GEORGIA ADVANCED TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012
and
SUPPLEMENTARY INFORMATION

with
INDEPENDENT AUDITORS' REPORT

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SMITH & HOWARD
Certified Public Accountants and Advisers

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Officers
Georgia Advanced Technology Ventures, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Georgia Advanced Technology Ventures, Inc. and Subsidiaries (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to consolidated financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Georgia Advanced Technology Ventures, Inc. and Subsidiaries as of June 30, 2013 and 2012, and the changes in consolidated net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. This schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2013 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Smith + Howard

September 9, 2013

GEORGIA ADVANCED TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

ASSETS

	2013	2012
Cash and Cash Equivalents (Note 2)	$ 4,558,025	$ 2,024,634
Restricted Cash (Note 2)	446,916	392,060
Accounts Receivable, No Allowance Deemed Necessary	63,189	42,763
Other Assets	70,381	114,345
Unconditional Promises to Give (Note 3)	1,398,929	1,526,128
Property and Equipment, Net (Notes 1, 6 and 7)		
Land	18,328,530	18,328,530
Buildings	91,937,559	91,830,287
Infrastructure	3,824,225	3,824,225
Tenant improvements	25,342,362	25,342,362
Furniture and fixtures	1,047,396	1,047,396
	140,480,072	140,372,800
Less accumulated depreciation	28,181,026	24,085,677
	112,299,046	116,287,123
Lease Commissions, Net of Accumulated Amortization of $1,180,388 and $1,606,698 in 2013 and 2012, Respectively	1,142,113	1,666,754
Building Held for Donation (Note 1)	-	2,700,000
Investments in Limited Liability Companies, at Fair Value (Notes 1 and 4)	341,289	644,629
Total Assets	$ 120,319,888	$ 125,398,436

LIABILITIES AND NET ASSETS

	2013	2012
Accounts Payable and Accrued Expenses (Note 12)	$ 1,298,506	$ 1,891,181
Subscription Payable (Note 4)	680,534	790,837
Deferred Revenue (Note 9)	3,299,217	3,325,891
Accrued Interest Payable (Note 7)	3,611,275	3,028,116
Obligation Under Line of Credit (Note 5)	1,600,000	1,600,000
Long-Term Notes Payable (Note 6)	13,013,062	13,982,327
Refundable Tenant Deposits	358,858	382,403
Capital Lease Obligations (Note 7)	93,759,905	93,759,905
Total Liabilities	117,621,357	118,760,660
Net Assets		
Unrestricted	(8,036,966)	(4,022,721)
Temporarily restricted (Note 8)	10,735,497	10,660,497
Total Net Assets	2,698,531	6,637,776
Total Liabilities and Net Assets	$ 120,319,888	$ 125,398,436

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

GEORGIA ADVANCED TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Changes in unrestricted net assets		
Revenues and support:		
Rental income (Note 10)	$ 15,539,999	$ 14,528,785
Support from affiliates	1,624,000	455,000
Unrestricted donations	33,104	33,882
GATV memberships	80,630	81,806
Interest	2,377	3,119
Grant revenue	1,608,498	-
Other (Note 12)	675,903	17,251
Net assets released from restrictions	106,985	6,249,213
Total Unrestricted Revenues	19,671,496	21,369,056
Expenses:		
Program services	23,545,400	23,010,636
Management and general	140,341	158,115
Total Expenses	23,685,741	23,168,751
Change in unrestricted net assets	(4,014,245)	(1,799,695)
Changes in temporarily restricted net assets		
Contributions	181,985	6,299,213
Net assets released from restrictions	(106,985)	(6,249,213)
Change in temporarily restricted net assets	75,000	50,000
Change in net assets	(3,939,245)	(1,749,695)
Net assets, beginning of year	6,637,776	8,387,471
Net assets, end of year	$ 2,698,531	$ 6,637,776

