GEORGIA ADVANCED TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

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, 2016, 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, 2016, 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 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 11, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ending June 30, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Smith + Howard

September 9, 2016

GEORGIA ADVANCED TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

ASSETS

	2016	2015
Cash and Cash Equivalents (Note 2)	$ 3,699,421	$ 3,525,552
Restricted Cash (Note 2)	1,107,417	299,446
Cash Held by TUFF	-	377,895
Accounts Receivable, No Allowance Deemed Necessary	42,442	171,353
Deposits	1,019,896	27,606
Other Assets	80,927	58,951
Unconditional Promises to Give (Note 3)	852,597	923,037
Property and Equipment, Net (Notes 1, 5 and 6)		
Construction in process	173,941	573,537
Land	18,328,530	18,328,530
Buildings	79,061,215	102,250,899
Infrastructure	3,824,225	3,824,225
Tenant improvements	9,339,772	26,640,782
Furniture and fixtures	1,047,396	1,047,396
	111,775,079	152,665,369
Less accumulated depreciation	23,058,853	36,945,737
	88,716,226	115,719,632
Lease Commissions, Net of Accumulated Amortization of $371,861 and $1,577,681 in 2016 and 2015, Respectively	56,682	744,820
Building Held for Sale (Note 1)	-	826,000
Total Assets	$ 95,575,608	$ 122,674,292

LIABILITIES AND NET ASSETS

	2016	2015
Accounts Payable and Accrued Expenses (Note 11)	$ 1,203,179	$ 1,779,855
Subscription Payable	189,949	240,924
Deferred Revenue (Note 8)	2,826,711	2,547,759
Accrued Interest Payable (Note 6)	45,438	521,263
Long-Term Notes Payable (Note 5)	9,383,664	12,430,526
Refundable Tenant Deposits	161,316	367,731
Capital Lease Obligations (Note 6)	57,437,445	102,902,125
Total Liabilities	71,247,702	120,790,183
Net Assets		
Unrestricted	16,327,906	(9,081,388)
Temporarily restricted (Note 7)	8,000,000	10,965,497
Total Net Assets	24,327,906	1,884,109
Total Liabilities and Net Assets	$ 95,575,608	$ 122,674,292

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, 2016 AND 2015

	2016	2015
Changes in unrestricted net assets		
Revenues and support:		
Rental income (Note 9)	$ 13,051,869	$ 17,251,737
Support from affiliates	1,288,684	1,005,156
Unrestricted donations	30,535	31,431
GATV memberships	112,999	80,001
Interest	8,994	3,542
Other	231,667	208,913
Gain on transfer of property and debt (Note 6 and 14)	21,005,288	-
Net assets released from restrictions	3,395,497	5,000
Total Unrestricted Revenues	39,125,533	18,585,780
Expenses:		
Program services	13,583,339	18,927,554
Management and general	132,900	133,200
Total Expenses	13,716,239	19,060,754
Change in unrestricted net assets	25,409,294	(474,974)
Changes in temporarily restricted net assets		
Contributions	430,000	250,000
Net assets released from restrictions	(3,395,497)	(5,000)
Change in temporarily restricted net assets	(2,965,497)	245,000
Change in net assets	22,443,797	(229,974)
Net assets, beginning of year	1,884,109	2,114,083
Net assets, end of year	$ 24,327,906	$ 1,884,109

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, 2016 AND 2015

	2016	2015
Cash Flows from Operating Activities:		
Change in net assets	$ 22,443,797	$ (229,974)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,981,752	4,678,493
Gain on sale of building	(166,751)	-
Gain on transfer of property and debt (Note 14)	(21,005,288)	-
Non-cash unrestricted donations	(30,535)	(31,431)
Loss on investment in limited liability companies	-	341,289
Bad debt expense	32,291	-
Changes in operating assets and liabilities:		
Accounts receivable, net	122,733	(112,964)
Cash Held by TUFF	377,895	(377,895)
Deposits	(642,291)	-
Other assets	(50,589)	1,851
Unconditional promises to give	70,440	174,089
Accounts payable and accrued expenses	(732,310)	469,297
Subscription payable	(50,975)	(174,089)
Deferred revenue	278,952	(703,981)
Accrued interest payable	(265,079)	(928,306)
Refundable tenant deposits	(25,923)	42,516
Net Cash Provided by Operating Activities	3,338,119	3,148,895
Cash Flows from Investing Activities:		
Earnest money deposit	(350,000)	-
Purchase of building held for sale	-	(826,000)
Proceeds from building held for sale	992,751	-
Purchase of property and equipment	(894,009)	(573,537)
Net Cash Required by Investing Activities	(251,258)	(1,399,537)
Cash Flows from Financing Activities:		
Payments on notes payable	(798,836)	(1,147,121)
Payments on capital leases	(1,306,185)	(1,121,119)
Net Cash Required by Financing Activities	(2,105,021)	(2,268,240)
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	981,840	(518,882)
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	3,824,998	4,343,880
Cash and Cash Equivalents and Restricted Cash, End of Year	$ 4,806,838	$ 3,824,998
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for interest	$ 4,499,391	$ 7,567,812

