639)
Normalized Funds from Operations	**$ 70,306**	**$ 62,934**	**$ 197,178**	**$ 173,221**
Add (Subtract):				
Non-real estate related depreciation and amortization	14,488	13,663	43,270	42,005
Consolidated maintenance capital expenditures	(5,743)	(6,162)	(14,893)	(17,561)
Stock-based compensation expense	4,739	5,564	16,919	16,351
Amortization of debt issuance costs, discount and/or premium and other non-cash interest	1,838	1,868	6,861	5,860
Adjusted Funds from Operations	**$ 85,628**	**$ 77,867**	**$ 249,335**	**$ 219,876**

* Tax effect of adjustments relate to loss on real estate assets, loss on extinguishment of debt, start-up expenses, legal expenses and escrow releases.

Outlook

The following discussion contains statements that are not historical statements and, therefore, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Our forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those stated or implied in the forward-looking statements. Please refer to “Part I - Item 1A. Risk Factors” and the "Forward Looking Statements - Safe Harbor" sections in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, as well as the "Forward-Looking Statements - Safe Harbor" section and other disclosures contained in this Form 10-Q for further discussion on forward-looking statements and the risks and other factors that could prevent us from achieving our goals and cause the assumptions underlying the forward-looking statements and the actual results to differ materially from those expressed in or implied by those forward-looking statements.

Revenue

We continue to be encouraged by the current landscape of growth opportunities; however any positive trends may, to some extent, be adversely impacted by government budgetary constraints or any changes to a government's willingness to maintain or grow public-private partnerships in the future. While state finances overall are stable, future budgetary pressures may cause state agencies to pursue a number of cost savings initiatives which may include reductions in per diem rates and/or the scope of services provided by private operators. These potential cost savings initiatives could have a material adverse impact on our current operations and/or our ability to pursue new business opportunities. Additionally, if state budgetary constraints, as discussed above, persist or intensify, our state customers’ ability to pay us may be impaired and/or we may be forced to renegotiate our management contracts on less favorable terms and our financial condition, results of operations or cash flows could be materially adversely impacted. We plan to actively bid on any new projects that fit our target profile for profitability and operational risk. Although we are pleased with the overall industry outlook, positive trends in the industry may be offset by several factors, including budgetary constraints, contract modifications, contract terminations, contract non-renewals, and/or contract re-bids and the impact of any other potential changes to the willingness to maintain or grow public-private partnerships on the part of other government agencies. We believe we have a strong relationship with our government partners and we believe that we operate facilities that maximize security and efficiency while offering our suite of GEO Continuum of Care services and resources.

Although we have historically had a relatively high contract renewal rate, there can be no assurance that we will be able to renew our expiring management contracts on favorable terms, or at all. Also, while we are pleased with our track record in re-bid situations, we cannot assure that we will prevail in any such future situations.

Recently California enacted legislation aimed at phasing out public-private partnership contracts for the operation of secure facilities within California and facilities outside of the state of California housing state of California inmates. As previously announced, our contract for our Central Valley facility was already discontinued by the California Department of Corrections and Rehabilitation at the end of September. We expect that our contracts with the California Department of Corrections and Rehabilitation for our Desert View facility and Golden State facility will be discontinued by April 1, 2020 and July 1, 2020, respectively.