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

GEORGIA ADVANCED TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Cash Flows from Operating Activities:		
Change in net assets	$ (3,939,245)	$ (1,749,695)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,286,995	4,387,980
Loss on investment in limited liability companies	303,340	277,000
Bad debt	-	35,154
Donation of land by GATV	2,700,000	3,845,833
Provision for lease commissions	335,495	-
Changes in operating assets and liabilities:		
Accounts receivable, net	(20,426)	(3,537)
Other assets	41,464	51,665
Unconditional promises to give	127,199	38,732
Accounts payable and accrued expenses	(592,675)	22,505
Subscription payable	(110,303)	(22,614)
Deferred revenue	(26,674)	(81,849)
Accrued interest payable	583,159	1,197,979
Refundable tenant deposits	(23,545)	(10,715)
Net Cash Provided by Operating Activities	3,664,784	7,988,438
Cash Flows from Investing Activities:		
Purchase of property and equipment	(107,272)	(6,430,148)
Net Cash Required by Investing Activities	(107,272)	(6,430,148)
Cash Flows from Financing Activities:		
Payments on notes payable	(969,265)	(907,511)
Net Cash Required by Financing Activities	(969,265)	(907,511)
Net Increase in Cash and Cash Equivalents	2,588,247	650,779
Cash and Cash Equivalents, Beginning of Year	2,416,694	1,765,915
Cash and Cash Equivalents, End of Year	$ 5,004,941	$ 2,416,694

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for interest	$ 6,783,979	$ 6,318,984

Supplemental Schedule of Noncash Financing and Investing Activities

As further described in Note 13, certain land with an estimated fair value of $2,700,000 and $3,845,833 was donated to the Board of Regents for the benefit of Georgia Institute of Technology during the years ended June 30, 2013 and 2012, respectively.

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

GEORGIA ADVANCED TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2013 AND 2012

	Program Services	Management and General	Total 2013	Total 2012
Salaries	$ 74,937	$ -	$ 74,937	$ 70,447
Fringe benefits	22,809	-	22,809	25,924
Total Compensation and Benefits	97,746	-	97,746	96,371
Bank charges	-	74,357	74,357	62,231
Bad debt	-	-	-	35,154
Insurance	149,953	-	149,953	135,510
Legal, accounting, and consulting	139,602	-	139,602	130,137
Write off of lease commissions	410,303	-	410,303	-
Management expenses	2,575,353	65,000	2,640,353	2,516,262
Marketing and sponsorship	12,138	-	12,138	7,500
Office supplies	-	529	529	255
Property repairs and maintenance	754,259	-	754,259	747,837
Registration fees	-	455	455	475
Rent	1,436,690	-	1,436,690	1,505,767
Taxes - property	602,899	-	602,899	652,487
Utilities	1,053,007	-	1,053,007	1,110,578
Depreciation and amortization	4,286,995	-	4,286,995	4,387,980
Interest	7,367,138	-	7,367,138	7,516,963
Loss on investment in limited liability companies	303,340	-	303,340	277,000
Contributions	2,904,499	-	2,904,499	3,845,833
Grant expense	1,358,498	-	1,358,498	-
Other expenses	92,980	-	92,980	140,411
Total Expenses	$ 23,545,400	$ 140,341	$ 23,685,741	$ 23,168,751

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

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Georgia Advanced Technology Ventures, Inc. (GATV) is a Georgia not-for-profit organization formed as a supporting organization of the Georgia Institute of Technology (GIT) focused on technology, commercialization, economic development and relevant real estate development. GATV provides support for technology transfer and economic activities including GIT's Advanced Technology Development Center (ATDC) incubator facilities and services to ATDC affiliated companies.

