GEORGIA ADVANCED TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

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, 2015, 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.

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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, 2015, 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 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 12, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ending June 30, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Smith + Howard

September 11, 2015

GEORGIA ADVANCED TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

ASSETS

	2015	2014
Cash and Cash Equivalents (Note 2)	$ 3,525,552	$ 3,911,766
Restricted Cash (Note 2)	299,446	432,114
Cash Held by TUFF	377,895	-
Accounts Receivable, No Allowance Deemed Necessary	171,353	58,389
Other Assets	71,557	75,908
Unconditional Promises to Give (Note 3)	923,037	1,115,695
Property and Equipment, Net (Notes 1, 5 and 6)		
Construction in process	573,537	-
Land	18,328,530	18,328,530
Buildings	102,250,899	102,250,899
Infrastructure	3,824,225	3,824,225
Tenant improvements	26,640,782	26,640,782
Furniture and fixtures	1,047,396	1,047,396
	152,665,369	152,091,832
Less accumulated depreciation	36,945,737	32,468,390
	115,719,632	119,623,442
Lease Commissions, Net of Accumulated Amortization of $1,577,681 and 1,379,035 in 2015 and 2014, Respectively	744,820	943,466
Building Held for Sale (Note 1)	826,000	-
Investments in Limited Liability Companies, at Fair Value (Notes 1 and 4)	15,000	356,289
Total Assets	$ 122,674,292	$ 126,517,069

LIABILITIES AND NET ASSETS

	2015	2014
Accounts Payable and Accrued Expenses (Note 11)	$ 1,779,855	$ 1,310,558
Subscription Payable	240,924	415,013
Deferred Revenue (Note 8)	2,547,759	3,251,740
Accrued Interest Payable (Note 6)	521,263	1,449,569
Long-Term Notes Payable (Note 5)	12,430,526	13,577,647
Refundable Tenant Deposits	367,731	325,215
Capital Lease Obligations (Note 6)	102,902,125	104,073,244
Total Liabilities	120,790,183	124,402,986
Net Assets		
Unrestricted	(9,081,388)	(8,606,414)
Temporarily restricted (Note 7)	10,965,497	10,720,497
Total Net Assets	1,884,109	2,114,083
Total Liabilities and Net Assets	$ 122,674,292	$ 126,517,069

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, 2015 AND 2014

	2015	2014
Changes in unrestricted net assets		
Revenues and support:		
Rental income (Note 9)	$ 17,251,737	$ 16,367,066
Support from affiliates	1,005,156	1,164,312
Unrestricted donations	31,431	32,287
GATV memberships	80,001	71,474
Interest	3,542	3,502
Other	208,913	3,555
Gain on extinguishment of debt (Note 6)	-	1,037,924
Net assets released from restrictions	5,000	65,000
Total Unrestricted Revenues	18,585,780	18,745,120
Expenses:		
Program services	18,927,554	19,180,250
Management and general	133,200	134,318
Total Expenses	19,060,754	19,314,568
Change in unrestricted net assets	(474,974)	(569,448)
Changes in temporarily restricted net assets		
Contributions	250,000	50,000
Net assets released from restrictions	(5,000)	(65,000)
Change in temporarily restricted net assets	245,000	(15,000)
Change in net assets	(229,974)	(584,448)
Net assets, beginning of year	2,114,083	2,698,531
Net assets, end of year	$ 1,884,109	$ 2,114,083

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, 2015 AND 2014

	2015	2014
Cash Flows from Operating Activities:		
Change in net assets	$ (229,974)	$ (584,448)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,678,493	4,488,510
Gain on extinguishment of debt	-	(1,037,924)
Non-cash unrestricted donations	(31,431)	-
Loss on investment in limited liability companies	341,289	-
Changes in operating assets and liabilities:		
Accounts receivable, net	(112,964)	4,800
Cash Held by TUFF	(377,895)	-
Other assets	1,851	(8,026)
Unconditional promises to give	174,089	283,234
Accounts payable and accrued expenses	469,297	12,052
Subscription payable	(174,089)	(265,521)
Deferred revenue	(703,981)	(47,477)
Accrued interest payable	(928,306)	(1,123,782)
Refundable tenant deposits	42,516	(33,643)
Net Cash Provided by Operating Activities	3,148,895	1,687,775
Cash Flows from Investing Activities:		
Investment in limited liability company	-	(15,000)
Purchase of building held for sale	(826,000)	-
Purchase of property and equipment	(573,537)	(1,298,421)
Net Cash Required by Investing Activities	(1,399,537)	(1,313,421)
Cash Flows from Financing Activities:		
Payments on notes payable	(1,147,121)	(1,035,415)
Payments on capital leases	(1,121,119)	-
Net Cash Required by Financing Activities	(2,268,240)	(1,035,415)
Net Decrease in Cash and Cash Equivalents and Restricted Cash	(518,882)	(661,061)
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	4,343,880	5,004,941
Cash and Cash Equivalents and Restricted Cash, End of Year	$ 3,824,998	$ 4,343,880

Supplemental Disclosures of Cash Flow Information:

	2015	2014
Cash paid during the year for interest	$ 7,567,812	$ 8,336,494

Supplemental Schedule of Noncash Financing and Investing Activities:

During the year ended June 30, 2014, the line of credit balance of $1,600,000 was converted into a long-term note payable.

