GEORGIA ADVANCED TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

with
INDEPENDENT AUDITORS' REPORT

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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, 2017, and the related consolidated 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.

Management's Responsibility for the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 Organization'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 Organization'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.

Suite 1600, 271 17th Street, N.W., Atlanta, GA 30363
Tel 404.874.6244 Fax 404.874.1658 www.smith-howard.com

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, 2017, and the changes in consolidated net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 9, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ending June 30, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Smith + Howard

September 7, 2017

GEORGIA ADVANCED TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

	2017	2016
Cash and Cash Equivalents (Note 2)	$ 4,057,209	$ 3,699,421
Restricted Cash (Note 2)	1,107,809	1,107,417
Accounts Receivable, No Allowance Deemed Necessary	198,884	42,442
Deposits	490,397	1,019,896
Other Assets	78,801	80,927
Unconditional Promises to Give (Note 3)	805,380	852,597
Property and Equipment, Net (Notes 1, 4 and 5)		
Construction in process	6,280	173,941
Land	18,328,530	18,328,530
Buildings	82,617,036	79,061,215
Infrastructure	3,824,225	3,824,225
Tenant improvements	10,514,553	9,339,772
Furniture and fixtures	1,047,396	1,047,396
	116,338,020	111,775,079
Less accumulated depreciation	25,663,080	23,058,853
	90,674,940	88,716,226
Lease Commissions, Net of Accumulated Amortization of $416,075 and $371,861 in 2017 and 2016, Respectively	12,468	56,682
Total Assets	$ 97,425,888	$ 95,575,608

LIABILITIES AND NET ASSETS

	2017	2016
Accounts Payable and Accrued Expenses (Note 10)	$ 883,459	$ 1,203,179
Subscription Payable	163,137	189,949
Deferred Revenue (Note 7)	2,863,775	2,826,711
Accrued Interest Payable	42,862	45,438
Long-Term Notes Payable (Note 4)	8,686,738	9,383,664
Refundable Tenant Deposits	153,327	161,316
Capital Lease Obligations (Note 5)	56,029,547	57,437,445
Total Liabilities	68,822,845	71,247,702
Net Assets		
Unrestricted	20,474,579	16,327,906
Temporarily restricted (Note 6)	8,128,464	8,000,000
Total Net Assets	28,603,043	24,327,906
Total Liabilities and Net Assets	$ 97,425,888	$ 95,575,608

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, 2017 AND 2016

	2017	2016
Changes in unrestricted net assets		
Revenues and support:		
Rental income (Note 8)	$ 12,249,348	$ 13,051,869
Support from affiliates	501,225	1,288,684
Unrestricted donations	29,595	30,535
GATV memberships	144,868	112,999
Interest	19,821	8,994
Other	25,384	231,667
Project Engage	427,596	-
Gain on transfer of property and debt (Note 5 and 13)	-	21,005,288
Net assets released from restrictions	2,871,536	3,395,497
Total Unrestricted Revenues	16,269,373	39,125,533
Expenses:		
Program services	11,958,004	13,583,339
Management and general	164,696	132,900
Total Expenses	12,122,700	13,716,239
Change in unrestricted net assets	4,146,673	25,409,294
Changes in temporarily restricted net assets		
Contributions	3,000,000	430,000
Net assets released from restrictions	(2,871,536)	(3,395,497)
Change in temporarily restricted net assets	128,464	(2,965,497)
Change in net assets	4,275,137	22,443,797
Net assets, beginning of year	24,327,906	1,884,109
Net assets, end of year	$ 28,603,043	$ 24,327,906

