

**GEORGIA ADVANCED TECHNOLOGY  
VENTURES, INC. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2018 AND 2017**

**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, 2018, 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.

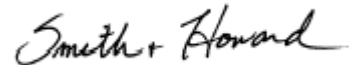
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **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, 2018, 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 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 7, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ending June 30, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Smith + Howard".

September 6, 2018

**GEORGIA ADVANCED TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018 AND 2017**

**ASSETS**

	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents (Notes 1 and 2)	\$ 5,422,533	\$ 4,057,209
Restricted Cash (Notes 1 and 2)	92,960	1,107,809
Restricted Cash - Bond Proceeds (Notes 1 and 2)	38,304,169	-
Accounts Receivable, No Allowance Deemed Necessary	81,412	198,884
Deposits	227,214	490,397
Other Assets	58,616	78,801
Unconditional Promises to Give (Note 3)	755,213	805,380
Property and Equipment, Net (Notes 1, 4 and 5)		
Construction in process	5,825,940	6,280
Land	21,745,321	18,328,530
Buildings	100,851,765	82,617,036
Infrastructure	3,824,225	3,824,225
Tenant improvements	10,514,553	10,514,553
Furniture and fixtures	<u>1,047,396</u>	<u>1,047,396</u>
	143,809,200	116,338,020
Less accumulated depreciation	<u>28,583,725</u>	<u>25,663,080</u>
	115,225,475	90,674,940
Lease Commissions, Net of Accumulated Amortization of \$429,572 and \$416,075 in 2018 and 2017, Respectively	<u>17,484</u>	<u>12,468</u>
Total Assets	<u>\$ 160,185,076</u>	<u>\$ 97,425,888</u>

**LIABILITIES AND NET ASSETS**

Accounts Payable and Accrued Expenses (Note 11)	\$ 1,345,443	\$ 883,459
Due to GTFI (Note 12)	777,751	-
Subscription Payable	134,360	163,137
Deferred Revenue (Note 8)	4,146,473	2,863,775
Accrued Interest Payable	240,677	42,862
Long-Term Notes Payable (Note 4)	7,946,299	8,686,738
Refundable Tenant Deposits	175,193	153,327
Capital Lease Obligations (Note 5)	54,513,019	56,029,547
Bonds Payable, Net (Note 6)	<u>61,658,199</u>	<u>-</u>
Total Liabilities	<u>130,937,414</u>	<u>68,822,845</u>
Net Assets		
Unrestricted	22,119,198	20,474,579
Temporarily restricted (Note 7)	<u>7,128,464</u>	<u>8,128,464</u>
Total Net Assets	<u>29,247,662</u>	<u>28,603,043</u>
Total Liabilities and Net Assets	<u>\$ 160,185,076</u>	<u>\$ 97,425,888</u>

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, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Changes in unrestricted net assets		
Revenues and support:		
Rental income (Note 9)	\$ 12,406,899	\$ 12,249,348
Support from affiliates	520,261	501,225
Unrestricted donations	28,609	29,595
GATV memberships	220,113	144,868
Interest	48,742	19,821
Other	400,956	25,384
Project Engage	267,720	427,596
Net assets released from restrictions	<u>1,000,000</u>	<u>2,871,536</u>
Total Unrestricted Revenues	14,893,300	16,269,373
Expenses:		
Program services	13,085,926	11,958,004
Management and general	<u>162,755</u>	<u>164,696</u>
Total Expenses	<u>13,248,681</u>	<u>12,122,700</u>
Change in unrestricted net assets	1,644,619	4,146,673
Changes in temporarily restricted net assets		
Contributions	-	3,000,000
Net assets released from restrictions	<u>(1,000,000)</u>	<u>(2,871,536)</u>
Change in temporarily restricted net assets	<u>(1,000,000)</u>	<u>128,464</u>
Change in net assets	644,619	4,275,137
Net assets, beginning of year	<u>28,603,043</u>	<u>24,327,906</u>
Net assets, end of year	<u>\$ 29,247,662</u>	<u>\$ 28,603,043</u>

