

**THE ATLANTA DEVELOPMENT AUTHORITY,
D/B/A INVEST ATLANTA**
(A Component Unit of the City of Atlanta, Georgia)

Financial Statements

June 30, 2014

(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, 2014

Table of Contents

	Page
Independent Auditors' Report	1-3
Management's Discussion and Analysis (Unaudited)	4-9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Statement of Net Position – Proprietary Funds	12
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	13
Statement of Cash Flows - Proprietary Funds	14 and 15
Component Unit Financial Statements:	
Combining Statement of Net Position – Component Units	16
Combining Statement of Activities – Component Units	17
Notes to Financial Statements	18-40



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise Invest Atlanta's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of ADA/CAU Partners, Inc.; Imagine Downtown Managing Member 2007 QEI, LLC; and Imagine Downtown, Inc. which together represent 36%, 56% and 26%, respectively, of the assets, net position (deficit), and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for 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 from material misstatement. The financial statements of Invest Atlanta's discretely presented component units, 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Based on the report of other auditors, the accompanying financial statements of ADA/CAU Partners, Inc., which represents 32%, 46% and 23%, respectively, of the assets, net position, 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. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014 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* in considering Invest Atlanta's internal control over financial reporting and compliance.

Atlanta, Georgia
December 10, 2014

Mauldin & Jenkins, LLC

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, 2014

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, 2014. Please read it in conjunction with the financial statements and accompanying notes.

Fiscal Year 2014 Selected Financial Highlights (Proprietary Funds)

- Invest Atlanta's current assets decreased approximately \$9.9 million. The majority of the decrease relates to the \$12.1 million reduction of restricted cash related primarily to expenses to promote economic development from the 2010 bond issue of the Atlanta Urban Redevelopment Agency ("AURA"), a component unit of the Downtown Development Authority ("DDA").
- Total non-current assets decreased approximately \$13.9 million. This is due predominantly to \$7.5 million in payments which decreased the DDA's investment in a direct financing lease with the City of Atlanta related to the 2009 refunding revenue bonds (Underground Atlanta Project) and a \$3.3 million loss for DDA with the sale and dissolution of CV Underground.
- Long-term obligations decreased approximately \$11.9 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, 2014 by approximately \$83.6 million (*net position*). Of this amount, approximately \$12.5 million represents a deficit balance in unrestricted net position which cannot be used to meet the Authority's ongoing obligations to citizens and creditors. Invest Atlanta's net position also has approximately \$68.8 million invested in capital assets (net of related debt), approximately \$8.3 million restricted for debt services, and approximately \$18.9 million restricted for grant programs.
- The Administrative Fund is used primarily to account for the operating activities of Invest Atlanta. This Fund shows operating income for the fiscal year of approximately \$2.5 million compared to \$415 thousand for the fiscal year ended June 30, 2013. The improvement relates primarily to \$2 million in administrative fees recognized by Invest Atlanta in connection with the closing of the Series 2014 Perry Bolton Tax Allocation District Bonds, the majority of which were in turn transferred to the Urban Residential Finance Authority ("URFA").

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

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, 2014

The *statement of activities* presents information showing how Invest Atlanta's net position changed during the most recent fiscal year. All changes in net position 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 URFA and 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., d/b/a Atlanta Emerging Markets, 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 10 and 11 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 12-15 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 18-40 of this report.

Government-wide Financial Analysis

As noted earlier, net position 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 \$83.6 million at the close of fiscal year 2014.

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

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, 2014

Summary of Invest Atlanta's Net Position
June 30, 2014 and June 30, 2013
Proprietary Funds

	2014	2013 (Restated)
Assets:		
Current assets	\$ 32,286,944	\$ 42,186,162
Capital assets	71,482,644	71,096,535
Other non-current assets	101,700,961	116,026,954
Total assets	205,470,549	229,309,651
Liabilities:		
Current liabilities	16,058,389	15,151,316
Long-term liabilities	105,826,633	117,774,544
Total liabilities	121,885,022	132,925,860
Net position:		
Net investment in capital assets	68,782,838	67,884,393
Restricted	27,278,566	37,748,559
Unrestricted	(12,475,877)	(9,249,161)
Total net position	\$ 83,585,527	\$ 96,383,791

Invest Atlanta's total assets decreased approximately \$23.8 million. The decrease is made up of multiple factors including a \$7.5 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, a \$12.1 million decrease in restricted cash related to the Atlanta Urban Redevelopment Agency (component unit of DDA) as expenses to promote economic development have commenced, and a \$3.3 million loss for DDA with the sale and dissolution of CV Underground.

Invest Atlanta's total liabilities decreased approximately \$11 million for the fiscal year ended June 30, 2014. The decrease is primarily related to principal payments on notes, loans, and bonds payable of \$11.6 million. The largest principal payment was \$6.8 million on DDA's 2009 Underground Atlanta Project bonds.

Invest Atlanta's total net position related to business type activities decreased approximately \$12.8 million during the fiscal year ended June 30, 2014. Total net position reflects the Administrative Fund, Grants and Restricted Program Fund, and the blended component units of URFA and DDA. Each of these funds or component units is different in purpose.

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, 2014

Summary of Changes in Invest Atlanta's Net Position
Fiscal Years Ended June 30, 2014 and June 30, 2013
Proprietary Funds

	2014	2013 (Restated)
Revenues:		
Program revenues:		
Charges for services	\$ 12,586,579	\$ 10,621,341
Operating grants	8,585,763	9,265,210
General revenues:		
Interest income	1,354	4,166
Other	59,769	53,176
Total revenues	21,233,465	19,943,893
Expenses:		
Economic development	34,031,729	21,405,868
Total expenses	34,031,729	21,405,868
Change in net position	(12,798,264)	(1,461,975)
Net position, beginning of fiscal year, as restated	96,383,791	97,845,766
Net position, end of fiscal year	\$ 83,585,527	\$ 96,383,791

Charges for services and operating grants accounted for 99.7% of the total revenues of Invest Atlanta for the year ended June 30, 2014. 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 \$4.6 million and mainly relates to the City's support for the debt service related to the 2006, 2009, and 2010 revenue bonds issued by DDA, 2005 Series Opportunity Program issued by Invest Atlanta, and the 2007A revenue bonds issued by URFA.

For fiscal 2014, the Authority received \$2.5 million in operating subsidy from the City of Atlanta for economic development activities. This revenue is reflected as an operating grant and makes up approximately 11.8% 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 and program expenses of approximately \$19.7 million, interest on long-term financing of approximately \$5.2 million, general and administrative expenses of approximately \$7.8 million and program expenses of approximately \$1.0 million. Total expenses for the current fiscal year of approximately \$34.0 million represent a 59% increase over the prior fiscal year.

