



**SCIENCE AND TECHNOLOGY CAMPUS CORPORATION
FRANKLIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

**SCIENCE AND TECHNOLOGY CAMPUS CORPORATION
FRANKLIN COUNTY
JUNE 30, 2019 AND 2018**

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INDEPENDENT AUDITOR'S REPORT

Science and Technology Campus Corporation
Franklin County
1275 Kinnear Road
Columbus, Ohio 43212

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Science and Technology Campus Corporation, Franklin County, Ohio (the Corporation), (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2019, the related statement of activities and changes in net assets, statement of functional expenses, and statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Science and Technology Campus Corporation, Franklin County, Ohio as of June 30, 2019 , and the changes in its net assets and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2019, the Corporation adopted new accounting guidance in Financial Accounting Standards Board (FASB) Statement No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. We did not modify our opinion regarding this matter.

Other Matter

The financial statements of the Science and Technology Campus Corporation, Franklin County, Ohio (the Corporation), as of and for the year ended June 30, 2018, were audited by predecessor auditors whose report dated November 23, 2018, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2020, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 the Corporation's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

February 18, 2020

SCIENCE AND TECHNOLOGY CAMPUS CORPORATION

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND 2018

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents	\$2,305,594	\$1,772,879
Assets Limited as to Use	\$2,911,770	\$2,917,780
Accounts Receivable, Net	\$124,693	\$106,284
Current Portion of Deferred Rental Income	\$36,584	\$32,089
Current Portion of Note Receivable	\$439,655	
Tenant Billings	\$303,641	\$105,862
Prepaid Expenses	\$11,881	\$11,530
Total Current Assets	<u>\$6,133,818</u>	<u>\$4,946,424</u>
PROPERTY AND EQUIPMENT		
Leasehold Estate	\$12,263,409	\$12,263,409
Buildings	\$34,633,648	\$34,590,629
Equipment	\$140,350	\$140,350
Construction in Progress	\$213,787	
	<u>\$47,251,194</u>	<u>\$46,994,388</u>
Less Accumulated Depreciation and Amortization	<u>(\$19,239,457)</u>	<u>(\$17,929,530)</u>
Total Property and Equipment, Net	<u>\$28,011,737</u>	<u>\$29,064,858</u>
OTHER ASSETS		
Investment in Start-up Companies, Net	\$50,000	\$50,000
Deferred Rental Income, Net of Current Portion	\$127,569	\$95,982
Deferred Leasing Costs, Net	\$17,123	\$24,208
Note Receivable, Net of Current Portion	\$424,366	
Other Assets	\$17,043	\$26,362
Total Other Assets	<u>\$636,101</u>	<u>\$196,552</u>
 Total Assets	 <u>\$34,781,656</u>	 <u>\$34,207,834</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$378,052	\$357,680
Accrued Liabilities	\$116,654	\$115,287
Current Portion of Notes Payable and Long-Term Debt	\$1,436,222	\$1,391,751
Current Portion of Unearned Rental Income	\$224,485	\$376,719
Total Current Liabilities	<u>\$2,155,413</u>	<u>\$2,241,437</u>
LONG-TERM LIABILITIES		
Notes Payable and Long-Term Debt, Net of Current Portion	\$11,753,115	\$13,189,337
Unearned Rental Income, Net of Current Portion	\$1,960,503	\$2,147,600
Total Long-Term Liabilities	<u>\$13,713,618</u>	<u>\$15,336,937</u>
 NET ASSETS, Without Donor Restrictions	 \$18,912,625	 \$16,629,460
 Total Liabilities and Net Assets	 <u>\$34,781,656</u>	 <u>\$34,207,834</u>

The Accompanying Notes are an Integral Part of These Financial Statements

SCIENCE AND TECHNOLOGY CAMPUS CORPORATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
REVENUES WITHOUT DONOR RESTRICTIONS		
Rental Income	\$6,670,880	\$6,402,578
Lease Termination Income	\$899,600	
Interest Income	\$31,008	\$12,209
Other Income	\$36,724	\$35,965
Total Revenues	<u>\$7,638,212</u>	<u>\$6,450,752</u>
EXPENSES		
Rental (Program) Expenses	\$5,004,672	\$4,945,338
Management and General Expenses	\$350,433	\$317,810
Total Expenses	<u>\$5,355,105</u>	<u>\$5,263,148</u>
OTHER INCOME AND (EXPENSES)		
Investment Gains (Losses)	\$58	(\$2,092)
Total Other Income (Expenses)	<u>\$58</u>	<u>(\$2,092)</u>
Change in Net Assets	\$2,283,165	\$1,185,512
NET ASSETS, BEGINNING OF THE YEAR	<u>\$16,629,460</u>	<u>\$15,443,948</u>
NET ASSETS, END OF THE YEAR	<u><u>\$18,912,625</u></u>	<u><u>\$16,629,460</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements

SCIENCE AND TECHNOLOGY CAMPUS CORPORATION

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
RENTAL (PROGRAM) EXPENSES		
Cleaning and Janitorial	\$328,880	\$321,233
Interest Expense	\$628,718	\$671,710
Utilities	\$1,345,333	\$1,353,461
Repairs and Maintenance	\$652,179	\$597,946
Landscaping and Snow Removal	\$179,529	\$172,344
Public Safety Assessments	\$181,022	\$181,017
Depreciation	\$1,003,341	\$994,098
Amortization	\$306,585	\$306,585
Management Fees	\$227,704	\$224,647
Other Rental Costs	\$151,381	\$122,297
Total Rental (Program) Expenses	<u>\$5,004,672</u>	<u>\$4,945,338</u>
MANAGEMENT AND GENERAL EXPENSES		
Consulting	\$113,560	\$102,581
Legal	\$18,408	\$7,918
Insurance	\$12,511	\$13,318
Accounting	\$32,810	\$31,090
Operating and Development Costs	\$73,732	\$67,415
Telecommunications	\$2,100	\$2,180
Travel, Meals and Meetings	\$1,113	\$1,724
Interest Expense	\$24,609	\$23,212
Other Costs	\$71,590	\$68,372
Total Management and General Expenses	<u>\$350,433</u>	<u>\$317,810</u>
Total Expenses	<u><u>\$5,355,105</u></u>	<u><u>\$5,263,148</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements

SCIENCE AND TECHNOLOGY CAMPUS CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$2,283,165	\$1,185,512
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Amortization and Depreciation	\$1,309,927	\$1,300,683
Decrease (Increase) in Assets:		
Accounts Receivable	(\$18,409)	\$8,716
Note Receivable	(\$864,021)	
Deferred Rental Income and Leasing Costs	(\$28,997)	\$3,722
Tenant Billings	(\$197,779)	(\$33,163)
Prepaid Expenses	(\$351)	\$12,915
Other Assets	\$9,319	\$9,319
Increase (Decrease) in Liabilities:		
Accounts Payable	\$20,372	\$100,505
Accrued Liabilities	\$1,367	(\$70,240)
Unearned Rental income	(\$339,331)	(\$159,073)
Total Adjustments	<u>(\$107,903)</u>	<u>\$1,173,384</u>
Net Cash Provided by Operating Activities	<u>\$2,175,262</u>	<u>\$2,358,896</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (Increase) in Investments in Start-Up Companies		\$2,762
Decrease (Increase) in Construction in Progress	(\$213,787)	
Payments for the Purchase of Property and Equipment	(\$43,019)	(\$455,090)
Net Cash Used in Investing Activities	<u>(\$256,806)</u>	<u>(\$452,328)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Reductions In Notes Payable and Long-Term Debt	(\$1,391,751)	(\$1,277,514)
Net Cash Used in Financing Activities	<u>(\$1,391,751)</u>	<u>(\$1,277,514)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	\$526,705	\$629,054
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>\$4,690,659</u>	<u>\$4,061,605</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$5,217,364</u>	<u>\$4,690,659</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash and Cash Equivalents Reconciliation		
Cash and Cash Equivalents	\$2,305,594	\$1,772,879
Assets Limited as to Use	\$2,911,770	\$2,917,780
Cash and Cash Equivalents, End of Year	<u>\$5,217,364</u>	<u>\$4,690,659</u>
Cash Paid During the Year for Interest	<u>\$646,003</u>	<u>\$684,709</u>

The Accompanying Notes are an Integral Part of These Financial Statements

**SCIENCE AND TECHNOLOGY CAMPUS CORPORATION
(AN OHIO NOT-FOR-PROFIT CORPORATION)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 1 ORGANIZATION AND PRESENTATION

The Science and Technology Campus Corporation (an Ohio Not-for-Profit Corporation), (the Corporation), was formed on March 1, 1996 to further development of the Science and Technology Campus at the Ohio State University (the University).

