GEORGIA ADVANCED TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

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, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2020 and 2019, and the changes in consolidated net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Smith & Howard

September 15, 2020

GEORGIA ADVANCED TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS

	2020	2019
Cash and Cash Equivalents (Notes 1 and 2)	$ 21,737,027	$ 20,779,697
Capital Reserve Funds (Note 1)	727,413	232,750
Restricted Cash (Notes 1 and 2)	84,670	92,938
Restricted Cash - Bond Proceeds (Notes 1 and 2)	1,197,335	4,725,816
Accounts Receivable, No Allowance Deemed Necessary	75,299	85,146
Unconditional Promises to Give (Note 3)	668,888	700,435
Investment in Sales-Type Leases (Note 4)	79,353,509	80,270,668
Deposits	414,801	421,586
Other Assets (Note 9)	567,331	785,798
Property and Equipment (Notes 1, 5 and 6)		
Construction in process	312,286	-
Land	17,784,665	17,784,665
Buildings	82,488,880	81,923,530
Infrastructure	3,824,225	3,824,225
Tenant improvements	10,514,553	10,514,553
Furniture and fixtures	1,047,396	1,047,396
	115,972,005	115,094,369
Less accumulated depreciation	33,425,250	30,811,909
	82,546,755	84,282,460
Total Assets	$ 187,373,028	$ 192,377,294

LIABILITIES AND NET ASSETS

	2020	2019
Accounts Payable and Accrued Expenses (Note 11)	$ 815,752	$ 576,632
Due to Related Parties (Note 12)	424,210	3,986,288
Subscription Payable	93,967	102,007
Deferred Revenue (Note 9)	6,511,894	6,494,958
Accrued Interest Payable	232,525	237,707
Other Liabilities (Note 9)	522,379	716,040
Long-Term Notes Payable (Note 5)	6,322,077	7,159,226
Refundable Tenant Deposits	177,228	184,298
Finance Lease Obligations (Note 6)	50,903,907	52,804,918
Bonds Payable, Net (Note 7)	60,305,504	61,524,482
Total Liabilities	126,309,443	133,786,556
Net Assets		
Without donor restriction	53,964,836	51,462,274
With donor restriction (Note 8)	7,098,749	7,128,464
Total Net Assets	61,063,585	58,590,738
Total Liabilities and Net Assets	$ 187,373,028	$ 192,377,294

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, 2020 AND 2019

	2020	2019
Changes in net assets without donor restrictions		
Revenues and support without donor restriction:		
Rental income (Note 1)	$ 15,711,606	$ 12,745,977
Support from affiliates	1,383,528	455,000
Unrestricted donations	26,493	27,576
GATV memberships	225,001	245,288
Interest	267,721	260,379
Other	461,684	810,140
Project Engage	332,200	232,200
Gain on sale of assets (Note 14)	-	27,455,348
Net assets released from restrictions	29,715	-
Total revenues and support without donor restriction	18,437,948	42,231,908
Expenses without donor restriction:		
Program services	15,732,876	12,702,141
Management and general	202,510	186,691
Total expenses without donor restriction	15,935,386	12,888,832
Change in net assets without donor restriction	2,502,562	29,343,076
Changes in net assets with donor restriction		
Net assets released from restrictions	(29,715)	-
Change in net assets with donor restriction	(29,715)	-
Change in net assets	2,472,847	29,343,076
Net assets, beginning of year	58,590,738	29,247,662
Net assets, end of year	$ 61,063,585	$ 58,590,738

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

GEORGIA ADVANCED TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services	Management and General	Total
Bank charges	$ -	$ 101,937	$ 101,937
Insurance	249,231	-	249,231
Legal, accounting, and consulting	613,353	-	613,353
Property management expenses	3,194,634	100,367	3,295,001
Marketing and sponsorship	2,816	-	2,816
Office supplies	-	206	206
Property repairs and maintenance	781,417	-	781,417
Rent	1,046,542	-	1,046,542
Taxes - property	280,635	-	280,635
Utilities	26,215	-	26,215
Depreciation	2,613,343	-	2,613,343
Amortization	8,671	-	8,671
Interest	5,346,181	-	5,346,181
Bad debt expense	7,652	-	7,652
Contributions	1,273,374	-	1,273,374
GATV memberships	231,785	-	231,785
Other expenses	57,027	-	57,027
Total Expenses	$ 15,732,876	$ 202,510	$ 15,935,386

