# SOUTHERN LIGHT RAIL, INC.

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FINANCIAL STATEMENTS
(with report of independent auditors)

YEARS ENDED JUNE 30, 2022 AND 2021

SOUTHERN LIGHT RAIL, INC.

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## CONTENTS

Tomkiewicz Wright, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Officers
Southern Light Rail, Inc.
Atlanta, Georgia

**Opinion**

We have audited the accompanying financial statements of Southern Light Rail, Inc., which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Light Rail, Inc. as of June 30, 2022 and 2021, 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 Southern Light Rail, Inc. 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.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southern Light Rail, Inc.'s ability to continue as a going concern within one year after the date that the 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 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

*6111 Peachtree Dunwoody Road, Building E, Suite 102, Atlanta, Georgia 30328*
*Tel 770.351.0411 Fax 770.351.0495 www.twcpaga.com*

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 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 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 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 Southern Light Rail, Inc.'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 financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southern Light Rail, Inc.'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.

**Emphasis of a Matter**

As discussed in Note 7 to the financial statements, in March 2020, the World Health Organization declared COVID-19 to constitute a global pandemic. Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Tomkiewicz Wright, LLC

Atlanta, Georgia
December 15, 2022

SOUTHERN LIGHT RAIL, INC.

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STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

| | 2022 | 2021 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 2,505,299 | $ 2,045,617 |
| Accounts receivable | 15,041 | 55,238 |
| Prepaid expenses | -0- | 81,739 |
| Investments, at fair value | 2,257,246 | 2,296,540 |
| TOTAL CURRENT ASSETS | 4,777,586 | 4,479,134 |
| PROPERTY AND EQUIPMENT: | | |
| Equipment | 2,014,196 | 2,002,833 |
| Less accumulated depreciation | 1,919,816 | 1,801,213 |
| | 94,380 | 201,620 |
| OTHER ASSETS | 168,350 | 168,350 |
| TOTAL ASSETS | $ 5,040,316 | $ 4,849,104 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 32,556 | $ 29,931 |
| Deferred contract revenue | 202,600 | 73,900 |
| | 235,156 | 103,831 |
| NET ASSETS: | | |
| Without donor restrictions: | | |
| Undesignated | 4,710,780 | 4,543,653 |
| Invested in property and equipment | 94,380 | 201,620 |
| | 4,805,160 | 4,745,273 |
| TOTAL LIABILITIES AND NET ASSETS | $ 5,040,316 | $ 4,849,104 |

See notes to financial statements.

SOUTHERN LIGHT RAIL, INC.
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STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2022 AND 2021

| | 2022 | 2021 |
|---|---|---|
| NET ASSETS WITHOUT DONOR RESTRICTIONS: | | |
| Revenues and support: | | |
| Contract revenues: | | |
| Participant dues | $ 1,463,239 | $ 1,558,750 |
| Connectivity fees | 311,203 | 341,893 |
| ISP revenues | 1,222,618 | 1,246,155 |
| DDoS mitigation fees | 13,200 | 19,200 |
| Security operations monitoring | 10,000 | -0- |
| | 3,020,260 | 3,165,998 |
| Investment income (loss) | (39,294) | 14,438 |
| Interest | 5,473 | 1,813 |
| Other income | 110 | -0- |
| Total revenues and support without donor restrictions | 2,986,549 | 3,182,249 |
| Expenses: | | |
| Program services | 2,679,264 | 2,714,777 |
| Management and general | 247,398 | 199,060 |
| Total expenses | 2,926,662 | 2,913,837 |
| Change in net assets without donor restrictions | 59,887 | 268,412 |
| Net assets, beginning of year | 4,745,273 | 4,476,861 |
| Net assets, end of year | $ 4,805,160 | $ 4,745,273 |

See notes to financial statements.

SOUTHERN LIGHT RAIL, INC.

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STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

| | 2022 | 2021 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Increase in net assets | $ 59,887 | $ 268,412 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Investment (income) loss | 39,294 | (14,438) |
| Depreciation | 118,603 | 222,230 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 40,197 | 15,291 |
| Prepaid expenses | 81,739 | 9,872 |
| Accounts payable | 2,625 | (3,004) |
| Deferred contract revenue | 128,700 | -0- |
| Net cash provided by operating activities | 471,045 | 498,363 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | (11,363) | (51,257) |
| Net cash used in investing activities | (11,363) | (51,257) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 459,682 | 447,106 |
| CASH AND CASH EQUIVALENTS, beginning of year | 2,045,617 | 1,598,511 |
| CASH AND CASH EQUIVALENTS, end of year | $ 2,505,299 | $ 2,045,617 |

See notes to financial statements.

SOUTHERN LIGHT RAIL, INC.