The Corporation's sources of funding include rental income and contributions received under agreements with the University and the State of Ohio Department of Development. The Corporation constructs and manages facilities on leased and owned properties for the purpose of developing the Science and Technology Campus.

The Corporation reports contributions as support without donor restrictions unless explicit donor stipulations specify how the donated cash must be used. Where stipulations have been made and they have been satisfied in the same reporting period, the contribution is reported as unrestricted.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A – Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

B – Net Assets and Financial Statement Presentation

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

Net Assets Without Donor Restriction – Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net Assets With Donor Restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Corporation reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. There were no donor restricted net assets as of June 30, 2019 and 2018.

C – Cash and Cash Equivalents

The Corporation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2019 or 2018.

**SCIENCE AND TECHNOLOGY CAMPUS CORPORATION
(AN OHIO NOT-FOR-PROFIT CORPORATION)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D – Accounts Receivable

Accounts receivable are shown at their net realizable value. Receivables consist of amounts due from tenants and governmental agencies for rent, grants, and other services provided. The Corporation’s leases and agreements with third parties and non-governmental entities generally provide for interest or finance charges on delinquent accounts.

Management estimates an allowance for doubtful accounts based upon management’s review of delinquent accounts and an assessment of the Corporation’s historical evidence of collections. Specific accounts are charged directly to the reserve when management determines that the account is uncollectible. At June 30, 2019 and 2018, management estimates that an allowance of \$10,000 was necessary.

E – Note Receivable

Note receivable consists of an \$899,600 promissory note received from a tenant for rents and unreimbursed improvements upon early termination of a long-term lease during May 2019. The Note bears interest at a fixed rate of 5.4% and is payable in self-amortizing monthly payments of principal and interest in the amount of \$39,628 through the maturity date of May 2021. Interest income for the year ended June 30, 2019 was \$4,048. The \$899,600 principal amount of the note was recognized as lease termination income on the Statement of Activities for the year ended June 30, 2019.

F – Assets Limited as to Use

The Corporation considers assets that have been designated by contract or internally designated for a specific purpose to be limited as to use and are recorded at money market value. Assets limited as to use consists of the following:

	Year Ending June 30:	
	2019	2018
Capital Reserve Fund	\$ 2,719,245	\$ 2,704,425
Debt Service Fund	192,525	213,355
Ending Balance	\$ 2,911,770	\$ 2,917,780

The Capital Reserve Fund consists of funds designated for future capital repairs and replacements to the Corporation’s buildings and equipment. The Corporation maintains these funds in a separate money market account earning interest at a variable rate. Per the Corporation’s letter of credit agreement securing the Adjustable Rate Taxable Securities, Series 2001 (the “Project Notes” - See Note 4), the Corporation has agreed to maintain a minimum balance in this account roughly corresponding to the then unpaid balance of the Project Notes. Funds above the required minimum balance may be used for any purpose as designated by the Corporation. The required minimum balance of the Capital Reserve Fund was \$670,000 and \$990,000 as of June 30, 2019 and 2018, respectively.

The Debt Service Fund consists of funds maintained in a separate money market account that will be drawn upon to make the principal payments on the Project Notes on the first day of November of each year. The Corporation deposits funds into this account on a monthly basis so that the required principal payment amount is available on the due date. The money market fund earns interest at a variable rate.

**SCIENCE AND TECHNOLOGY CAMPUS CORPORATION
(AN OHIO NOT-FOR-PROFIT CORPORATION)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G – Concentration of Uninsured Deposits

The Corporation’s cash balances, which are in excess of the federally insured levels, are maintained at local and regional financial institutions. The Corporation continually monitors its balances to minimize the risk of loss for these balances.

H – Rental Income

Rental income is generally recognized on a straight-line basis over the term of the leases. Deferred rental income reflects rental income recognized in excess of payments due on leases that provide for scheduled increases over their terms. Unearned rental income reflects payments received in excess of rental income recognized. As of June 30, 2019, and 2018, \$2,161,589 and \$2,518,656, respectively, of total unearned rental income related to prepaid rents received from the University (see Note 3). Unearned rental income related to prepaid rents from tenants other than the University totaled \$23,399 and \$5,662 for the years ended June 30, 2019 and 2018, respectively.