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, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 644,619	\$ 4,275,137
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,920,645	2,604,228
Amortization of bond issuance and other financing costs and lease commissions	31,248	46,714
Amortization of bond premium costs	(92,319)	-
Non-cash unrestricted donations	(28,609)	(29,595)
Bad debt expense	86,703	-
Payment of lease commissions	(18,512)	-
Changes in operating assets and liabilities:		
Accounts receivable	30,769	(156,442)
Deposits	263,183	132,623
Other assets	17,685	(374)
Unconditional promises to give	50,167	47,217
Accounts payable and accrued expenses	461,984	(319,720)
Subscription payable	(28,777)	(26,812)
Deferred revenue	1,282,698	37,064
Accrued interest payable	(2,766)	(2,576)
Refundable tenant deposits	21,866	(7,989)
Net Cash Provided by Operating Activities	<u>5,640,584</u>	<u>6,599,475</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	<u>(26,492,848)</u>	<u>(4,166,067)</u>
Net Cash Required by Investing Activities	<u>(26,492,848)</u>	<u>(4,166,067)</u>
Cash Flows from Financing Activities:		
Payments on notes payable	(740,439)	(696,926)
Payments on capital leases	(1,487,919)	(1,378,302)
Proceeds from bonds payable, net	<u>61,735,266</u>	<u>-</u>
Net Cash Provided (Required) by Financing Activities	<u>59,506,908</u>	<u>(2,075,228)</u>
Net Increase in Cash and Cash Equivalents and Restricted Cash	38,654,644	358,180
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	<u>5,165,018</u>	<u>4,806,838</u>
Cash and Cash Equivalents and Restricted Cash, End of Year	<u>\$ 43,819,662</u>	<u>\$ 5,165,018</u>
<b><u>Supplemental Disclosures of Cash Flow Information:</u></b>		
Cash paid during the year for interest	<u>\$ 4,280,244</u>	<u>\$ 3,413,113</u>

**Supplemental Schedule of Noncash Financing and Investing Activities:**

During the years ended June 30, 2018 and 2017, capital lease obligations of \$50,000 were repaid through a reduction in Unconditional Promises to Give (Note 3). During 2018, this is reflected above with a reduction of operating cash flow of \$28,609 with the remaining \$21,391 used to reduce balances outstanding under capital leases. 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 2018, the Organization issued \$45,395,000 of Series 2017A Revenue Bonds (non-taxable) and \$11,485,000 of Series 2017B Revenue Bonds (taxable) and as a result, capitalized bond issuance costs of \$960,862 which were paid through borrowings under these financing agreements. The bonds were issued at a premium in the amount of \$5,816,128. Bond issuance cost and premium are included in bonds payable, net on the accompanying Consolidated Statement of Financial Position and further described in Note 6.

For the year ended June 30, 2018, cash flows from investing activities do not include purchases of \$777,751 as the corresponding invoices were included in Due to GTFI. Additionally, cash flows from investing activities do not include accrued interest payments of \$200,581 which were capitalized during the year ended June 30, 2018.

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, 2018 AND 2017**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	
			<u>2018</u>	<u>2017</u>
Bank charges	\$ -	\$ 71,094	\$ 71,094	\$ 65,323
Insurance	209,512	-	209,512	84,224
Legal, accounting, and consulting	508,651	-	508,651	369,356
Property management expenses	2,909,354	90,903	3,000,257	2,645,499
Marketing and sponsorship	13,108	-	13,108	26,341
Office supplies	-	228	228	343
Property repairs and maintenance	1,043,008	-	1,043,008	805,014
Registration fees	-	530	530	16,030
Rent	1,040,790	-	1,040,790	1,399,767
Taxes - property	438,554	-	438,554	353,204
Utilities	34,476	-	34,476	39,500
Depreciation	2,920,645	-	2,920,645	2,604,228
Amortization	15,996	-	15,996	46,714
Interest	3,230,936	-	3,230,936	3,410,537
Bad debt expense	86,703	-	86,703	-
Contributions	469,467	-	469,467	198,572
Other expenses	164,726	-	164,726	58,048
Total Expenses	<u>\$ 13,085,926</u>	<u>\$ 162,755</u>	<u>\$ 13,248,681</u>	<u>\$ 12,122,700</u>

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, 2018 AND 2017**

**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 twelve limited liability companies of which two were formed during 2018, Georgia Tech Cobb County Infrastructure, LLC and Georgia Tech Cobb Research Campus South, LLC. The twelve subsidiaries are the following:

<b>Company</b>	<b>Description</b>
VLP1, LLC	Holds ownership to property at 575 14 <sup>th</sup> Street
VLP2, LLC	Holds ownership to property at 720 14 <sup>th</sup> 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
Georgia Tech Cobb County Infrastructure, LLC	Formed to contract for, and implement, infrastructure work related to the Cobb County development.
Georgia Tech Cobb Research Campus South, LLC	Formed to hold ownership of, and develop, property on the southern portion of the Cobb County development.