Supplemental Schedule of Noncash Financing and Investing Activities:

As further discussed in Note 14, the Organization transferred property which resulted in a non-cash reduction of property and equipment of $25,172,922, capital lease obligations of $44,127,960 and long-term notes payable of $2,248.027.

During the years ended June 30, 2016 and 2015, capital lease obligations of $50,000 were repaid through a reduction in Unconditional Promises to Give (Note 3). During 2016, this is reflected above with a reduction of operating cash flow of $30,535 with the remaining $19,465 used to reduce balances outstanding under capital leases. During 2015, 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

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

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

GEORGIA ADVANCED TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2016 AND 2015

	Program Services	Management and General	Total 2016	Total 2015
Bank charges	$ -	$ 67,228	$ 67,228	$ 67,377
Insurance	95,132	-	95,132	140,610
Legal, accounting, and consulting	154,814	-	154,814	278,167
Management expenses	2,551,124	65,000	2,616,124	2,920,604
Marketing and sponsorship	7,500	-	7,500	14,625
Office supplies	-	242	242	143
Property repairs and maintenance	894,322	-	894,322	849,810
Registration fees	-	430	430	680
Rent	1,321,958	-	1,321,958	778,823
Taxes - property	397,922	-	397,922	776,329
Utilities	246,046	-	246,046	1,087,164
Depreciation and amortization	2,981,752	-	2,981,752	4,678,493
Interest	4,234,312	-	4,234,312	6,639,507
Loss on investment in limited liability companies (Note 4)	-	-	-	341,289
Bad debt expense	32,291	-	32,291	-
Environmental remediation	424,751	-	424,751	-
Contributions	122,365	-	122,365	393,308
Other expenses	119,050	-	119,050	93,825
Total Expenses	$ 13,583,339	$ 132,900	$ 13,716,239	$ 19,060,754

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

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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

GATV is the sole member of eight limited liability companies: VLP 1, LLC, which holds ownership to property at 575 14th Street; VLP2, LLC, which holds ownership to properties at 720 14th Street, 673 and 650 Ethel Street, and 1115 Howell Mill Road; VLP 3, LLC, which holds ownership to properties at 395 North Avenue and 380 Northyards Boulevard; VLP 4, LLC, which holds ownership to properties at 0 North Avenue; Technology Enterprise Park 1, LLC, which master leased property at 387 Technology Circle until October 1, 2015 (see Note 14); 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.

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, 2016 and 2015 was $2,896,430 and $4,477,347, 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 on August 7, 2015 for net proceeds of $992,751.

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

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.

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.

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

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, 2013.

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 items in the 2015 consolidated financial statements have been reclassified to conform to the 2016 consolidated financial statement 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. The excess amount totals $4,506,262 at June 30, 2016. Cash equivalents are held in an investment institution and are not federally insured. The amount of this uninsured investment is $50,576 at June 30, 2016. 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 $662,648 and $682,113 at June 30, 2016 and 2015, 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, 2016 and 2015, the Organization received $50,975 and $174,089, respectively, and reduced the balance of the outstanding commitment to $189,949 and $240,924 at June 30, 2016 and 2015, 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:

	2016	2015
Loan from TUFF; interest at 6.00%; monthly payments of $4,164 through October 2015; unsecured	$ -	$ 16,449
*Loan from TUFF; interest at 7.53%; monthly payments of $11,833 through July 2018; secured by Technology Enterprise Park land	-	389,639
*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
Loan from TUFF; interest at 6.55%; monthly payments; principal matures October 2033; secured by Technology Enterprise Park land	5,644,070	5,751,644
Loan from TUFF; interest at 6.025%; monthly payments of $11,342 through December 2034 unsecured	1,515,834	1,559,181
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	2,223,760	2,729,090
	$ 9,383,664	$ 12,430,526

NOTE 5 – LONG-TERM NOTES PAYABLE (Continued)

*These two notes payable were settled with the assignment of the property to TUFF as further discussed in Note 14.