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

GEORGIA ADVANCED TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services	Management and General	Total
Bank charges	$ -	$ 86,386	$ 86,386
Insurance	133,112	-	133,112
Legal, accounting, and consulting	1,043,206	-	1,043,206
Property management expenses	3,005,069	99,403	3,104,472
Marketing and sponsorship	26,766	-	26,766
Office supplies	-	307	307
Property repairs and maintenance	847,949	-	847,949
Registration fees	-	595	595
Rent	1,026,280	-	1,026,280
Taxes - property	294,910	-	294,910
Utilities	37,418	-	37,418
Depreciation	2,618,182	-	2,618,182
Amortization	8,671	-	8,671
Interest	3,197,663	-	3,197,663
Contributions	373,244	-	373,244
GATV memberships	40,125	-	40,125
Other expenses	49,546	-	49,546
Total Expenses	$ 12,702,141	$ 186,691	$ 12,888,832

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, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	$ 2,472,847	$ 29,343,076
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,613,343	2,618,182
Amortization of bond issuance and other financing costs and lease commissions	124,834	178,691
Amortization of bond premium costs	(250,141)	(303,737)
Non-cash donations without donor restriction	(26,493)	(27,576)
Bad debt expense	7,652	-
Gain on sale of assets	-	(27,455,348)
Environmental remediation costs	-	(973,789)
Changes in operating assets and liabilities:		
Accounts receivable	2,195	(3,734)
Investment in sales-type leases	917,159	519,088
Deposits	6,785	(194,372)
Other assets	16,135	(2,329)
Unconditional promises to give	34,533	54,778
Accounts payable and accrued expenses	56,808	(768,811)
Subscription payable	(8,040)	(32,353)
Deferred revenue	16,936	2,348,485
Accrued interest payable	(5,182)	(2,970)
Refundable tenant deposits	(7,070)	9,105
Net Cash Provided by Operating Activities	5,972,301	5,306,386
Cash Flows from Investing Activities:		
Purchase of property and equipment	(4,257,404)	(35,827,249)
Proceeds from sale of property and equipment	-	15,000,000
Net Cash Required by Investing Activities	(4,257,404)	(20,827,249)
Cash Flows from Financing Activities:		
Payments on notes payable	(837,149)	(787,073)
Payments on bonds payable	(1,085,000)	-
Payments on finance leases	(1,877,504)	(1,680,525)
Net Cash Required by Financing Activities	(3,799,653)	(2,467,598)

(Continued)

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, 2020 AND 2019

(Continued)

	2020	2019
Net Decrease in Cash and Cash Equivalents, Capital Reserve Funds, and Restricted Cash	(2,084,756)	(17,988,461)
Cash and Cash Equivalents, Capital Reserve Funds, and Restricted Cash, Beginning of Year	25,831,201	43,819,662
Cash and Cash Equivalents, Capital Reserve Funds, and Restricted Cash, End of Year	$ 23,746,445	$ 25,831,201
Reconciliation of Cash and Cash Equivalents to the Statement of Financial Position:		
Cash and cash equivalents	$ 21,737,027	$ 20,779,697
Capital reserve funds	727,413	232,750
Restricted cash	84,670	92,938
Restricted cash - bond proceeds	1,197,335	4,725,816
	$ 23,746,445	$ 25,831,201
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for interest	$ 5,485,341	$ 5,122,235

Supplemental Schedule of Noncash Financing and Investing Activities:
During the year ended June 30, 2020 and 2019, capital lease obligations of $50,000 were repaid through a reduction in Unconditional Promises to Give (Note 3). During 2020 and 2019, this is reflected above with a reduction of operating cash flow of $26,493 and $27,576 with the remaining $23,507 and $22,424 used to reduce balances outstanding under capital leases, respectively.

For the years ended June 30, 2020 and 2019, the change in investment in sales-type leases does not include $16,175,000 related to the sales-type lease of property formerly owned by VLP2, LLC. (Note 4)

For the year ended June 30, 2019, the change in investment in sales-type leases does not include $64,614,756 related to the sales-type lease of property formerly owned by Georgia Tech Cobb Research Campus, LLC (Note 4). Included in this amount are uncommitted bond funds totaling $1,799,890 which are included in Due to Related Parties as of June 30, 2019.

For the year ended June 30, 2020, cash flows from investing activities do not include purchases of $182,312 as the corresponding construction in process invoices are included in Accounts Payable and Accrued Expenses.

Included in investing activities as of June 30, 2020 and 2019 are amounts of $2,186,398 and $777,751, respectively, that were in Due to Related Parties. In addition the remaining decrease in Due to Related Parties was due to additional investing activities during 2020 of $1,375,680.

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

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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

GATV is the sole member of thirteen limited liability companies. The thirteen 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 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
GTatrium, LLC	Formed to oversee the operations of the GTatrium project
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.