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, 2014

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, 2014 and June 30, 2013 are as follows:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Land	\$ 67,703,024	\$ 67,044,606
Buildings and improvements	745,971	745,971
Leasehold improvements	4,417,764	4,417,764
Furniture and equipment	979,719	921,139
Gross capital assets	<u>73,846,478</u>	<u>73,129,480</u>
Less: accumulated depreciation	(2,363,834)	(2,032,945)
Net capital assets	<u>\$ 71,482,644</u>	<u>\$ 71,096,535</u>

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 Position. For the fiscal year ended June 30, 2014, activity is summarized as follows:

Primary government:	<u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2014</u>
Notes payable to the City of Atlanta funded by CDBG	\$ 317,745	\$ -	\$ (317,745)	\$ -
Bonds payable, 2005 Opportunity Bonds	16,900,000	-	(875,000)	16,025,000
Bonds payable, 2007A HOP	28,890,000	-	(1,275,000)	27,615,000
Bonds payable, 1999 DDA Revenue Bonds	555,805	-	(555,805)	-
Bonds payable, 2006 DDA Revenue Bonds	20,365,000	-	(705,000)	19,660,000
Bonds payable, 2009 DDA Revenue Bonds	29,415,000	-	(6,810,000)	22,605,000
Bonds payable, 2010 DDA Revenue Bonds	20,745,000	-	(1,120,000)	19,625,000
Discount, 2006 DDA Revenue Bonds	(146,745)	-	7,723	(139,022)
Premium, 2009 DDA Revenue Bonds	668,575	-	(328,796)	339,779
Construction Loan Payable	1,672,597	-	(350,000)	1,322,597
Promissory Note Payable	-	458,857	(71,914)	386,943
Capital Lease Payable	35,177	37,568	(31,042)	41,703
Line of Credit Payable	150,000	-	(150,000)	-
Pollution Remediation Obligation	60,000	557,332	-	617,332
Total primary government	<u>\$ 119,628,154</u>	<u>\$ 1,053,757</u>	<u>\$ (12,582,579)</u>	<u>\$ 108,099,332</u>

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, 2014

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 Position, 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, 133 Peachtree Street, NE, Suite 2900, Atlanta, GA 30303.

**ATLANTA DEVELOPMENT AUTHORITY,
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Statement of Net Position
June 30, 2014**

Assets	<u>Business-type Activities</u>	<u>Component Units</u>
Current assets:		
Cash and cash equivalents	\$ 9,645,699	\$ 4,085,135
Restricted cash and cash equivalents	16,436,001	2,746,709
Investment in direct financing lease with the City of Atlanta, current portion	697,148	-
Other receivables	1,691,355	561,730
Prepaid items	255,752	270,055
Due from other governments	-	2,651,131
Due from the BeltLine Tax Allocation District	-	819,786
Due from the Eastside Tax Allocation District	-	158,999
Due from the Westside Tax Allocation District	-	422,732
Due from the Atlanta BeltLine Partnership	-	593,317
Due from the City of Atlanta	-	445,693
Due from the City of Atlanta, current portion of long term debt	2,070,000	-
Due from component units	16,039	-
Due from Atlanta Housing Opportunity, Inc., current portion of long term debt	1,474,950	-
Total current assets	<u>32,286,944</u>	<u>12,755,287</u>
Noncurrent assets:		
Investment in direct financing leases with the City of Atlanta	33,523,091	-
Due from the City of Atlanta	33,580,000	-
Due from Atlanta Housing Opportunity, Inc.	25,753,805	-
Loans receivable, net of allowance	3,573,906	-
Other receivable, net of allowance	3,612,738	-
Investment in real estate	-	1,494,110
Investment in development projects	800,962	(436,079)
Capital assets, nondepreciable	67,703,024	60,201,547
Capital assets, net of depreciation	3,779,620	27,201,189
Prepaid items, noncurrent	590,013	-
Bond issuance costs, net of amortization	-	5,175,597
Advances to component units	264,921	1,778,914
Other assets	1,525	202,556
Total noncurrent assets	<u>173,183,605</u>	<u>95,617,834</u>
Total assets	<u>205,470,549</u>	<u>108,373,121</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	1,912,481	5,221,725
Bonds, notes, and loans payable, current portion	11,803,921	2,930,168
Capital leases payable, current portion	28,792	-
Accrued interest payable	1,360,314	3,261,186
Pollution remediation liability	617,332	-
Unearned revenue	326,920	734,218
Funds held in escrow	8,629	51,600
Due to the City of Atlanta	-	103,500
Due to the primary government	-	16,039
Due to the BeltLine Tax Allocation District	-	2,028,563
Total current liabilities	<u>16,058,389</u>	<u>14,346,999</u>
Noncurrent liabilities:		
Advances from primary government	-	264,921
Advances from component units	-	1,778,914
Loan payable to the City of Atlanta	-	24,000,000
Other payables	101,745	164,684
Due to others	7,332,400	-
Unearned revenue	2,743,201	1,528,084
Capital leases payable	12,911	-
Bonds, notes and loans payable	95,636,376	75,630,293
Total noncurrent liabilities	<u>105,826,633</u>	<u>103,366,896</u>
Total liabilities	<u>121,885,022</u>	<u>117,713,895</u>
Net Position (Deficit)		
Net investment in capital assets	68,782,838	(10,627,244)
Restricted for debt services	8,336,691	-
Restricted for grant programs	18,941,875	-
Unrestricted	(12,475,877)	1,286,470
Total net position (deficit)	<u>\$ 83,585,527</u>	<u>\$ (9,340,774)</u>

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, 2014

	Program Revenues			Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Capital Grants and Contributions		
Functions/ Programs:					
Primary government:					
Business-type activities:					
Economic development	\$ 34,031,729	\$ 12,586,579	\$ -	\$ 8,585,763	\$ (12,859,387)
Total primary government activities	<u>\$ 34,031,729</u>	<u>\$ 12,586,579</u>	<u>\$ -</u>	<u>\$ 8,585,763</u>	<u>(12,859,387)</u>
Component units:					
Inner City Development Corporation	\$ 32	\$ -	\$ -	\$ -	\$ (32)
Atlanta BelLine, Inc.	6,110,031	409,755	9,770,446	7,740,278	11,810,448
ADA/CAU Partners, Inc.	7,349,977	5,554,018	-	-	(1,795,959)
Atlanta Economic Renaissance Corporation	925	15,940	-	-	15,015
Pryor Road/Lakewood, LLC	4,227	-	-	-	(4,227)
Lakewood Senior	161	-	-	-	(161)
Imagine Downtown Managing Member					
2007 QEI, LLC	119,154	737,586	-	-	618,432
Atlanta Emerging Markets, Inc.	571,843	57,521	-	-	(514,322)
Total component unit activities	<u>\$ 14,156,350</u>	<u>\$ 6,774,820</u>	<u>\$ 9,770,446</u>	<u>\$ 7,740,278</u>	<u>10,129,194</u>
General revenues:					
Interest income					1,354
Miscellaneous revenue					59,769
Total general revenues					<u>61,123</u>
Change in net position					<u>(12,798,264)</u>
Net position (deficit) – beginning of year, as restated					<u>10,130,606</u>
Net position (deficit) – ending of year					<u>96,383,791</u>
					<u>\$ 83,585,527</u>