GATV is the sole member of eight limited liability companies: VLP 1, LLC, which holds ownership to property at 575 14th Street; VLP2, LLC, which holds ownership to properties at 720 14th Street, 673 and 650 Ethel Street, and 1115 Howell Mill Road; VLP 3, LLC, which holds ownership to properties at 395 North Avenue and 380 Northyards Boulevard; VLP 4, LLC, which holds ownership to properties at 0 North Avenue; Technology Enterprise Park 1, LLC, which master leases property at 387 Technology Circle; Technology Enterprise Park 2, LLC, formed to lease a new building to be constructed at 369 Technology Circle; GT Innovation Fund, LLC, which provides seed funding for start-up companies that further the mission of GATV; and GT Real Estate Services, LLC, which facilitates the purchase and transfer of real estate to GIT in further support of the mission of GATV.

Basis of Consolidation

The consolidated financial statements include the accounts of GATV and the limited liability companies of which it is a sole member and are collectively referred to hereafter as (the Organization). All material intercompany balances and transactions have been eliminated in consolidation.

Basis of Accounting

The Organization follows accounting standards set by the Financial Accounting Standards Board (“FASB”). The FASB sets accounting principles generally accepted in the United States of America (“GAAP”).

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Under GAAP, the Organization is required to report information regarding its consolidated financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassification of Amounts

Certain 2012 amounts previously reported have been reclassified to conform to the current year consolidated financial statement presentation.

Cash and Cash Equivalents

The Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Restricted cash relates to funds with donor-imposed restrictions that stipulate the Organization's use of the funds.

Accounts Receivable

Accounts receivable consist primarily of rental income due to the Organization. Outstanding balances are reviewed at the end of each reporting period and a determination is made on any rental income that is uncollectible and should be included in the allowance for doubtful accounts.

Fair Values Measured on Recurring Basis

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs in which little or no market data exists (Level 3 measurements). The three levels of the fair value hierarchy are described below:

> Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
>
> Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
>
> Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis (Continued)

Total assets at fair value classified within Level 3 were $341,289 and $644,629 as of June 30, 2013 and 2012, respectively, which consists of investments in limited liability companies. The Organization analyzes the financial statements provided by the limited liability companies and adjusts the value of the investments based on the financial position of the companies. There were no changes in valuation techniques for these funds for 2013 and 2012

Quantitative information as of June 30, 2013, with respect to assets measured and carried at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) is as follows:

Instrument	Fair Value	Principal Valuation Technique	Significant Inputs	Weighted Average
Investment in Limited Liability Companies	$341,289	Adjusted members' capital	Value based on financial position of the companies	N/A

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended June 30:

	2013	2012
Beginning balance	$ 644,629	$ 921,629
Loss on investment in limited liability companies	303,340	277,000
Ending balance	$ 341,289	$ 644,629

The significant unobservable inputs used in the fair value measurement of the Organization's investments in LLC's are subject to market risks resulting from changes in the market value of its investments.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

It is the Organization's policy to capitalize at cost personal property additions in excess of $30,000. Lesser amounts are expensed. Real property and tenant improvements are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method. Depreciation expense for the years ended June 30, 2013 and 2012 was $4,095,349 and $4,092,755, respectively.

Building Held for Donation

On June 29, 2012, the Organization purchased a building at 793 Marietta Street for $2,700,000 with the intent that the building be donated to the Board of Regents for the benefit of GIT, upon approval by the Board of Regents. The building was donated to the Board of Regents on December 20, 2012.

Deferred Revenue

Rental payments received from lessees in advance of the periods to which they pertain are deferred and recognized over the periods to which the rental payments relate.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contributions received by the Organization are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying Consolidated Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Unconditional promises to give are recognized as receivables and as revenues in the period in which the Organization is notified by the donor of his or her commitment to make a contribution. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying Consolidated Statement of Activities and Changes in Net Assets and in the Consolidated Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

GATV is a not-for-profit corporation and is exempt from income taxes under Section 501(a) as an organization described in Section 501 (c)(3) of the Internal Revenue Code. Accordingly, no income taxes are reflected in the accompanying consolidated financial statements. The consolidated subsidiaries are organized as single-member limited liability companies (LLC's) and are not liable for income taxes on their taxable income. Instead, GATV, as the sole-member, is liable for income taxes, if any, on the LLC's taxable income. The Organization's consolidated financial statements do not include a provision or liability for income taxes.

