THE GLOBAL CENTER FOR MEDICAL INNOVATION, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
(with report of independent auditor)

YEARS ENDED JUNE 30, 2023 AND 2022

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Tomkiewicz Wright, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Officers
The Global Center for Medical Innovation, Inc. and Subsidiary
Atlanta, Georgia

Opinion

We have audited the accompanying consolidated financial statements of The Global Center for Medical Innovation, Inc. (a nonprofit organization) and Subsidiary (collectively, the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Global Center for Medical Innovation, Inc. and Subsidiary as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Global Center for Medical Innovation, Inc. and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Correction of Error

As discussed in Note 13 to the consolidated financial statements, during the year ended June 30, 2023, management identified certain purchases expensed during the previous year which should properly have been capitalized. Accordingly, maintenance expense and purchases of property and equipment have been restated in the 2022 consolidated financial statement now presented, and an adjustment has been made to net assets as of June 30, 2022, to correct the error. Our opinion is not modified with respect to that matter.

Subsequent Event

As discussed in Note 14 to the consolidated financial statements, subsequent to June 30, 2023, the Organization has engaged in discussions with an unrelated entity regarding a potential asset sale of Translational Testing and Training Laboratories, Inc., a Georgia nonprofit corporation of which it is the sole member. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Global Center for Medical Innovation, Inc. and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Global Center for Medical Innovation, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Global Center for Medical Innovation, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Tomkiewicz Wright, LLC

Atlanta, Georgia
October 12, 2023

THE GLOBAL CENTER FOR MEDICAL INNOVATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	2023	2022 (Restated)
ASSETS		
ASSETS:		
Cash	$ 882,770	$ 1,382,672
Accounts receivable	2,970,417	2,111,714
Inventory	122,668	88,750
Prepaid expenses	104,289	17,559
Property and equipment, net	7,385,807	6,703,756
Right-of-use assets for operating leases	4,256,917	-0-
Security deposits	37,161	37,161
	$ 15,760,029	$ 10,341,612
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 5,102,108	$ 3,311,147
Accrued interest payable	24,089	22,238
Deferred program services revenue	788,305	496,890
Deferred lease expense	-0-	327,463
Long-term note payable	365,000	365,000
Finance lease obligation	101,183	125,000
Lease obligations, operating leases	4,605,425	-0-
Loan payable	796,409	523,876
	11,782,519	5,171,614
NET ASSETS:		
Without donor restrictions:		
Undesignated	(2,549,993)	(956,435)
Invested in property and equipment, net of related liabilities	6,488,215	6,054,880
	3,938,222	5,098,445
With donor restrictions:		
Purpose restrictions	39,288	71,553
	3,977,510	5,169,998
	$ 15,760,029	$ 10,341,612

See notes to consolidated financial statements.

THE GLOBAL CENTER FOR MEDICAL INNOVATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022 (Restated)
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Revenues, gains, and support:		
Program services revenue:		
Prototyping, testing and training	$ 10,698,959	$ 9,535,978
Contributions	-0-	28,447
Subgrant proceeds	81,226	2,334
Contributed management services	402,571	1,413,050
Interest	19,727	2,932
Gain on sale of equipment	-0-	55,000
Gain on forgiveness of accounts payable	616,803	-0-
Net assets released from purpose restrictions	32,265	35,911
Total revenue without donor restrictions	11,851,551	11,073,652
Expenses:		
Program services	9,003,881	9,220,276
Management and general	4,007,893	2,833,564
Total expenses	13,011,774	12,053,840
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(1,160,223)	(980,188)
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions with purpose restriction	-0-	71,553
Net assets released from purpose restrictions	(32,265)	(35,911)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(32,265)	35,642
CHANGE IN NET ASSETS ATTRIBUTABLE TO OPERATIONS	(1,192,488)	(944,546)
NET ASSETS, beginning of year	5,169,998	6,114,544
NET ASSETS, end of year	$ 3,977,510	$ 5,169,998

See notes to consolidated financial statements.