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 Position
Proprietary Funds
June 30, 2014

	Business-type Activities - Enterprise Funds				Total
	Administrative Fund	Grants and Restricted Program Fund	Urban Residential Finance Authority	Downtown Development Authority	
Assets					
Current assets:					
Cash and cash equivalents	\$ 232,807	\$ 4,658,408	\$ 4,749,525	\$ 4,959	\$ 9,645,699
Restricted cash and cash equivalents	207,122	-	1,439,495	14,789,384	16,436,001
Investment in direct financing leases with the City of Atlanta , current portion	-	-	-	697,148	697,148
Other receivables	1,439,805	-	237,869	13,681	1,691,355
Prepaid items	184,729	-	13,754	57,269	255,752
Due from other funds	-	145,103	-	-	145,103
Due from the City of Atlanta, current portion	915,000	-	-	1,155,000	2,070,000
Due from component units	16,039	-	-	-	16,039
Due from Atlanta Housing Opportunity, Inc., current portion	-	-	1,474,950	-	1,474,950
Total current assets	<u>2,995,502</u>	<u>4,803,511</u>	<u>7,915,593</u>	<u>16,717,441</u>	<u>32,432,047</u>
Noncurrent assets:					
Investment in direct financing leases with the City of Atlanta	-	-	-	33,523,091	33,523,091
Due from the City of Atlanta	15,110,000	-	-	18,470,000	33,580,000
Due from Atlanta Housing Opportunity, Inc.	-	-	25,753,805	-	25,753,805
Loans receivable, net of allowance	-	2,718,740	855,166	-	3,573,906
Other receivables, net of allowance	-	-	3,612,738	-	3,612,738
Investment in development projects	226,163	-	574,799	-	800,962
Capital assets, nondepreciable	67,703,024	-	-	-	67,703,024
Capital assets, net of depreciation	1,214,123	-	648,064	1,917,433	3,779,620
Prepaid items, noncurrent	-	-	44,412	545,601	590,013
Advances to other funds	1,223,437	735,311	186,318	-	2,145,066
Advances to component units	264,921	-	-	-	264,921
Other assets	1,525	-	-	-	1,525
Total noncurrent assets	<u>85,743,193</u>	<u>3,454,051</u>	<u>31,675,302</u>	<u>54,456,125</u>	<u>175,328,671</u>
Total assets	<u>88,738,695</u>	<u>8,257,562</u>	<u>39,590,895</u>	<u>71,173,566</u>	<u>207,760,718</u>
Liabilities					
Current liabilities:					
Accounts payable	757,358	67,680	165,222	-	990,260
Bonds, notes, and loans payable, current portion	915,000	-	1,695,000	9,193,921	11,803,921
Capital leases payable, current portion	28,792	-	-	-	28,792
Accrued interest payable	63,014	-	129,950	1,167,350	1,360,314
Accrued liabilities	922,221	-	-	-	922,221
Unearned revenue	-	-	326,920	-	326,920
Pollution remediation liability	617,332	-	-	-	617,332
Funds held in escrow	-	-	8,629	-	8,629
Due to other funds	145,103	-	-	-	145,103
Total current liabilities	<u>3,448,820</u>	<u>67,680</u>	<u>2,325,721</u>	<u>10,361,271</u>	<u>16,203,492</u>
Noncurrent liabilities:					
Capital leases payable	12,911	-	-	-	12,911
Unearned revenue	2,743,201	-	-	-	2,743,201
Other payables	101,745	-	-	-	101,745
Due to others	-	-	7,332,400	-	7,332,400
Advances from other funds	921,629	-	-	1,223,437	2,145,066
Bonds, notes, and loans payable	15,110,000	-	27,242,597	53,283,779	95,636,376
Total noncurrent liabilities	<u>18,889,486</u>	<u>-</u>	<u>34,574,997</u>	<u>54,507,216</u>	<u>107,971,699</u>
Total liabilities	<u>22,338,306</u>	<u>67,680</u>	<u>36,900,718</u>	<u>64,868,487</u>	<u>124,175,191</u>
Net Position (Deficit)					
Net investment in capital assets	68,875,444	-	(1,623,096)	1,530,490	68,782,838
Restricted for debt services	-	-	-	8,336,691	8,336,691
Restricted for grant programs	-	8,189,882	4,299,300	6,452,693	18,941,875
Unrestricted	(2,475,055)	-	13,973	(10,014,795)	(12,475,877)
Total net position (deficit)	<u>\$ 66,400,389</u>	<u>\$ 8,189,882</u>	<u>\$ 2,690,177</u>	<u>\$ 6,305,079</u>	<u>\$ 83,585,527</u>

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 Position
Proprietary Funds
Fiscal Year Ended June 30, 2014

	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	\$ 5,311,569	\$ 2,533,676	\$ 2,962,442	\$ -	\$ 10,807,687
Developer fees	-	-	23,833	-	23,833
Private grants	-	-	2,132,000	-	2,132,000
Rental income	-	-	-	948,808	948,808
Income received from others for debt service payments	772,959	-	1,586,911	2,214,184	4,574,054
Intergovernmental revenue	2,652,668	-	-	-	2,652,668
Other revenue	57,173	2,596	33,292	-	93,061
Total operating revenues	<u>8,794,369</u>	<u>2,536,272</u>	<u>6,738,478</u>	<u>3,162,992</u>	<u>21,232,111</u>
Operating expenses:					
Interest on bonds, notes, and loans	778,254	-	1,591,148	2,867,577	5,236,979
Program expenses	-	1,000,000	-	-	1,000,000
Economic development	101,275	-	4,078,533	15,493,486	19,673,294
Depreciation and amortization	191,853	-	25,079	120,387	337,319
General and administrative	5,229,342	65,548	2,389,334	99,913	7,784,137
Total operating expenses	<u>6,300,724</u>	<u>1,065,548</u>	<u>8,084,094</u>	<u>18,581,363</u>	<u>34,031,729</u>
Operating income (loss)	2,493,645	1,470,724	(1,345,616)	(15,418,371)	(12,799,618)
Interest income on bank accounts	-	-	5	1,349	1,354
Transfers in	-	-	1,322,712	204,604	1,527,316
Transfers out	(1,527,316)	-	-	-	(1,527,316)
Change in net position	966,329	1,470,724	(22,899)	(15,212,418)	(12,798,264)
Net position at beginning of year, as restated	65,434,060	6,719,158	2,713,076	21,517,497	96,383,791
Net position at end of year	<u>\$ 66,400,389</u>	<u>\$ 8,189,882</u>	<u>\$ 2,690,177</u>	<u>\$ 6,305,079</u>	<u>\$ 83,585,527</u>