I – Deferred Leasing Costs

Leasing costs, primarily commissions, are capitalized and amortized over the term of the respective leases.

J – Investments in Start-up Companies

The Corporation invests in closely held start-up companies and other joint ventures. These investments are typically in the form of convertible promissory notes and are accounted for at cost, which approximates fair value. The Corporation reviews its investments for impairment at least annually. Due to the start-up nature of these companies, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The total investment in start-up companies was \$50,000 as of June 30, 2019 and June 30, 2018. The activity in the reserve for impairment account was as follows:

	Year Ending June 30:	
	2019	2018
Beginning Balance	\$ 0	\$ 6,906
Provision for Impairment	-	-
Write-Offs	-	(6,906)
Recoveries		
Ending Balance	\$ 0	\$ 0

**SCIENCE AND TECHNOLOGY CAMPUS CORPORATION
(AN OHIO NOT-FOR-PROFIT CORPORATION)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K – Leasehold Estate

The leasehold estate is recorded at its estimated fair market value as of the date of original acquisition and is amortized using the straight-line method over an estimated useful life of forty years.

L – Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over estimated useful lives ranging from three to thirty-six years. Contributed assets are recorded at the fair value at the date of the contribution. Maintenance and repairs are charged to operations when incurred. Renewals and betterments that have been determined to materially extend the useful lives of the assets are capitalized.

M – Grants

The Corporation occasionally receives grants from various State of Ohio and corporate funding sources. These funds are typically available on a reimbursement basis and require any restrictions on use to be satisfied prior to submission for funding. The Corporation did not receive any grant funds for the years ending June 30, 2019 and 2018.

N – Recently Adopted and Issued But Not Yet Effective Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). The ASU amends the previous reporting model for not-for-profit organizations and enhances their required disclosures. The major changes relevant to the Corporation include; (a) requiring the presentation of only two classes of net assets, now entitled “net assets without donor restrictions” and “net assets with donor restrictions, (b) requiring that all not-for-profit organizations present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (d) presenting investment return net of external and internal investment expenses, and (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of not-for-profit financial statements. The Corporation has adopted this ASU as of and for the years ended June 30, 2019 and 2018.

In February 2016, the FASB issued ASU No. 2016-02 entitled “Leases (Topic 842),” which will change the Corporation’s statement of financial position by adding lease-related assets and liabilities. This may affect compliance with contractual agreements and loan covenants. This new standard is effective for the Corporation’s annual reporting periods beginning after December 15, 2020. Early implementation is permitted. Management has not yet determined whether this new standard will have a material effect on its financial statements.

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09 entitled “Revenue from Contracts with Customers (Topic 606),” which will change the Corporation’s method of revenue recognition. This new standard is effective for the Corporation’s annual reporting periods beginning after December 15, 2018. Early implementation is permitted. The provisions of this standard will be applied retrospectively. Management has not yet determined whether this new standard will have a material effect on its financial statements.

**SCIENCE AND TECHNOLOGY CAMPUS CORPORATION
(AN OHIO NOT-FOR-PROFIT CORPORATION)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O – Allocation of Functional Expenses

The Corporation allocates expenses to program services, management and general, and fund-raising activities whenever costs are associated with more than one activity and are attributed to each activity based on the estimated percentage of time spent, or expense incurred in respect to that activity.

P – Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the current year presentation. These reclassifications had no impact on total net assets or changes to net assets.

Q – Subsequent Events

The Corporation has evaluated subsequent events through February 18, 2020, the date on which the financial statements were available to be issued.

On January 10, 2020, The Corporation purchased property located on West Lane Avenue, Columbus, Ohio, adjacent to the West Campus of The Ohio State University for cash consideration of \$1,919,325, including closing and due diligence expenses. Funds for the purchase came from the Corporation's available cash balances. The purchase is not anticipated to adversely affect the sufficiency of cash required by the Corporation to meet its general expenditures, liabilities and other obligations.

NOTE 3 RELATED PARTY TRANSACTIONS

Rental Income

The Corporation subleases certain property to the University or its affiliates. For the years ended June 30, 2019 and 2018, rental income from affiliates was \$2,846,208 and \$2,675,582, respectively, which accounted for 43% and 42%, respectively, of total rental income. The University and its affiliates occupied 38% and 34% of total square footage of the Corporation as of June 30, 2019 and 2018, respectively.

