**THE ATLANTA DEVELOPMENT AUTHORITY,
D/B/A INVEST ATLANTA**

(A Component Unit of the City of Atlanta, Georgia)

Financial Statements

June 30, 2012

(With Independent Auditors' Report Thereon)

THE ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)

June 30, 2012

Table of Contents

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
The Atlanta Development Authority, d/b/a Invest Atlanta
Atlanta, Georgia

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and each major fund of **The Atlanta Development Authority, d/b/a Invest Atlanta** ("Invest Atlanta"), a component unit of the City of Atlanta, Georgia, as of and for the year ended June 30, 2012, which collectively comprise Invest Atlanta's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Invest Atlanta's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Inner City Development Corporation; ADA/CAU Partners, Inc.; Imagine Downtown Managing Member 2007 QEI, LLC; and Imagine Downtown, Inc. which together represents 33% and 35%, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Inner City Development Corporation; ADA/CAU Partners, Inc.; Imagine Downtown Managing Member 2007 QEI, LLC; and Imagine Downtown, Inc. is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Invest Atlanta's discretely presented component units, Inner City Development Corporation; ADA/CAU Partners, Inc.; Imagine Downtown Managing Member 2007 QEI, LLC; and Imagine Downtown, Inc. were not audited in accordance with *Government Auditing Standards.* An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

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In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, and each major fund of the Atlanta Development Authority, d/b/a Invest Atlanta as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Based on the report of other auditors, the accompanying financial statements of ADA/CAU Partners, Inc., which represents 30% and 21%, respectively, of the assets and revenues of the aggregate discretely presented component units, have been prepared assuming that ADA/CAU Partners, Inc. will continue as a going concern. As discussed in Note 13 to the financial statements, ADA/CAU Partners, Inc. has suffered recurring losses from operations that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to this matter are also described in Note 13. The financial statements of ADA/CAU Partners, Inc. do not include any adjustments that might result from the outcome of this uncertainty. Also noted in Note 13, Invest Atlanta has no responsibility to fund or contribute any monies to ADA/CAU Partners, Inc.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2012 on our consideration of Invest Atlanta's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages 3 through 8) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
November 26, 2012

THE ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Management's Discussion and Analysis (Unaudited)
June 30, 2012

This section of The Atlanta Development Authority d/b/a Invest Atlanta's ("Invest Atlanta") annual financial report presents our discussion and analysis of Invest Atlanta's financial performance during the fiscal year ended June 30, 2012. Please read it in conjunction with the financial statements and accompanying notes.

Fiscal Year 2012 Selected Financial Highlights (Proprietary Funds)

- Invest Atlanta's current assets decreased approximately $7.0 million. The majority of the decrease relates to the $5.3 million reduction of the receivable on the Urban Residential Finance Authority's (URFA) books from the U.S. Department of the Treasury for the 2009 New Issue Bond Program (NIBP). The NIBP concluded in December 2011 and has not been reauthorized.
- Total non-current assets decreased approximately $11.6 million. This is due predominantly to a $7.1 million decrease in the Downtown Development Authority's (DDA) investment in a direct financing lease with the City of Atlanta related to the 2009 refunding revenue bonds (Underground Atlanta Project).
- Total current liabilities decreased approximately $9 million. This was largely due to the $5.3 million decrease in its line of credit related to the 2009 New Issue Bond Program as this program has ended as noted above.
- Long-term obligations decreased approximately $11.8 million primarily due to principal payments on both DDA's 2009 refunding revenue bonds (Underground Atlanta Project) and on the Atlanta Urban Redevelopment Agency's (AURA) economic recovery zone bonds.
- Invest Atlanta's assets related to business-type activities exceeded its liabilities at the close of the fiscal year ended June 30, 2012 by approximately $77.6 million *(net assets)*. Of this amount, approximately $27.1 million represents a deficit balance in unrestricted net assets which cannot be used to meet the Authority's ongoing obligations to citizens and creditors. Invest Atlanta's net assets also has approximately $66.6 million invested in capital assets, net of related debt, approximately $8 million restricted for debt services, and approximately $30 million restricted for grant programs.
- The Administrative Fund is used primarily to account for the operating activities of Invest Atlanta. This fund shows an operating loss for the fiscal year of approximately $291,000 compared to a $1.8 million operating loss for the fiscal year ended June 30, 2011. The variance between fiscal years is primarily related to the City of Atlanta funding to Invest Atlanta of $1.9 million for economic development activities in the fiscal year ended June 30, 2012.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Invest Atlanta's basic financial statements. Invest Atlanta's basic financial statements consist of four components: management's discussion and analysis (this section), government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Invest Atlanta's finances, including information related to its component units.

The *statement of net assets* presents information on all of Invest Atlanta's assets and liabilities, with the difference between assets and liabilities reported as net assets or (net deficit). Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Invest Atlanta is improving or deteriorating.

The *statement of activities* presents information showing how Invest Atlanta's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements include Invest Atlanta itself (known as the *primary government*) as well as legally separate entities that are so intertwined with Invest Atlanta that they are treated as part of the primary government. These include the Urban Residential Finance Authority (URFA) and the Downtown Development Authority (DDA). In addition, the government wide financial statements also include legally separate entities for which the Authority is financially accountable: Atlanta BeltLine, Inc. (ABI); Inner City Development Corporation; ADA/CAU Partners, Inc.; the Atlanta Economic Renaissance Corporation; Pryor Road/Lakewood, LLC; Imagine Downtown, Inc.; Imagine Downtown Managing Member 2007 QEI, LLC; and Lakewood Senior (collectively known as *component units*). Financial information for these component units is reported separately from the financial information presented for the primary government itself. As required by the Governmental Accounting Standards Board, the presentation of the activities of URFA in these statements includes the activity and balances of its component units without distinguishing between them. The breakout of that activity can be found in separately prepared financial statements of URFA.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The accompanying statements include four funds, one for each of the three intertwined entities, including Invest Atlanta, URFA, and DDA and one for Invest Atlanta's grants and restricted programs. These funds are used to report the same functions presented as business-type activities in the government-wide financial statements, but show the activity in greater detail, presenting the activity of each of the four funds and also presenting cash flow information.

The basic proprietary fund financial statements can be found on pages 11-14 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-40 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of Invest Atlanta as the primary government, assets exceeded liabilities by approximately $77.6 million at the close of fiscal year 2012.

By far, the largest portion of Invest Atlanta's net assets represents investments in capital assets, net of related debt. Restricted net assets primarily relate to the net assets created by Invest Atlanta and URFA's participation in various loan programs as well as DDA's net assets related to its debt service for the 2006 Revenue Bonds (Parking Deck) and 2009 Refunding Revenue Bonds (Underground Atlanta Project).

Summary of Invest Atlanta's Net Assets
June 30, 2012 and June 30, 2011
Proprietary Funds

	2012	2011
Assets:		
Current assets	$ 42,053,981	$ 49,065,908
Capital assets	70,348,565	70,944,369
Other non-current assets	109,171,696	120,212,479
Total assets	221,574,242	240,222,756
Liabilities:		
Current liabilities	15,221,164	24,224,862
Long-term liabilities	128,773,059	137,012,310
Total liabilities	143,994,223	161,237,172
Net assets:		
Invested in capital assets, net of related debt	66,629,756	58,301,683
Restricted	38,034,426	39,268,983
Unrestricted	(27,084,163)	(18,585,082)
Total net assets	$ 77,580,019	$ 78,985,584

Invest Atlanta's total assets decreased approximately $18.6 million. The decrease is made up of multiple factors including a $5.3 million reduction in the receivable on URFA's books for the New Issue Bond Program, a $7.1 million decrease in DDA's investments in direct financing leases with the City of Atlanta for the Government Center Parking Deck and Underground Atlanta Project, and $3.2 million less in restricted cash mostly due to the AURA commencing funding to promote economic development.

Invest Atlanta's total liabilities decreased approximately $17.2 million for the fiscal year ended June 30, 2012. The decrease is primarily related to principal payments on notes, loans, and bonds payable of $12.1 million. The largest principal payment was $6.2 million on DDA's 2009 Underground Atlanta Project bonds.

Invest Atlanta's total net assets related to business type activities decreased approximately $1.4 million during the fiscal year ended June 30, 2012. The combination of the two items noted above reflect the majority of the decrease in total net assets. Total net assets reflects the Administrative Fund, Grants and Restricted Program Fund, and the blended component units of URFA and DDA. Each of these categories is different in purpose.

Summary of Changes in Invest Atlanta's Net Assets
Fiscal Years Ended June 30, 2012 and June 30, 2011
Proprietary Funds

	2012	2011
Revenues:		
Program revenues:		
Charges for services	$ 8,319,756	$ 13,400,160
Operating grants	6,644,136	5,525,934
Capital contributions	234,024	-
General revenues:		
Interest income	6,016	22,928
Other	2,704,763	1,259,279
Total revenues	17,908,695	20,208,301
Expenses:		
Economic development	19,314,260	21,258,612
Total expenses	19,314,260	21,258,612
Change in net assets	(1,405,565)	(1,050,311)
Net assets, beginning of fiscal year	78,985,584	80,035,895
Net assets, end of fiscal year	$ 77,580,019	$ 78,985,584

Charges for services and operating grants accounted for 83.6% of the total revenues of Invest Atlanta for the year ended June 30, 2012. This revenue includes income from development properties held, service fees, loan fees related primarily to loan programs administered by URFA, and funding received from various sources to provide loans/grants for those programs Invest Atlanta administers (as reported in the Grants and Restricted Program Fund).

The amount received from the City of Atlanta is approximately $6.5 million and mainly relates to the City's support for the debt service related to the 2006 and 2009 revenue bonds issued by DDA, 2005 Series Opportunity Program issued by Invest Atlanta, and the 2007A revenue bonds issued by URFA.

For fiscal 2012, the Authority received $1.9 million in operating subsidy from the City of Atlanta for economic development activities. This revenue is reflected in other income which makes up approximately 15.1% of total revenues.

Invest Atlanta's total expenses are related to its mission of economic development for the City of Atlanta and primarily include: economic development expenses of approximately $3.7 million, interest on long-term financing of approximately $6.3 million, general and administrative expenses of approximately $8.0 million and program expenses of approximately $750,000. Total expenses for the current fiscal year of approximately $19.3 million represent a 9.1% decrease over the prior fiscal year.

Capital Asset and Debt Administration (Primary Government)

Capital assets. The investment in capital assets includes land, buildings and improvements, furniture and equipment, and leasehold improvements.