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, 2014

	Business-type Activities - Enterprise Funds				Total
	Administrative Fund	Grants and Restricted Program Fund	Urban Residential Finance Authority	Downtown Development Authority	
Cash flows from operating activities:					
Receipts from customers and grantors	\$ 4,562,574	\$ 2,594,557	\$ 4,537,125	\$ -	\$ 11,694,256
Receipts from third parties (rental income)	-	-	-	935,126	935,126
Receipts from other government	2,652,668	-	-	-	2,652,668
Receipts of interest on loans	-	-	14,649	-	14,649
Payments from component units	9,673	-	-	-	9,673
Miscellaneous receipts	57,173	-	-	-	57,173
Receipts of developer fees	-	-	226,765	-	226,765
Payments to/from other funds	(1,600)	1,600	-	-	-
Payments to suppliers	(429,436)	(37,458)	(895,399)	(86,431)	(1,448,724)
Payments to employees	(4,277,989)	-	(1,178,702)	-	(5,456,691)
Payments for programs	(206,230)	(1,000,000)	(4,118,634)	(12,106,681)	(17,431,545)
Other	-	-	3,692	-	3,692
Net cash provided by (used in) operating activities	<u>2,366,833</u>	<u>1,558,699</u>	<u>(1,410,504)</u>	<u>(11,257,986)</u>	<u>(8,742,958)</u>
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	1,646,024	-	2,847,765	2,214,184	6,707,973
Receipt of principal and interest on loans	-	-	4,237	-	4,237
Proceeds from issuance of notes payable	-	-	-	458,857	458,857
Repayment of bonds, notes, and loan principal	-	-	(1,942,745)	(71,914)	(2,014,659)
Payments for interest	(779,678)	-	(1,596,650)	(3,353,156)	(5,729,484)
Repayment on bond principal on debt issued on behalf of the Downtown Development Authority	-	-	-	(555,805)	(555,805)
Repayment on bond principal related to revenue bonds issued on behalf of the City of Atlanta	(875,000)	-	-	(7,515,000)	(8,390,000)
Funds received on direct financing lease with the City of Atlanta	-	-	-	8,953,273	8,953,273
Repayment of advances to other funds	(423,103)	39,472	383,631	-	-
Advances to other funds	(85,100)	-	-	85,100	-
Principal reduction of Recovery Zone bonds	-	-	-	(1,120,000)	(1,120,000)
Transfers in	-	-	1,322,712	204,604	1,527,316
Transfers out	(1,527,316)	-	-	-	(1,527,316)
Acquisition of capital assets	(122,098)	-	-	-	(122,098)
Repayment of line of credit	(150,000)	-	-	-	(150,000)
Net cash provided by (used in) noncapital financing activities	<u>(2,316,271)</u>	<u>39,472</u>	<u>1,018,950</u>	<u>(699,857)</u>	<u>(1,957,706)</u>
Cash flows from capital financing activities:					
Principal payment for capital lease	(31,042)	-	-	-	(31,042)
Net cash used in capital financing activities	<u>(31,042)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,042)</u>
Cash flows from investing activities:					
Receipts of interest on bank accounts	-	-	5	1,349	1,354
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>5</u>	<u>1,349</u>	<u>1,354</u>
Net increase (decrease) in cash and cash equivalents	19,520	1,598,171	(391,549)	(11,956,494)	(10,730,352)
Cash and cash equivalents at beginning of fiscal year	420,409	3,060,237	6,580,569	26,750,837	36,812,052
Cash and cash equivalents at end of fiscal year	<u>\$ 439,929</u>	<u>\$ 4,658,408</u>	<u>\$ 6,189,020</u>	<u>\$ 14,794,343</u>	<u>\$ 26,081,700</u>
Reconciliation to Statement of Net Position:					
Cash and cash equivalents	\$ 232,807	\$ 4,658,408	\$ 4,749,525	\$ 4,959	\$ 9,645,699
Restricted cash and cash equivalents	207,122	-	1,439,495	14,789,384	16,436,001
	<u>\$ 439,929</u>	<u>\$ 4,658,408</u>	<u>\$ 6,189,020</u>	<u>\$ 14,794,343</u>	<u>\$ 26,081,700</u>

(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, 2014

	Business-type Activities - Enterprise Funds				Total
	Administrative Fund	Grants and Restricted Program Fund	Urban Residential Finance Authority	Downtown Development Authority	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 2,493,645	\$ 1,470,724	\$ (1,345,616)	\$ (15,418,371)	\$(12,799,618)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expenses, net	191,853	-	25,079	(200,685)	16,247
Interest receipts reported in operating income (loss)	(772,959)	-	(1,591,148)	(2,214,184)	(4,578,291)
Interest payments reported in operating income (loss)	778,254	-	1,591,148	3,353,156	5,722,558
Program loss on sale of investment	-	-	-	3,386,805	3,386,805
(Increase) decrease in:					
Other receivables	(555,494)	-	341,410	(13,682)	(227,766)
Loans receivable	-	58,285	(327,380)	-	(269,095)
Prepaid items and other assets	(10,570)	-	(2,518)	51,647	38,559
Investment in development projects	(206,230)	-	-	-	(206,230)
Due from (to) component units	9,673	-	102,346	-	112,019
Due from (to) other funds	(1,600)	1,600	-	-	-
Increase (decrease) in:					
Accounts payable and accrued expenses	633,762	28,090	67,096	(202,672)	526,276
Funds held in escrow	-	-	61	-	61
Due to the BeltLine Tax Allocation District	-	-	-	-	-
Pollution remediation liability	-	-	-	-	-
Other payables	-	-	(140,023)	-	(140,023)
Unearned revenue	(193,501)	-	(130,959)	-	(324,460)
Net cash provided by (used in) operating activities	<u>\$ 2,366,833</u>	<u>\$ 1,558,699</u>	<u>\$ (1,410,504)</u>	<u>\$ (11,257,986)</u>	<u>\$ (8,742,958)</u>

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 Position
Component Units
June 30, 2014