THE GLOBAL CENTER FOR MEDICAL INNOVATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	Program Services	Management and General	Total
Salaries	$ 2,994,264	$ 2,145,709	$ 5,139,973
Fringe benefits	918,514	670,612	1,589,126
Total compensation and benefits	3,912,778	2,816,321	6,729,099
Bank fees	-	35,190	35,190
Bad debt expense	132,596	2,260	134,856
Communications	31,479	10,019	41,498
Consulting services	241,748	102,187	343,935
Contract labor	1,197,326	9,152	1,206,478
Dues and publications	-	10,583	10,583
Insurance	44,344	5,972	50,316
Interest expense	-	69,510	69,510
Maintenance and repair	466,280	106,479	572,759
Marketing	-	104,304	104,304
Materials and supplies	1,207,646	32,714	1,240,360
Occupancy	732,637	198,426	931,063
Postage and printing	94,034	5,311	99,345
Professional fees	-	54,815	54,815
Surgical expense	160,012	-	160,012
Travel	-	65,188	65,188
Utilities	179,018	83,557	262,575
Other administrative expenses	14,471	48,399	62,870
Total expenses before depreciation and amortization	8,414,369	3,760,387	12,174,756
Depreciation and amortization	589,512	247,506	837,018
Total expenses	$ 9,003,881	$ 4,007,893	$ 13,011,774

See notes to consolidated financial statements.

THE GLOBAL CENTER FOR MEDICAL INNOVATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (RESTATED)

YEAR ENDED JUNE 30, 2022

	Program Services				
	Prototyping, Testing and Training	PPE Program	Total Program	Management and General	Total
Salaries	$ 3,686,171	$ 46	$ 3,686,217	$ 927,063	$ 4,613,280
Fringe benefits	1,180,219	15	1,180,234	296,822	1,477,056
Total compensation and benefits	4,866,390	61	4,866,451	1,223,885	6,090,336
Bank fees	-	-	-	33,562	33,562
Bad debt expense	34,829	-	34,829	-	34,829
Communications	30,131	-	30,131	7,580	37,711
Consulting services	536,462	-	536,462	-	536,462
Contract labor	155,879	786	156,665	-	156,665
Dues and publications	12,667	-	12,667	-	12,667
Insurance	17,293	-	17,293	39,292	56,585
Interest expense	-	-	-	60,181	60,181
Maintenance and repair	696,617	-	696,617	269,720	966,337
Marketing	-	288	288	67,881	68,169
Materials and supplies	1,090,014	-	1,090,014	370,492	1,460,506
Occupancy	768,833	-	768,833	261,323	1,030,156
Personal protective equipment development and production	-	24,727	24,727	-	24,727
Postage and printing	-	993	993	165,864	166,857
Professional fees	-	-	-	29,147	29,147
Surgical expense	194,436	-	194,436	-	194,436
Travel	34,001	-	34,001	8,554	42,555
Utilities	183,575	-	183,575	62,396	245,971
Other administrative expenses	-	-	-	39,166	39,166
Total expenses before depreciation and amortization	8,621,127	26,855	8,647,982	2,639,043	11,287,025
Depreciation and amortization	572,294	-	572,294	194,521	766,815
Total expenses	$ 9,193,421	$ 26,855	$ 9,220,276	$ 2,833,564	$ 12,053,840

See notes to consolidated financial statements.