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STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

| | Program Services | Management and General | Total |
|---|---|---|---|
| Salaries | $ 103,907 | $ 122,264 | $ 226,171 |
| Fringe benefits | 33,513 | 23,100 | 56,613 |
| Total compensation and benefits | 137,420 | 145,364 | 282,784 |
| Accounting | -0- | 7,829 | 7,829 |
| Bank fees | -0- | 6,263 | 6,263 |
| Contracted services | 20,375 | -0- | 20,375 |
| Insurance | 23,582 | 3,036 | 26,618 |
| ISP expense | 396,543 | -0- | 396,543 |
| DDoS mitigation | 90,000 | -0- | 90,000 |
| Legal | -0- | 490 | 490 |
| Maintenance | 156,745 | -0- | 156,745 |
| Network memberships | 301,660 | -0- | 301,660 |
| Noncapitalized equipment costs | 9,027 | -0- | 9,027 |
| Operational networking | 396,767 | -0- | 396,767 |
| Reimbursed administrative expenses | -0- | 51,961 | 51,961 |
| Rent – equipment colocation | 1,028,542 | -0- | 1,028,542 |
| Travel, events and meetings | -0- | 28,514 | 28,514 |
| Depreciation | 118,603 | -0- | 118,603 |
| Other administrative expenses | -0- | 3,941 | 3,941 |
| Total expenses | $ 2,679,264 | $ 247,398 | $ 2,926,662 |

See notes to financial statements.

SOUTHERN LIGHT RAIL, INC.
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STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

| | Program Services | Management and General | Total |
|---|---|---|---|
| Salaries | $ 98,810 | $ 104,531 | $ 203,341 |
| Fringe benefits | 31,916 | 20,204 | 52,120 |
| Total compensation and benefits | 130,726 | 124,735 | 255,461 |
| Accounting | -0- | 7,500 | 7,500 |
| Bank fees | -0- | 4,983 | 4,983 |
| Contracted services | 5,520 | -0- | 5,520 |
| Insurance | 23,721 | 2,753 | 26,474 |
| ISP expense | 388,093 | -0- | 388,093 |
| DDoS mitigation | 94,000 | -0- | 94,000 |
| Maintenance | 134,962 | -0- | 134,962 |
| Network memberships | 310,740 | -0- | 310,740 |
| Operational networking | 353,054 | -0- | 353,054 |
| Reimbursed administrative expenses | -0- | 50,678 | 50,678 |
| Rent – equipment colocation | 1,051,731 | -0- | 1,051,731 |
| Travel, events and meetings | -0- | 5,787 | 5,787 |
| Depreciation | 222,230 | -0- | 222,230 |
| Other administrative expenses | -0- | 2,624 | 2,624 |
| Total expenses | $ 2,714,777 | $ 199,060 | $ 2,913,837 |

See notes to financial statements.

1. Organization and Summary of Significant Accounting Policies:

Southern Light Rail, Inc. (the "Organization") is a non-profit corporation organized in the state of Georgia and is a cooperative organization of the Georgia Institute of Technology ("GIT"). The Organization provides participating institutions with Internet connectivity services and access to high performance networks, including the Internet2 network ("I2") and the Energy Sciences network ("ESNet"), which are designed to meet the needs of the education and research community. Participant institutions of the Organization are primarily located in the Southeastern United States.

<u>Basis of Accounting</u>
The 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>Investments</u>
The Organization holds investments in the Board of Regents Pooled Investment Program Short-Term Fund (the "Fund"). Investment policy guidelines for Board of Regents ("BOR") pooled funds are developed with and approved by a pooled fund program advisory committee headed by the BOR Executive Vice Chancellor for Strategy and Fiscal Affairs. Under the current policy for the Fund, investments are limited to securities permitted under Georgia Code Section 50-17-63, which include obligations of the United States government and its agencies and subsidiary corporations, obligations of the State of Georgia and its counties and municipalities, and certain obligations of United States public corporations. The maximum maturity of any individual holding is three years, the portfolio duration range is 0.25 to 1.25 years, and the maximum exposure to corporate obligations is not to exceed 30% of the total portfolio.

<u>Property and Equipment</u>
It is the Organization's policy to capitalize at cost personal property additions in excess of $5,000, in agreement with GIT's capitalization policy. Lesser amounts are expensed. Real property and leasehold improvements are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Property and equipment are depreciated over their estimated useful lives using the straight-line method. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Property and equipment recorded by the Organization may include items which are properly capitalized by the Organization under accounting principles generally accepted in the United States of America, but whose legal title vests in GIT.

<u>Other Assets</u>
Other assets consists of prepayments to renew two dark fiber indefeasible right of usage arrangements ("IRUs") currently in force. The renewal periods commence upon the expirations of the existing IRUs in September 2024 and March 2025.