	Inner City Development Corporation	Atlanta BeltLine, Inc.	ADA/CAU Partners, Inc.	Atlanta Economic Renaissance Corporation	Pryor Road/Lakewood, LLC	Lakewood Senior	Imagine Downtown Managing Mem. 2007 QEI, LLC	Atlanta Emerging Markets, Inc.	Total Component Units
Assets									
Current assets:									
Cash and cash equivalents	\$ 181,582	\$ 930,129	\$ 278,025	\$ 49,388	\$ -	\$ 404	\$ 2,597,129	\$ 48,478	\$ 4,085,135
Restricted cash and cash equivalents	-	981,597	1,765,112	-	-	-	-	-	2,746,709
Prepaid items	-	250,003	20,052	-	-	-	-	-	270,055
Accounts receivable	-	246,983	269,220	-	5,000	-	40,477	50	561,730
Due from other governments	-	2,651,131	-	-	-	-	-	-	2,651,131
Due from the Atlanta BeltLine Partnership	-	593,317	-	-	-	-	-	-	593,317
Due from the City of Atlanta	-	445,693	-	-	-	-	-	-	445,693
Due from the BeltLine Tax Allocation District	-	819,786	-	-	-	-	-	-	819,786
Due from the Eastside Tax Allocation District	-	158,999	-	-	-	-	-	-	158,999
Due from the Westside Tax Allocation District	-	422,732	-	-	-	-	-	-	422,732
Total current assets	181,582	7,500,370	2,332,409	49,388	5,000	404	2,637,606	48,528	12,755,287
Noncurrent assets:									
Capital assets, nondepreciable	-	60,201,547	-	-	-	-	-	-	60,201,547
Capital assets, net of depreciation	-	204,382	26,996,807	-	-	-	-	-	27,201,189
Investment in real estate	200,869	-	-	1,293,241	-	-	-	-	1,494,110
Investment in development projects	-	-	-	-	-	(460,761)	8,345	16,337	(436,079)
Bond issuance costs, net of amortization	-	-	5,175,597	-	-	-	1,778,914	-	5,175,597
Advances to component units	-	-	-	-	-	-	126,263	-	1,778,914
Other assets	-	-	4,090	-	-	-	72,203	-	202,556
Total noncurrent assets	200,869	60,405,929	32,176,494	1,293,241	-	(460,761)	1,913,522	88,540	95,617,834
Total assets	382,451	67,906,299	34,508,903	1,342,629	5,000	(460,357)	4,551,128	137,068	108,373,121
Liabilities									
Current liabilities:									
Accounts payable and accrued liabilities	-	3,983,155	1,125,326	-	-	-	85,450	27,794	5,221,725
Bonds, notes, and loans payable, current portion	-	2,020,168	910,000	-	-	-	-	-	2,930,168
Accrued interest payable	-	-	1,769,811	1,491,375	-	-	-	-	3,261,186
Funds held in escrow	-	-	-	51,600	-	-	-	-	51,600
Unearned revenue	-	142,049	-	1,323	-	-	406,561	184,285	734,218
Due to the City of Atlanta	-	103,500	-	-	-	-	-	-	103,500
Due to the primary government	-	16,039	-	-	-	-	-	-	16,039
Due to the BeltLine Tax Allocation District	-	2,028,563	-	-	-	-	-	-	2,028,563
Total current liabilities	-	8,293,474	3,805,137	1,544,298	-	-	492,011	212,079	14,346,999
Noncurrent liabilities:									
Advances from primary government	-	-	-	264,921	-	-	-	-	264,921
Advances from component units	-	-	-	-	-	-	-	1,778,914	1,778,914
Loan payable to the City of Atlanta	-	24,000,000	-	-	-	-	-	-	24,000,000
Bonds, notes and loans payable	-	21,680,144	50,283,897	3,666,252	-	-	-	-	75,630,293
Unearned revenue, long term	-	-	-	128,310	-	-	1,399,774	-	1,528,084
Other liabilities	-	-	164,684	-	-	-	-	-	164,684
Total noncurrent liabilities	-	45,680,144	50,448,581	4,059,483	-	-	1,399,774	1,778,914	103,366,896
Total liabilities	-	53,973,618	54,253,718	5,603,781	-	-	1,891,785	1,990,993	117,713,895
Net Position (Deficit)									
Net investment in capital assets	-	13,569,846	(24,197,090)	-	-	-	-	-	(10,627,244)
Unrestricted	382,451	362,835	4,452,275	(4,261,152)	5,000	(460,357)	2,659,343	(1,853,925)	1,286,470
Total net position (deficit)	\$ 382,451	\$ 13,932,681	\$ (19,744,815)	\$ (4,261,152)	\$ 5,000	\$ (460,357)	\$ 2,659,343	\$ (1,853,925)	\$ (9,340,774)

See the accompanying notes to the financial statements.

THE ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Notes to the Financial Statements
June 30, 2014

(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 (“GASB”) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* :

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., d/b/a Atlanta Emerging Markets, 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.

THE ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Notes to the Financial Statements
June 30, 2014

(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 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. This entity’s follows the accounting standards promulgated by the Financial Accounting Standards Board.

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 by removal of board members at any time.

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. by removal of board members at any time.

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.

THE ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Notes to the Financial Statements
June 30, 2014

(1) Summary of Significant Accounting Policies (Continued)

(a) *The Financial Reporting Entity (Continued)*

Imagine Downtown, Inc., d/b/a Atlanta Emerging Markets, Inc. was created in 2005 to serve and provide investment capital for low-income communities or low-income persons. Imagine Downtown, Inc., d/b/a Atlanta Emerging Markets, Inc.'s primary activity is making qualified loans to, or qualified investments in, active low-income businesses. As the sole owner of Imagine Downtown, Inc., 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 133 Peachtree Street, NE, Suite 2900, 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, as modified this year with the implementation of GASB Statement No. 61, The Financial Reporting Entity: Omnibus*. 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 position and the statement of activities) do not provide information by fund. Net position in the statement of net position is 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 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.

THE ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Notes to the Financial Statements
June 30, 2014

(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.

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").

THE ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Notes to the Financial Statements
June 30, 2014

(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 statement of net position 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 2014. 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
Furniture and Equipment	3-5 years
Building and improvements	40 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.

THE ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Notes to the Financial Statements
June 30, 2014

(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, 2014, 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, 2014, Invest Atlanta had no bank balances that were exposed to custodial credit risk.

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

The Government Center Parking Deck was placed into operation 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, 2014, the investment in direct financing lease in relation to the Government Center Parking Deck is \$18,775,239.

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 Atlanta Project. As of June 30, 2014, a net receivable of \$15,445,000 is recorded by the Downtown Development Authority as an investment in direct financing lease with the City of Atlanta with the difference (\$7,160,000) 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.

On October 28, 2010, AURA, a component unit of DDA, issued \$22,775,000 of Taxable Recovery Zone Economic Development Bonds (Series 2010) on behalf of the City of Atlanta 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. The principal and interest on the Series 2010 Bonds are special limited obligations of AURA and shall be payable solely from moneys payable to AURA by the City of Atlanta (see Note 7 for revenue bonds payable disclosure) under an intergovernmental arrangement. As of June 30, 2014, a net receivable of \$19,625,000 is recorded by AURA as an intergovernmental receivable from the City of Atlanta.

THE ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Notes to the Financial Statements
June 30, 2014

(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. During fiscal year 2014, CV Underground, LLC sold its only asset, the sub-lease rights to the Underground Atlanta development, to the City of Atlanta. Invest Atlanta did not receive any proceeds from the sale and the CV Underground, LLC was dissolved with Invest Atlanta incurring a loss for the full amount of their investment.