THE GLOBAL CENTER FOR MEDICAL INNOVATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	$ (1,192,488)	$ (944,546)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	837,018	766,815
Gain on disposal of property and equipment	-0-	(55,000)
Reduction in right-of-use assets for operating leases	492,684	-0-
Gain on forgiveness of accounts payable	(616,803)	-0-
Changes in operating assets and liabilities:		
Accounts receivable for program services	(858,703)	(838,406)
Inventory	(33,918)	(17,651)
Prepaid expenses	(86,730)	959
Accounts payable and accrued expenses	2,407,764	(267,885)
Accrued interest payable	1,851	1,850
Deferred program services revenue	291,415	120,866
Lease obligations, operating leases	(471,639)	-0-
Deferred lease expense	-0-	29,180
Net cash provided by (used in) operating activities	770,451	(1,203,818)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,519,069)	(695,688)
Proceeds from sale of equipment	-0-	55,000
Net cash used in investing activities	(1,519,069)	(640,688)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loan	367,480	598,770
Repayments of finance lease	(23,817)	-0-
Repayments of loan payable	(94,947)	(74,894)
Net cash provided by financing activities	248,716	523,876
CHANGE IN CASH	(499,902)	(1,320,630)
CASH, beginning of year	1,382,672	2,703,302
CASH, end of year	$ 882,770	$ 1,382,672
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 67,659	$ 58,331

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

During the year ended June 30, 2022, the Organization acquired equipment valued at $125,000 by entering a finance lease agreement.

See notes to consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies:

The Global Center for Medical Innovation, Inc. ("GCMI") is a non-profit corporation organized in the State of Georgia on June 11, 2008. GCMI brings together core members of the medical device community, including universities, research centers, clinicians, established device companies, investors and startups, with the goal of accelerating the commercialization of innovative medical technology. GCMI helps new-product teams enhance their product development, shorten time to market, and potentially achieve significant cost savings throughout the process. This collaborative environment makes everyone's efforts more efficient and cost-effective. GCMI is a cooperative organization of the Georgia Institute of Technology ("GIT"), and is party to an operating agreement with GIT, pursuant to which GIT may provide certain future services, programs, and facilities usage to GCMI. GCMI's board of directors is appointed by GIT.

GCMI is the sole member of Translational Testing and Training Laboratories, Inc. ("T3 Labs"), a Georgia non-profit corporation engaged in preclinical testing and training services. Medical devices and pharmaceuticals follow well-established paths to make sure that they are safe and effective when they reach the public. This path includes preclinical testing to determine if a product is effective and safe, and bioskills training which allows physicians and other end-users to evaluate or practice in clinical-grade environment. GCMI and T3 Labs are collectively referred to herein as the "Organization."

<u>Principles of Consolidation</u>
The accompanying consolidated financial statements include the accounts of GCMI and T3 Labs for the years ended June 30, 2023 and 2022. All significant intercompany transactions and balances have been eliminated in the consolidation.

<u>Basis of Accounting</u>
The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

<u>Basis of Presentation</u>
Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities*.

<u>Accounts Receivable</u>
Accounts receivable represents balances due for the program services described above. At June 30, 2023, management believes that the balances recorded are fully collectible; accordingly, there is no allowance for doubtful accounts.

<u>Inventory</u>
Inventory consists of general supplies, controlled substances, and feed for biological specimens used in studies, rather than items held for resale, and is valued at estimated cost. Due to the nature of inventory and the relative insignificance of the total value to the consolidated financial statements as a whole, management does not believe a valuation analysis is necessary.

<u>Property and Equipment</u>
It is the Organization's policy to capitalize at cost personal property additions in excess of $5,000. Leasehold improvements are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Personal property additions are depreciated using the straight-line method over their estimated useful lives, which range from two to ten years. Leasehold improvements are amortized over the remaining life of the operating lease unless management determines their estimated useful life to be of shorter duration.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Revenue Recognition

Contracts with Customers

The Organization follows ASC 606, *Revenue from Contracts with Customers*. ASC 606 establishes principles for reporting information to financial statement users about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers and is intended to ensure that the entity recognizes revenues in a manner depicting the transfer of promised goods or services to customers in amounts reflecting the consideration to which the entity expects to be entitled in exchange for those goods or services.