The following is a schedule, by year, of minimum future gross rental income on all non-cancelable operating leases as of June 30, 2019 (including rental income from non-affiliates):

Year Ending June 30:

	Affiliates	Non-Affiliates	Total
2020	\$2,247,353	\$1,294,889	\$3,542,242
2021	2,272,799	1,171,846	3,444,645
2022	1,476,679	705,025	2,181,704
2023	1,368,116	376,800	1,744,916
2024	429,830	56,847	486,677
	<u>\$7,794,777</u>	<u>\$3,605,407</u>	<u>\$11,400,184</u>

Consulting Services

The Corporation paid the University \$50,000 for property management and support services in each of the fiscal years ended 2019 and 2018. This amount is included in Consulting on the Statement of Activities.

**SCIENCE AND TECHNOLOGY CAMPUS CORPORATION
(AN OHIO NOT-FOR-PROFIT CORPORATION)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 3 RELATED PARTY TRANSACTIONS (Continued)

Joint Use Agreement

The Corporation entered a Joint Use Agreement with the University whereby the University has utilized an appropriation of \$4 million from a State of Ohio Capital Funding Allocation to fund the construction and development of certain properties under lease by the Corporation. The terms of the agreement include a provision for the State of Ohio to recapture a portion of funding over a fifteen-year period in an event of default. The Corporation has assessed the possibility of default as remote and, accordingly, the accompanying financial statements do not include any accrued liabilities related to this contingency. There were no related party contributions or other activity in fiscal years 2019 or 2018 representing University funding from the joint use agreement.

Leasehold Obligations

The Corporation has multiple leasehold agreements under which it leases certain land and buildings from the University for use as research park facilities. These agreements require the Corporation to pay all costs associated with the leased properties including operating expenses, maintenance, renovation, and assessments.

Properties under leasehold obligations are included in the accompanying statements of financial positions as follows:

	Year Ending June 30:	
	2019	2018
Leasehold estate	\$12,263,409	\$12,263,409
Less accumulated amortization	(6,447,168)	(6,140,583)
Ending Balance	\$ 5,816,241	\$ 6,122,826

Amortization of properties under leasehold obligations totaled \$306,585 for fiscal years ending June 30, 2019 and 2018.

Notes Payable

The University has authorized up to \$21 million in construction financing for development of the Science and Technology Campus provided certain criteria are met. The terms of this financing are discussed further in Note 4.

Research Building – 1330 Kinnear Road

In March 2010, the Corporation entered into a construction loan agreement with a commercial bank to fund the construction of a research building in which the University would be the primary tenant. The University agreed to prepay the full amount of their rent for the building in advance to cover repayment of the construction loan. As of June 30, 2019, the University had prepaid total rent of \$3,741,954 of which \$2,147,600 and \$2,334,697 was reflected as unearned rental revenue as of June 30, 2019 and 2018, respectively.

**SCIENCE AND TECHNOLOGY CAMPUS CORPORATION
(AN OHIO NOT-FOR-PROFIT CORPORATION)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 4 NOTES PAYABLE AND LONG TERM DEBT

Loan activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Principal Additions	Principal Repayments	Ending Balance	Current Portion
<u>OSU \$21M Financing Facility</u>					
OSU 2002 MOU \$7M	\$3,764,211	-	(\$315,289)	\$3,448,922	\$332,743
OSU 2005 MOU \$4M	1,827,589	-	(224,086)	1,603,503	233,401
OSU 2013 MOU \$10M	7,236,252	-	(355,385)	6,880,867	372,637
<u>Commercial Banks</u>					
Project Notes Series 2001	990,000	-	(320,000)	670,000	330,000
\$3.4M Credit Facility	763,036	-	(176,991)	586,045	167,441
Total	<u>\$14,581,088</u>	<u>-</u>	<u>(\$1,391,751)</u>	<u>\$13,189,337</u>	<u>\$1,436,222</u>