(5) Capital Assets

Capital assets activity for the fiscal year ended June 30, 2014 consists of the following:

Invest Atlanta Administrative Fund	June 30, 2013	Additions	Deletions	June 30, 2014
Capital assets not being depreciated:				
Land	\$ 67,044,606	\$ 658,418	\$ -	\$ 67,703,024
Total capital assets, not being depreciated	<u>67,044,606</u>	<u>658,418</u>	<u>-</u>	<u>67,703,024</u>
Capital assets being depreciated:				
Leasehold improvements	926,517	-	-	926,517
Furniture and equipment	921,139	58,580	-	979,719
	<u>1,847,656</u>	<u>58,580</u>	<u>-</u>	<u>1,906,236</u>
Accumulated depreciation:				
Leasehold improvements	(46,326)	(46,326)	-	(92,652)
Furniture and equipment	(453,934)	(145,527)	-	(599,461)
Capital assets net of depreciation	<u>1,347,396</u>	<u>(133,273)</u>	<u>-</u>	<u>1,214,123</u>
Net capital assets	<u>\$ 68,392,002</u>	<u>\$ 525,145</u>	<u>\$ -</u>	<u>\$ 68,917,147</u>

THE ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Notes to the Financial Statements
June 30, 2014

(5) Capital Assets Continued)

	<u>June 30,</u> <u>2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,</u> <u>2014</u>
Downtown Development Authority:				
Capital assets being depreciated:				
Leasehold improvements	\$ 3,491,247	\$ -	\$ -	\$ 3,491,247
	<u>3,491,247</u>	<u>-</u>	<u>-</u>	<u>3,491,247</u>
Accumulated depreciation:				
Leasehold improvements	(1,453,427)	(120,387)	-	(1,573,814)
Net capital assets	<u>\$ 2,037,820</u>	<u>\$ (120,387)</u>	<u>\$ -</u>	<u>\$ 1,917,433</u>
Urban Residential Finance Authority:				
Capital assets being depreciated:				
Building and improvements	\$ 745,971	\$ -	\$ -	\$ 745,971
	<u>745,971</u>	<u>-</u>	<u>-</u>	<u>745,971</u>
Accumulated depreciation:				
Building and improvements	(79,258)	(18,649)	-	(97,907)
Net capital assets	<u>\$ 666,713</u>	<u>\$ (18,649)</u>	<u>\$ -</u>	<u>\$ 648,064</u>
Total primary government:				
Capital assets not being depreciated:				
Land	\$ 67,044,606	\$ 658,418	\$ -	\$ 67,703,024
Total capital assets not being depreciated	<u>67,044,606</u>	<u>658,418</u>	<u>-</u>	<u>67,703,024</u>
Capital assets being depreciated:				
Furniture and equipment	921,139	58,580	-	979,719
Building and improvements	745,971	-	-	745,971
Leasehold improvements	4,417,764	-	-	4,417,764
	<u>6,084,874</u>	<u>58,580</u>	<u>-</u>	<u>6,143,454</u>
Accumulated depreciation:				
Furniture and equipment	(453,934)	(145,527)	-	(599,461)
Building and improvements	(79,258)	(18,649)	-	(97,907)
Leasehold improvements	(1,499,753)	(166,713)	-	(1,666,466)
Total capital assets being depreciated	<u>4,051,929</u>	<u>(272,309)</u>	<u>-</u>	<u>3,779,620</u>
Net capital assets	<u>\$ 71,096,535</u>	<u>\$ 386,109</u>	<u>\$ -</u>	<u>\$ 71,482,644</u>

THE ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Notes to the Financial Statements
June 30, 2014

(5) Capital Assets (Continued)

Capital assets activity for the discretely presented component units for the fiscal year ended June 30, 2014 consists of the following:

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Capital assets not being depreciated:				
Construction in progress	\$ 50,016,604	\$ 10,184,943	\$ -	\$ 60,201,547
Total capital assets not being depreciated	<u>50,016,604</u>	<u>10,184,943</u>	<u>-</u>	<u>60,201,547</u>
Capital assets being depreciated:				
Furniture and equipment	2,096,556	45,872	-	2,142,428
Buildings and improvements	37,311,882	-	-	37,311,882
Land improvements	<u>3,270,833</u>	<u>-</u>	<u>-</u>	<u>3,270,833</u>
Total capital assets being depreciated	42,679,271	45,872	-	42,725,143
Less accumulated depreciation	<u>(14,187,657)</u>	<u>(1,336,297)</u>	<u>-</u>	<u>(15,523,954)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>28,491,614</u>	<u>(1,290,425)</u>	<u>-</u>	<u>27,201,189</u>
Net capital assets	<u>\$ 78,508,218</u>	<u>\$ 8,894,518</u>	<u>\$ -</u>	<u>\$ 87,402,736</u>

(6) Investment in Real Estate

Investment in real estate consisted of the following at June 30, 2014:

Component units:

Inner City Development Corporation:

Historic Westside Village

	\$ 200,869
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Atlanta Economic Renaissance Corporation:

Flood Plain Land

	81,995
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Southside Industrial Park (SIP)

	3,412,561
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Less accumulated write-down to net realizable value

	<u>(2,201,315)</u>
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Total

	<u>\$ 1,494,110</u>
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THE ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Notes to the Financial Statements
June 30, 2014

(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 2014.

The total valuation allowance was \$2,201,315 at June 30, 2014. 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.

THE ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Notes to the Financial Statements
June 30, 2014

(7) Long-term Liabilities

Activity for the bonds, notes, loans payable, and other long-term liabilities for the fiscal year ended June 30, 2014 consists of the following:

	June 30, 2013	Additions	Reductions	June 30, 2014	Due Within One Fiscal Year
Primary government:					
Construction loan payable	\$ 1,672,597	\$ -	\$ (350,000)	\$ 1,322,597	\$ 350,000
Notes payable to the City of Atlanta funded by Community Development Block Grants	317,745	-	(317,745)	-	-
Bonds payable, 2005 Series Opportunity Program	16,900,000	-	(875,000)	16,025,000	915,000
Bonds payable, 2007A Series Housing Opportunity Program	28,890,000	-	(1,275,000)	27,615,000	1,345,000
Bonds payable, 1999 Downtown Development Authority Revenue Bonds	555,805	-	(555,805)	-	-
Bonds payable, 2006 Downtown Development Authority Revenue Bonds	20,365,000	-	(705,000)	19,660,000	730,000
Discount on 2006 Downtown Development Authority Revenue Bonds	(146,745)	-	7,723	(139,022)	-
Bonds payable, 2009 Downtown Development Authority Revenue Bonds	29,415,000	-	(6,810,000)	22,605,000	7,160,000
Unamortized premium on 2009 Downtown Development Authority Revenue Bonds	668,575	-	(328,796)	339,779	-
Bonds payable, 2010 Downtown Recovery Bonds	20,745,000	-	(1,120,000)	19,625,000	1,155,000
Promissory Downtown Development Authority Notes payable	-	458,857	(71,914)	386,943	148,921
Capital leases payable	35,177	37,568	(31,042)	41,703	28,792
Line of credit payable	150,000	-	(150,000)	-	-
Pollution Remediation Obligation	60,000	557,332	-	617,332	617,332
Total primary government	\$ 119,628,154	\$ 1,053,757	\$ (12,582,579)	\$ 108,099,332	\$ 12,450,045
Component units:					
Bonds payable, 2004 Clark Atlanta University project	\$ 50,798,049	\$ 415,000	\$ (19,152)	\$ 51,193,897	\$ 910,000
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	24,000,000	-	-	24,000,000	-
Note payable	25,556,474	-	(1,856,162)	23,700,312	2,020,168
Total component units	\$ 104,020,775	\$ 415,000	\$ (1,875,314)	\$ 102,560,461	\$ 2,930,168

THE ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Notes to the Financial Statements
June 30, 2014

(7) Long-term Liabilities (Continued)

Primary Government

Component units of URFA are included in the URFA Fund in the financial statements. Construction of 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. 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. 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. Payments of \$87,500 plus interest are due quarterly until maturity, which is December 1, 2017. The balance of this loan at December 31, 2013 was \$1,322,597.