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

Principles 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.

Consolidated Financial Statement Presentation

Net assets, along with revenues, expenses, gains and losses, are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.

- Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. The Organization does not have any net assets that are perpetual in nature as of June 30, 2020 and 2019.

Cash and Cash Equivalents

The Organization considers all highly liquid investments without donor restrictions that have initial maturity of three months or less to be cash equivalents.

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

Capital Reserve Funds

Capital reserve funds relate to certain lease agreements which require the Organization to transfer specified amounts to a separate account which can be used only for specific purposes related to the leased property.

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.

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 contributions without donor restrictions unless the donor has designated 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 contributions with donor restrictions. 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 net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method. Depreciation expense for the years ended June 30, 2020 and 2019 was $2,613,343, and $2,618,182, respectively.

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

Property and Equipment (Continued)

Interest expense capitalized for the year ended June 30, 2019 totaled approximately $1,790,000.

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 revenue with donor restrictions or revenue without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

The Organization's rental income is generated primarily by leasing facilities to tenants under various cancelable leases and subleases. Rental income from all sources is $15,711,606 and $12,745,977 for the years ended June 30, 2020 and 2019, respectively. Many of the leases provide tenants the option to terminate these leases at any time by giving the Organization 30 days written notice. The Organization has elected to apply the short-term lease exception to all leases of one year or less.

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

Revenue Recognition (Continued)

During 2019, the Organization elected to early adopt ASU 2016-02 *Leases (Topic 842)* and is applying the provisions of ASU 2016-02 to non-lease components of capital leases in which the Organization is the lessor. The adoption of this ASU resulted in the deferral of the portion of rent revenue received as it relates to repairs and maintenance funds. Unspent funds and the related deferred rent revenue are reflected as Capital Reserve Funds and Deferred Revenue, respectively, in the accompanying Consolidated Statement of Financial Position in the amount of $727,413 and $42,750 as of June 30, 2020 and 2019, respectively.

Functional Allocation of Expenses

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. Minimal costs have been allocated among the programs and supporting services benefited as the majority of the Organization’s expenses are directly related to program services.

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, 2017.

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

Estimates and Assumptions

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

Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform with the 2020 presentation.

Subsequent Events

Management has evaluated subsequent events through the date of this report, the date the consolidated financial statements were issued.

NOTE 2 – RISKS AND UNCERTAINTIES

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.

The Organization has experienced a disruption in normal business operations caused from COVID-19 during 2020 and subsequent to year-end. The overall impact cannot be determined through the date of this report; however, it is reasonably possible that changes in risks in the near term could occur which could result in a material change to the financial statements.

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 $574,921 and $598,428 at June 30, 2020 and 2019, 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, 2020 and 2019, the Organization received $8,040 and $32,353, and reduced the balance of the outstanding commitment to $93,967 and $102,007, respectively.

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

NOTE 4 – LEASING ARRANGEMENTS

The Organization's Consolidated Statement of Financial Position includes investments in sales-type leases. At the inception of the lease, the Organization records the minimum future lease payments receivable and the unearned lease income. Unearned interest income will be recognized as revenue over the life of the lease using the effective interest method which applies a constant rate of interest equal to the internal rate of return on the lease. The components of the net investment in sales-type leases as of June 30 are as follows:

2020	Minimum lease payment receivable	Less unearned income	Net investment in sales-type lease
VLP 2 Ground Lease	$ 268,105,869	$ (252,008,761)	$ 16,097,108
GTCRC	105,892,693	(42,636,292)	63,256,401
Total	$ 373,998,562	$ (294,645,053)	$ 79,353,509

NOTE 4 – LEASING ARRANGEMENTS (Continued)

2019	Minimum lease payment receivable	Less unearned income	Net investment in sales-type lease
VLP 2 Ground Lease	$ 269,105,869	$ (253,430,869)	$ 15,675,000
GTCRC	109,798,422	(45,202,754)	64,595,668
Total	$ 378,904,291	$ (298,633,623)	$ 80,270,668

VLP 2 Ground Lease

On December 31, 2018, the Organization entered into a sales-type ground lease whereby the Organization agreed to lease Parcel B, described in Note 14, to a third party, with an initial term of 40 years. Upon the expiration of the initial term, unless the lease is terminated by the third party, the lease will automatically renew and extend for an additional forty years. Upon the expiration of the first renewal term, unless the lease is terminated by the third party, the lease will automatically renew and extend for an additional 19 years. The net investment in sales-type lease reflects payments due through December 31, 2117, based on the automatic renewal of these two renewal terms.