Capital asset balances of Invest Atlanta at June 30, 2012 and June 30, 2011 are as follows:

	June 30, 2012	June 30, 2011
Land	$ 67,051,365	$ 67,375,000
Buildings and improvements	745,971	745,971
Leasehold improvements	3,514,613	3,514,613
Furniture and equipment	1,420,643	1,589,414
Gross capital assets	72,732,592	73,224,998
Less: accumulated depreciation	(2,384,027)	(2,280,629)
Net capital assets	$ 70,348,565	$ 70,944,369

For more information on capital assets, see Note 5 to the financial statements.

Debt administration. Long term obligations of Invest Atlanta are reported in the Statement of Net Assets. For the fiscal year ended June 30, 2012, activity is summarized as follows:

Primary government:	June 30, 2011	Additions	Reductions	June 30, 2012
Notes payable to the City of Atlanta funded by CDBG	$ 339,345	$ -	$ (6,919)	$ 332,426
Bonds payable, 2005 Opportunity Bonds	18,520,000	-	(790,000)	17,730,000
Bonds payable, 2007A HOP	31,250,000	-	(1,150,000)	30,100,000
Discount, 2007A HOP	(137,497)	-	13,497	(124,000)
Bonds payable, 1999 DDA Revenue Bonds	689,618	-	(64,242)	625,376
Bonds payable, 2006 DDA Revenue Bonds	21,685,000	-	(645,000)	21,040,000
Bonds payable, 2009 DDA Revenue Bonds	42,090,000	-	(6,195,000)	35,895,000
Bonds payable, 2010 DDA Revenue Bonds	22,770,000	-	(940,000)	21,830,000
Discount, 2006 DDA Revenue Bonds	(162,193)	-	7,724	(154,469)
Discount, 2009 DDA Revenue Bonds	(102,041)	-	32,916	(69,125)
Premium, 2009 DDA Revenue Bonds	1,618,528	-	(522,102)	1,096,426
Construction Loan Payable	2,347,597	-	(300,000)	2,047,597
Loan Payable to the City of Atlanta	200,000	-	(200,000)	-
Capital Lease Payable	131,722	59,705	(94,154)	97,273
Commercial Loan Payable	500,000	-	(500,000)	-
Line of Credit Payable	-	250,000	-	250,000
Pollution Remediation Obligation	903,335	-	(749,235)	154,100
Total primary government	$ 142,643,414	$ 309,705	$ (12,102,515)	$ 130,850,604

Invest Atlanta (including URFA and DDA) issues a significant amount of conduit debt. In accordance with GASB standards, conduit debt is not included in Invest Atlanta's Statement of Net Assets, but is disclosed in Note 8 to the financial statements. These liabilities are not included in the financial statements as they are limited obligations of Invest Atlanta (including URFA and DDA) issued on behalf of a third party developer who is responsible for their repayment.

See Note 7 to the financial statements for more information of long-term liabilities of Invest Atlanta.

Requests for Information

This financial report is designed to provide a general overview of Invest Atlanta's finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Chief Financial Officer, 86 Pryor Street SW, Suite 300, Atlanta, GA 30303.

ATLANTA DEVELOPMENT AUTHORITY,
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Statement of Net Assets
June 30, 2012

	Business-type Activities	Component Units
Assets		
Current assets:		
Cash and cash equivalents	$ 8,088,588	$ 2,739,071
Restricted cash and cash equivalents	29,061,179	7,322,655
Investment in direct financing lease with the City of Atlanta, current portion	644,623	-
Other receivables	1,622,140	579,175
Prepaid items	316,029	255,513
Due from the BeltLine Tax Allocation District	4,132	1,615,938
Due from the Atlanta BeltLine Partnership	-	734,219
Due from the City of Atlanta	-	225,621
Due from the City of Atlanta, current portion of long term debt	840,000	-
Due from component units	122,472	-
Due from Atlanta Housing Opportunity, Inc., current portion of long term debt	1,354,818	-
Other current assets	-	1,512
Total current assets	42,053,981	13,473,704
Noncurrent assets:		
Investment in direct financing leases with the City of Atlanta	48,863,512	-
Due from the City of Atlanta	16,900,000	-
Due from Atlanta Housing Opportunity, Inc.	28,327,354	-
Due from others	-	1,270,413
Loans receivable, net of allowance	4,323,395	-
Other receivable, net of allowance	4,435,726	-
Investment in CV Underground	1,917,951	-
Investment in real estate	-	1,494,110
Investment in development projects	595,415	(445,334)
Capital assets, nondepreciable	67,051,365	72,737,408
Capital assets, net of depreciation	3,297,200	29,607,716
Prepaid rent	1,983,291	-
Bond issuance costs, net of amortization	1,558,607	5,552,116
Advances to component units	264,921	-
Other assets	1,524	237,454
Total noncurrent assets	179,520,261	110,453,883
Total assets	221,574,242	123,927,587
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	986,071	3,596,865
Bonds, notes, and loans payable, current portion	10,736,940	2,511,588
Capital leases payable, current portion	62,097	-
Accrued interest payable	1,773,869	3,023,411
Pollution remediation liability	154,100	-
Line of credit payable	250,000	-
Unearned revenue	493,267	2,141,401
Funds held in escrow	5,138	51,600
Due to MARTA	-	76,077
Due to the Atlanta BeltLine Partnership	-	12,773
Due to the City of Atlanta	-	103,500
Due to the primary government	-	122,472
Due to the BeltLine Tax Allocation District	759,682	3,859,673
Due to others	-	1,265,465
Total current liabilities	15,221,164	16,764,825
Noncurrent liabilities:		
Advances from primary government	-	264,921
Due to the City of Atlanta	-	25,000,000
Other payables	87,556	90,000
Due to others	7,139,632	-
Unearned revenue	1,898,404	129,878
Capital leases payable	35,176	-
Bonds, notes and loans payable	119,612,291	78,704,111
Total noncurrent liabilities	128,773,059	104,188,910
Total liabilities	143,994,223	120,953,735
Net Assets (Deficit)		
Invested in capital assets, net of related debt	66,629,756	2,907,678
Restricted for debt services	8,008,509	-
Restricted for grant programs	30,025,917	-
Unrestricted	(27,084,163)	66,174
Total net assets (deficit)	$ 77,580,019	$ 2,973,852

See the accompanying notes to the financial statements.

ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Statement of Activities
Fiscal Year Ended June 30, 2012

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Business-type Activities	Component Units
Functions/ Programs:						
Primary government:						
Business-type activities:						
Economic development	$ 19,314,260	$ 8,319,756	$ 234,024	$ 6,644,136	$ (4,116,344)	
Total primary government activities	$ 19,314,260	$ 8,319,756	$ 234,024	$ 6,644,136	(4,116,344)	
Component units:						
Inner City Development Corporation	$ 2,671,166	$ 43,477	$ 3,173,593	$ -		$ 545,904
Atlanta BeltLine, Inc.	5,867,985	778,271	6,799,232	9,164,963		10,874,481
ADA/CAU Partners, Inc.	7,204,646	5,332,373	-	-		(1,872,273)
Atlanta Economic Renaissance Corporation	12,085	19,070	-	-		6,985
Pryor Road/Lakewood, LLC	-	-	-	-		-
Lakewood Senior	60,692	45,618	-	-		(15,074)
Imagine Downtown Managing Member 2007 QEI, LLC	100,452	573,069	-	-		472,617
Imagine Downtown, Inc.	581,627	56,267	-	-		(525,360)
Total component unit activities	$ 16,498,653	$ 6,848,145	$ 9,972,825	$ 9,164,963		9,487,280
General revenues:						
Interest income					6,016	9,463
Miscellaneous revenue					2,704,763	-
Total general revenues					2,710,779	9,463
Change in net assets					(1,405,565)	9,496,743
Net assets (deficit) – beginning of fiscal year					78,985,584	(6,522,891)
Net assets (deficit) – ending of fiscal year					$ 77,580,019	$ 2,973,852

See the accompanying notes to the financial statements.

ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business-type Activities - Enterprise Funds				
	Administrative Fund	Grants and Restricted Program Fund	Urban Residential Finance Authority	Downtown Development Authority	Total
Assets					
Current assets:					
Cash and cash equivalents	$ 54,410	$ 2,611,006	$ 5,421,700	$ 1,472	$ 8,088,588
Restricted cash and cash equivalents	190,323	-	1	28,870,855	29,061,179
Investment in direct financing leases with the City of Atlanta , current portion	-	-	-	644,623	644,623
Other receivables	1,499,550	-	122,590	-	1,622,140
Prepaid items	193,788	-	7,450	114,791	316,029
Due from the BeltLine Tax Allocation District	4,132	-	-	-	4,132
Due from other funds	3,225	592	-	400	4,217
Due from the City of Atlanta, current portion of long term debt	830,000	-	10,000	-	840,000
Due from component units	96,472	-	26,000	-	122,472
Due from Atlanta Housing Opportunity, Inc., current portion of long term debt	-	-	1,354,818	-	1,354,818
Total current assets	2,871,900	2,611,598	6,942,559	29,632,141	42,058,198
Noncurrent assets:					
Investment in direct financing leases with the City of Atlanta	-	-	-	48,863,512	48,863,512
Due from the City of Atlanta	16,900,000	-	-	-	16,900,000
Due from Atlanta Housing Opportunity, Inc.	-	-	28,327,354	-	28,327,354
Loans receivable, net of allowance	-	2,641,012	1,682,383	-	4,323,395
Other receivables, net of allowance	-	-	4,435,726	-	4,435,726
Investment in CV Underground	-	-	-	1,917,951	1,917,951
Investment in development projects	19,933	-	575,482	-	595,415
Capital assets, nondepreciable	67,051,365	-	-	-	67,051,365
Capital assets, net of depreciation	437,460	-	701,532	2,158,208	3,297,200
Prepaid rent	-	-	-	1,983,291	1,983,291
Bond issuance costs, net of amortization	-	-	319,005	1,239,602	1,558,607
Advances to other funds	1,067,797	663,242	942,210	-	2,673,249
Advances to component units	264,921	-	-	-	264,921
Other assets	1,524	-	-	-	1,524
Total noncurrent assets	85,743,000	3,304,254	36,983,692	56,162,564	182,193,510
Total assets	88,614,900	5,915,852	43,926,251	85,794,705	224,251,708
Liabilities					
Current liabilities:					
Accounts payable	421,107	143,200	96,155	5,000	665,462
Bonds, notes, and loans payable, current portion	830,000	-	1,599,681	8,307,259	10,736,940
Capital leases payable, current portion	62,097	-	-	-	62,097
Accrued interest payable	69,831	-	140,633	1,563,405	1,773,869
Accrued liabilities	320,609	-	-	-	320,609
Line of credit payable	250,000	-	-	-	250,000
Unearned revenue	-	-	493,267	-	493,267
Pollution remediation liability	154,100	-	-	-	154,100
Funds held in escrow	-	-	5,138	-	5,138
Due to Beltline Tax Allocation District	759,682	-	-	-	759,682
Due to other funds	992	3,225	-	-	4,217
Total current liabilities	2,868,418	146,425	2,334,874	9,875,664	15,225,381
Noncurrent liabilities:					
Capital leases payable	35,176	-	-	-	35,176
Unearned revenue	1,898,404	-	-	-	1,898,404
Other payables	87,556	-	-	-	87,556
Due to others	-	-	7,139,632	-	7,139,632
Advances from other funds	1,605,452	-	-	1,067,797	2,673,249
Bonds, notes, and loans payable	16,900,000	-	30,756,342	71,955,949	119,612,291
Total noncurrent liabilities	20,526,588	-	37,895,974	73,023,746	131,446,308
Total liabilities	23,395,006	146,425	40,230,848	82,899,410	146,671,689
Net Assets (Deficit)					
Invested in capital assets, net of related debt	67,391,552	-	(2,294,628)	1,532,832	66,629,756
Restricted for debt services	-	-	-	8,008,509	8,008,509
Restricted for grant programs	-	5,769,427	3,394,144	20,862,346	30,025,917
Unrestricted	(2,171,658)	-	2,595,887	(27,508,392)	(27,084,163)
Total net assets	$ 65,219,894	$ 5,769,427	$ 3,695,403	$ 2,895,295	$ 77,580,019