The Organization annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Organization takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. The Organization is no longer subject to tax examinations for tax years ending before June 30, 2010.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates and Assumptions

The Organization uses estimates and assumptions in preparing consolidated financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Subsequent Events

Management has evaluated subsequent events through the date of this report, which is the date the consolidated financial statements were available to be issued.

NOTE 2 – CONCENTRATIONS

The financial instruments which potentially subject the Organization to concentrations of credit risk are cash and cash equivalents. The Organization has cash deposits in a financial institution in excess of the $250,000 limit federally insured by the Federal Deposit Insurance Corporation. The excess amount totals $4,704,393 at June 30, 2013. Cash equivalents are held in an investment institution and are not federally insured. The amount of this uninsured investment is $50,548 at June 30, 2013. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying consolidated financial statements.

The Organization receives significant resources from GIT and related organizations, pursuant to various agreements, including a memorandum of understanding between the Organization and GIT. An interruption of this support could cause substantial doubt in the Organization's ability to continue as an independent entity.

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

At June 30, 2006, the Organization received a commitment from The University Financing Foundation (TUFF) for $1,500,000. This commitment will be paid in $50,000 increments over a 30-year period to begin in fiscal period 2007. This commitment has been recorded at a present value of $718,395 and $735,291 at June 30, 2013 and 2012, respectively, using a discount rate of 4.83%, which represents the risk-free rate of return at the date of the pledge.

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE (Continued)

At June 30, 2009, the Organization received a commitment from the GIT to provide $1,000,000 from available funds to make capital contributions associated with the GRA Venture Fund, LLC discussed in Note 4. This commitment will be paid as the GRA Venture Fund, LLC requests capital contributions. During the years ended June 30, 2013 and 2012, the Organization received $110,303 and $22,614, respectively, and reduced the balance of the outstanding commitment to $680,534 and $790,837 at June 30, 2013 and 2012, respectively.

The consolidated financial statements do not include conditional pledges, expectancies and bequests, which have not been recognized as revenue.

NOTE 4 – INVESTMENTS IN LIMITED LIABILITY COMPANIES

During the year ended June 30, 2005, the Organization entered an agreement to purchase a limited liability membership interest in Georgia Venture Partners, LLC, a seed capital fund established to make seed and early-stage investments in life sciences enterprises related to Georgia. The Organization agreed to contribute capital of $1,000,000 in exchange for its membership interest. The subscription agreement was finalized during the year ended June 30, 2005. During the years ended June 30, 2013 and 2012, unrealized losses of $303,340 and $277,000 were recognized in the consolidated financial statements.

During the year ended June 30, 2009, the Organization entered into an agreement to purchase a limited liability membership interest in GRA Venture Fund, LLC, a seed capital fund established to help startup businesses incubated in the VentureLab commercialization program of the Georgia Research Alliance. The Organization agreed to contribute capital of $1,000,000 in exchange for its membership interest subject to a provision of the Operating Agreement that limits capital contributions to 20% of a member’s commitment per calendar year. During the year ended June 30, 2010, the Organization entered into an agreement whereby any capital distributions from the GRA Venture Fund, LLC will be paid to the organization that provided the initial funding discussed in Note 3. As such, the Organization relinquished its rights to the investment and future earnings, and contributed its investment in the GRA Venture Fund, LLC during the year ended June 30, 2010.