**GEORGIA ADVANCED TECHNOLOGY VENTURES, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**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

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

Restricted Cash

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

Restricted Cash – Bond Proceeds

Bond proceeds are funds received from the issuance of the 2017A and B bonds for the renovation of Georgia Tech Cobb Research Campus, LLC.

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.

**GEORGIA ADVANCED TECHNOLOGY VENTURES, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**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, 2018 and 2017 was \$2,920,645 and \$2,604,228 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.

**GEORGIA ADVANCED TECHNOLOGY VENTURES, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**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, 2015.

During December 2017, the President of the United States of American signed into law the Tax Cuts and Jobs Act. Under this Act, maximum corporate tax rates were reduced from a rate of 35% to a flat rate of 21%. There are other changes to the tax law that may affect the Organization, but the magnitude of such changes has not been determined. The Organization's tax liability for any potential unrelated business income tax should not be significant.

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.

**GEORGIA ADVANCED TECHNOLOGY VENTURES, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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

Reclassification

Certain prior year financial statement amounts have been reclassified to conform with the current year presentation.

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. 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 \$620,853 and \$642,243 at June 30, 2018 and 2017, respectively, using a discount rate of 4.83%, which represents the risk-free rate of return at the date of the pledge.

**GEORGIA ADVANCED TECHNOLOGY VENTURES, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**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, 2018 and 2017, the Organization received \$28,777 and \$26,812 respectively, and reduced the balance of the outstanding commitment to \$134,360 and \$163,137 at June 30, 2018 and 2017, 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:

	<u>2018</u>	<u>2017</u>
Loan from TUFF; interest at 6.55%; monthly payments; principal matures October 2033; secured by Technology Enterprise Park land	\$ 5,371,468	\$ 5,517,985
Loan from TUFF; interest at 6.025%; monthly payments of \$11,342 through December 2034 unsecured	1,420,919	1,469,802
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 building	1,153,912	1,698,951
	<u>\$ 7,946,299</u>	<u>\$ 8,686,738</u>

**GEORGIA ADVANCED TECHNOLOGY VENTURES, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 4 – LONG-TERM NOTES PAYABLE (Continued)**

Principal maturities on the notes payable are as follows:

Year ended June 30,	
2019	\$ 787,072
2020	837,151
2021	280,549
2022	315,265
2023	354,003
Thereafter	<u>5,372,259</u>
	<u>\$ 7,946,299</u>

**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, 2018 and 2017, the cost of properties under these capital leases total \$66,936,210. Related accumulated depreciation at June 30, 2018 and 2017 is \$17,225,393 and \$15,841,390, respectively.

**GEORGIA ADVANCED TECHNOLOGY VENTURES, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**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,	
2019	\$ 4,434,088
2020	4,541,583
2021	4,647,211
2022	4,762,855
2023	4,844,794
Thereafter	<u>58,563,206</u>
	81,793,737
Less amounts representing interest	<u>(27,280,718)</u>
Present value of future minimum lease payments	<u>\$ 54,513,019</u>

**NOTE 6 – BONDS PAYABLE**

During December 2017, the Organization issued \$45,395,000 of Series 2017A Revenue Bonds (non-taxable) and \$11,485,000 of Series 2017B Revenue Bonds (taxable). The proceeds from these bonds are being used for the purchase, planning, design, financing and construction of renovations and improvements to the space formally known as the Cobb County Lockheed South Campus buildings and land. This space will be converted to a facility for research related to national security, homeland defense and commercial advanced technology initiatives of GIT.