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, 2017 AND 2016

	2017	2016
Cash Flows from Operating Activities:		
Change in net assets	$ 4,275,137	$ 22,443,797
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,650,942	2,981,752
Gain on sale of building	-	(166,751)
Gain on transfer of property and debt (Note 13)	-	(21,005,288)
Non-cash unrestricted donations	(29,595)	(30,535)
Bad debt expense	-	32,291
Changes in operating assets and liabilities:		
Accounts receivable, net	(156,442)	122,733
Cash Held by TUFF	-	377,895
Deposits	132,623	(642,291)
Other assets	(374)	(50,589)
Unconditional promises to give	47,217	70,440
Accounts payable and accrued expenses	(319,720)	(732,310)
Subscription payable	(26,812)	(50,975)
Deferred revenue	37,064	278,952
Accrued interest payable	(2,576)	(265,079)
Refundable tenant deposits	(7,989)	(25,923)
Net Cash Provided by Operating Activities	6,599,475	3,338,119
Cash Flows from Investing Activities:		
Earnest money deposit	-	(350,000)
Proceeds from building held for sale	-	992,751
Purchase of property and equipment	(4,166,067)	(894,009)
Net Cash Required by Investing Activities	(4,166,067)	(251,258)
Cash Flows from Financing Activities:		
Payments on notes payable	(696,926)	(798,836)
Payments on capital leases	(1,378,302)	(1,306,185)
Net Cash Required by Financing Activities	(2,075,228)	(2,105,021)
Net Increase in Cash and Cash Equivalents and Restricted Cash	358,180	981,840
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	4,806,838	3,824,998
Cash and Cash Equivalents and Restricted Cash, End of Year	$ 5,165,018	$ 4,806,838
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for interest	$ 3,413,113	$ 4,499,391

Supplemental Schedule of Noncash Financing and Investing Activities:

As further discussed in Note 13, during the year ended June 30, 2016, the Organization transferred property which resulted in a non-cash reduction of property and equipment of $25,172,922, capital lease obligations of $44,127,960 and long-term notes payable of $2,248,027.

During the years ended June 30, 2017 and 2016, capital lease obligations of $50,000 were repaid through a reduction in Unconditional Promises to Give (Note 3). During 2017, this is reflected above with a reduction of operating cash flow of $29,595 with the remaining $20,405 used to reduce balances outstanding under capital leases. During 2016, this is reflected above with a reduction of operating cash flow of $30,535 with the remaining $19,465 used to reduce balances outstanding under capital leases.

At June 30, 2016, accrued expenses included $155,634 in construction expenses related to capital projects.

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, 2017 AND 2016

	Program Services	Management and General	Total 2017	Total 2016
Bank charges	$ -	$ 65,323	$ 65,323	$ 67,228
Insurance	84,224	-	84,224	95,132
Legal, accounting, and consulting	369,356	-	369,356	154,814
Property management expenses	2,562,499	83,000	2,645,499	2,616,124
Marketing and sponsorship	26,341	-	26,341	7,500
Office supplies	-	343	343	242
Property repairs and maintenance	805,014	-	805,014	894,322
Registration fees	-	16,030	16,030	430
Rent	1,399,767	-	1,399,767	1,321,958
Taxes - property	353,204	-	353,204	397,922
Utilities	39,500	-	39,500	246,046
Depreciation and amortization	2,650,942	-	2,650,942	2,981,752
Interest	3,410,537	-	3,410,537	4,234,312
Bad debt expense	-	-	-	32,291
Environmental remediation	-	-	-	424,751
Contributions	198,572	-	198,572	122,365
Other expenses	58,048	-	58,048	119,050
Total Expenses	$ 11,958,004	$ 164,696	$ 12,122,700	$ 13,716,239

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

GEORGIA ADVANCED TECHNOLOGY VENTURES, INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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 ten limited liability companies of which two were formed during 2017, Ethel Street, LLC and Georgia Tech Cobb Research Campus, LLC. The ten subsidiaries are the following:

Company	**Description**
VLP1, LLC	Holds ownership to property at 575 14th Street
VLP2, LLC	Holds ownership to property at 720 14th Street, 650 Ethel Street, 673 Ethel Street, and 1115 Howell Mill Road
VLP3, LLC	Holds ownership to properties at 395 North Avenue and 380 Northyards Boulevard
VLP4, LLC	Holds ownership to property at 0 North Avenue
Technology Enterprise Park 1, LLC	Master leased property at 387 Technology Circle until October 1, 2015 (see Note 13)
Technology Enterprise Park 2, LLC	Formed to lease a new building to be constructed at 369 Technology Circle
GT Innovation Fund, LLC	Provides seed funding for start-up companies that further the mission of GATV
GT Real Estate Services, LLC	Facilitates the purchase and transfer of real estate to GIT in further support of the mission of GATV
Ethel Street, LLC	Formed to hold ownership to property at 650 Ethel Street after transfer from VLP2, LLC
Georgia Tech Cobb Research Campus, LLC	Formed to obtain financing to acquire and renovate research facilities in Cobb County

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

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.