See the accompanying notes to the financial statements.

ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Fiscal Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds				
	Administrative Fund	Grants and Restricted Program Fund	Urban Residential Finance Authority	Downtown Development Authority	Total
Operating revenues:					
Service, administration, and loan fees	$ 3,144,607	$ 1,304,623	$ 1,892,017	$ -	$ 6,341,247
Developer fees	-	-	21,497	-	21,497
Private grants	-	-	1,000,000	-	1,000,000
Rental income	-	-	-	808,382	808,382
Income received from others for debt service payments	854,433	-	1,711,876	3,932,260	6,498,569
Other revenue	2,674,596	30,167	294,197	-	2,998,960
Total operating revenues	6,673,636	1,334,790	4,919,587	4,740,642	17,668,655
Operating expenses:					
Development costs	94,350	-	-	-	94,350
Interest on bonds, notes, and loans	901,949	-	1,725,173	3,660,078	6,287,200
Program expenses	-	750,000	-	-	750,000
Economic development	-	-	2,476,809	1,256,781	3,733,590
Depreciation and amortization	177,207	-	151,505	132,679	461,391
General and administrative	5,791,135	162,906	1,651,337	382,351	7,987,729
Total operating expenses	6,964,641	912,906	6,004,824	5,431,889	19,314,260
Operating income (loss)	(291,005)	421,884	(1,085,237)	(691,247)	(1,645,605)
Interest income on bank accounts	1,345	2,395	18	2,258	6,016
Transfers in	-	-	-	94,514	94,514
Transfers out	(94,514)	-	-	-	(94,514)
Contributed capital	234,024	-	-	-	234,024
Change in net assets	(150,150)	424,279	(1,085,219)	(594,475)	(1,405,565)
Net assets at beginning of fiscal year	65,370,044	5,345,148	4,780,622	3,489,770	78,985,584
Net assets at end of fiscal year	$ 65,219,894	$ 5,769,427	$ 3,695,403	$ 2,895,295	$ 77,580,019

See the accompanying notes to the financial statements.

ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds				
	Administrative Fund	Grants and Restricted Program Fund	Urban Residential Finance Authority	Downtown Development Authority	Total
Cash flows from operating activities:					
Receipts from customers and grantors	$ 1,728,548	$1,270,371	$ 2,769,364	$ -	$ 5,768,283
Receipts from third parties (rental income)	-	-	-	990,774	990,774
Receipts of interest on loans	-	-	49,484	-	49,484
Payments to component units	(25,219)	-	-	-	(25,219)
Miscellaneous receipts	2,674,596	-	-	24,000	2,698,596
Receipts of developer fees	-	-	21,497	-	21,497
Repayment of advances to affiliates for development costs	1,319,136	-	-	-	1,319,136
Payments from Tax Allocation District	759,682	-	-	-	759,682
Payments to/from other funds	(374,067)	374,067	-	-	-
Payments to suppliers	(3,587,307)	(66,085)	(2,787,483)	(304,007)	(6,744,882)
Payments to employees	(3,944,475)	-	(1,002,216)	-	(4,946,691)
Payments for programs	-	(750,000)	(1,208,306)	(1,256,781)	(3,215,087)
Other	-	-	3,603	-	3,603
Net cash provided by (used in) operating activities	(1,449,106)	828,353	(2,154,057)	(546,014)	(3,320,824)
Cash flows from noncapital financing activities:					
Receipts from the City of Atlanta to cover debt service on revenue bonds issued on behalf of the City of Atlanta	1,644,433	-	2,845,236	3,932,260	8,421,929
Receipt of principal and interest on loans	-	-	13,297	-	13,297
Repayment of bonds, notes, and loan principal	-	-	(1,456,919)	-	(1,456,919)
Payments for interest	(905,241)	-	(1,730,030)	(4,359,383)	(6,994,654)
Repayment on bond principal on debt issued on behalf of the Downtown Development Authority	-	-	-	(64,242)	(64,242)
Repayment on bond principal related to revenue bonds issued on behalf of the City of Atlanta	(1,490,000)	-	-	(6,840,000)	(8,330,000)
Funds received on direct financing lease with the City of Atlanta	-	-	-	7,095,973	7,095,973
Repayment of advances to other funds	1,371,665	-	179,350	60,790	1,611,805
Advances to other funds	-	(663,242)	2,281,811	-	1,618,569
Advances to City of Atlanta	-	-	(10,000)	-	(10,000)
Principal reduction of Recovery Zone bonds	-	-	-	(940,000)	(940,000)
Transfers in	-	-	-	94,514	94,514
Transfers out	(94,514)	-	-	-	(94,514)
Acquisition of capital assets	(97,341)	-	-	-	(97,341)
Receipt from the U.S. Department of the Treasury	-	-	5,339,473	-	5,339,473
Draw on line of credit	250,000	-	-	-	250,000
Repayment on loan payable	(834,167)	-	(5,339,473)	-	(6,173,640)
Net cash provided by (used in) noncapital financing activities	(155,165)	(663,242)	2,122,745	(1,020,088)	284,250
Cash flows from capital financing activities:					
Principal payment for capital lease	(94,154)	-	-	-	(94,154)
Net cash used in capital financing activities	(94,154)	-	-	-	(94,154)
Cash flows from investing activities:					
Receipts of interest on bank accounts	1,345	2,395	18	2,258	6,016
Net cash provided by investing activities	1,345	2,395	18	2,258	6,016
Net increase (decrease) in cash and cash equivalents	(1,697,080)	167,506	(31,294)	(1,563,844)	(3,124,712)
Cash and cash equivalents at beginning of fiscal year	1,941,813	2,443,500	5,452,995	30,436,171	40,274,479
Cash and cash equivalents at end of fiscal year	$ 244,733	$2,611,006	$ 5,421,701	$ 28,872,327	$ 37,149,767
Reconciliation to Statement of Net Assets:					
Cash and cash equivalents	$ 54,410	$2,611,006	$ 5,421,700	$ 1,472	$ 8,088,588
Restricted cash and cash equivalents	190,323	-	1	28,870,855	29,061,179
	$ 244,733	$2,611,006	$ 5,421,701	$ 28,872,327	$ 37,149,767

(continued)

ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds				
	Administrative Fund	Grants and Restricted Program Fund	Urban Residential Finance Authority	Downtown Development Authority	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ (291,005)	$ 421,884	$ (1,085,237)	$ (691,247)	$ (1,645,605)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expenses, net	177,207	-	70,206	(199,256)	48,157
Interest receipts reported in operating income (loss)	(854,433)	-	(1,725,173)	(3,932,260)	(6,511,866)
Interest payments reported in operating income (loss)	901,949	-	1,725,173	4,359,383	6,986,505
Allowance for doubtful accounts	-	-	1,081,271	-	1,081,271
(Increase) decrease in:					
Other receivables	(1,297,337)	-	(62,480)	-	(1,359,817)
Advances for development costs	1,319,136	-	-	-	1,319,136
Loans receivable	-	(13,951)	(62,875)	-	(76,826)
Investment in development projects	200,000	-	-	-	200,000
Investment in CV Underground	-	-	-	182,392	182,392
Prepaid items and other assets	78,950	-	-	102,327	181,277
Due from (to) component units	(25,219)	-	(4,521)	-	(29,740)
Due from (to) other funds	(374,067)	374,067	-	-	-
Increase (decrease) in:					
Accounts payable and accrued expenses	(296,876)	96,821	(33,867)	(367,353)	(601,275)
Funds held in escrow	-	-	(2,849)	-	(2,849)
Due to the City of Atlanta	(200,000)	-	-	-	(200,000)
Due to the BeltLine Tax Allocation District	759,682	-	-	-	759,682
Pollution remediation liability	(94,235)	-	-	-	(94,235)
Other payables	(1,334,136)	-	(1,766,806)	-	(3,100,942)
Unearned revenue	(118,722)	(50,468)	(286,899)	-	(456,089)
Net cash provided by (used in) operating activities	$ (1,449,106)	$ 828,353	$ (2,154,057)	$ (546,014)	$ (3,320,824)
Non-cash capital financing activities					
Donated capital asset	$ 234,024	$ -	$ -	$ -	$ 234,024

See the accompanying notes to the financial statements.

ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Combining Statement of Net Assets
Component Units
June 30, 2012

	Inner City Development Corporation	Atlanta BeltLine, Inc.	ADA/CAU Partners, Inc.	Atlanta Economic Renaissance Corporation	Pryor Road/ Lakewood, LLC	Lakewood Senior	Imagine Downtown Managing Memb. 2007 QEI, LLC	Imagine Downtown, Inc.	Total Component Units
Assets									
Current assets:									
Cash and cash equivalents	$ 189,373	$ -	$ 393,712	$ 21,919	$ 4,227	$ 668	$ 2,128,774	$ 398	$ 2,739,071
Restricted cash and cash equivalents	-	5,907,171	1,415,484	-	-	-	-	-	7,322,655
Prepaid items	-	242,729	12,784	-	-	-	-	-	255,513
Accounts receivable	-	91,931	294,561	-	5,000	-	185,133	2,550	579,175
Due from the Atlanta BeltLine Partnership	-	734,219	-	-	-	-	-	-	734,219
Due from the City of Atlanta	-	225,621	-	-	-	-	-	-	225,621
Due from the BeltLine Tax Allocation District	-	1,615,938	-	-	-	-	-	-	1,615,938
Other assets	-	1,512	-	-	-	-	-	-	1,512
Total current assets	189,373	8,819,121	2,116,541	21,919	9,227	668	2,313,907	2,948	13,473,704
Noncurrent assets:									
Capital assets, nondepreciable	-	72,737,408	-	-	-	-	-	-	72,737,408
Capital assets, net of depreciation	-	182,041	29,425,675	-	-	-	-	-	29,607,716
Investment in real estate	200,869	-	-	1,293,241	-	-	-	-	1,494,110
Investment in development projects	-	-	-	-	-	(460,712)	6,907	8,471	(445,334)
Bond issuance costs, net of amortization	-	-	5,552,116	-	-	-	-	-	5,552,116
Due from others	-	-	-	-	-	-	1,270,413	-	1,270,413
Other assets	-	-	18,325	-	-	-	193,620	25,509	237,454
Total noncurrent assets	200,869	72,919,449	34,996,116	1,293,241	-	(460,712)	1,470,940	33,980	110,453,883
Total assets	390,242	81,738,570	37,112,657	1,315,160	9,227	(460,044)	3,784,847	36,928	123,927,587
Liabilities									
Current liabilities:									
Accounts payable and accrued liabilities	6,000	2,816,182	699,515	-	-	-	58,000	17,168	3,596,865
Bonds, notes, and loans payable, current portion	-	1,706,588	805,000	-	-	-	-	-	2,511,588
Accrued interest payable	-	-	1,532,036	1,491,375	-	-	-	-	3,023,411
Funds held in escrow	-	-	-	51,600	-	-	-	-	51,600
Unearned revenue	-	154,122	-	-	-	-	1,700,136	287,143	2,141,401
Due to MARTA	-	76,077	-	-	-	-	-	-	76,077
Due to the City of Atlanta	-	103,500	-	-	-	-	-	-	103,500
Due to the Atlanta BeltLine Partnership	-	12,773	-	-	-	-	-	-	12,773
Due to the primary government	-	122,472	-	-	-	-	-	-	122,472
Due to others	-	-	-	-	-	-	184,619	1,080,846	1,265,465
Due to the BeltLine Tax Allocation District	-	3,859,673	-	-	-	-	-	-	3,859,673
Total current liabilities	6,000	8,851,387	3,036,551	1,542,975	-	-	1,942,755	1,385,157	16,764,825
Noncurrent liabilities:									
Advances from primary government	-	-	-	264,921	-	-	-	-	264,921
Due to the City of Atlanta	-	25,000,000	-	-	-	-	-	-	25,000,000
Bonds, notes and loans payable	-	25,556,474	49,481,385	3,666,252	-	-	-	-	78,704,111
Unearned revenue, long term	-	-	-	129,878	-	-	-	-	129,878
Other liabilities	-	-	90,000	-	-	-	-	-	90,000
Total noncurrent liabilities	-	50,556,474	49,571,385	4,061,051	-	-	-	-	104,188,910
Total liabilities	6,000	59,407,861	52,607,936	5,604,026	-	-	1,942,755	1,385,157	120,953,735
Net Assets (Deficit)									
Invested in capital assets, net of related debt	-	23,768,388	(20,860,710)	-	-	-	-	-	2,907,678
Unrestricted	384,242	(1,437,679)	5,365,431	(4,288,866)	9,227	(460,044)	1,842,092	(1,348,229)	66,174
Total net assets (deficit)	$ 384,242	$ 22,330,709	$ (15,495,279)	$ (4,288,866)	$ 9,227	$ (460,044)	$ 1,842,092	$ (1,348,229)	$ 2,973,852

See the accompanying notes to the financial statements.

ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Combining Statement of Activities
Component Units
Fiscal Year Ended June 30, 2012

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets								
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Inner City Development Corporation	Atlanta BeltLine, Inc.	ADA/CAU Partners, Inc.	Atlanta Economic Renaissance Corporation	Pryor Road/ Lakewood, LLC	Lakewood Senior	Imagine Downtown Managing Member 2007 QEI, LLC	Imagine Downtown, Inc.	Total Component Units
Functions/ Programs:													
Component units:													
Inner City Development Corporation	$ 2,671,166	$ 43,477	$ 3,173,593	$ -	$ 545,904	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 545,904
Atlanta BeltLine, Inc.	5,867,985	778,271	6,799,232	9,164,963	-	10,874,481	-	-	-	-	-	-	10,874,481
ADA/CAU Partners, Inc.	7,204,646	5,332,373	-	-	-	-	(1,872,273)	-	-	-	-	-	(1,872,273)
Atlanta Economic Renaissance Corporation	12,085	19,070	-	-	-	-	-	6,985	-	-	-	-	6,985
Pryor Road/Lakewood, LLC	-	-	-	-	-	-	-	-	-	-	-	-	-
Lakewood Senior	60,692	45,618	-	-	-	-	-	-	-	(15,074)	-	-	(15,074)
Imagine Downtown Managing Member 2007 QEI, LLC	100,452	573,069	-	-	-	-	-	-	-	-	472,617	-	472,617
Imagine Downtown, Inc.	581,627	56,267	-	-	-	-	-	-	-	-	-	(525,360)	(525,360)
Total component unit activities	$ 16,498,653	$ 6,848,145	$ 9,972,825	$ 9,164,963	545,904	10,874,481	(1,872,273)	6,985	-	(15,074)	472,617	(525,360)	9,487,280
General revenues:													
Interest income					-	1,272	8,191	-	-	-	-	-	9,463
Total general revenues					-	1,272	8,191	-	-	-	-	-	9,463
Changes in net assets					545,904	10,875,753	(1,864,082)	6,985	-	(15,074)	472,617	(525,360)	9,496,743
Net assets (deficit) – beginning of fiscal year					(161,662)	11,454,956	(13,631,197)	(4,295,851)	9,227	(444,970)	1,369,475	(822,869)	(6,522,891)
Net assets (deficit) – ending of fiscal year					$ 384,242	$ 22,330,709	$ (15,495,279)	$ (4,288,866)	$ 9,227	$ (460,044)	$ 1,842,092	$ (1,348,229)	$ 2,973,852

See the accompanying notes to the financial statements.

(1) Summary of Significant Accounting Policies

(a) The Financial Reporting Entity

In 1997, the Atlanta Development Authority was created by the City of Atlanta, Georgia (the "City") as the official economic development agency for the City. The Atlanta Development Authority is currently doing business under the name Invest Atlanta ("Invest Atlanta"). Invest Atlanta is comprised of a combination of several economic development and financing entities which have been included in Invest Atlanta's financial statements as blended component units in conformity with accounting principles generally accepted in the United States of America, as set forth in Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*:

The Urban Residential Finance Authority ("URFA") of the City of Atlanta, Georgia was created pursuant to the Urban Residential Finance Authorities Act for Large Municipalities and commenced activities in 1979. Within the City of Atlanta, URFA is authorized to assist in providing financing for the construction or rehabilitation of single-family and multi-family residential housing and to provide funds to be used as down payment assistance for families within certain income limitations. URFA's Board of Directors is substantially the same as the Board of Directors of Invest Atlanta and it has a financial benefit and burden relationship with Invest Atlanta. As a result, URFA is a blended component unit of Invest Atlanta. URFA financial statements also include Lakewood Hills, Inc.; Crogman School Development, LLC; Crogman School, Inc.; GP URFA Sexton, Inc.; Sylvan Hills Development LLC; and Toby Sexton Development, LLC. Each of the preceding entities is a discretely presented component unit of URFA and each has a year ending December 31. Balances for each of the discretely presented component units of URFA are shown in this report as of their year ending date.

The Downtown Development Authority ("DDA") was created to promote the revitalization and redevelopment of the City by financing projects that will promote the general welfare of the City of Atlanta and provide trade, commerce, industry, and employment opportunities within the City. DDA's Board of Directors is substantially the same as the Board of Directors of Invest Atlanta and it has a financial benefit and burden relationship with Invest Atlanta. As a result, DDA is a blended component unit of Invest Atlanta. DDA financial statements also include the Atlanta Urban Redevelopment Agency ("AURA") which was created to issue Recovery Zone Economic Development Bonds and with those bond proceeds, provide financing for certain economic development projects within the Atlanta Urban Redevelopment Area as determined by the City of Atlanta. AURA is considered to be a blended component unit of DDA as the governing body for both DDA and the AURA are identical.

The component unit column in the government-wide financial statements includes the Inner City Development Corporation; Atlanta BeltLine Inc.; ADA/CAU Partners, Inc.; the Atlanta Economic Renaissance Corporation; Pryor Road/Lakewood, LLC; Lakewood Senior; Imagine Downtown Managing Member 2007 QEI, LLC; and Imagine Downtown, Inc. They are each reported in a separate column to emphasize they are legally separate from Invest Atlanta. Each of these component units is accounted for using the guidance applicable to proprietary funds.

(1) Summary of Significant Accounting Policies (Continued)

(a) The Financial Reporting Entity (Continued)

The Inner City Development Corporation ("ICDC") was created to acquire land and develop the Historic Westside Village area. The Board of Directors of ICDC is appointed by the Board of Directors of Invest Atlanta and the assets of ICDC are legally entitled to revert to Invest Atlanta. ICDC includes its sole component unit HWV 2A, LLC. ICDC and its component unit have a December 31 year-end.

Atlanta BeltLine, Inc. ("ABI") was incorporated in 2006 to act as implementation agent for Invest Atlanta with respect to the Atlanta BeltLine Project (the "BeltLine"). The majority of ABI's Board of Directors are appointed by Invest Atlanta and it has a financial benefit and burden relationship with Invest Atlanta. ABI includes its component unit, Chester Avenue Lofts, LLC.

ADA/CAU Partners, Inc. was created to construct college dormitories on the campus of Clark Atlanta University. The Board of Directors of ADA/CAU Partners, Inc. is appointed by the Board of Directors of Invest Atlanta, who can also impose their will on the ADA/CAU Partners, Inc. by removal of board members at any time.