NOTE 5 – LINE OF CREDIT

The Organization has a line of credit arrangement with TUFF, with a limit of $1,900,000. Interest at prime plus 2% (an effective rate of 5.25% at June 30, 2013) is payable each December 31; however, the Organization currently chooses to make interest payments on a quarterly basis. Principal is payable on December 31, 2013 or within 30 days of demand by TUFF . No collateral is specified, but the Organization is required to obtain the consent of TUFF before granting a security interest in its general assets to any other entity. At June 30, 2013 and 2012, advances outstanding under this line of credit total $1,600,000. Interest expense of $20,943 is accrued in association with this liability at June 30, 2013 and 2012.

NOTE 6 – LONG-TERM NOTES PAYABLE

Long-term notes payable are as follows at June 30:

	2013	2012
Loan from TUFF; interest at 6.00%; monthly payments of $4,164 through October 2015; unsecured	$ 108,539	$ 150,612
Loan from TUFF; interest at 7.53%; monthly payments of $11,833 through July 2018; secured by Technology Enterprise Park land	598,209	691,323
Loan from TUFF; interest at 7.53%; payments due on the 1st for 120 months beginning with the first month following the last draw; secured by Technology Enterprise Park land	2,704,180	3,025,463
Loan from TUFF; interest at 6.55%; monthly payments; principal matures October 2033; secured by Technology Enterprise Park land	5,917,957	5,979,629
Loan from Georgia Tech Facilities, Inc (GTFI), a related party (see Note 13); interest at 3.79%; monthly payments of $50,000 through June 2020; secured by 575 14th Street land and building	3,684,177	4,135,300
	$ 13,013,062	$ 13,982,327

Principal maturities on the notes payable are as follows:

Year ended June 30,	
2014	$ 1,035,414
2015	1,106,303
2016	1,148,414
2017	1,210,418
2018	1,294,697
Thereafter	7,217,816
	$ 13,013,062

NOTE 7 – CAPITAL LEASE OBLIGATIONS

The Organization is party to a lease agreement with TUFF ATDC LLC under which the Organization initially leased space on the first through third floors of the Centergy One Building on Fifth Street in Atlanta. The Organization subleases this space to organizations compatible with its mission. The first through third floor lease extends to August 2033, after which the Organization may purchase the property for a nominal charge.

The Organization was also party to a lease agreement with TUFF GATV45 LLC under which the Organization leased space on the fourth and fifth floors of the Centergy One Building. During September 2005, that lease agreement was terminated and the lease agreement with TUFF ATDC LLC was amended to include the fourth and fifth floors. The Organization also subleases that space to organizations compatible with its mission. The fourth and fifth floor lease extends to December 2034, at which time the Organization may purchase the property for a nominal charge. Additionally, the lease agreement with TUFF ATDC LLC provides that the Organization may purchase the property during the lease term at an amount determined by a formula accounting for interest rates and the total previous payments made.

The properties under the above capital leases are recorded as assets in the accompanying Consolidated Statement of Financial Position at the value of certain pre-occupancy payments plus the present value of the future minimum lease payments. The obligations under the capital lease have been recorded at the present value of future minimum lease payments, discounted at an interest rate appropriate to the Organization's estimated borrowing rate at the time of lease inception. Those interest rates are 6.25% for floors one through three and 7.75% for floors four and five. Interest expense on the discounted capital leases of $1,392,306 and $1,626,436 is accrued at June 30, 2013 and 2012, respectively.

At June 30, 2013 and 2012, the cost of properties under these capital leases total $56,622,871. Related accumulated depreciation at June 30, 2013 and 2012 is $10,431,154 and $9,298,696, respectively.

The Organization is a party to a lease agreement with TUFF TEPB LLC under which the Organization leases a building at Technology Enterprise Park. The Organization subleases space in the building to organizations compatible with its mission. This lease commenced June 30, 2007, and extends to June 30, 2037, at which time the Organization may purchase the property for a nominal charge. Additionally, the Organization may purchase the property during the lease term at an amount determined by a formula accounting for interest rates and the total previous payments made.