Principal maturities on the notes payable are as follows:

Year ended June 30,		
2017	$	696,926
2018		740,440
2019		787,072
2020		837,151
2021		280,549
Thereafter		6,041,526
	$	9,383,664

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.

At June 30, 2016 and 2015, the cost of properties under these capital leases total $66,936,210. Related accumulated depreciation at June 30, 2016 and 2015 is $14,457,388 and $13,073,386, respectively.

NOTE 6 – CAPITAL LEASE OBLIGATIONS (Continued)

The Organization was a party to a lease agreement with TUFF TEPB LLC under which the Organization leased a building at Technology Enterprise Park. The Organization subleased space in the building to organizations compatible with its mission. This lease commenced June 30, 2007, and terminated on October 1, 2015 with assignment of the lease to TUFF TEP1 MASTER LEASE LLC (Note 14).

The property under the above capital lease was recorded as an asset in the accompanying Consolidated Statement of Financial Position. The obligations under the capital lease were 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, was 7.129%. Interest expense on the discounted capital leases of $458,445 was accrued at June 30, 2015. At June 30, 2015, the cost of property under the above capital lease totaled $40,960,871. Related accumulated depreciation at June 30, 2015 was $16,077,563. Due to the assignment of the property, further discussed in Note 14, there was no accrued interest at June 30, 2016.

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,	
2017	$ 4,280,124
2018	4,318,352
2019	4,434,088
2020	4,541,583
2021	4,647,211
Thereafter	68,170,855
	90,392,213
Less amounts representing interest	(32,954,768)
Present value of future minimum lease payments	$ 57,437,445

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 $2,337,874 and $2,453,325, as of June 30, 2016 and 2015, 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.

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

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

Year ended June 30,		
2017	$	865,860
2018		513,947
2019		522,777
2020		531,849
2021		411,314
Thereafter		5,704,390
	$	8,550,137

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 $13,051,869 and $17,251,737 for the years ended June 30, 2016 and 2015, 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 $237,233 and $291,135 for the years ended June 30, 2016 and 2015, 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, 2017. There were no outstanding draws against the letter of credit at June 30, 2016 and 2015.

The Environmental Protection Division of the Georgia Department of Natural Resources (the “EPD”) issued a Proposed Consent Order in May 2010 with respect to Compliance Status Reports submitted for the 1115 Howell Mill Road property owned by the Organization (VLP2 LLC), including environmental concerns related to the Organization’s property at 720 & 0 14th Street and to other properties east of 720 & 0 14th Street which are not owned by the Organization. The Organization hired an independent environmental attorney and an independent environmental consulting firm to determine the extent of the potential liability that exists. At June 30, 2012, the Organization reflected a liability in the Consolidated Statement of Financial Position in the amount of $1,215,729. On November 30, 2011, the Organization submitted a Voluntary Remediation Program Application to the EPD. This application was approved on November 2, 2012 and the cost estimate of the approved remediation program was $592,500. The Organization reviewed the cost of the remediation program during fiscal year 2016 and estimated the cost to be $660,000. At June 30, 2016, the Organization adjusted the total potential liability to $660,000 in the Consolidated Statement of Financial Position. The EPD required the submittal of a financial assurance instrument as a condition of the approved remediation program. The Organization established a letter of credit expiring February 28, 2017 to meet this requirement. There were no outstanding draws against the letter of credit at June 30, 2016.

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)

The Organization had unearned, outstanding, construction or renovation contracts executed in the amount of $513,695 as of June 30, 2016.

During June 2015, the Organization entered into a lease for a warehouse that commenced 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 building for $5,950,000. During April 2016, the Board of Directors authorized the Organization to exercise the purchase option with funding to be provided by available resources of GIT. The Organization intends to exercise the purchase option in 2017 and subsequently sell the property to the Board of Regents. As of June 30, 2016, the purchase price approximated the recently appraised value of the property.

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 2016 and 2015 were $113,402 and $75,337, respectively. At June 30, 2016, these companies owed $3,326 to the Organization. The Organization also leases office space to GIT and receives operating support from GIT. Total payments received from GIT during 2016 and 2015 were $7,833,339 and $8,180,186, respectively. At June 30, 2016, GIT owed $5,236 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 – ASSIGNMENT AGREEMENT

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

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

NOTE 15 – FINANCIAL INFORMATION FOR 2016

The consolidated financial statements include certain prior-year summarized comparative information in total, but not by functional expense class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2016, from which the summarized information was derived.