The Atlanta Economic Renaissance Corporation ("AERC"), formerly the Atlanta Economic Development Corporation ("AEDC"), was created to coordinate and encourage efforts by the private and public sectors to promote the general economic development of the City and its residents. The Board of Directors of AERC is appointed by the Board of Directors of Invest Atlanta, who can also impose their will on AERC as the management of Invest Atlanta and AERC are essentially the same.

Pryor Road/Lakewood, LLC is wholly owned by Invest Atlanta and was created to purchase and develop real property along Pryor Road in Atlanta. As the sole member of the limited liability corporation, Invest Atlanta controls the activity of Pryor Road/Lakewood, LLC. Pryor Road/Lakewood, LLC has a December 31 year-end.

Lakewood Senior, Inc. was created in 2007 and became the managing general partner of Park Place South Senior, LP ("PPS"). PPS was created to construct a senior apartment community within the Park Place South Master Community development. The Board of Directors of Lakewood Senior, Inc. is appointed by the Board of Directors of Invest Atlanta, who can also impose their will on Lakewood Senior, Inc. through its management, as the management of Invest Atlanta and Lakewood Senior, Inc. are essentially the same.

Imagine Downtown Managing Member 2007 QEI, LLC ("IDMM"), is a Georgia limited liability company that was formed to serve directly, or indirectly, as a manager and member of Imagine Downtown, Inc.'s ("IDI") assemblage of entities which include IDI 1-2007, 2-2007, and 3-2007 Managing Member, LLC. IDMM was formed to serve directly, or indirectly, as a manager and member of each of the IDI entities, which are subsidiary qualified Community Development Entities ("subsidiary CDE"). Invest Atlanta owns 100% of Imagine Downtown Managing Member 2007 QEI, LLC and Imagine Downtown Managing Member 2007 QEI, LLC owns 100% of each IDI entity. As the sole member of the limited liability corporation, Invest Atlanta controls the activity of IDMM, which has a December 31 year-end.

(1) Summary of Significant Accounting Policies (Continued)

(a) The Financial Reporting Entity (Continued)

Imagine Downtown, Inc. was created in 2005 to serve and provide investment capital for low-income communities or low-income persons. Imagine Downtown, Inc.'s primary activity is making qualified loans to, or qualified investments in, active low-income businesses. As the sole owner of IDI, Invest Atlanta controls the activity of Imagine Downtown, Inc. which has a December 31 year-end.

Separate financial statements or financial information on these component units may be obtained from the Chief Financial Officer, Invest Atlanta at 86 Pryor Street SW, Suite 300, Atlanta, GA 30303. Management has considered the criteria set forth in Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, *Defining the Financial Reporting Entity.* Based upon the application of the above criteria, the City of Atlanta, Georgia has determined Invest Atlanta to be a component unit of the City.

(b) Government-wide and Fund Financial Statements

Invest Atlanta presents government-wide financial statements which are prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements (i.e. the statement of net assets and the statement of activities) do not provide information by fund. Net assets in the statement of net assets are distinguished between amounts invested in capital assets (net of any related debt), amounts that are restricted for use by third parties or outside requirements, and amounts that are unrestricted.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use, or benefit from the services provided by a given function or segment and include interest income on loans provided for economic development and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted interest income on investments and other items not properly included among program revenues are reported as general revenues.

In addition to the government-wide financial statements, Invest Atlanta has prepared separate financial statements for proprietary funds. These fund financial statements also use the accrual basis of accounting and the economic resources measurement focus.

Under the economic resources measurement focus and the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Interest income and service, administration, and loan fees are revenue susceptible to accrual and recognized as revenue when earned regardless of when the cash is received. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenses are recorded when a liability is incurred.

(1) Summary of Significant Accounting Policies (Continued)

(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Invest Atlanta reports the following major enterprise funds:

Administrative Fund – This fund is used to account for all economic development and administrative activity of Invest Atlanta except those financed with grants. This fund includes all personnel, office, and administrative costs of Invest Atlanta.

Grants and Restricted Program Fund – This fund is used to account for all activity of Invest Atlanta that is restricted for grant activities.

Urban Residential Finance Authority – These statements are used to account for all economic development activity of the blended component unit - URFA.

Downtown Development Authority – These statements are used to account for all economic development activity of the blended component unit - DDA.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. Invest Atlanta has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of each of Invest Atlanta's enterprise funds is interest income on loans outstanding; service, administration, and loan fees; and other activity surrounding the development of property. Operating expenses for the enterprise funds include direct general and administrative expenses of administering the economic development programs. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is Invest Atlanta's policy to use restricted resources first, then unrestricted resources as they are needed.

(d) Cash, Cash Equivalents, and Investments

For the purposes of the statement of cash flows, Invest Atlanta considers the following to be cash equivalents: all short-term investment securities with original maturities of three months or less, local government investment pools, repurchase agreements, money market accounts, and investment agreements under which funds can be withdrawn at any time without penalty. State statutes authorize Invest Atlanta to invest in obligations of any State; obligations of any political subdivision of any State; certificates of deposit or time deposits of any national State bank or savings and loan which have deposits insured by the FDIC or FSLIC; prime bankers acceptances; repurchase agreements; and the Local Government Investment Pool of the State of Georgia ("Georgia Fund 1").

(1) Summary of Significant Accounting Policies (Continued)

(d) Cash, Cash Equivalents, and Investments (Continued)

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment or other specific purposes are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or by the purpose of certain agreements with other parties.

Investments are carried at fair value based on quoted market prices.

(e) Loans Receivable

Loans receivable are stated at their unpaid principal balance, less any loan discounts. The discounts are amortized using a method approximating a level yield over the estimated average life of the loans.

(f) Investment in Real Estate

Investments in real estate consist of property stated at the lower of aggregate cost or net realizable value. Cost includes the purchase price of the land and development costs, as well as capitalized interest. There was no interest capitalized during fiscal 2012. Valuation allowances are provided to adjust the carrying value of land held for resale to net realizable values (see Note 6).

(g) Investment in Development Projects

Investments in development projects represent Invest Atlanta's acquisition and improvement of properties in anticipation of either private or public development of the property. Investments and improvements are recorded at cost.

(h) Capital Assets

Capital assets are stated at cost. Depreciation on capital assets is calculated on the straight-line method over the estimated useful lives as follows:

Leasehold improvements	29 years
Buildings	26 years
Furniture and Equipment	3-5 years

(i) Income Taxes

Invest Atlanta's income is exempt from Federal income taxes pursuant to Section 115 of the Internal Revenue Code.

(j) Use of Estimates

In the normal course of business, Invest Atlanta management has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses to prepare the financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from these estimates.

(2) Deposits and Investments

(a) Credit Risk

Invest Atlanta is authorized to invest in obligations or investments as determined by the Board of Directors of Invest Atlanta, subject to any agreement with bondholders and with applicable law. As of June 30, 2012, Invest Atlanta did not have any investments other than deposits with financial institutions.

(b) Custodial Credit Risk-Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2012, Invest Atlanta had no bank balances that were exposed to custodial credit risk.

(3) Investment in Direct Financing Leases with the City of Atlanta

The Government Center Parking Deck was placed into operations in January 2008 and the land and related building of the Parking Deck was leased to the City of Atlanta in a lease that qualifies as a capital lease. The lease payments from the City of Atlanta equal the debt service payments on the Series 2006 Revenue Bonds (see Note 7 for revenue bonds payable disclosure). As of June 30, 2012, the investment in direct financing lease is $20,093,135.

In 2009, DDA issued $52,790,000 in Refunding Revenue Bonds (Series 2009) on behalf of the City of Atlanta to pay off or refund the City's 2002 Series Underground Atlanta Project Revenue Bonds. The principal and interest on the Series 2009 Revenue Bonds are special limited obligations of DDA and shall be payable solely from monies payable to DDA by the City of Atlanta (see Note 7 for revenue bonds payable disclosure) under a capital lease arrangement for the Underground Parking Deck. As of June 30, 2012, a net receivable of $29,415,000 is recorded by the Downtown Development Authority as an investment in direct financing lease with the City of Atlanta with the difference ($6,480,000) between the total outstanding Series 2009 revenue bonds and the receivable being money transferred by the City of Atlanta to DDA's trust account for future debt service payments.

(4) Investment in CV Underground

During 1999, Invest Atlanta entered into an agreement with other parties to contribute capital to CV Underground, LLC. CV Underground, LLC (the "Company") was formed in 1999 to manage and operate the Underground Atlanta Festival Marketplace. In exchange for its capital contribution, Invest Atlanta is entitled to the first one percent of distributable cash from the Company's operations, with the remaining ninety-nine percent going to the majority owner. As of June 30, 2012, Invest Atlanta's interest in CV Underground is approximately $1,917,951.

(5) Capital Assets

Capital assets activity for the fiscal year ended June 30, 2012 consists of the following:

Invest Atlanta Administrative Fund	June 30, 2011	Additions	Deletions	June 30, 2012
Capital assets not being depreciated:				
Land	$ 67,375,000	$ 337,266	$ (660,901)	$ 67,051,365
Total capital assets, not being depreciated	67,375,000	337,266	(660,901)	67,051,365
Capital assets being depreciated:				
Furniture and equipment	829,364	59,705	(11,538)	877,531
	829,364	59,705	(11,538)	877,531
Less accumulated depreciation	(274,402)	(177,207)	11,538	(440,071)
Capital assets net of depreciation	554,962	(117,502)	-	437,460
Net capital assets	$ 67,929,962	$ 219,764	$ (660,901)	$ 67,488,825

(5) Capital Assets (Continued)