NOTE 7 – CAPITAL LEASE OBLIGATIONS (Continued)

The property under the above capital lease is recorded as an asset in the accompanying Consolidated Statement of Financial Position. The obligations under the capital lease have been recorded at the value of the contractor's cost of construction plus capitalized interest during the construction period. The effective overall average interest rate on the lease, given an escalating lease payment schedule over the life of the agreement, is 7.129%. Interest expense on the discounted capital leases of $2,132,839 and $1,310,968 is accrued at June 30, 2013 and 2012, respectively.

At June 30, 2013 and 2012, the cost of property under the above capital lease totaled $45,432,759. Related accumulated depreciation at June 30, 2013 and 2012 is $12,730,382 and $10,545,100, respectively.

Future minimum lease payments under the capital leases, and the net present value of future minimum lease payments, are as follows:

Year ended June 30,	
2014	$ 10,256,611
2015	8,056,285
2016	8,215,940
2017	8,375,375
2018	7,673,018
Thereafter	146,279,168
	188,856,397
Less amounts representing interest	(95,096,492)
Present value of future minimum lease payments	$ 93,759,905

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets contain donor-imposed restrictions that permit the Organization to use or expend the donated assets as specified and are satisfied either by the passage of time or by actions of the Organization.

NOTE 9 – OPERATING LEASE OBLIGATIONS

During the year ended June 30, 2007, the Organization, as lessee, entered into an operating lease agreement with Centergy One Associates, LLC, for space on the sixth floor of the Centergy One Building on Fifth Street in Atlanta. The lease had a term of five years, after which possession of the space reverts to Centergy One Associates, LLC. This lease agreement expired during the year ended June 30, 2012 and was not renewed.

NOTE 9 – OPERATING LEASE OBLIGATIONS (Continued)

During the year ended June 30, 2007, the Organization, as lessee, entered into an operating lease agreement with TUFF Bullet LLC for a building at Technology Enterprise Park. The lease has a term of thirty years, after which possession of the space reverts to TUFF Bullet LLC.

During the year ended June 30, 2007, the Organization, as lessor, entered into a Base Lease Agreement with TUFF Bullet LLC for a portion of an existing building at Technology Enterprise Park. The Base Lease Agreement is for a term for 35 years and provided for a Base Rental Payment to the Organization in the amount of $3,462,517. The unamortized portion of the Base Rental Payment is recorded within Deferred Revenue, in the amounts of $2,684,226 and $2,799,676, as of June 30, 2013 and 2012, respectively.

Future minimum lease payments under the operating leases are as follows:

Year ended June 30,	
2014	$ 313,922
2015	317,673
2016	321,537
2017	325,516
2018	329,616
Thereafter	3,895,124
	$ 5,503,388

NOTE 10 – RENTAL INCOME

The Organization's rental income is generated primarily by leasing facilities to tenants under various cancelable leases and subleases. Rental income from all sources is $15,539,999 and $14,528,785 for the years ended June 30, 2013 and 2012, respectively. Many of the leases provide tenants the option to terminate these leases at any time by giving the Organization 30 days written notice.

NOTE 11 – PAYMENTS TO AFFILIATES

During the year ended June 30, 2013, the Organization remitted payments, or accrued liabilities for balances due, to GIT in the amount of $65,989, including $97,746 for reimbursed salaries and fringe benefits offset by credits of $31,757 for amounts due from GIT to the Organization.

NOTE 11 – PAYMENTS TO AFFILIATES (Continued)

During the year ended June 30, 2012, the Organization remitted payments, or accrued liabilities for balances due, to GIT in the amount of $68,200, including $96,371 for reimbursed salaries and fringe benefits offset by credits of $28,171 for amounts due from GIT to the Organization.