A contractual agreement exists when each party involved approves and commits to the agreement, the rights of the parties and payment terms are identified, the agreement has commercial substance, and collectability of consideration is probable. The Organization performs services for the sole benefit of its customers, whereby the assets being created or maintained are controlled by the customer and the services performed do not have alternative benefits for the Organization.

The Organization performs services under standardized master service agreements or customized contracts that contain customer-specified service requirements. These agreements include discrete pricing for individual tasks, materials, and other provided benefits, each based on a specific unit of measure. Tasks occur and materials are consumed in specific instances which can be discretely identified. Related revenue is recognized at the point that these tasks are completed, which constitutes transfer of control of promised services to customers in an amount that reflects the consideration the Organization expects to receive in exchange for those services. The Organization typically operates under contracts with clauses that allow the customer to unilaterally terminate the contract for convenience, pay the Organization for expenses incurred, and take control of any work in process. The selection of the method to measure contract revenue requires significant judgment and is based on the nature of the services to be provided. Management believes this method best represents the measure of progress against the performance obligations incorporated in these contractual agreements.

In those instances where the timing of revenue recognition differs from the timing of invoicing, management has determined that contracts do not include a significant financing component. The primary purpose of the invoicing terms in use is to provide customers with simple and predictable methods of purchasing the Organization's services, not to provide or receive financing to or from customers. The term between invoicing and when payment is due is not significant.

Cash received for services to be provided in the future is recorded as deferred program services revenue until such services are provided. The following table provides information about significant changes in deferred program services revenue for the year ended June 30:

	2023	2022
Beginning of year	$ 496,890	$ 376,024
Received as cash during the year	2,629,383	1,289,323
Revenue recognized during the year	(2,337,968)	(1,168,457)
End of year	$ 788,305	$ 496,890

Contributions
Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

In-kind contributions of non-cash assets for use by the Organization are recorded at their fair market value in the period received.

Contributions of donated services which create or enhance non-financial assets or that require specialized skills that would typically need to be purchased if not provided by donation are recorded at their fair value in the period received. During the years ended June 30, 2023 and 2022, the Organization received such contributions from GIT as described in Note 8.

Grant and Subgrant Awards
Revenue derived from cost-reimbursable federal grants and subgrants is conditioned upon certain performance requirements or the incurrence of allowable qualifying expenses. Revenue is recognized when the Organization meets these performance requirements or incurs expenditures that are allowable under the specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statements of financial position.

Expense Allocation
The costs of providing various programs and other activities are summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Accordingly, costs are subject to allocation among the program and supporting services benefited.

Income Taxes
GCMI and T3 Labs are not-for-profit corporations and are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no income taxes are reflected in the accompanying consolidated financial statements.

ASC 740, *Income Taxes,* is applicable to not-for-profit entities in that certain matters, such as GCMI's and T3 Labs' tax-exempt status, are considered tax positions taken in their annual informational tax returns and thus must be assessed for potential unrecognized tax benefits. Under ASC 740, the Organization assesses the likelihood, based on their technical merit, that such tax positions taken in its informational tax returns will be sustained upon examination of the facts, circumstances, and information available at the end of each financial statement period. Unrecognized tax benefits are measured and recorded as a liability where the Organization has determined it to be probable a tax position would not be sustained and the amount of the unrecognized tax benefit, including associated penalties and interest, can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position, or for all uncertain tax positions in the aggregate, could differ from the amount recognized.

Management has determined that there is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken, or expected to be taken, in its informational tax returns as of June 30, 2023. No informational tax returns are currently under examination.

Estimates and Assumptions

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

Date of Management's Review

In accordance with ASC 855, *Subsequent Events*, management has performed a review of the Organization's subsequent events and transactions through October 12, 2023, which is the date the consolidated financial statements are available for issue.