<u>Net Assets</u>
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 statements of activities as net assets released from restrictions.

Revenue Recognition

*Contracts with Customers*

The Organization adopted ASC 606, *Revenue from Contracts with Customers*, for the year ended June 30, 2021 using the modified retrospective method. 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 services performed do not have alternative benefits for the Organization. Contracts entered by the Organization as described below include agreed-upon transaction prices with no significant variable consideration. There is no substantial right of return inherent in the contracts entered by the Organization.

The Organization enters membership contracts which provide access to high-performance networks. Members may additionally contract with the Organization for standard Internet service access, distributed denial of service ("DDoS") mitigation services, and security operations monitoring. All contracts provide for a one-year service term coinciding with the Organization's fiscal year. New contracts initiated during a fiscal year are prorated and terminate at the end of the fiscal year. The performance obligations of delivering network access, DDoS mitigation services, or security operations monitoring are simultaneously received and consumed by the members; therefore, revenue is recognized ratably over the contract term, which is equivalent to the Organization's fiscal year. Contracts for these services are combined into a single portfolio of similar contracts. Payments may be received prior to the contract's commencement date, in which case recognition of the related revenue is deferred to the applicable period.

The Organization may charge nonrecurring fees to initialize network services for new members or to upgrade existing connectivity for current members. The performance obligation of completing these connections is transferred to the member at the point in time that the connection is accomplished. Contracts for these services are combined into a single portfolio of similar contracts.

The following table disaggregates contract revenues by the timing of revenue recognition for the year ended June 30:

| | 2022 | 2021 |
|---|---|---|
| Services transferred over time | $ 2,938,860 | $ 3,008,448 |
| Services transferred at a point in time | 81,400 | 157,550 |
| | $ 3,020,260 | $ 3,165,998 |

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 revenue until such services are provided. The following table provides information about significant changes in deferred contract revenue for the year ended June 30:

| | 2022 | 2021 |
|---|---|---|
| Beginning of year | $ 73,900 | $ 73,900 |
| Beginning deferred contract revenue recognized during the year | (73,900) | (73,900) |
| Deferred contract revenue received as cash during the year | 202,600 | 73,900 |
| End of year | $ 202,600 | $ 73,900 |

The Organization may be awarded cost-reimbursable contracts or grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. The Organization received no such contract or grant revenue for the years ended June 30, 2022 and 2021.

*Contributions*

Contributions are recognized when cash, other assets, or an unconditional promise to give, or 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.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Intermediary Function

The Organization transacts with entities who also conduct transactions between themselves beyond their direct relationships with the Organization. Solely as a convenience to such entities, the Organization may act as an intermediary by billing, collecting, and remitting funds associated with such transactions without the Organization incurring a benefit or an obligation beyond the proper remittal of such funds. Such funds pertain to commercial transactions for value received between the entities and do not constitute donations to or from any party. This function is designed so that no funds are held or obligations outstanding at the end of the Organization's fiscal year. Such transactions are excluded from the Organization's revenues and expenses. For each of the years ended June 30, 2022 and 2021, $112,000 of such funds were transacted through the Organization.

Income Taxes

The Organization is a not-for-profit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no income taxes are reflected in the accompanying financial statements.

ASC 740, *Income Taxes,* is applicable to not-for-profit entities in that certain matters, such as the Organization's tax-exempt status, are considered tax positions taken in its annual informational tax return 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 return will be sustained by taxing authorities 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, on its informational tax returns as of June 30, 2022. No informational tax returns are currently under examination.

Estimates and Assumptions

The Organization uses estimates and assumptions in preparing 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 December 15, 2022, which is the date the financial statements are available for issue.

2. Liquidity and Availability:

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year at June 30, 2022, are as follows:

| | |
|---|---|
| Cash | $ 2,505,299 |
| Accounts receivable | 15,041 |
| Investments | 2,257,246 |
| | $ 4,777,586 |

3. Concentrations:

The financial instruments which potentially subject the Organization to concentrations of credit risk are cash and investments. 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, 2022, uninsured cash totals $2,256,411. Investments in the Fund are not insured by the FDIC. At June 30, 2022, such investments total $2,257,246.

The Organization receives significant resources from GIT and related organizations pursuant to various agreements, including a memorandum of understanding with GIT. These resources include facilities usage and administrative assistance. Although the Organization reimburses these entities for all identified direct expenses, locating a disinterested third party to provide these services on identical terms could be difficult or impossible. Therefore, interruptions in support from these sources could cause substantial doubt in the Organization's ability to continue as an independent entity.