On January 15, 2009, Lakewood Hills, Inc. obtained a loan in the amount of \$986,728 from Invest Atlanta to pay down a 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 position. 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. During the year ended June 30, 2014, the remaining balance on these loans was paid.

THE ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Notes to the Financial Statements
June 30, 2014

(7) Long-term Liabilities (Continued)

Primary Government (Continued)

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 and has made all payments to date. No payment is due from Invest Atlanta to the City of Atlanta for the City's payments on these 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, 2014, the outstanding principal balance was \$16,025,000. Also at June 30, 2014, an amount of \$16,025,000 is recorded as being due from the City of Atlanta.

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, 2014, the outstanding principal balance was \$27,615,000. Also at June 30, 2014, an amount of \$27,228,755 is recorded as being due from AHOI, with the difference between the outstanding principal balance on the bonds and the receivable resulting from 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. During fiscal year 2014, DDA paid the balance of these bonds, including the scheduled final balloon payment due, and thus there is no balance due on these bonds at June 30, 2014.

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, 2014 is \$19,660,000. 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, 2014 is \$22,605,000. Invest Atlanta has recorded a receivable from the City of Atlanta for all future debt service payments.

THE ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Notes to the Financial Statements
June 30, 2014

(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. Invest Atlanta has recorded a receivable from the City of Atlanta for all future debt service payments. Additionally, approximately 45% of each interest payment is subsidized 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, 2014 is \$19,625,000.

In December 2013, Invest Atlanta, through DDA, entered into a promissory note payable with a bank in the amount of \$458,857. This note was used to make the balloon payment due on the Series 1999 Downtown Development Authority Revenue Bonds. Payments for principal and interest, at a rate of 4.75%, are due monthly and the note matures December 1, 2016. The balance due on the note at June 30, 2014 was \$386,943

In 2012, Invest Atlanta entered into a line of credit agreement with Wells Fargo Bank. The line of credit has a limit of \$1,000,000 and matures on June 1, 2015. As of fiscal year-end 2014, there was no drawn balance on the line of credit.

Invest Atlanta is responsible for the cleanup of portions of the BeltLine Corridor extending from DeKalb Avenue to Monroe Avenue and, with remediation efforts beginning in fiscal year 2014, the portion extending from Monroe Avenue to Buford Highway. Invest Atlanta, through ABI, contracted with an engineering and consulting firm to calculate the expected outlays of the pollution remediation, with an original total expected cost of \$710,000. As of June 30, 2014, the remaining balance due on this liability is \$617,332.

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, 2014:

	Invest Atlanta Administration Fund
Equipment	\$ 102,754
Less accumulated depreciation	(40,114)
Carrying value	\$ 62,640

THE ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Notes to the Financial Statements
June 30, 2014

(7) Long-term Liabilities (Continued)

Primary Government (Continued)

Annual depreciation of these assets under capital lease is included in depreciation expense.

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, 2014:

Fiscal Year Ending	Invest Atlanta Administration Fund
2015	\$ 29,626
2016	9,990
2017	3,192
Total minimum lease payments	42,808
Less amount representing interest	(1,105)
Present value of future minimum lease payments	41,703
Less current maturities	(28,792)
Long-term balance	\$ 12,911

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. As discussed in Note 13, ADA/CAU Partners, Inc. depleted its debt service reserve and borrowed funds from the bond insurer (ACA Financial Guaranty Corporation) to make debt service payments during the years ended June 30, 2014, 2013 and 2012. These amounts borrowed from the bond insurer are added to the bonds payable offset by the reduction in amounts to bondholders. During fiscal year 2014, this resulted in an increase in the bonds payable. At June 30, 2014, the balance due on these bonds (including the bond premium and amounts due to the bond insurer) is \$51,193,897.

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 2014, no payments were made on the notes. Management is currently marketing the properties for sale. At June 30, 2014, the balance due on these loans is \$3,666,252.

THE ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Notes to the Financial Statements
June 30, 2014

(7) Long-term Liabilities (Continued)

Component Units (Continued)

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, 2014, the outstanding balance on the notes payable is \$23,700,312.

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 fiscal year 2010, ABI returned \$5 million of the unspent project dollars to the City and during fiscal year 2013, ABI returned \$1 million of the unspent project dollars to the City. Thus, the City has only provided up to \$24 million for the Clear Creek Project. Upon completion, both the project and any portion of the \$24 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 \$24 million are required to be funded by ABI. At June 30, 2014, total depreciable project cost to date was \$23,890,087.

THE ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Notes to the Financial Statements
June 30, 2014

(7) Long-term Liabilities (Continued)

Debt Service Requirements

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

	Bonds of Invest Atlanta		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2015	\$ 915	\$ 734	\$ 1,649
2016	955	689	1,644
2017	1,005	640	1,645
2018	1,055	588	1,643
2019	1,105	534	1,639
2020 - 2024	6,405	1,791	8,196
2025 - 2027	4,585	316	4,901
Totals	<u>\$ 16,025</u>	<u>\$ 5,292</u>	<u>\$ 21,317</u>

	Bonds & Notes of DDA		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2015	\$ 9,194	\$ 2,909	\$ 12,103
2016	9,636	2,441	12,077
2017	10,012	1,952	11,964
2018	2,090	1,654	3,744
2019	2,160	1,550	3,710
2020 - 2024	12,020	6,035	18,055
2025- 2029	12,645	2,761	15,406
2030 - 2032	4,520	341	4,861
Totals	<u>62,277</u>	<u>\$ 19,643</u>	<u>\$ 81,920</u>
Plus premium	340		
Less discount	(139)		
Net bonds payable	<u>\$ 62,478</u>		

THE ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Notes to the Financial Statements
June 30, 2014

(7) Long-term Liabilities (Continued)

Debt Service Requirements (Continued)

	Bonds of URFA		Total
	Principal	Interest	
Fiscal Year Ending June 30:			
2015	\$ 1,345	\$ 1,524	\$ 2,869
2016	1,415	1,452	2,867
2017	1,490	1,375	2,865
2018	1,575	1,293	2,868
2019	1,665	1,204	2,869
2020 - 2024	9,890	4,149	14,039
2025 - 2028	10,235	1,528	11,763
Totals	<u>\$ 27,615</u>	<u>\$ 12,525</u>	<u>\$ 40,140</u>

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:			
2014	\$ 350	\$ 50	\$ 400
2015	350	35	385
2016	350	21	371
2017	273	6	279
Totals	<u>\$ 1,323</u>	<u>\$ 112</u>	<u>\$ 1,435</u>