Recently Adopted Accounting Guidance

In February 2016, the FASB issued ASC 842, *Leases*, which requires entities to recognize all leased assets as right-of-use ("ROU") assets on the balance sheet with a corresponding liability, resulting in a gross up of the balance sheet. Entities are also required to present additional disclosures regarding the nature and extent of leasing activities. The Organization adopted ASC 842 effective July 1, 2022 and recognized and measured leases existing as of that date, the beginning of the period of adoption, through a cumulative effect adjustment with certain practical expedients available. Lease disclosures for the year ended June 30, 2022, comply with the previous lease guidance of FASB ASC 840.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

The Organization made an accounting policy election not to apply ASC 842 to short-term leases, defined as those with initial terms of 12 months or less. The Organization also made an accounting policy election to use the risk-free rate of a zero-coupon U.S. Treasury instrument of a duration similar to that of the lease term as the discount rate in lieu of the Organization's incremental borrowing rate to discount future lease payments for leases without an interest rate implicit in the lease.

As a result of adopting ASC 842, on July 1, 2022, the Organization recognized two operating lease liabilities totaling $5,077,064, representing the present value of the remaining operating lease payments of $5,765,448, discounted using risk-free rates of 2.89% and 2.91%, and ROU assets totaling $4,749,601.

Adoption of ASC 842 had a material impact on the Organization's 2023 statement of financial position but did not have an impact on the 2023 statement of activities or functional expenses. The 2023 statement of cash flows reflects the noncash change in the newly-created ROU asset and the change in the newly-created operating lease liability during the fiscal year. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while accounting for the Organization's finance lease, described in Note 6, remained substantially unchanged.

The Organization's operating leases include minimum lease payments which escalate annually under the lease terms. The Organization recognizes lease expense on a straight-line basis over the terms of the leases. Through the year ended June 30, 2022, during the period that straight-line lease expense exceeded the amount paid under the lease terms, the excess was recorded as a liability in accordance with ASC 840, *Operating Leases*. At June 30, 2022 the balance of this liability was $327,463. As of July 1, 2022, this balance is a component of the ROU asset under ASC 842.

Reclassifications

Certain prior year classifications have been changed in the current year consolidated financial statements in order to clarify financial presentation.

2. Liquidity and Availability:

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year at June 30, 2023, are as follows:

Cash	$ 882,770
Accounts receivable	2,970,417
	$ 3,853,187

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers expenditures related to its program services and expenditures incurred to support these programs.

3. Concentrations:

The Organization receives significant resources, which has historically included direct financial assistance, donated facilities usage, and administrative assistance, from GIT and affiliated organizations of GIT. At June 30, 2023, over 90% of the Organization's accounts payable and accrued expenses balance is payable to GIT, a substantial portion of which has been outstanding for a length of time which would be considered excessive for transactions between unrelated parties. The Organization is obligated to an affiliate organization of GIT for a note payable described in Note 5. As of October 12, 2023, the date the consolidated financial statements are available for issue, the Organization has not remitted the annual payments due from June 30, 2018 through 2023 under this note. Additionally, a portion of the Organization's total revenue is derived from services performed for GIT, Emory University ("Emory"), or organizations or researchers affiliated with GIT or Emory in some capacity. Interruption or discontinuation of the above-described sources of support or revenue or demands for immediate repayment of the obligations described above could cause substantial doubt in the Organization's ability to continue operating as an independent entity. As of October 12, 2023, the date the consolidated financial statements are available for issue, management believes the above-described support will be adequate to provide for continuing operations of the Organization during the next twelve months, while recognizing that overall support levels may decrease based on the outcome of the discussions described in Note 14.

The financial instruments which potentially subject the Organization to concentrations of credit risk are cash and accounts receivable for program services. The Organization has cash deposits with a financial institution in excess of the $250,000 limit federally insured by the Federal Deposit Insurance Corporation ("FDIC"). At June 30, 2023, uninsured cash totals $764,561.

Management does not currently believe a credit risk from accounts receivable exists due to the Organization's broad customer base comprised largely of financially stable entities, including GIT and Emory.