	June 30, 2011	Additions	Deletions	June 30, 2012
Downtown Development Authority:				
Capital assets being depreciated:				
Furniture and equipment	$ 760,050	$ -	$ (216,938)	$ 543,112
Leasehold improvements	3,491,247	-	-	3,491,247
	4,251,297	-	(216,938)	4,034,359
Accumulated depreciation:				
Furniture and equipment	(747,759)	(12,291)	216,938	(543,112)
Leasehold improvements	(1,212,651)	(120,388)	-	(1,333,039)
Net capital assets	$ 2,290,887	$ (132,679)	$ -	$ 2,158,208
Urban Residential Finance Authority:				
Capital assets being depreciated:				
Building and improvements	$ 745,971	$ -	$ -	$ 745,971
Leahold improvements	23,366	-	-	23,366
	769,337	-	-	769,337
Accumulated depreciation:				
Building and improvements	(41,960)	(18,650)	-	(60,610)
Leasehold improvements	(3,857)	(3,338)	-	(7,195)
Net capital assets	$ 723,520	$ (21,988)	$ -	$ 701,532
Total primary government:				
Capital assets not being depreciated:				
Land	$ 67,375,000	$ 337,266	$ (660,901)	$ 67,051,365
Total capital assets not being depreciated	67,375,000	337,266	(660,901)	67,051,365
Capital assets being depreciated:				
Furniture and equipment	1,589,414	59,705	(228,476)	1,420,643
Building and improvements	745,971	-	-	745,971
Leasehold improvements	3,514,613	-	-	3,514,613
	5,849,998	59,705	(228,476)	5,681,227
Accumulated depreciation:				
Furniture and equipment	(1,022,161)	(189,498)	228,476	(983,183)
Building and improvements	(41,960)	(18,650)	-	(60,610)
Leasehold improvements	(1,216,508)	(123,726)	-	(1,340,234)
Total capital assets being depreciated	3,569,369	(272,169)	-	3,297,200
Net capital assets	$ 70,944,369	$ 65,097	$ (660,901)	$ 70,348,565

(5) Capital Assets (Continued)

Capital assets activity for the discretely presented component units for the fiscal year ended June 30, 2012 consists of the following:

	June 30, 2011	Additions	Deletions	June 30, 2012
Capital assets not being depreciated:				
Construction in progress	$ 60,905,198	$ 15,613,142	$ (3,780,932)	$ 72,737,408
Total capital assets not being depreciated	60,905,198	15,613,142	(3,780,932)	72,737,408
Capital assets being depreciated:				
Furniture and equipment	1,745,625	169,137	-	1,914,762
Buildings and improvements	35,766,553	1,545,329	-	37,311,882
Land improvements	3,270,833	-	-	3,270,833
Total capital assets being depreciated	40,783,011	1,714,466	-	42,497,477
Less accumulated depreciation	(11,631,952)	(1,257,809)	-	(12,889,761)
Total capital assets being depreciated, net of accumulated depreciation	29,151,059	456,657	-	29,607,716
Net capital assets	$ 90,056,257	$ 16,069,799	$ (3,780,932)	$ 102,345,124

(6) Investment in Real Estate

Investment in real estate consisted of the following at June 30, 2012:

Component units:	
Inner City Development Corporation:	
Historic Westside Village	$ 200,869
Atlanta Economic Renaissance Corporation:	
Flood Plain Land	81,995
Southside Industrial Park (SIP)	3,412,561
Less accumulated write-down to net realizable value	(2,201,315)
Total	$ 1,494,110

(6) Investment in Real Estate (Continued)

Historic Westside Village

The parcels of vacant land in the Historic Westside Village project are being held for resale.

Southside Industrial Park ("SIP")

AERC owns approximately 80 acres at Southside Industrial Park ("SIP"). SIP was originally developed in 1986, and a Phase 2 was developed in 1993. As a result, AERC has notes payable to the City amounting to $3,666,252. AERC and the City entered into an agreement establishing the priority of payments on these obligations from the land sale proceeds. The agreement requires that the proceeds from sales, net of an established percentage ranging from 8% to 20% to be retained by AERC as reimbursement of administrative expenses, would be utilized to repay these loans.

Approximately 18.8 acres of SIP property were sold in June 2001. No land sales occurred from 2002 through 2012.

The total valuation allowance was $2,201,315 at June 30, 2012. Management has determined that the market value of the land exceeds its net cost basis and that further write downs of the value of the land are not considered necessary.

(7) Long-term Liabilities

Activity for the bonds, notes, loans payable, and other long-term liabilities for the fiscal year ended June 30, 2012 consists of the following:

(7) Long-term Liabilities (Continued)

	June 30, 2011	Additions	Reductions	June 30, 2012	Due Within One Fiscal Year
Primary government:					
Construction loan payable	$ 2,347,597	$ -	$ (300,000)	$ 2,047,597	$ 375,000
Notes payable to the City of Atlanta funded by Community Development Block Grants	339,345	-	(6,919)	332,426	14,681
Bonds payable, 2005 Series Opportunity Program	18,520,000	-	(790,000)	17,730,000	830,000
Bonds payable, 2007A Series Housing Opportunity Program	31,250,000	-	(1,150,000)	30,100,000	1,210,000
Discount on 2007A Series Housing Opportunity Program Bonds Payable	(137,497)	-	13,497	(124,000)	-
Loan payable to the City of Atlanta	200,000	-	(200,000)	-	-
Bonds payable, 1999 Downtown Development Authority Revenue Bonds	689,618	-	(64,242)	625,376	67,259
Bonds payable, 2006 Downtown Development Authority Revenue Bonds	21,685,000	-	(645,000)	21,040,000	675,000
Discount on 2006 Downtown Development Authority Revenue Bonds	(162,193)	-	7,724	(154,469)	-
Bonds payable, 2009 Downtown Development Authority Revenue Bonds	42,090,000	-	(6,195,000)	35,895,000	6,480,000
Discount on 2009 Downtown Development Authority Revenue Bonds	(102,041)	-	32,916	(69,125)	-
Unamortized premium on 2009 Downtown Development Authority Revenue Bonds	1,618,528	-	(522,102)	1,096,426	-
Bonds payable, 2010 Downtown Recovery Bonds	22,770,000	-	(940,000)	21,830,000	1,085,000
Capital leases payable	131,722	59,705	(94,154)	97,273	62,097
Commercial loan payable	500,000	-	(500,000)	-	-
Line of credit payable	-	250,000	-	250,000	250,000
Pollution Remediation Obligation	903,335	-	(749,235)	154,100	154,100
Total primary government	$ 142,643,414	$ 309,705	$ (12,102,515)	$ 130,850,604	$ 11,203,137
Component units:					
Bonds payable, 2004 Clark Atlanta University project	$ 50,620,399	$ -	$ (334,014)	$ 50,286,385	$ 805,000
Loan payable to the City of Atlanta, secured by SIP land sale revenue	2,134,720	-	-	2,134,720	-
Loan payable to the City of Atlanta, secured by SIP land sale revenue	271,532	-	-	271,532	-
Loan payable to the City of Atlanta, secured by SIP land sale revenue	1,260,000	-	-	1,260,000	-
Loan payable to the City of Atlanta,	25,000,000	-	-	25,000,000	-
Loan payable to the City of Atlanta, from Section 108 federal funds	2,868,993	-	(2,868,993)	-	-
Note payable	28,703,767	-	(1,440,705)	27,263,062	1,706,588
Unearned revenue	129,878	-	-	129,878	-
Total component units	$ 110,989,289	$ -	$ (4,643,712)	$ 106,345,577	$ 2,511,588

(7) Long-term Liabilities (Continued)

Primary Government

Component units of URFA are included in the URFA Fund in the financial statements. Construction of the condominiums in the Lakewood Hills development was financed with construction loans. On April 28, 2008, Lakewood Hills Inc. refinanced its construction loan with Wachovia Bank. The note, in the amount of $3,000,000, incurred interest at the 1-month LIBOR plus 1.80 percent rate. Payments of interest only were due beginning June 1, 2008 and continuing until maturity, which was the earlier of the date of the sale of the last individual residential lot or August 17, 2011. On August 17, 2011, Lakewood Hills, Inc. refinanced its construction loan with Wells Fargo Bank (previously Wachovia Bank, NA). The note, in the amount of $3,300,000, incurred interest at the 1-month LIBOR plus 4 percent rate. Payments of interest only were due until maturity, which was the earlier of the date of the sale of the last individual residential lot or August 31, 2012. Proceeds from sales of individual residential lots were to be used to reduce the principal balance outstanding on the note, in accordance with the terms of the loan agreement with Wells Fargo Bank. The construction loan had a balance of $2,047,597 at December 31, 2011. Subsequent to year-end, on August 20, 2012, Lakewood Hills, Inc. refinanced its construction loan with Wells Fargo Bank. The note, in the amount of $1,847,597, which is the balance due on the construction loan at the time of the refinancing, incurs interest at the 1-month LIBOR plus 4 percent rate. Payments of $87,500 plus interest are due quarterly until maturity, which is December 1, 2017.

On January 15, 2009, Lakewood Hills, Inc. obtained a loan in the amount of $986,728 from Invest Atlanta in which Lakewood Hills, Inc. received the funds through a line of credit with BB&T. Lakewood Hills, Inc. used the funds to pay down the construction loan with Sun Trust Bank. The loan bears interest at a variable rate and matures on January 15, 2019. The loan is to be repaid with net proceeds from the sale of condominium units, with the entire balance and any unpaid accrued interest due becoming immediately payable upon the first to occur of the sale of the last unit or the maturity date. As of fiscal year-end, the loan due to Invest Atlanta was $948,563 which is excluded from the tabular presentation of the summary of changes in long-term debt on the preceding page and is included as due to others in the statement of net assets. The amount is reported as due to others as Invest Atlanta has reported an allowance for this amount as uncollectible and thus no receivable is reported.

Invest Atlanta, through URFA, entered into loan agreements with the City of Atlanta wherein the City loaned Invest Atlanta $900,000 of U.S. Department of Housing and Urban Development (HUD) funds under its Community Development Block Grant ("CDBG") program. The CDBG funds were used to establish mezzanine financing for Evergreen Village Estates, L.P. and Fulton Cotton Mill Associates, L.P. to leverage their investment of tax-exempt housing revenue bonds in the acquisition and rehabilitation of certain development projects. At June 30, 2012, the balance of the remaining loans payable was $332,426.

On January 12, 2006, Invest Atlanta issued $22,000,000 of Taxable Revenue Bonds (Homeless Opportunity Project), Series 2005, for the purpose of financing certain supportive housing projects in the City of Atlanta, which will provide for the delivery of services to counteract unemployment, underemployment, and resulting homelessness. The City of Atlanta guarantees the principal and interest payments on the bonds. Interest on the bonds is payable semiannually on June 1 and December 1 of each fiscal year, with interest rates ranging from 3.50% to 5.00%. The bonds mature on December 1, 2026. At June 30, 2012, the outstanding principal balance was $17,730,000. Also at June 30, 2012, an amount of $17,730,000 is recorded as being due from the City of Atlanta.