Loan activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Principal Additions	Principal Repayments	Ending Balance	Current Portion
<u>OSU \$21M Financing Facility</u>					
OSU 2002 MOU \$7M	\$4,062,963	-	(\$298,752)	\$3,764,211	\$315,289
OSU 2005 MOU \$4M	2,042,730	-	(215,141)	1,827,589	224,086
OSU 2013 MOU \$10M	7,575,182	-	(338,930)	7,236,252	355,385
<u>Commercial Banks</u>					
Project Notes Series 2001	1,300,000	-	(310,000)	990,000	320,000
\$3.4M Credit Facility	877,727	-	(114,691)	763,036	176,991
Total	<u>\$15,858,602</u>	<u>-</u>	<u>(\$1,277,514)</u>	<u>\$14,581,088</u>	<u>\$1,391,751</u>

OSU Financing Facility

The University has authorized up to \$21 million in construction financing for development of the Science and Technology Campus, provided certain criteria are met. As of June 30, 2019 and 2018, the Corporation has drawn \$18,630,543 of the available funds under this facility.

During November 2002 the Corporation signed a reimbursement agreement (MOU) with the University relating to \$7 million of the payable balance. Under the terms of the agreement, the unpaid balance bears interest at the fixed rate of 5.4% and is payable in self amortizing monthly payments of principal and interest in the amount of \$42,569 through the maturity date of November 2027. Interest expense for the years ended June 30, 2019 and 2018 was \$195,540 and \$212,078 respectively, of which none was subject to capitalization.

**SCIENCE AND TECHNOLOGY CAMPUS CORPORATION
(AN OHIO NOT-FOR-PROFIT CORPORATION)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 4 NOTES PAYABLE AND LONG TERM DEBT (Continued)

OSU Financing Facility (Continued)

During December 2005, the Corporation signed a reimbursement agreement (MOU) with the University relating to \$4 million of the payable balance. Under the terms of the agreement, interest on the unpaid balance is calculated using a blend of fixed and variable rates based on the University's 2005 A&B General Receipts Bond Issues. The interest rate as of June 30, 2019 and 2018 remains at the initial agreement rate of 4.08%. This rate may change in subsequent years in the event interest rates on the variable portion of the underlying reference debt reaches levels that impact the University in a materially adverse manner. The unpaid balance is payable in self amortizing monthly payments of principal and interest in the amount of \$24,541 through the maturity date of September 2025. Interest expense for the years ended June 30, 2019 and 2018 was \$70,406 and \$79,350 respectively, of which none was subject to capitalization.

On February 1, 2013, the Corporation signed a \$10 million reimbursement agreement (MOU) with the University relating to the \$8.9 million of the payable balance. The Corporation had drawn \$7,630,544 of principal and \$1,285,820 of interest for a total refinancing amount of \$8,916,364. The interest rate is 4.75% with self-amortizing monthly payments of principal and interest in the amount of \$57,620 through a maturity date of January 31, 2033. Interest expense for the years ended June 30, 2019 and 2018 was \$336,051 and \$352,505 respectively, of which none was subject to capitalization.

Project Notes

During October 2001, the Corporation issued approximately \$5.1 million in Adjustable Rate Taxable Securities, Series 2001 (the Project Notes), the proceeds of which were used to finance construction costs. The Project Notes bear interest at a variable rate as determined weekly by a remarketing agent. The interest rate as of June 30, 2019 and 2018 was 2.50% and 2.30%, respectively. Interest expense for the years ended June 30, 2019 and 2018 was \$19,397 and \$17,564 respectively, of which none was subject to capitalization.

The owners of the Project Notes have the option to demand redemption of their outstanding Notes at dates defined in the agreement. The Corporation has entered into a remarketing agreement, which requires the remarketing agent to utilize its best efforts to remarket any such bonds that may be tendered for payment. If the proceeds to the remarketing agent are not sufficient to purchase the Project Notes tendered, the Trustee is required to draw on an irrevocable letter of credit to pay the necessary purchase price. The letter of credit has been extended to November 17, 2020.

The Project Notes provide for annual scheduled payments of principal on November 1 of each year. The remaining annual principal payments range from \$330,000 to \$340,000 due at final maturity during November 2020. The Corporation has designated funds in a separate money market account for the annual payment of these amounts (See Note 2). The Corporation is subject to certain financial covenants related to this note and has been in compliance the past 2 years.