4. Property and Equipment:

At June 30, property and equipment consists of the following:

	2023	2022 (Restated)
Machinery and equipment	$ 3,539,685	$ 2,290,486
Machinery and equipment not in service	258,298	18,750
Software	33,686	33,686
Leasehold improvements	10,125,554	10,095,232
	13,957,223	12,438,154
Accumulated depreciation and amortization	(6,571,416)	(5,734,398)
	$ 7,385,807	$ 6,703,756

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 is $837,018 and $766,815.

5. Long-term Note Payable:

GCMI received an unsecured note payable for $500,000 from the Georgia Tech Research Corporation (“GTRC”). The note bears interest at 0.5%. At June 30, 2023 and 2022, unpaid principal and interest total $389,089 and $387,238. Minimum annual payments of $50,000 are due each June 30 through 2024, at which time all unpaid principal and interest is due. GTRC and GCMI are both affiliate organizations of GIT. As described in Note 3, the annual payments due June 30, 2018 through 2023 have not been remitted as of October 12, 2023, the date the consolidated financial statements are available for issue.

6. Leases and Sublease:

Finance Lease Obligation:
During June 2022, the Organization entered into a finance lease agreement for medical equipment. For financial reporting purposes, minimum rental payments have been capitalized. This lease expires in June 2027. Equipment acquired under the finance lease obligation has a cost of $125,000. Accumulated depreciation on this equipment at June 30, 2023 and 2022 is $25,000 and $-0-, and depreciation of this equipment is included in depreciation and amortization expense. The implicit rate of the finance lease is 2.40%.

Future minimum lease payments are as follows:

Year Ending June 30,		
2024	$	26,553
2025		26,553
2026		26,553
2027		26,553
Total minimum lease payments		106,212
Less amounts representing interest		(5,029)
	$	101,183

Operating Lease Obligations
GCMI is party to an operating lease for its medical device prototyping design and development center with GIT, which subleases the facility from a single-member LLC owned by Georgia Advanced Technology Ventures, Inc. (“GATV”). Payments under the lease increase annually, as discussed in Note 1. The lease terminates on June 30, 2030.

Future minimum lease payments are as follows:

Year Ending June 30,		
2024	$	237,054
2025		244,165
2026		251,490
2027		259,035
2028		266,806
Thereafter		557,865
Total minimum lease payments		1,816,415
Less present value discount		(180,419)
	$	1,635,996

T3 Labs is party to an operating lease for its research facility with a single-member LLC owned by GATV. Payments under the lease increase annually, as discussed in Note 1. The lease, as amended, terminates on August 31, 2031.

Future minimum lease payments are as follows:

Year Ending June 30,		
2024	$	378,246
2025		386,757
2026		395,459
2027		404,357
2028		413,455
Thereafter		1,370,688
Total minimum lease payments		3,348,962
Less present value discount		(379,533)
	$	2,969,429

The components of lease expense for the year ended June 30, 2023, are as follows:

Operating lease cost	$	760,916
Short-term lease cost	$	170,147
Finance lease cost:		
Amortization of right-of use assets	$	23,817
Interest on lease liability		2,736
Total finance lease cost	$	26,553

The Organization was party to the above-described operating leases at June 30, 2022, at which time minimum lease payments were as follows:

2023	$	642,096
2024		658,794
2025		675,939
2026		693,541
2027		711,615
Thereafter		2,830,388
	$	6,212,373

Total operating lease expense, which includes the above-described leases and other short-term agreements, for the year ended June 30, 2022, was $1,030,156.

Sublease
T3 Labs subleases a portion of its research facility to a division of Emory. For the years ended June 30, 2023 and 2022, the Organization recognized sublease revenue of $442,822 and $434,140, which is included in program services revenue in the consolidated statements of activities. Subsequent to June 30, 2023, this sublease was amended to extend through December 2023, with options for five additional one-year extensions at Emory's election.