The Organization's activities consist of providing technologically advanced services to research and educationally-focused entities. Future technological advances could result in the availability of more cost-efficient or higher performance alternatives to the services offered by the Organization, resulting in loss of revenues and causing substantial doubt in the Organization's ability to continue as an independent entity. Additionally, I2 and ESNet could cease to exist in their present forms, eliminating one or more of the Organization's revenue sources.

4. Fair Value Measurements:

The Organization's investment balance is reported at fair value in the accompanying financial statements. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes the valuation methods employed are appropriate and consistent, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

FASB ASC 820, *Fair Value Measurements and Disclosures,* establishes a fair value hierarchy which prioritizes the inputs used to measure fair value. FASB ASC 820 requires an entity to maximize the use of observable inputs when measuring fair value. The following provides a description of the three levels of inputs that may be used to measure fair value under FASB ASC 820.

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs to the valuation methodology are quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active, or inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the instrument.

Level 3 – Valuations are derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and require significant professional judgment in determining the fair value assigned to such assets and liabilities. Level 3 investments primarily comprise alternative investments that do not have a liquid market at the financial statement date. Inputs used for Level 3 may include the original transaction price, recent transactions in the same or similar market, completed or pending third party transactions in the underlying investment or comparable issuers, and subsequent rounds of financing. When observable prices are not available, these investments are valued using one or more valuation techniques described below:

Market Approach: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Income Approach: This approach determines a valuation by discounting cash flows.

Cost approach: This approach is based on the principle of substitution and the concept that a market participant would not pay more than the amount that would currently be required to replace the asset.

Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value.

The fair value of the Organization's investment in the Fund is measured on a recurring basis, which is valued based on the Organization's share of the underlying investment pool, using significant unobservable inputs (Level 3).

Financial instruments as measured at fair value on a recurring basis by input type consist of the following at June 30, 2022:

| | Fair Value Measurements Using Input Type | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Board of Regents Pooled Investment Program Short-Term Fund | $ -0- | $ -0- | $ 2,257,246 | $ 2,257,246 |

Financial instruments as measured at fair value on a recurring basis by input type consist of the following at June 30, 2021:

| | Fair Value Measurements Using Input Type | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Board of Regents Pooled Investment Program Short-Term Fund | $ -0- | $ -0- | $ 2,296,540 | $ 2,296,540 |

During the years ended June 30, 2022 and 2021, the fair value of assets classified as Level 3 in the fair value hierarchy changed as follows:

| | |
|---|---|
| Balance at July 1, 2020 | $ 2,282,102 |
| Net gain and earnings attributable to balances | 14,438 |
| Balance at June 30, 2021 | 2,296,540 |
| Net loss and earnings attributable to balances | (39,294) |
| Balance at June 30, 2022 | $ 2,257,246 |

5. Related Party Transactions:

The Organization has a brother/sister relationship with Georgia Tech Research Corporation ("GTRC") through their common affiliation with GIT. The Organization reimburses GTRC for salaries, contracted services, travel, capital equipment purchases, and other administrative charges GTRC incurs directly on the Organization's behalf. GTRC also charges an overhead fee equal to ten percent of direct expenses incurred. The overhead expense is included in reimbursed administrative expenses in the accompanying statements of functional expenses. For the years ended June 30, 2022 and 2021, reimbursements and overhead charges total $571,564 and $573,988.

At June 30, 2022 and 2021, accounts payable includes $32,556 and $29,931 due to GTRC.

The Organization receives payments from GIT for connectivity services and membership dues at substantially the same terms as those offered to other members. For the years ended June 30, 2022 and 2021, the Organization recognized revenues from GIT of $233,156 and $200,957.

The Organization receives payments from the BOR for connectivity services and membership dues at substantially the same terms as those offered to other members. The BOR oversees the University System of Georgia, including GIT. For the years ended June 30, 2022 and 2021, the Organization recognized revenues from the BOR of $770,532 and $851,757.

The Organization also supplies services to other entities overseen by the BOR at substantially the same terms as those offered to other members.

6. Functionalized Expenses:

The 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 are allocated according to estimates of time and effort. Insurance is allocated based on the purpose of the underlying expense.

7. Other Risks and Uncertainties:

In March 2020, the World Health Organization declared COVID-19 to constitute a global pandemic. There have been mandates from international, federal, state and local authorities requiring forced closures of various schools, businesses and other facilities and organizations. Some of these governmental restrictions have since been lifted or scaled back, but resurgences of COVID-19 infections have resulted in the re-imposition of certain restrictions. Such actions, as well as supply chain disruption and related financial impacts, cannot be accurately predicted or estimated at this time.

Management does not believe the Organization’s operations have been materially adversely affected as of December 15, 2022, the date the financial statements are available for issue. Should the closures continue for an extended period of time or should the effects of COVID-19 continue to spread, the impact could have a material adverse effect on the Organization’s financial position, results of operations, and cash flows.