The Organization, under various agreements, reimburses ATDC and GIT for administrative services received, including the estimated value of employees' time performing services for the Organization. These reimbursements are included as program service expenses in the accompanying Consolidated Statement of Activities and Changes in Net Assets.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

To guarantee performance under certain capital leases described in Note 7, the Organization is required to maintain a letter of credit payable to TUFF ATDC, LLC with a face amount of $4,800,000. Borrowings under the letter of credit bear interest at the rate of prime plus 2%. The letter of credit is collateralized by a limited guaranty equal to its face amount by Georgia Tech Foundation, Inc. The letter of credit expires June 10, 2014. There were no outstanding draws against the letter of credit at June 30, 2013 and 2012.

The Environmental Protection Division of the Georgia Department of Natural Resources (the "EPD") issued a Proposed Consent Order in May 2010 with respect to Compliance Status Reports submitted for the 1115 Howell Mill Road property owned by the Organization (VLP2 LLC), including environmental concerns related to the Organization's property at 720 & 0 14th Street and to other properties east of 720 & 0 14th Street which are not owned by the Organization. The Organization has hired an independent environmental attorney and an independent environmental consulting firm to determine the extent of the potential liability that exists. At June 30, 2012, the Organization has reflected a liability in the Consolidated Statement of Financial Position in the amount of $1,215,729. On November 30, 2011, the Organization submitted a Voluntary Remediation Program Application to the EPD. This application was approved on November 2, 2012 and the cost estimate of the approved remediation program is $592,500. The EPD required the submittal of a financial assurance instrument as a condition of the approved remediation program. The Organization established a letter of credit expiring February 28, 2014 to meet this requirement. There were no outstanding draws against the letter of credit at June 30, 2013. Based on the approved remediation program, the Organization reduced the existing liability by $616,448 through Other Income in the Consolidated Statement of Activities and Changes in Net Assets for the year ended June 30, 2013. At June 30, 2013, the Organization has reflected a liability of $523,260 in the Consolidated Statement of Financial Position.

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

The Organization has certain limited, low-risk financial exposure related to its involvement with the Global Center for Medical Innovation, Inc., a Georgia non-profit corporation (“GCMI”). The Organization and GCMI are the joint recipients of a $1,300,000 grant (the "Award Amount") from the Economic Development Administration, United States Department of Commerce (the "EDA") under the Public Works and Economic Development Act of 1965, as amended, which they accepted on June 2, 2010. The purpose of the award is to assist in financing the construction of a medical device prototyping and design center and the purchase of certain equipment, personal property and related attachments, fixtures, hardware and tooling to support the operations of said center (the "Project"). One of the terms and conditions of the award is the Organization's agreement that it may be required to repay the Award Amount to the EDA, if at any time, it sells, leases, mortgages, or otherwise alienates any right to or interest in the Project. As such, in the event the Project does not remain in operation, the Organization’s resulting exposure could potentially extend up to $1,300,000. Management intends to operate the Project in accordance with the terms of the agreement and believes there is no exposure to the Organization.

In advance of terminating its membership interest in GCMI, the Organization requested and received a letter from GCMI dated June 28, 2013 in which GCMI agreed to indemnify and hold the Organization harmless from any actions asserted, or filed against the Organization, which arise from GCMI’s failure to perform in accordance with the terms of the above-referenced grant. The Organization terminated its membership interest in GCMI, as of July 1, 2013.

NOTE 13 – RELATED PARTY TRANSACTIONS

The Organization leases office space to companies controlled by members of the Organization’s Board of Directors. Total lease payments received from these companies during 2013 and 2012 were $2,550,838 and $2,719,122, respectively.

During the year ended June 30, 2010, the Organization entered into an agreement to lease the land and building located at 575 14th Street to the Board of Regents of the University System of the State of Georgia for use by GIT. The Organization agreed to provide $5,000,000 of improvements to the building. To fund these improvements, the Organization entered into a $5,000,000 note payable to Georgia Tech Facilities, Inc. (GTFI) (see Note 6). In exchange for the note payable, GTFI agreed to construct the improvements and the Organization recorded a receivable, named Due From Related Party, from GTFI to reflect the agreement to provide the improvements. The Organization and GTFI share common officers. During the year ended June 30, 2012, improvements to the building were completed and $5,000,000 of improvements to the property are included in Tenant Improvements in the accompanying Consolidated Statement of Financial Position.