GTCRC

Effective June 1, 2019, the Organization entered into a sales-type lease with the Board of Regents of the University System of Georgia (“BOR”) whereby the Organization agreed to lease GTCRC to the Board of Regents for the use of GIT. 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 and 2017B, as described in Note 7.

NOTE 4 – LEASING ARRANGEMENTS (Continued)

Future minimum net amounts receivable under sales-type leases at June 30 are as follows:

2021	$ 4,552,745
2022	5,203,242
2023	5,206,496
2024	5,207,303
2025	5,210,574
Thereafter	348,618,202
Gross investment in sales-type leases	373,998,562
Less unearned interest income	(294,645,053)
Net investment in sales-type leases	$ 79,353,509

NOTE 5 – LONG-TERM NOTES PAYABLE

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

	2020	2019
Loan from TUFF; interest at 6.55%; monthly payments; principal matures October 2033; secured by Technology Enterprise Park land	$ 5,008,197	$ 5,202,355
Loan from TUFF; interest at 6.025%; monthly payments of $11,342 through December 2034 unsecured	1,313,880	1,369,007
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	-	587,864
	$ 6,322,077	$ 7,159,226

NOTE 5 – LONG-TERM NOTES PAYABLE

Principal maturities on the notes payable are as follows:

Year ended June 30,	
2021	$ 280,550
2022	315,266
2023	354,002
2024	397,506
2025	446,782
Thereafter	4,527,971
	$ 6,322,077

NOTE 6 – FINANCE 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 finance 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 finance 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, 2020 and 2019, the cost of properties under these finance leases total $66,936,210 and is included within Buildings in the accompanying Consolidated Statement of Financial Position. Related accumulated depreciation at June 30, 2020 and 2019 is $19,993,397 and $18,609,395, respectively.

NOTE 6 – FINANCE LEASE OBLIGATIONS (Continued)

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

Year ended June 30,	
2021	$ 4,647,211
2022	4,762,855
2023	4,844,794
2024	4,916,864
2025	5,015,334
Thereafter	48,631,008
	72,818,066
Less amounts representing interest	(21,914,159)
Present value of future minimum lease payments	$ 50,903,907

NOTE 7 – 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 were 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 has been converted to a facility for research related to national security, homeland defense and commercial advanced technology initiatives of GIT.

NOTE 7 – 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:

	Series 2017A (non-taxable)		Series 2017 B (taxable)		Total Bonds
	Principal	Rate	Principal	Rate	Payable
Year ended June 30,					
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
2024	-	-	1,190,000	2.75%	1,190,000
2025	-	-	1,225,000	2.85%	1,225,000
Thereafter	45,395,000	3.00% to 5.00%	4,590,000	2.95% to 3.25%	49,985,000
	$ 45,395,000		$ 10,400,000		$ 55,795,000
Less unamortized debt issuance costs					(659,427)
Plus unamortized bond issuance premium					5,169,931
Total bonds payable, net of debt issuance costs and bond issuance premium					$ 60,305,504

During the years ended June 30, 2020 and 2019, the Organization recorded amortization expense associated with the debt issuance costs totaling $116,163 and $170,020, respectively. Amortization associated with the bond issuance premium totaled $250,141 and $303,737 for the years ended June 30, 2020 and 2019, respectively. The amortization is included within interest expense in the accompanying Consolidated Statement of Activities and Changes in Net Assets.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions 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 net assets with donor restrictions as of June 30, 2020 are restricted land with a value of $6,900,000, a note receivable of $15,000, and project funds of $183,749. Included in net assets with donor restrictions as of June 30, 2019 are restricted land with a value of $6,900,000, a note receivable of $15,000, and project funds of $213,464.

NOTE 9 – OPERATING LEASE OBLIGATIONS

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 amount of $1,876,072 and $1,991,522 at June 30, 2020 and 2019, respectively.

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 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. During 2019, the Organization elected to early adopt ASU 2016-02 *Leases (Topic 842)* and is applying the provisions of ASU 2016-02 to this lease. The adoption of this ASU resulted in the recognition of an operating lease liability of $522,379 and $716,040 at June 30, 2020 and 2019, respectively, which is included in Other Liabilities in the accompanying Consolidated Statement of Financial Statement Position. A corresponding intangible ROU Lease Asset of the same amount based on the future minimum rental payments of this lease is included in Other Assets in the accompanying Consolidated Statement of Financial Statement Position.

The lease provides the option to renew for two consecutive five-year terms. The options to renew the lease were not considered when assessing the value of the intangible ROU Lease Asset because the Organization was not reasonably certain that it will exercise the options to renew the lease. The lease is scheduled to go through January 31, 2023.