Cash and Cash Equivalents and Restricted Cash

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.

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, 2017 and 2016 was $2,604,228 and $2,896,430, respectively.

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.

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.

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

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, 2014.

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 $4,915,018 at June 30, 2017. 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 has been paid in $50,000 increments since fiscal period 2007. Effective July 1, 2014, this commitment will be paid as a reduction in the rent payment due by the Organization to TUFF. This commitment has been recorded at a present value of $642,243 and $662,648 at June 30, 2017 and 2016, respectively, using a discount rate of 4.83%, which represents the risk-free rate of return at the date of the pledge.

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, a seed capital fund established to help startup businesses incubated in the VentureLab commercialization program of the Georgia Research Alliance. The Organization does not have direct investment rights or rights to future earnings of GRA Venture Fund, LLC. This commitment will be paid as GRA Venture Fund, LLC requests capital contributions. During the years ended June 30, 2017 and 2016, the Organization received $26,812 and $50,975, respectively, and reduced the balance of the outstanding commitment to $163,137 and $189,949 at June 30, 2017 and 2016, respectively.

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

NOTE 4 – LONG-TERM NOTES PAYABLE

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

	2017	2016
Loan from TUFF; interest at 6.55%; monthly payments; principal matures October 2033; secured by Technology Enterprise Park land	$ 5,517,985	$ 5,644,070
Loan from TUFF; interest at 6.025%; monthly payments of $11,342 through December 2034 unsecured	1,469,802	1,515,834
Loan from Georgia Tech Facilities, Inc. (GTFI), a related party (see Note 11); interest at 3.79%; monthly payments of $50,000 through June 2020; secured by 575 14th street land and building	1,698,951	2,223,760
	$ 8,686,738	$ 9,383,664

Principal maturities on the notes payable are as follows:

Year ended June 30,	
2018	$ 740,435
2019	787,054
2020	837,147
2021	280,544
2022	315,260
Thereafter	5,726,298
	$ 8,686,738

NOTE 5 – 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 fifth 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 and the fourth and fifth floor lease extends to December 2034. At the end of the lease agreement, 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 leases have been restated, amended, and consolidated at various times, the most recent of which is dated July 1, 2014.

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 4.89% for all floors, as amended through July 1, 2014.

At June 30, 2017 and 2016, the cost of properties under these capital leases total $66,936,210. Related accumulated depreciation at June 30, 2017 and 2016 is $15,841,390 and $14,457,388, respectively.

The Organization was a party to a lease agreement with TUFF TEPB LLC under which the Organization leased a building at Technology Enterprise Park. The Organization subleased space in the building to organizations compatible with its mission. This lease commenced June 30, 2007, and terminated on October 1, 2015 with assignment of the lease to TUFF TEP1 MASTER LEASE LLC (Note 13).

NOTE 5 – CAPITAL LEASE OBLIGATIONS (Continued)

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

Year ended June 30,	
2018	$ 4,318,352
2019	4,434,088
2020	4,541,583
2021	4,647,211
2022	4,762,855
Thereafter	63,408,000
	86,112,089
Less amounts representing interest	(30,082,542)
Present value of future minimum lease payments	$ 56,029,547

NOTE 6 – 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 7 – OPERATING LEASE OBLIGATIONS

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 $2,222,423 and $2,337,874, as of June 30, 2017 and 2016, respectively.

During June 2015, the Organization entered into an operating lease agreement with ADE 703, LLC for a building at 818 Joseph Lowery Boulevard with rent payments of $30,000 due on the first of each month. The lease term commences on August 1, 2015 and expires on July 31, 2017, at which time the Organization purchased the building as described in Note 10.