Internationally, we are exploring a number of opportunities in our current markets and will continue to actively bid on any opportunities that fit our target profile for profitability and operational risk. On March 29, 2018, we announced that our transportation joint venture in the United Kingdom, GEO Amey, signed a contract with Scottish Prison Service for the provision of court custody and escort services in Scotland. The contract has a base term of eight years effective January 26, 2019 with a renewal option of four years and is expected to have an average annual revenue of approximately $39 million. Also, we are pleased to have been awarded a ten-year contract renewal for the continued delivery of secure transportation under our GEO Amey joint venture in the United Kingdom. Total revenue over the ten-year period is expected to be approximately $760 million. In New South Wales, Australia, we are developing a 489-bed expansion at the Junee Correctional Centre which is expected to be completed during the fourth quarter of 2019. We are also constructing a 137-bed expansion at the Fulham Correctional Centre in Victoria, Australia. Additionally, our Australian subsidiary is currently in negotiation discussions with the State of Victoria, Australia to increase the capacity at our Ravenhall Correctional Centre by an additional 300 beds increasing the capacity of the facility to 1,600 beds. The 300-bed capacity increase is expected to generate incremental annualized revenues of approximately $19 million. With respect to the Parklea Correctional Centre in Australia, we were unfortunately unsuccessful during the current competitive rebid process and have transitioned the management contract in March of 2019. In addition, we were recently informed by the State of Queensland, Australia that the Arthur Gorrie Correctional Centre will be transitioned to government operation between the end of 2019 and the first quarter of 2020.

With respect to our reentry services, electronic monitoring services, and community-based services business conducted through our GEO Care business segment, we are currently pursuing a number of business development opportunities. Related to opportunities for community-based reentry services, we are working with our existing federal, state, and local clients to leverage new opportunities for both residential reentry facilities as well as non-residential day reporting centers. We continue to expend resources on informing federal, state and local governments about the benefits of public-private partnerships, and we anticipate that there will be new opportunities in the future as those efforts continue to yield results. We believe we are well positioned to capitalize on any suitable opportunities that become available in this area.

Operating Expenses

Operating expenses consist of those expenses incurred in the operation and management of our contracts to provide services to our governmental clients. Labor and related costs represented 57.5% of our operating expenses during the nine months ended September 30, 2019. Additional significant operating expenses include food, utilities and medical costs. During the nine months ended September 30, 2019, operating expenses totaled 74.5% of our consolidated revenues. We expect our operating expenses as a percentage of revenues in 2019 will be impacted by the opening of any new or existing idle facilities as a result of the cost of transitioning and/or start-up operations related to a facility opening. During 2019, we will incur carrying costs for facilities that are currently vacant. As of September 30, 2019, our worldwide operations include the management and/or ownership of approximately 96,000 beds at 130 facilities, including idle facilities, projects under development and recently awarded contracts, and also include the provision of community supervision services for more than 210,000 individuals, including approximately 100,000 through an array of technology products including radio frequency, GPS, and alcohol monitoring devices.

General and Administrative Expenses

General and administrative expenses consist primarily of corporate management salaries and benefits, professional fees and other administrative expenses. During the nine months ended September 30, 2019, general and administrative expenses totaled 7.7% of our consolidated revenues. We expect general and administrative expenses as a percentage of revenues in 2019 to remain consistent or decrease as a result of cost savings initiatives. We expect business development costs to remain consistent or increase slightly as we pursue additional business development opportunities in all of our business lines. We also plan to continue expending resources from time to time on the evaluation of potential acquisition targets.

Idle Facilities

We are currently marketing approximately 3,000 vacant beds at two of our GEO Secure Services and two of our GEO Care idle facilities to potential customers. The annual carrying cost of our idle facilities in 2019 is estimated to be $10.6 million, including depreciation expense of $1.8 million. As of September 30, 2019, these four facilities had a net book value of $49.6 million. We currently do not have any firm commitment or agreement in place to activate the remaining facilities. Historically, some facilities have been idle for multiple years before they received a new contract award. These idle facilities are included in the GEO Secure Services and GEO Care segments. The per diem rates that we charge our clients often vary by contract across our portfolio. However, if all four remaining idle facilities were to be activated using our GEO Secure Services and GEO Care average per diem rates in 2019 (calculated as the GEO Secure Services and GEO Care revenue divided by the number of GEO Secure Services and GEO Care mandays) and based on the average occupancy rate in our facilities through September 30, 2019, we would expect to receive incremental annualized revenue of approximately $70 million and an annualized increase in earnings per share of approximately $0.05 to $0.10 per share based on our average operating margins.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rate Risk

We are exposed to market risks related to changes in interest rates with respect to our Credit Facility. Payments under the Credit Facility are indexed to a variable interest rate. Based on borrowings outstanding under the Credit Facility of approximately $1,225 million and approximately $62 million in outstanding letters of credit, as of September 30, 2019, for every one percent increase in the average interest rate applicable to the Credit Facility, our total annual interest expense would increase by approximately $13 million.