THE ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Notes to the Financial Statements
June 30, 2014

(7) Long-term Liabilities (Continued)

Debt Service Requirements (Continued)

	Bonds of Component Units		
	Principal	Interest	Total
Fiscal Year Ending June 30:			
2015	\$ 910	\$ 2,938	\$ 3,848
2016	970	2,881	3,851
2017	1,030	2,820	3,850
2018	1,095	2,756	3,851
2019	1,160	2,688	3,848
2020 - 2024	6,995	12,254	19,249
2025 - 2029	9,450	9,795	19,245
2030 - 2034	12,710	6,536	19,246
2035 - 2037	13,485	1,906	15,391
Totals	<u>47,805</u>	<u>\$ 44,574</u>	<u>\$ 92,379</u>
Plus premium	423		
Plus amounts due to bond insurer	2,966		
Net bonds payable	<u>\$ 51,194</u>		

	Notes Payable of ABI		
	Principal	Interest	Total
Fiscal Year Ending June 30:			
2015	\$ 2,020	\$ 227	\$ 2,247
2016	2,152	204	2,356
2017	2,291	180	2,471
2018	2,440	155	2,595
2019	2,599	128	2,727
2020 - 2023	12,198	201	12,399
Totals	<u>\$ 23,700</u>	<u>\$ 1,095</u>	<u>\$ 24,795</u>

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.

THE ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Notes to the Financial Statements
June 30, 2014

(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 Atlanta city limits. 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, 2014, the aggregate principal amounts of bond issued as conduit debt were:

Entity	Balance
Invest Atlanta	\$ 422,475,000
URFA	312,761,764
DDA	247,718,400

As the balance of conduit debt issued by DDA, at the time of the implementation of GASB Interpretation No. 2 in 1996, was not determinable, the amount disclosed above for DDA represents the aggregate original issue amount of the bonds issued as conduit debt.

(9) Operating Lease

Invest Atlanta has entered into an operating lease for the rental of office space for its operations. The lease contains a provision for free rent for the first two years of the thirteen year lease and also contains rent escalations in future years. The lease began December 1, 2012.

Future minimum rental payments on this lease as of June 30, 2014 are as follows:

Year Ending June 30,	Rental Amount
2015	\$ 230,936
2016	401,292
2017	412,357
2018	423,687
2019	435,313
2020 - 2024	2,363,152
2025 - 2026	728,092

No rental payments were made on this lease during the fiscal year ended June 30, 2014, however \$384,176 of rent was accrued and expensed in order to evenly charge rent over the full term of the lease.

THE ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Notes to the Financial Statements
June 30, 2014

(10) 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, 2014, Invest Atlanta's Administrative Fund owed \$145,103 to Grants and Restricted Program Fund in connection with the Opportunity Loan Fund, 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, 2014, transfers were \$204,604 to DDA. Also during the fiscal year ended June 30, 2014, Invest Atlanta transferred \$1,322,712 to URFA to provide funds for URFA to pay off the remaining balance of the bank loan for Lakewood Hills, Inc., a component unit of URFA.

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, 2014, 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, 2014, Invest Atlanta's Administrative Fund owes URFA \$186,318, 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, 2014, Invest Atlanta's Administrative Fund owes its Grants and Restricted Program Fund \$735,311, 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, 2014, DDA owes Invest Atlanta's Administrative Fund \$1,223,437, which was not expected to be repaid within one fiscal year, but will be repaid at some point in the future.

At June 30, 2014, ABI owes Invest Atlanta's Administrative Fund \$16,039 which is expected to be repaid within one fiscal year.

Imagine Downtown Managing Member 2007 QEI, LLC, a component unit of Invest Atlanta, advanced \$1,778,914 to Atlanta Emerging Markets, Inc., a component unit of Atlanta which is not expected to be repaid within one fiscal year, but will be repaid at some point in the future.

As of fiscal year-end, the Atlanta Economic Renaissance Corporation, Lakewood Senior, and Imagine Downtown, Inc., d/b/a Atlanta Emerging Markets, Inc., all of which are component units of Invest Atlanta, have deficits of \$4,261,152, \$460,357, and \$1,853,925, respectively, in which Invest Atlanta has agreed, if deemed necessary, to cover any major operating shortfalls these entities may have.

(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.

THE ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Notes to the Financial Statements
June 30, 2014

(11) Pension Plans (continued)

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, 2014, Invest Atlanta contributions to the 401(a) plan totaled \$615,309. 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 years ended June 30, 2014, 2013 and 2012. Management of the Company has increased marketing efforts to improve occupancy and has implemented procedures to improve collections, which will affect the overall results of operations. Should the Company’s operations not improve, the Company may not 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, 2014, ABI had several active construction projects related to various projects. At fiscal year end, ABI’s commitments with contractors were \$8,174,094.

THE ATLANTA DEVELOPMENT AUTHORITY
d/b/a INVEST ATLANTA
(A Component Unit of the City of Atlanta, Georgia)
Notes to the Financial Statements
June 30, 2014

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

Atlanta BeltLine, Inc. (discretely presented component unit of Invest Atlanta) is Invest Atlanta's implementation agent of the Atlanta BeltLine Project (the Project). The ultimate objective is that ownership of all capital improvements made by ABI related to the Project will be transferred to the City of Atlanta as the improvements are completed. At fiscal year-end, the balance of those assets, which are currently in process, and expected to be transferred to the City of Atlanta at a future date is \$59,486,547. The transfer of assets is expected to occur once projects have been completed and the City of Atlanta formally accepts ownership. For the fiscal year ended, June 30, 2014, ABI did not transfer ownership in any capital assets to the City of Atlanta.

(16) Restatement of Net Position – Correction

During fiscal year 2014, management determined, in reviewing the intergovernmental agreement between the City of Atlanta and the AURA, a component unit of DDA, related to the Series 2010 Taxable Recovery Zone Economic Development Bonds, that a receivable from the City of Atlanta should have been reported for the AURA in the amount of the bonds payable, but the receivable had not been previously reported. As a result of correcting this error, the amount of the intergovernmental receivable from the City of Atlanta, as of July 1, 2013, has been added to the net position of DDA. This restatement affected the beginning net position as follows:

	DDA
Net Position, beginning of the year, as previously reported	\$ 772,497
Effect of adding the intergovernmental receivable from the City of Atlanta	20,745,000
Net Position, beginning of the year, as restated	\$ 21,517,497
Business-type Activities	
	Business-type Activities
Net Position, beginning of the year, as previously reported	\$ 75,638,791
Effect of adding the intergovernmental receivable from the City of Atlanta	20,745,000
Net Position, beginning of the year, as restated	\$ 96,383,791

During fiscal year 2014, management of Imagine Downtown, Inc., d/b/a Atlanta Emerging Markets, Inc., a component unit of Invest Atlanta, determined that deposit income of \$50,000 had been recorded inappropriately in the prior year. Accordingly, the net position as of the beginning of the year was decreased by \$50,000 and due to others was increased by the same amount.