During the year ended June 30, 2014, the capital lease agreement for certain buildings increased by $10,313,339 as a result of an amendment as described in Note 6.

During the year ended June 30, 2015, capital lease obligations of $50,000 were repaid through a reduction in Unconditional Promises to Give (Note 3). This is reflected above with a reduction of operating cash flow of $31,431 with the remaining $18,569 used to reduce balances outstanding under capital leases.

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, 2015 AND 2014

	Program Services	Management and General	Total 2015	Total 2014
Bank charges	$ -	$ 67,377	$ 67,377	$ 67,946
Insurance	140,610	-	140,610	145,588
Legal, accounting, and consulting	278,167	-	278,167	198,150
Management expenses	2,855,604	65,000	2,920,604	2,714,902
Marketing and sponsorship	14,625	-	14,625	7,500
Office supplies	-	143	143	942
Property repairs and maintenance	849,810	-	849,810	953,002
Registration fees	-	680	680	430
Rent	778,823	-	778,823	1,456,880
Taxes - property	776,329	-	776,329	602,266
Utilities	1,087,164	-	1,087,164	1,092,808
Depreciation and amortization	4,678,493	-	4,678,493	4,488,510
Interest	6,639,507	-	6,639,507	7,212,712
Loss on investment in limited liability companies	341,289	-	341,289	-
Contributions	393,308	-	393,308	305,021
Other expenses	93,825	-	93,825	67,911
Total Expenses	$ 18,927,554	$ 133,200	$ 19,060,754	$ 19,314,568

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, 2015 AND 2014

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 (see Note 15); 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)

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.

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.

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

Fair Values Measured on Recurring Basis (Continued)

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.

Total assets at fair value classified within Level 3 were $15,000 and $356,289 as of June 30, 2015 and 2014, 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 2015 and 2014.

Quantitative information as of June 30, 2015, 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	$ 15,000	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:

	2015	2014
Beginning balance	$ 356,289	$ 341,289
Investment in new limited liability company	-	15,000
Loss on investment in limited liability companies	(341,289)	-
Ending balance	$ 15,000	$ 356,289

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, 2015 and 2014 was $4,477,347 and $4,287,364, respectively.

On June 1, 2015, the Organization purchased a building at 171 5th Street for $826,000 with the intent that the building be sold to a campus-related organization. The building was sold to a campus-related organization for $1,000,000 on August 7, 2015.

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.

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

Revenue Recognition (Continued)

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, 2012.

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.

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

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 $3,524,444 at June 30, 2015. Cash equivalents are held in an investment institution and are not federally insured. The amount of this uninsured investment is $50,554 at June 30, 2015. 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 $682,113 and $700,682 at June 30, 2015 and 2014, 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, 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, 2015 and 2014, the Organization received $174,089 and $265,521, respectively, and reduced the balance of the outstanding commitment to $240,924 and $415,013 at June 30, 2015 and 2014, 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 COMPANY

During the year ended June 30, 2005, the Organization entered an agreement to purchase a limited liability membership interest in Georgia Venture Partners, LLC (“GVP”), 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 year ended June 30, 2015, the operations of GVP were terminated and the investment was written off resulting in a loss of $311,289.

NOTE 5 – LONG-TERM NOTES PAYABLE

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

	2015	2014
Loan from TUFF; interest at 6.00%; monthly payments of $4,164 through October 2015; unsecured	$ 16,449	$ 63,872
Loan from TUFF; interest at 7.53%; monthly payments of $11,833 through July 2018; secured by Technology Enterprise Park land	389,639	497,836
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	1,984,523	2,357,850
Loan from TUFF; interest at 6.55%; monthly payments; principal matures October 2033; secured by Technology Enterprise Park land	5,751,644	5,842,425
Loan from TUFF; interest at 6.025%; monthly payments of $11,342 through December 2034 unsecured	1,559,181	1,600,000
Loan from Georgia Tech Facilities, Inc. (GTFI), a related party (see Note 12); interest at 3.79%; monthly payments of $50,000 through June 2020; secured by 575 14th street land and builiding	2,729,090	3,215,664
	$ 12,430,526	$ 13,577,647