Additionally, we invest our cash in a variety of short-term financial instruments to provide a return. These instruments generally consist of highly liquid investments with original maturities at the date of purchase of three months or less. While these instruments are subject to interest rate risk, a hypothetical 100 basis point increase or decrease in market interest rates would not have a material impact on our financial condition or results of operations.

Foreign Currency Exchange Rate Risk

We are also exposed to market risks related to fluctuations in foreign currency exchange rates between the U.S. dollar, and the Australian dollar, the South African Rand and the British Pound currency exchange rates. Based upon our foreign currency exchange rate exposure at September 30, 2019, every 10 percent change in historical currency rates would have approximately a $4.5 million effect on our financial position and approximately a $0.4 million impact on our results of operations during the nine months ended September 30, 2019.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, referred to as the Exchange Act), as of the end of the period covered by this report. On the basis of this review, our management, including our Chief Executive Officer and our Chief Financial Officer, has concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective to give reasonable assurance that the information required to be disclosed in our reports filed with the SEC, under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and to ensure that the information required to be disclosed in the reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, in a manner that allows timely decisions regarding required disclosure.

It should be noted that the effectiveness of our system of disclosure controls and procedures is subject to certain limitations inherent in any system of disclosure controls and procedures, including the exercise of judgment in designing, implementing and evaluating the controls and procedures, the assumptions used in identifying the likelihood of future events, and the inability to eliminate misconduct completely. Accordingly, there can be no assurance that our disclosure controls and procedures will detect all errors or fraud. As a result, by its nature, our system of disclosure controls and procedures can provide only reasonable assurance regarding management's control objectives.

Changes in Internal Control Over Financial Reporting.

Our management is responsible to report any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the period to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Management believes that there have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the period to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. With respect to the adoption of ASC Topic 842, "Leases" on January 1, 2019, we implemented certain internal controls to ensure we adequately evaluated our lease contracts and properly assessed the impact of the new accounting standard on our financial statements, including relevant disclosures, to facilitate this adoption on January 1, 2019. There were no significant changes to our internal control over financial reporting during the nine months ended September 30, 2019 due to the adoption of this standard. Refer to Note 2 - Leases of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional disclosures required under the new standard.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The information required herein is incorporated by reference from Note 12 - Commitments and Contingencies in the Notes to the Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS.

Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2018 (the “2018 Form 10-K”) includes a detailed discussion of the risk factors that could materially affect our business, financial condition or future prospects. Set forth below is a discussion of the material changes to our existing risk factors previously disclosed in the 2018 Form 10-K as modified by the Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 (the "2019 Q1 Form 10-Q") and the Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 (the "2019 Q2 Form 10-Q"). The information below updates the existing risk factor and should be read in conjunction with, the risk factors in our 2018 Form 10-K, the 2019 Q1 Form 10-Q and the 2019 Q2 Form 10-Q. We encourage you to read these risk factors in their entirety.

Public resistance to the use of public-private partnerships for correctional facilities, processing centers and community reentry centers could result in our inability to obtain new contracts or the loss of existing contracts, impact our ability to obtain or refinance debt financing or enter into commercial arrangements, which could have a material adverse effect on our business, financial condition, results of operations and the market price of our securities.