NOTE 13 – RELATED PARTY TRANSACTIONS (Continued)

On December 16, 2011, the Organization purchased real property located at 755 Marietta Street for $3,845,833, with the intention of donating the property to the Board of Regents for the benefit of GIT. On April 17, 2012, the Board of Regents accepted the transfer of the property from the Organization and the transfer was finalized on June 29, 2012 and is recorded as an expense in the Consolidated Statement of Functional Expenses.

On June 29, 2012, the Organization purchased real property located at 793 Marietta Street for $2,700,000, with the intention of donating the property to the Board of Regents for the benefit of GIT. On December 20, 2012, the Board of Regents accepted the transfer of the property from the Organization and the transfer was finalized on December 20, 2012, and is recorded as an expense in the Consolidated Statement of Functional Expenses.

NOTE 14 – 575 14TH STREET PROJECT AGREEMENT

The Organization is a party to a Project Agreement effective as of July 1, 2003, which provides that in the event of the sale of the real property and improvements at 575 14th Street the net proceeds realized by the Organization from such sale in excess of costs incurred in operating the property and completing the sale are to be divided equally between the Organization and a restricted account of the Georgia Tech Foundation, Inc.

NOTE 15 – FINANCIAL INFORMATION FOR 2012

The consolidated financial statements include certain prior-year summarized comparative information in total, but not by functional expense class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2012, from which the summarized information was derived.

SUPPLEMENTARY INFORMATION

GEORGIA ADVANCED TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES

REPORTS AND OTHER SCHEDULES AND INFORMATION

AS REQUIRED BY OMB CIRCULAR A-133

YEAR ENDED JUNE 30, 2013

GEORGIA ADVANCED TECHNOLOGY VENTURES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Award Number	Pass-Through Identifying Number	Total Expenditures
Department of Commerce				
Economic Adjustment Assistance				
Medical Device Center	11.307	04-79-06352	N/A	$ 1,300,000
Total Department of Commerce				$ 1,300,000

Notes to Schedule of Expenditures of Federal Awards

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Georgia Advanced Technology Ventures, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Trustees
Georgia Advanced Technology Ventures, Inc. and Subsidiaries

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Georgia Advanced Technology Ventures, Inc. and Subsidiaries (a nonprofit organization) (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2013, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 9, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Smith + Howard

September 9, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Trustees
Georgia Advanced Technology Ventures, Inc. and Subsidiaries

Report on Compliance for Each Major Federal Program

We have audited Georgia Advanced Technology Ventures, Inc. and Subsidiaries (a nonprofit organization) (the "Organization") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2013. The Organization's major federal programs are identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

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Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Smith + Howard

September 9, 2013

GEORGIA ADVANCED TECHNOOGY VENTURES, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ yes	X no
Significant deficiencies identified that are not considered to be material weakness(es)?	none reported	
Noncompliance material to financial statements noted?	____ yes	X no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	____ yes	X no
Significant deficiencies identified that are not considered to be material weakness(es)?	none reported	
Type of auditors' report issued on compliance of major programs:	Unqualified	
Any audit findings disclosed that are required to be Reported in accordance with Section 510(a) of OMB Circular A-133?	____ yes	X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
11.307	Economic Adjustment Assistance

GEORGIA ADVANCED TECHNOOGY VENTURES, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Section I – Summary of Auditors' Results (Continued)

Dollar threshold used to distinguish between type A and type B programs:	$ 300,000	
Auditee qualified as low-risk auditee?	____ yes	X no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Summary Schedule of Prior Audit Findings and Questioned Costs

None