(7) Long-term Liabilities (Continued)

Primary Government (Continued)

On April 11, 2007, Invest Atlanta, through URFA, issued $35,000,000 of Georgia Taxable Revenue Bonds (Housing Opportunity Program), Series 2007A, for the purpose of loaning the proceeds from the sale of the bonds to Atlanta Housing Opportunity, Inc. ("AHOI"), a Georgia non-profit corporation. AHOI uses the bond proceeds to make loans to finance single-family and multi-family housing purchases in the City of Atlanta. The City of Atlanta has guaranteed that it will make payments sufficient in time and amount to enable AHOI to pay the principal and interest on the bonds. Interest on the bonds is payable semiannually on June 1 and December 1 of each fiscal year, with interest rates ranging from 5.068% to 5.802%. The bonds mature on December 1, 2027. At June 30, 2012, the outstanding principal balance was $30,100,000. Also at June 30, 2012, an amount of $29,682,172 is recorded as being due from AHOI, with the difference between the bonds and the receivable resulting from differences in unamortized issuance costs and other small amounts receivable as a result of other activities not related to these bonds.

In February 1999, Invest Atlanta, through DDA, issued $2,400,000 of Series 1999 Downtown Development Authority Revenue Bonds for renovations and leasehold improvements of office space. The balance due on these bonds at June 30, 2012 is $625,376.

In 2006, Invest Atlanta, through DDA, issued $23,480,000 of Revenue Bonds ($17,990,000, Series 2006A, and $5,490,000, Series 2006B) for the purpose of acquiring land and building a five-story parking facility. Interest is due semiannually on June 1 and December 1 of each fiscal year with varying interest rates ranging from 4% to 5%. Principal payments are due annually and the bonds mature in 2032. The balance due on these bonds at June 30, 2012 is $21,040,000. This facility is currently being leased to the City of Atlanta with the lease payments equal to the debt service payments on the bonds.

In 2009, Invest Atlanta, through DDA issued $52,790,000 of refunding revenue bonds ($44,975,000, Series 2009A, and $7,815,000, Series 2009B). The Series 2009A bonds were used to refund the principal of the City of Atlanta Series 2002, Variable Rate Refunding Revenue Bonds (Underground Atlanta Project). The Series 2009B bonds were issued for the purpose of paying (a) the termination fee in connection with an interest rate swap relating to the City's Series 2002 Bonds, (b) accrued interest on the City's Series 2002 Bonds, and (c) the costs of issuance of the Series 2009 Bonds. Interest is due semiannually on January 1 and July 1 of each fiscal year with varying interest rates ranging from 2% to 5%. The 2009A bonds mature in 2016, whereas the 2009B bonds matured in 2010. The balance due on the series 2009A bond at June 30, 2012 is $35,895,000. Invest Atlanta has recorded a receivable from the City of Atlanta for all future debt service payments.

(7) Long-term Liabilities (Continued)

Primary Government (Continued)

On October 28, 2010, Invest Atlanta, through DDA, issued $22,775,000 of Taxable Recovery Zone Economic Development Bonds. The Series 2010 bonds were used to finance the costs of implementing the Urban Redevelopment Plan including certain costs in connection with (1) the acquisition, rehabilitation, and improvement of real property and buildings; (2) certain public transportation projects in the Urban Redevelopment Area; and (3) the acquisition and construction and installation of other related improvements of the Urban Redevelopment Plan. Commencing on January 1, 2011, interest is due semiannually on January 1 and July 1 of each fiscal year with a fixed interest rate of 5.37%. Under an intergovernmental agreement with the City of Atlanta, all principal and interest payments are payable solely and only from the City's pledge to make debt service payments. Additionally, approximately 45% of each interest payment is subsided by the Federal Government under the Build America Bonds and Recovery Zone Bonds. The 2010 bonds mature on January 1, 2028. The balance due on the 2010 Series bonds at June 30, 2012 is $21,830,000. Bond issuance costs of $437,864 are being amortized using the effective interest method.

In 2012, Invest Atlanta entered into a line of credit agreement with Wells Fargo. The line of credit has a limit of $1,000,000 and matures on June 1, 2013. As of fiscal year-end, the drawn balance of the line of credit payable is $250,000.

Invest Atlanta is responsible for the cleanup of portions of the BeltLine Corridor extending from Buford Highway to Monroe Avenue. Invest Atlanta, through ABI, contracted with an engineering and consulting firm to calculate the expected outlays of the pollution remediation. As of June 30, 2012, the previous expected liability to Invest Atlanta has been reduced from $2,500,000 to a total expected cost of $710,000. At June 30, 2012, the remaining balance due on this liability is $154,100.

During the current and previous fiscal years, Invest Atlanta, as lessee, entered into various lease agreements for financing the acquisition of various equipment. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease term) and have been recorded at the present value of the future minimum lease payments as of the date of inception. These leases are being serviced in Invest Atlanta 's Administrative Fund.

The following is an analysis of equipment leased under capital leases as of June 30, 2012:

	Invest Atlanta Administration Fund
Equipment	$ 370,839
Less accumulated depreciation	(235,787)
Carrying value	$ 135,052

(7) Long-term Liabilities (Continued)

Primary Government (Continued)

The following is a schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, 2012:

Fiscal Year Ending	Invest Atlanta Administration Fund
2013	$ 64,003
2014	21,651
2015	14,434
Total minimum lease payments	100,088
Less amount representing interest	(2,815)
Present value of future minimum lease payments	97,273
Less current maturities	(62,097)
	$ 35,176

Component Units

ADA/CAU Partners, Inc.

ADA/CAU Partners, Inc. refinanced its Series 2001A and 2001B Bonds with a loan payable in the aggregate amount of $51,900,000 funded with proceeds from the issuance of student housing revenue bonds, Series 2004A and 2004B. At June 30, 2012, the balance due on these bonds (net of bond premium of $461,247) is $50,286,385.

Atlanta Economic Renaissance Corp ("AERC")

AERC has three loans payable to the City related to the purchase of development land held for sale at Southside Industrial Park (SIP) (Note 6). The loan agreements call for repayment of the loans upon sale of the land at SIP. The loans were due to be repaid no later than March 1, 1998, with accrued and unpaid interest capped at specific amounts. As a result of the cap, interest expense has not been accrued on these notes during their remaining terms. As no land sales occurred from 2002 through 2012, no payments were made on the notes. Management is currently marketing the properties for sale.

(7) Long-term Liabilities (Continued)

Component Units (Continued)

Inner City Development Corporation (ICDC)

ICDC had a loan payable of $1.9 million to the City of Atlanta which was originally funded by a Section 108 loan from HUD. The loan provided financing for certain development in the Historic Westside Village area. The loan was to be repaid from property sales and cash flow from the projects. There was no cash flow, sales activity or repayments in 2012. The City forgave this debt in the current fiscal year.

Atlanta Beltline, Inc. ("ABI")

In 2007, ABI entered into an agreement with a consortium of financial institutions to receive $29,429,900 of interim funding for the implementation of the 2007 BeltLine Projects in which this debt was guaranteed by the City of Atlanta. Interest only is payable semi-annually. For a period of 24 months commencing April 17, 2010, the loan was to accrue interest at a daily rate of LIBOR + .75%. However, due to a downgrade of the City of Atlanta's debt rating, the interest rate changed in accordance with the original loan agreement to a daily rate of LIBOR + .85%. This rate is effective until the notes mature on September 17, 2022 and October 17, 2022. Commencing on September 17, 2010, principal will be due in annual installments until the notes mature. As of June 30, 2012, the outstanding balance on the notes payable is $27,263,062.

In 2007, ABI and the City of Atlanta entered into an intergovernmental agreement for the Clear Creek Project. The Clear Creek Project will result in the construction of a storm water retention pond and infrastructure improvements for sewer basin relief. The City of Atlanta contributed $30 million to ABI for the estimated cost to complete the project. During the prior fiscal year, ABI returned $5 million of the unspent project dollars to the City. Thus, the City has only provided up to $25 million for the Clear Creek Project. Upon completion, both the project and any portion of the $25 million not expended by ABI will revert back to the City of Atlanta in order to satisfy this obligation. This amount has no maturity date, nor is interest charged. All costs associated with the Clear Creek Project are being accounted for as construction in process. Under the agreement, any costs in excess of $25 million are required to be funded by ABI. At June 30, 2012, total depreciable project cost to date was $23,800,952.

(7) Long-term Liabilities (Continued)

Component Units (Continued)

Long Term Unearned Revenue

Long term unearned revenue relates to AERC's receipt of federal funds from the City for land acquisitions and improvements related to the SIP land held for sale. These funds were provided to AERC contingent upon AERC's development and eventual sale of the SIP land held for sale. Therefore, the revenue has been deferred until land sales occur, at which time grant revenue is recognized equal to the portion of the cost of land sold which was originally funded by these grants. No revenue was recognized during 2012 and the unearned grant revenue relating to this project totaled $129,878 at June 30, 2012.

Debt Service Requirements

Annual principal and interest requirements for the bonds payable are set forth below (dollar amounts in thousands):

	Bonds of Invest Atlanta		
	Principal	Interest	Total
Fiscal Year Ending June 30:			
2013	$ 830	$ 817	$ 1,647
2014	875	776	1,651
2015	915	734	1,649
2016	955	689	1,644
2017	1,005	640	1,645
2018 - 2022	5,825	2,376	8,201
2023 - 2027	7,325	853	8,178
Totals	$ 17,730	$ 6,885	$ 24,615

(7) Long-term Liabilities (Continued)

Debt Service Requirements (Continued)

	Bonds of DDA		
	Principal	Interest	Total
Fiscal Year Ending June 30:			
2013	$ 8,307	$ 3,748	$ 12,055
2014	9,193	3,319	12,512
2015	9,045	2,863	11,908
2016	9,480	2,402	11,882
2017	9,930	1,919	11,849
2018 - 2022	11,200	7,006	18,206
2023-2027	13,375	3,940	17,315
2028 - 2032	8,860	965	9,825
Totals	79,390	$ 26,162	$ 105,552
Plus premium	1,096		
Less discount	(223)		
Net bonds payable	$ 80,263		

	Bonds of URFA		
	Principal	Interest	Total
Fiscal Year Ending June 30:			
2013	$ 1,210	$ 1,656	$ 2,866
2014	1,275	1,592	2,867
2015	1,345	1,524	2,869
2016	1,415	1,452	2,867
2017	1,490	1,375	2,865
2018 - 2022	8,835	5,503	14,338
2023 - 2027	11,745	2,589	14,334
2028	2,785	81	2,866
Totals	30,100	$ 15,772	$ 45,872
Less discount	(124)		
Net bonds payable	$ 29,976		

(7) Long-term Liabilities (Continued)

Debt Service Requirements (Continued)