7. Loan Payable:

The lease agreement for T3Labs' research facility, further described in Note 6, was amended in September 2021. This amendment incorporated a loan agreement under which the lessor provided a $1.2 million credit facility to the Organization for the purpose of financing specified equipment and leasehold improvements. The Organization is required to submit documentation of such expenditures to the lessor for reimbursement. As of June 30, 2023, $966,250 of equipment and leasehold improvements had been requested and approved for such financing.

Although the full balance of the credit facility had not been extended to the Organization as of June 30, 2023 and 2022, the terms incorporated into the amended lease agreement describe a repayment schedule that assumes the full $1.2 million was extended at the inception of the agreement and requires monthly payments of $13,322, representing repayment of $1.2 million principal plus interest at 6%, over the ten-year life of the amended lease agreement. As the actual liability incurred as of June 30, 2023 and 2022, is lower than the balance used to calculate the repayment terms, the Organization records interest expense in excess of the stated 6% rate during the years ended June 30, 2023 and 2022 in order to record the mandated payment amounts. No security is explicitly identified in the agreement.

Future minimum payments under this loan, based on the principal extended as of June 30, 2023, are as follows:

2024	$	100,802
2025		107,019
2026		113,620
2027		120,628
2028		128,068
Thereafter		226,272
	$	796,409

8. Contributed Management Services Revenue:

The Organization benefits from unreimbursed services provided by GIT. During the years ended June 30, 2023 and 2022, these services are valued at $402,571 and $1,413,050 based on the amount of time spent rendering services at the compensation rates of the applicable individuals. These amounts are included in contributed management services revenue and in management and general expense in the accompanying consolidated statements of activities.

The Organization may receive additional assistance from GIT and affiliated organizations in the form of advisory services, financial recordkeeping, and facilities usage for administrative functions to which no value has been attributed in the accompanying 2023 and 2022 consolidated financial statements. Management has evaluated the possible sources of such assistance and believes the value of any unrecorded services received to be immaterial to the Organization's operations.

9. Net Assets with Donor Restrictions:

At June 30, 2023 and 2022, net assets with donor restrictions represents contributions which are specified for use in a particular development and commercialization project.

10. Subgrant Award:

During 2022, the Organization received a $394,739 subgrant award though GIT from the U.S. Department of Commerce's Economic Development Authority ("EDA") for the purpose of funding certain salaries and other expenses related to its medical device prototyping design and development center. The award includes a 100% cost sharing requirement which must be met with funds from other sources. Revenues from the subgrant award are recognized as discussed in Note 1. The Organization recognized revenues of $81,226 and $2,334 under the subgrant award during the years ended June 30, 2023 and 2022. Management believes the Organization has met all reporting and compliance requirements under the subgrant agreement.

11. Related Party Transactions Not Disclosed Elsewhere:

At June 30, 2023 and 2022, accounts receivable includes $275,380 and $58,424 due from GIT.

At June 30, 2023 and 2022, the accounts payable and accrued liabilities balance includes $4,718,147 and $3,010,358 due to GIT. During the year ended June 30, 2023, GIT formally notified the Organization that it would not enforce collection of specific delinquent accounts payable balances totaling $616,803. As a result, the Organization recognized a gain on forgiveness of accounts payable obligations of this amount in the consolidated statement of activities for the year ended June 30, 2023.

The Organization provides its services, as described in Note 1, to GIT. For the years ended June 30, 2023 and 2022, revenues from services provided to GIT total $659,196 and $300,201. As part of its nonprofit mission, the Organization also provides some of its services to GIT without direct compensation or reimbursement of the costs involved.

The daily operations of the Organization are conducted by employees of GIT. The Organization reimburses GIT for these salaries and fringe benefits, unless they are contributed by GIT as described in Note 8. All such balances in the accompanying consolidated statements of functional expenses are attributable to GIT employees.