The management and operation of correctional facilities, processing centers and community reentry centers under public-private partnerships has not achieved complete acceptance by either government agencies or the public. Some governmental agencies have limitations on their ability to delegate their traditional management responsibilities for such facilities and centers to private companies or they may be instructed by a governmental agency or authority overseeing them to reduce their utilization or scope of public-private partnerships or undertake additional reviews of their public-private partnerships. Any report prepared by or requested by a governmental agency or public official, investigation or inquiry, public statement by any governmental agency or public official, policy or legislative change, or other similar occurrence or action, that seeks to, or purports to, prohibit, eliminate, or otherwise restrict or limit in any way, the federal government's (or any state or local government's) ability to contract with private operators of these facilities and centers, could adversely impact our ability to maintain or renew existing contracts or to obtain new contracts. For example, recently California enacted legislation aimed at phasing out public-private partnership contracts for the operation of secure facilities within California and facilities outside of the state of California housing state of California inmates. As of September 30, 2019, the State of California is among our top 10 customers. Additionally, we have public-private partnership contracts in place with U.S. Immigration and Customs Enforcement, the Federal Bureau of Prisons and the U.S. Marshals Service relating to facilities located in California.

In addition, the movement toward using public-private partnerships for such facilities and centers has encountered resistance from groups which believe that such facilities and centers should only be operated by governmental agencies. For example, several financial institutions, including some of our lenders, have recently announced that they will not be renewing existing agreements or entering into new agreements with companies that operate such facilities and centers pursuant to public-private partnerships. Some of these same institutions have ceased their equity analyst coverage of our company. While we believe we will continue to have access to the capital and debt markets on a cost-effective basis to support the growth and expansion of our high-quality services, if other financial institutions or third parties that currently provide us with financing or that we do business with decide in the future to cease providing us with financing or doing business with us, such determinations could have a material adverse effect on our business, financial condition and results of operations. Increased public resistance to the use of public-private partnerships for our facilities and centers in any of the markets in which we operate, as a result of these or other factors, could have a material adverse effect on our business, financial condition, results of operations and the market price of our securities.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions) (2)
July 1, 2019 - July 31, 2019	—	$ —	—	$ 104.8
August 1, 2019 - August 31, 2019	92	$ 17.61	—	$ 104.8
September 1, 2019 - September 30, 2019	57	$ 18.55	—	$ 104.8
Total	149		—	

(1) We withheld 149 shares through net share settlements to satisfy statutory tax withholding requirements upon vesting of shares of restricted stock held by employees. These purchases were not made as part of a publicly announced plan or program.

(2) On February 14, 2018, we announced that our Board of Directors authorized a stock buyback program authorizing us to repurchase up to $200.0 million of our shares of common stock. The program is effective through October 20, 2020. There were no shares of our common stock repurchased under the stock buyback program during the nine months ended September 30, 2019.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION.

Not applicable.

ITEM 6. EXHIBITS.

(A) Exhibits

31.1	SECTION 302 CEO Certification.
31.2	SECTION 302 CFO Certification.
32.1	SECTION 906 CEO Certification.
32.2	SECTION 906 CFO Certification.
101.INS	Inline XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, has been formatted in Inline XBRL.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE GEO GROUP, INC.

Date: November 7, 2019

/s/ Brian R. Evans

Brian R. Evans
Senior Vice President & Chief Financial Officer
(duly authorized officer and principal financial officer)

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Section 2: EX-31.1 (EX-31.1)

EXHIBIT 31.1

THE GEO GROUP, INC.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, George C. Zoley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The GEO Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2019

/s/ George C. Zoley

George C. Zoley
Chief Executive Officer

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Section 3: EX-31.2 (EX-31.2)

EXHIBIT 31.2

THE GEO GROUP, INC.

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Brian R. Evans, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The GEO Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2019

/s/ Brian R. Evans
Brian R. Evans
Chief Financial Officer

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Section 4: EX-32.1 (EX-32.1)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of The GEO Group, Inc. (the "Company") for the period ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George C. Zoley, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ George C. Zoley
George C. Zoley

Chief Executive Officer

Date: November 7, 2019
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Section 5: EX-32.2 (EX-32.2)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of The GEO Group, Inc. (the "Company") for the period ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian R. Evans, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Brian R. Evans
Brian R. Evans
Chief Financial Officer

Date: November 7, 2019
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