Principal maturities on the notes payable are as follows:

Year ended June 30,	
2016	$ 1,191,753
2017	1,256,444
2018	1,343,576
2019	1,302,896
2020	1,013,755
Thereafter	6,322,102
	$ 12,430,526

NOTE 6 – 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. Prior to the amendment, the interest rates were 6.25% for floors one through three and 7.75% for floors four and five. There was no accrued interest at June 30, 2015 or 2014. As indicated in the above paragraphs, the leases were modified and the accrued interest was forgiven. The forgiveness of the accrued interest, in the amount of $1,037,924, is recorded in the accompanying Statement of Activities and Changes in Net Assets for the year ended June 30, 2014.

At June 30, 2015 and 2014, the cost of properties under these capital leases total $66,936,210. Related accumulated depreciation at June 30, 2015 and 2014 is $13,073,386 and $11,689,383, 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 6 – 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 $458,445 and $1,381,256 is accrued at June 30, 2015 and 2014, respectively.

At June 30, 2015 and 2014, the cost of property under the above capital lease totaled $40,960,871. Related accumulated depreciation at June 30, 2015 and 2014 is $16,077,563 and $14,028,732, 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,	
2016	$ 13,346,451
2017	8,550,257
2018	7,776,581
2019	7,752,751
2020	7,627,909
Thereafter	133,023,894
	178,077,843
Less amounts representing interest	(75,175,718)
Present value of future minimum lease payments	$ 102,902,125

NOTE 7 – 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 8 – 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 $2,453,325 and $2,568,775, as of June 30, 2015 and 2014, respectively.

During June 2015, the Organization entered into an operating lease agreement with ADE 703, LLC for a building at 818 Joseph Lowery Boulevard. The lease term commences on August 1, 2015 and ends on June 30, 2017 with rent payments of $30,000 due on the first of each month.

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

Year ended June 30,	
2016	$ 651,537
2017	685,516
2018	329,616
2019	333,838
2020	338,186
Thereafter	3,223,100
	$ 5,561,793

NOTE 9 – 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 $17,251,737 and $16,367,066 for the years ended June 30, 2015 and 2014, 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 10 – PAYMENTS TO AFFILIATES

The Organization remitted payments, or accrued liabilities for balances due, to GIT in the amount of $291,135 and $182,945 for the years ended June 30, 2015 and 2014, 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 11 – COMMITMENTS AND CONTINGENCIES

To guarantee performance under certain capital leases described in Note 6, 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, 2016. There were no outstanding draws against the letter of credit at June 30, 2015 and 2014.

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, 2016 to meet this requirement. There were no outstanding draws against the letter of credit at June 30, 2015. At June 30, 2015, the Organization has reflected a liability of $346,452 in the Consolidated Statement of Financial Position.

NOTE 11 – 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.

The Organization had unearned, outstanding, construction or renovation contracts executed in the amount of $378,121 as of June 30, 2015.

During June 2015, the Organization entered into a lease that commences in August 2015 and extends through August 2017 requiring monthly payments of $30,000. Under the terms of the lease, the Organization and the lessor both have options that would enable or require the Organization to purchase the property for $5,950,000. As of June 30, 2015, the purchase price approximated the recently appraised value of the property. If the Organization acquires the property, the acquisition will be funded using available assets of the Organization.

NOTE 12 – 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 2015 and 2014 were $75,337 and $2,410,182, respectively. At June 30, 2015, these companies owed $299 to the Organization. The Organization also leases office space to GIT and receives operating support from GIT. Total payments received from GIT during 2015 and 2014 were $8,180,186 and $8,753,553, respectively. At June 30, 2015, GIT owed $3,383 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 5). 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 – 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 14 – FINANCIAL INFORMATION FOR 2014

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, 2014, from which the summarized information was derived.

NOTE 15 – TRANSITION AGREEMENT

On July 1, 2014, the Organization entered into a Transition Agreement with TUFF in anticipation of a proposed transfer of the property at 387 Technology Circle from the Organization to TUFF. During 2015, payments made by the Organization under the capital lease were applied to interest charges. Through the date of this report, the transfer has not yet completed. At June 30, 2015, assets and liabilities in the accompanying Consolidated Statement of Financial Position related to the property at 387 Technology Circle were as follows:

Current assets	$ 1,120,079
Property and equipment, net	25,712,779
Lease commissions, net of accumulated amortization	643,923
Total assets	$ 27,476,781
Current liabilities	$ 1,083,651
Long-term notes payable	2,374,162
Capital lease obligations	44,127,960
Total liabilities	47,585,773
Net deficit	(20,108,992)
Total liabilities and net deficit	$ 27,476,781