12. Functionalized Expenses:

The consolidated financial statements report certain categories of expenses that are attributed between program service expense and management and general expense. Such expenses require allocation on a reasonable basis that is consistently applied. Salaries and wages, benefits, and payroll taxes, as well as such items as materials and supplies and travel, are allocated according to estimates of time and effort. Facility-related expenses, including insurance, repairs, utilities, and depreciation and amortization, are allocated based on the square footage attributable to program operations and to administrative areas.

13. Financial Statement Restatement:

During the year ended June 30, 2023, management identified certain purchases expensed during 2022 which should properly have been capitalized. The Organization has restated the June 30, 2022 consolidated financial statements to remove these items from maintenance expense and record them as additions to property and equipment.

The following reflects the consolidated financial statement line item changes from those previously reported as of June 30, 2022. Some consolidated financial statement line items not affected by the changes have been summarized:

Consolidated Statement of Financial Position	June 30, 2022		
	As Reported	Adjustments	Restated
ASSETS			
Property and equipment, net	$ 6,606,838	$ 96,918	$ 6,703,756
Other assets	3,637,856	-	3,637,856
Total Assets	$ 10,244,694	$ 96,918	$ 10,341,612
LIABILITIES AND NET ASSETS			
TOTAL LIABILITIES	$ 5,171,614	$ -	$ 5,171,614
TOTAL NET ASSETS	5,073,080	96,918	5,169,998
TOTAL LIABILITIES AND NET ASSETS	$ 10,244,694	$ 96,918	$ 10,341,612

Consolidated Statement of Activities	Year Ended June 30, 2022		
	As Reported	Adjustments	Restated
Total revenue without donor restrictions	$ 11,073,652	$ -	$ 11,073,652
Expenses:			
Program services	9,317,194	(96,918)	9,220,276
Management and general	2,833,564		2,833,564
Total expenses	12,150,758	(96,918)	12,053,840
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(1,077,106)	96,918	(980,188)
Change in net assets with donor restrictions	35,642	-	35,642
CHANGE IN NET ASSETS ATTRIBUTABLE TO OPERATIONS	(1,041,464)	96,918	(944,546)
NET ASSETS, beginning of year	6,114,544	-	6,114,544
NET ASSETS, end of year	$ 5,073,080	$ 96,918	$ 5,169,998

Consolidated Statement of Functional Expenses	Year Ended June 30, 2022		
	As Reported	Adjustments	Restated
Total compensation and benefits	$ 6,090,336	$ -	$ 6,090,336
Maintenance and repair	1,063,255	(96,918)	966,337
Other expenses	4,230,352	-	4,230,352
	11,383,943	(96,918)	11,287,025
Depreciation and amortization	766,815	-	766,815
Total expenses	$ 12,150,758	$ (96,918)	$ 12,053,840

Consolidated Statement of Cash Flows	Year Ended December 31, 2022		
	As Reported	Adjustments	Restated
Cash flows from operating activities:			
Decrease in net assets	$ (1,041,464)	$ 96,918	$ (944,546)
Adjustments	(259,272)	-	(259,272)
Net cash used in operating activities	(1,300,736)	96,918	(1,203,818)
Cash flows from investing activities:			
Purchases of property and equipment	(598,770)	(96,918)	(695,688)
Proceeds from sale of equipment	55,000	-	55,000
Net cash provided by financing activities	(543,770)	(96,918)	(640,688)
Cash flows from financing activities	523,876	-	523,876
Change in cash and cash equivalents	(1,320,630)	-	(1,320,630)
Cash and cash equivalents, beginning of year	2,703,302	-	2,703,302
Cash and cash equivalents, end of year	$ 1,382,672	$ -	$ 1,382,672

14. Subsequent Event:

Subsequent to June 30, 2023, the Organization has engaged in discussions with an unrelated entity regarding a potential asset sale of T3 Labs. No binding agreement has been executed as of October 12, 2023, the date the consolidated financial statements are available for issue. However, the parties have signed a letter of intent which provides, among other terms, that the Organization would retain certain liabilities that pertain to operations occurring prior to any finalized ownership transfer. Our opinion is not modified with respect to this matter.