**SCIENCE AND TECHNOLOGY CAMPUS CORPORATION
(AN OHIO NOT-FOR-PROFIT CORPORATION)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 4 NOTES PAYABLE AND LONG TERM DEBT (Continued)

Commercial Bank \$3.4M Credit Facility

During 2006, the Corporation entered into a credit facility to draw up to \$3.4 million to finance capital improvements projects on commercial property located on the Science and Technology Campus. As modified, the facility provided for a draw period through March 2010. The facility was payable in monthly payments of interest plus principal of \$10,630, calculated using a 25-year amortization, with a final balloon payment of unpaid interest and principal due November 2017. Subsequent to June 30, 2018, the Corporation entered into an agreement with the bank that extends the final maturity date of the facility to December 2022 and provides for increased monthly payments of interest plus principal of \$13,953 effective August, 2018, an amount sufficient to self-amortize the facility to the extended maturity date. The unpaid balance for both the original and extended facilities bears variable interest at the rate of monthly LIBOR plus 1.25%. The interest rate as of June 30, 2019 and 2018 was 3.63% and 3.23%, respectively.

Principal payments on the various MOUs and loan agreements for the next five fiscal years and thereafter are as follows:

2020	\$ 1,436,222
2021	1,492,437
2022	1,200,951
2023	1,168,162
2024	1,137,912
Thereafter	6,753,653
Total principal payments	\$13,189,337

NOTE 5 FEDERAL INCOME TAXES

The Internal Revenue Service has ruled that the Corporation is a tax-exempt organization as defined under Section 501(c) (3) of the Internal Revenue Code; accordingly, no provision for federal income taxes has been reflected in the financial statements. However, the Corporation may be subjected to tax on unrelated business income. For the years ended June 30, 2019 and 2018, the Corporation had no unrelated business income.

Generally accepted accounting principles require the Corporation to evaluate the level of uncertainty related to whether tax positions taken will be sustained upon examination. Any positions taken that do not meet the more-likely-than-not threshold must be quantified and recorded as a liability for unrecognized tax benefits in the accompanying statements of financial position along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Management believes that none of the tax positions taken would materially impact the financial statements and no such liabilities have been recorded.

NOTE 6 MAJOR TENANTS

The Corporation had three tenants that were not affiliated with the University that occupied greater than 10% of total square footage for the years ended June 30, 2019 and 2018. See Note 3 for University tenants. Total square footage occupied by these three tenants was 39% for the years ended June 30, 2019 and 2018. Rental income from these tenants was 36% and 37% of total rental income for the years ended June 30, 2019 and 2018, respectively. Three of the leases are month to month while the other two end January 22, 2021 and November 30, 2021.

**SCIENCE AND TECHNOLOGY CAMPUS CORPORATION
(AN OHIO NOT-FOR-PROFIT CORPORATION)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 7 LIQUIDITY AND FUNDS AVAILABLE

The following reflects the Corporation's financial assets as of June 30, 2019 and 2018, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations. The Corporation's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

	Year Ending June 30:	
	2019	2018
Financial Assets:		
Cash and cash equivalents	\$ 2,305,594	\$ 1,772,879
Accounts receivable, net	124,693	106,284
Current portion of note receivable	439,655	
Tenant billings	303,641	105,862
Financial Assets as of Year-End	\$3,173,583	\$ 1,985,025
Less financial assets unavailable for general expenditure within one year, due to contractual or donor-imposed restrictions:	-	-
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 3,173,583	\$ 1,985,025

Liquidity Policy

As part of the its liquidity management, the Corporation maintains a sufficient level of operating cash to be available as its general expenditures, liabilities, and other obligations come due.

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Science and Technology Campus Corporation
Franklin County
1275 Kinnear Road
Columbus, Ohio 43212

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Science and Technology Campus Corporation, Franklin County, (the Corporation) as of and for the year ended June 30, 2019 and the related notes to the financial statements, and have issued our report thereon dated February 18, 2020, wherein we noted the Corporation adopted new accounting guidance in Financial Accounting Standards Board (FASB) Statement No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, and we noted the financial statements of the Corporation as of and for the year ended June 30, 2018 were audited by a predecessor auditor.

Internal Control over Financial Reporting

As part of our financial statement audit, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Corporation's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Corporation's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Corporation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

February 18, 2020

OHIO AUDITOR OF STATE KEITH FABER



SCIENCE AND TECHNOLOGY CAMPUS CORPORATION

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 19, 2020**