The annual principal and interest requirements, using the interest rate in effect at year-end, for the loan payable to Wells Fargo for Lakewood Hills, Inc. are set forth below (dollar amounts in thousands):

	Principal	Interest	Total
Fiscal Year Ending December 31:			
2012	$ 375	$ 38	$ 413
2013	350	65	415
2014	350	50	400
2015	350	35	385
2016	350	21	371
2017	273	6	279
Totals	$ 2,048	$ 215	$ 2,263

	Bonds of Component Units		
	Principal	Interest	Total
Fiscal Year Ending June 30:			
2013	$ 805	$ 3,042	$ 3,847
2014	860	2,991	3,851
2015	910	2,938	3,848
2016	970	2,881	3,851
2017	1,030	2,820	3,850
2018 - 2022	6,195	13,052	19,247
2023 - 2027	8,385	10,861	19,246
2028 - 2032	11,290	7,955	19,245
2033 - 2037	19,380	4,065	23,445
Totals	49,825	$ 50,605	$ 100,430
Plus premium	461		
Net bonds payable	$50,286		

(7) Long-term Liabilities (Continued)

Debt Service Requirements (Continued)

	Notes Payable of ABI		
	Principal	Interest	Total
Fiscal Year Ending June 30:			
2013	$ 1,707	$ 270	$ 1,977
2014	1,856	251	2,107
2015	2,020	229	2,249
2016	2,151	206	2,357
2017	2,291	182	2,473
2018 - 2022	13,894	488	14,382
2023	3,344	-	3,344
Totals	$ 27,263	$ 1,626	$ 28,889

All loans and notes payable for AERC are payable to the City of Atlanta, and are required to be paid only when certain events occur, such as land sales or program income; therefore, no debt service requirement schedules are presented.

(8) Conduit Debt

URFA, DDA, and Invest Atlanta issue private activity tax exempt and taxable revenue bonds to private sector entities for projects located within the city limits of Atlanta. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans or promissory notes. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Invest Atlanta is not obligated in any manner for repayment of the bonds and does not report these as liabilities in the accompanying financial statements.

At June 30, 2012, the aggregate principal amounts of bonds issued by URFA as conduit debt were $422,034,371.

At June 30, 2012, the aggregate principal amounts of bonds issued by DDA as conduit debt were $247,718,400.

At June 30, 2012, the aggregate principal amounts of bonds issued by Invest Atlanta as conduit debt were $491,320,000.

(9) Interfund Balances and Transfers

All interfund balances were for payments made or received on behalf of each respective fund or component unit which had not been reimbursed at fiscal year end. At June 30, 2012, Invest Atlanta's Administration Fund owed $592 to Grants and Restricted Program Fund in connection with the Opportunity Loan Fund, which is expected to be repaid within one fiscal year. Invest Atlanta also owes DDA $400 which is also expected to be repaid within one fiscal year.

The Grants and Restricted Program fund owes Invest Atlanta's Administrative Fund $3,225 which is expected to be repaid within one fiscal year.

As part of its normal course of business, Invest Atlanta provides operating funds to DDA. During the fiscal year ended June 30, 2012, transfers were $94,514 to DDA.

In previous fiscal years, Invest Atlanta advanced funds to its component unit, the Atlanta Economic Renaissance Corporation, to cover some of its operating shortfalls during that time. As of June 30, 2012, the Atlanta Economic Renaissance Corporation owes Invest Atlanta's Administrative Fund $264,921, which was not expected to be repaid within one fiscal year, but will be repaid in the near future.

At June 30, 2012, Invest Atlanta owes URFA $942,210, which was not expected to be repaid within one fiscal year, but will be repaid at a rate not to fall below $50,000 annually, in accordance with an agreement between the two entities.

At June 30, 2012, Invest Atlanta's Administrative Fund owes its Grants and Restricted Program Fund $663,242, which was not expected to be repaid within one fiscal year, and relates to Brownsfield remediation costs incurred by the Grants and Restricted Program Fund, but will be paid by the Administrative Fund.

At June 30, 2012, DDA owes Invest Atlanta's Administrative Fund $1,067,797, which was not expected to be repaid within one fiscal year, but will be repaid at some point in the future.

At June 30, 2012, ABI owes Invest Atlanta's Administrative Fund $96,472 and URFA $26,000 which are expected to be repaid within one fiscal year.

As of fiscal year-end, the Atlanta Economic Renaissance Corporation, Lakewood Senior, and Imagine Downtown, Inc., all of which are component units of Invest Atlanta, have deficits of $4,288,866, $460,044, and $1,348,229, respectively, in which Invest Atlanta has agreed, if deemed necessary, to cover any major operating shortfalls these entities may have.

(10) Line of Credit

On December 1, 2009, URFA entered into an agreement with the U.S. Department of Treasury (the "Treasury") to participate in the New Issue Bond Program (the "Program"). The purpose of the Program is to assist persons of low and moderate income within the City of Atlanta, Georgia (the "Program Area") in affording the cost of acquiring and owning decent, safe, and sanitary housing. Pursuant to the agreement between URFA and the Treasury, the Treasury issued $25 million in taxable, variable rate, convertible option bonds with bond proceeds being placed in escrow pending the release of such proceeds and conversion of the bonds to tax-exempt obligations guaranteed by the Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (Freddie Mac).

With $25 million of funding available through the Program, URFA, Bank of America, N.A., as master servicer and various lending institutions (the "Lenders") doing business in the Program Area entered into a Mortgage Origination and Servicing Agreement under which mortgage loans are originated by the Lenders, and pooled and purchased by Bank of America. From time to time, Bank of America was expected to receive full reimbursement for loans previously purchased from the Lenders via a $25 million warehousing line provided by Bear Creek Products 2010-2, LLLP ("Bear Creek") (as Warehouse Provider).

As of June 30, 2011, URFA had not converted any portion of the Bonds issued under the Program and Bear Creek had funded approximately $5,339,473 of loans through the Program, which represents the outstanding balance on the warehousing line at June 30, 2011. During fiscal year 2012, US Bank (Escrow Agent) withdrew $6,500,000 of principal from the Global Escrow Agreement which was deposited with the trustee. The trustee in turn used the proceeds to fully reimburse Bear Creek for all amounts due and payable under the Warehousing Agreement in exchange for GNMA, FNMA, and Freddie Mac certificates previously purchased by Bear Creek. Under the terms of the agreement between URFA and the Treasury, URFA is a conduit Issuer and is not liable for any payments to the bondholders or the Treasury for any portion of the $6,500,000 bonds outstanding. These payments are guaranteed by GNMA, FNMA or Freddie Mac through the mortgage-backed securities. No additional draws on the line of credit or mortgages were funded under the program subsequent to the conversion of the $6,500,000.

(11) Pension Plans

Invest Atlanta offers two different qualified tax deferred defined contribution retirement plans to its employees, both of which are administered by the International City/County Management Association Retirement Corp ("ICMA-RC"). The first plan operates under section 457(b) of the Internal Revenue Code, and allows employees to contribute a certain percentage of their pay each year (up to the Federal maximum limits). Invest Atlanta does not match contributions to the section 457(b) defined contribution plan.

Because Invest Atlanta does not participate in the federal social security system, it is required by law to establish a "public employee retirement system" ("PERS") to take the place of its otherwise mandatory contributions to the federal social security system. Establishing a PERS requires by law that Invest Atlanta contribute a minimum of 7.25% of base pay for all eligible employees to a qualified retirement plan. Invest Atlanta has met this requirement by establishing a second retirement plan which operates under section 401(a) of the Internal Revenue Code and is wholly funded by employer contributions which are made based on a percentage of eligible compensation for all full time employees of Invest Atlanta who are over 21 years of age. Invest Atlanta has elected to contribute more to the Plan than the required legal minimum. For the fiscal year ended June 30, 2012, Invest Atlanta contributions to the 401(a) plan totaled $445,842. Employees cannot contribute directly to the 401(a) defined contribution plan.

Together the 457(b) plan and 401(a) plan are referred to as the Plans. Investments in both Plans are self-directed by the employee and each employee vests in both Plans immediately upon hire. The benefit provisions, including the amount of the employer contribution that is in excess of the legal minimum, and contribution requirements may be amended at any time by the President or the Board of Directors of Invest Atlanta.

(12) Contingencies

Invest Atlanta participated in a number of federal financial assistance programs in prior fiscal years. These programs are subject to independent financial and compliance audits by grantor agencies. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time, although Invest Atlanta expects such amounts, if any, to be immaterial.

Invest Atlanta is subject to various legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, based on the advice of legal counsel, the amount of ultimate liability and/or gain with respect to these actions will not materially affect the financial position or results of operations of Invest Atlanta.

(13) Going Concern Consideration

ADA/CAU Partners, Inc. (the "Company"), which is a component unit of Invest Atlanta, has experienced significant operating deficits as a result of difficult market conditions. Due to the nature of the project, if a unit is not leased at the beginning of the school year, it remains vacant the entire year which has a considerable negative effect on operations. The Company depleted its debt service reserve and borrowed funds from the bond insurer (ACA Financial Guaranty Corporation) to make debt service payments during the year ended June 30, 2012. Management of the Company has recently increased marketing efforts to improve occupancy which will affect the overall results of operations. The Company also hired a new management company in 2011 in an effort to turn around the project's operating results. Should the Company's operations not improve, the Company might not be able to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Invest Atlanta, nor the City of Atlanta, have any financial responsibility to fund any shortfalls for operations or debt service obligations.

(14) Contractual Commitments

For the fiscal year ended June 30, 2012, ABI had several active construction projects related to various Atlanta BeltLine construction projects. At fiscal year end, ABI's commitments with contractors were $3,424,221.

(15) Transfer of Assets to the City of Atlanta – Atlanta BeltLine, Inc.

Atlanta BeltLine, Inc. (discretely presented component unit of Invest Atlanta) is the implementation agent of the Atlanta BeltLine. The ultimate objective is that all capital improvements to the BeltLine will be transferred to the City of Atlanta for complete ownership and passing along risk of ownership. At fiscal year-end, the balance of those assets, which are currently unfinished, in process, and expected to be transferred to the City of Atlanta at a future date is approximately $71,683,415. The transfer of assets is expected to occur once projects have been completed and the City of Atlanta accepts the improvements. For the fiscal year ended, June 30, 2012, ABI did not transfer any ownership in capital assets to the City of Atlanta.

(16) Subsequent Event

Subsequent to the close of fiscal year 2012, ABI returned an additional $1 million to the City of Atlanta based upon the Clear Creek Project drawing closer to completion. See Note 7 for more detail on the Clear Creek Project.