**GEORGIA ADVANCED TECHNOLOGY VENTURES, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 6 – BONDS PAYABLE (Continued)**

The following represents the applicable interest rates and mandatory bond principal redemptions remaining on the Series 2017A bonds until maturity on June 1, 2049 and the Series 2017B bonds until maturity on June 1, 2029:

	<u>Series 2017A (non-taxable)</u>		<u>Series 2017 B (taxable)</u>		<u>Total Bonds Payable</u>
	<u>Principal</u>	<u>Rate</u>	<u>Principal</u>	<u>Rate</u>	
Year ended June 30,					
2019	\$ -	-	\$ -	-	\$ -
2020	-	-	1,085,000	2.20%	1,085,000
2021	-	-	1,105,000	2.30%	1,105,000
2022	-	-	1,130,000	2.45%	1,130,000
2023	-	-	1,160,000	2.60%	1,160,000
Thereafter	<u>45,395,000</u>	3.00% to 5.00%	<u>7,005,000</u>	2.75% to 3.25%	<u>52,400,000</u>
	<u>\$ 45,395,000</u>		<u>\$ 11,485,000</u>		<u>\$ 56,880,000</u>
Less unamortized debt issuance costs					(945,610)
Plus unamortized bond issuance premium					<u>5,723,809</u>
Total bonds payable, net of debt issuance costs and bond issuance premium					<u>\$ 61,658,199</u>

During the year ended June 30, 2018 the Organization recorded amortization expense associated with the debt issuance costs totaling \$15,252. Amortization associated with the bond issuance premium totaled \$92,319 for the year ended June 30, 2018. The amortization is included within interest expense in the accompanying Consolidated Statement of Activities and Changes in Net Assets.

**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. Included in temporarily restricted net assets as of June 30, 2018 are restricted land with a value of \$6,900,000, a note receivable of \$15,000, and project funds of \$213,464.

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**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 \$2,106,973 and \$2,222,423, as of June 30, 2018 and 2017, 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 commenced on August 1, 2015 and expired on July 31, 2017, at which time the Organization purchased and immediately sold the building as described in Note 11.

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. On February 1, 2018, the Organization exercised the first of three options to renew the operating lease. The new lease term ends January 31, 2023 and has the option to renew for two consecutive five-year terms, ending January 31, 2033.

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

Year ended June 30,	
2019	\$ 522,777
2020	531,849
2021	411,314
2022	365,799
2023	371,703
Thereafter	4,966,888
	<u>\$ 7,170,330</u>

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**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 \$12,406,899 and \$12,249,348 for the years ended June 30, 2018 and 2017, 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 \$543,625 and \$315,873 for the years ended June 30, 2018 and 2017, 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 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, 2019. There were no outstanding draws against the letter of credit at June 30, 2018 and 2017.

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**NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)**

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. As the Organization incurs remediation expenses, the liability is reduced. As of June 30, 2018 and 2017, the liability was approximately \$562,000 and \$601,000, respectively. 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, 2019 to meet this requirement. There were no outstanding draws against the letter of credit at June 30, 2018.

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 (“BOR”) for use by GIT.

On December 1, 2017, the Organization entered into a Rental Agreement with the BOR whereby the Organization agreed to lease the Lockheed South Campus to the BOR. The initial agreement term commences upon issuance of a Certificate of Occupancy. A Certificate of Occupancy has not been issued at June 30, 2018, and the lease term has not commenced. The BOR has the exclusive option to annually renew the lease on a year-to-year basis, for thirty (30) consecutive years at an annual rate that is sufficient to enable the Organization to pay debt service on the Series 2017A&B Bonds, as described in Note 6.

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**NOTE 12 – RELATED PARTY TRANSACTIONS**

Certain members of the Organization’s Board of Directors are investors in tenants or manage companies who invest in tenants that lease office space from the Organization. Total payments received from these companies during 2018 and 2017 were \$224,538 and \$199,292, respectively. At June 30, 2018 and 2017, these companies owed \$1,607 and \$3,097 to the Organization, respectively. The Organization also leases office space to GIT and receives operating support from GIT. Total payments received from GIT during 2018 and 2017 were \$9,250,602 and \$7,786,723, 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 BOR 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 (“DMSA”) with GTFI and GIT, effective as of February 22, 2017. The Organization entered into a DMSA on December 6, 2017 with substantially the same terms as the interim DMSA. Under the agreement, the Organization will fund the cost of the project in an amount not to exceed \$42,000,000, including 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. At June 30, 2018, the Organization owed \$777,751 to GTFI.

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.

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**NOTE 13 – 575 14<sup>TH</sup> 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 2017**

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, 2017, from which the summarized information was derived.