NOTE 7 – OPERATING LEASE OBLIGATIONS (Continued)

During May 2016, the Organization entered into an agreement for the assignment of an operating lease with Marietta Boulevard Associates as landlord and TUFF GT Library LLC as assignor. The lease is for a building at 1594 Marietta Boulevard. The lease term ends January 31, 2018 and has the option to renew for three consecutive five-year terms, ending January 31, 2033.

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

Year ended June 30,		
2018	$	543,947
2019		522,777
2020		531,849
2021		411,314
2022		365,799
Thereafter		5,338,591
	$	7,714,277

NOTE 8 – 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 $12,249,348 and $13,051,869 for the years ended June 30, 2017 and 2016, 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 9 – PAYMENTS TO AFFILIATES

The Organization remitted payments, or accrued liabilities for balances due, to GIT in the amount of $315,873 and $237,233 for the years ended June 30, 2017 and 2016, respectively.

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 and management and general expenses in the accompanying Consolidated Statement of Activities and Changes in Net Assets.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

To guarantee performance under certain capital leases described in Note 5, 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, 2018. There were no outstanding draws against the letter of credit at June 30, 2017 and 2016.

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 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 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 was \$592,500. The Organization reviewed the cost of the remediation program during fiscal year 2016 and estimated the cost to be \$660,000. At June 30, 2016, the Organization adjusted the total potential liability to \$660,000 in the Consolidated Statement of Financial Position. 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, 2018 to meet this requirement. There were no outstanding draws against the letter of credit at June 30, 2017.

During June 2015, the Organization entered into a lease with ADE 703, LLC for a warehouse at 818 Joseph Lowery Boulevard in Atlanta, Georgia. The lease commenced in August 2015 and ended on July 31, 2017. The lease terms required monthly payments of \$30,000 and included a purchase option. The Organization exercised the purchased option and on July 31, 2017 purchased the property for \$5,950,000 and immediately sold the property for \$5,950,000 to the Board of Regents for use by GIT.

NOTE 11 – RELATED PARTY TRANSACTIONS

The Organization leases office space to companies controlled by members of the Organization's Board of Directors. Total payments received from these companies during 2017 and 2016 were $199,292 and $113,402, respectively. At June 30, 2017, these companies owed $3,097 to the Organization. The Organization also leases office space to GIT and receives operating support from GIT. Total payments received from GIT during 2017 and 2016 were $7,786,723 and $7,833,339, respectively. At June 30, 2017, GIT owed $6,939 to the Organization.

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 4). 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.

The Organization entered into an Interim Development Management Services Agreement with GTFI and GIT, effective as of February 22, 2017. Under the agreement, the Organization will fund the cost of predevelopment work in an amount not to exceed $1,300,000; GTFI will be responsible for overall management and contracting; and GIT will provide development management services during the pre-development period to construct the new research facility in Cobb County.

The Organization entered into a Program Administration Services Agreement with Engage Venture Fund I, LP on May 22, 2017. Under the agreement, the Organization will provide program administration services for Project Engage participants. Engage Venture Fund I, LP is managed by Tech Square Venture Partners II, LLC. The managing partner of Tech Square Venture Partners II, LLC is also a Board member of the Organization.

NOTE 12 – 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 13 – ASSIGNMENT AGREEMENT

On October 1, 2015, the Organization entered into an Assignment and Assumption Agreement with TUFF TEP1 MASTER LEASE LLC to transfer the property at 387 Technology Circle from the Organization to TUFF. The effect of this transfer on the consolidated financial statements as of and for the year ended June 30, 2016 was the removal of the following assets and liabilities and the recognition of the related gain as follows:

Property and equipment, net	$ 25,172,922
Lease commissions, net of accumulated amortization	605,315
Total assets	$ 25,778,237
Current liabilities	$ 407,538
Long-term notes payable	2,248,027
Capital lease obligations	44,127,960
Total liabilities	$ 46,783,525
Net gain	$ 21,005,288

NOTE 14 – FINANCIAL INFORMATION FOR 2016

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, 2016, from which the summarized information was derived.

NOTE 15 – SUBSEQUENT EVENT

As described in Note 10, the Organization purchased the property at 818 Joseph Lowery Boulevard in Atlanta, Georgia for $5,950,000 and immediately sold the property for $5,950,000 to the Board of Regents for use by GIT.