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

Year ended June 30,	
2021	$ 411,314
2022	365,799
2023	283,551
2024	168,044
2025	173,085
Thereafter	2,343,681
	$ 3,745,474

NOTE 10 – PAYMENTS TO AFFILIATES

The Organization remitted payments, or accrued liabilities for balances due, to GIT in the amount of $754,692 and $538,284 for the years ended June 30, 2020 and 2019, 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 finance 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, 2021. There were no outstanding draws against the letter of credit at June 30, 2020 or 2019.

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 existed. During 2012, the Organization recorded a liability for anticipated remediation costs which has been adjusted over time based on additional guidance from outside parties and remediation expenses incurred. As discussed in Note 14, the Organization entered into a sales transaction with a third party for this property during fiscal year 2019. As part of this transaction, the Organization agreed to establish an environmental escrow account in the amount of $1,500,000 with funds allocated from the proceeds of the sale of the property. During fiscal year 2019, the environmental escrow was fully used, and the liability was extinguished resulting in a loss of $973,789, recorded in Gain on Sale of Assets on the Consolidated Statement of Activities and Changes in Net Assets. The Organization has no further exposure related to environmental remediation for this property. The Organization plans to recover the costs of the environmental remediation through the Georgia Brownfield Act. 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, 2021 to meet this requirement. There were no outstanding draws against the letter of credit at June 30, 2020 and 2019, respectively.

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 2020 and 2019 were $120,452 and $194,425, respectively. At June 30, 2019, these companies owed $2,805 to the Organization. The Organization also leases office space to GIT and receives operating support from GIT. Total payments received from GIT during 2020 and 2019 were $11,971,028 and $9,913,167, 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 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.

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, 2019, the Organization owed $2,186,398 to GTFI. The Organization paid this amount in full during 2020 and had an additional $424,210 related to the project left at June 30, 2020 included in Due to Related Parties in the accompanying Consolidated Statement of Financial Position.

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 – RELATED PARTY TRANSACTIONS (Continued)

During the year ended June 30, 2020, the Organization received support in the amount of $928,528 from Georgia Tech Applied Research Corporation (GTARC) to fund construction of additional secured space for sponsored research. This project was completed during the year ended June 30, 2020 and, at the completion of the project, the Organization recorded a contribution expense of $928,528 to GIT in accompanying Statement of Activities and Changes in Net Assets.

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 – SALE OF LAND AND BUILDINGS

During fiscal year 2019, the Organization entered into a transaction with a third party for property owned by VLP 2. The transaction involves two parcels of land totaling approximately 8.82 acres. 5.25 acres (“Parcel A”), with a net book value of approximately $910,000, was sold for $15,000,000. The Organization recognized a gain on the transaction of approximately $13,000,000, reflected in the accompanying Consolidated Statement of Activities and Changes in Net Assets. 3.57 acres (“Parcel B”), with a net book value of approximately $743,000, was leased to a third party under a sales-type lease discussed in Note 4. The Organization recognized a gain on the transaction of approximately $15,400,000, reflected in the accompanying Consolidated Statement of Activities and Changes in Net Assets.

As discussed in Note 11, the Organization has recorded an environmental remediation liability related to the property subject to the aforementioned transaction. As part of the transaction, the Organization agrees to establish an environmental escrow account in the amount of $1,500,000. During fiscal year 2019, the environmental escrow account was fully disbursed to cover environmental remediation expenses.

NOTE 15 – LIQUIDITY AND AVAILABILITY

For purposes of analyzing resources available to meet general expenditures for fiscal years 2021 and 2020, the Organization considers cash and cash equivalents and accounts and lease receivables that will be collected and available in the following fiscal year for activities that are ongoing and major to the Organization. Financial assets available for general expenditures, within one year are as follows:

	2020	2019
Cash and cash equivalents	$ 21,737,027	$ 20,779,697
Restricted Cash	1,282,005	4,818,754
Accounts receivable	75,299	85,146
Investment in sales-type leases	79,353,509	80,270,668
Deposits	414,801	421,586
Unconditional promises to give	668,888	700,435
Financial Assets at June 30, 2020	103,531,529	107,076,286
Less financial assets not available for general expenditure:		
Restricted cash	(1,282,005)	(4,818,754)
Investment in sales-type leases non-current portion	(77,962,567)	(77,931,401)
Deposits	(414,801)	(421,586)
Unconditional promises to give - noncurrent portion	(644,246)	(650,435)
Net assets with donor restrictions	(183,749)	(213,464)
	(80,487,368)	(84,035,640)
Financial assets available to meet cash needs for general expenditures within one year	$ 23,044,161	$ 23,040,646

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due.