

**SCIENCE AND TECHNOLOGY
CAMPUS CORPORATION**

FRANKLIN COUNTY

REGULAR AUDIT

July 1, 2010 through June 30, 2011

Fiscal Year Audited Under GAGAS: 2011



Caudill & Associates
Certified Public Accountant
725 5th Street
Portsmouth, Ohio 45662



Dave Yost • Auditor of State

Board of Directors
Science and Technology Campus Corporation
1275 Kinnear Road
Columbus, Ohio 43212

We have reviewed the *Independent Auditor's Report* of the Science and Technology Campus Corporation, Franklin County, prepared by Caudill & Associates, CPA, for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Science and Technology Campus Corporation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 18, 2012

This page intentionally left blank.

SCIENCE AND TECHNOLOGY CAMPUS CORPORATION

Table of Contents
For the Years Ended June 30, 2011 and 2010

Title	Page
Independent Auditor's Report	1
FINANCIAL STATEMENTS:	
Statements of Financial Position.....	2
Statements of Activities.....	3
Statements of Cash Flows.....	4
Notes to the Financial Statements.....	5
Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11

This page intentionally left blank.



Caudill & Associates, CPA

725 5th Street Portsmouth, OH 45662
P: 740.353.5171 | F: 740.353.3749
www.caudillcpa.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Independent Auditor's Report

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

To the Board of Directors:

We have audited the accompanying statements of financial position of Science and Technology Campus Corporation (an Ohio Not-for Profit Corporation) (the Corporation) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Science and Technology Campus Corporation as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 13, 2011 on our consideration of Science and Technology Campus Corporation's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Caudill & Associates, CPA

December 13, 2011

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

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2011 and 2010

ASSETS	2011	2010
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 376,417	\$ 508,573
Assets Limited as to Use (Note 2 and 4)	154,650	151,767
Accounts Receivable (less allowance for doubtful accounts of \$10,000 and \$50,096, respectively)	4,018,530	114,779
Deferred Rental Income	73,724	57,840
Tenant Billings	210,285	1,360
Prepaid Expenses	13,154	12,548
Other Reimbursables	-	13,378
Total Current Assets	4,846,760	860,245
PROPERTY AND EQUIPMENT		
Leasehold Estate	12,370,000	12,370,000
Buildings	30,552,378	25,804,534
Equipment	244,770	243,071
Construction in Progress	115,796	3,471,315
	43,282,944	41,888,920
Less Accumulated Amortization and Depreciation	(9,381,558)	(8,290,310)
Total Property and Equipment, Net	33,901,386	33,598,610
OTHER ASSETS		
Investment in Start-up Companies (less allowance for impairment of \$174,783 and \$237,283, respectively)	482,605	551,973
Deferred Rental Income	315	75,378
Deferred Leasing Costs (net of accumulated amortization of \$36,085 and \$30,097, respectively)	66,198	72,186
Other Assets	99,259	145,623
Total Other Assets	648,377	845,160
TOTAL ASSETS	\$ 39,396,523	\$ 35,304,015
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Notes and Long-term Debt Payable (Note 3 and 4)	\$ 4,275,930	\$ 750,978
Current Portion of Leasehold Obligations (Note 3)	-	138,100
Accounts Payable	125,655	956,608
Accrued Liabilities	556,963	344,357
Accrued Interest (Note 3)	1,159,897	1,107,825
Fair Value of Interest Rate Swap (Note 6)	-	118,144
Total Current Liabilities	6,118,445	3,416,012
LONG-TERM LIABILITIES		
Notes Payable and Long-term Debt (Note 3 and 4)	20,119,664	23,252,459
Unearned Rental Revenue - Long Term	3,487,088	-
Leasehold Obligations (Note 3)	-	-
Total Long-term Liabilities	23,606,752	23,252,459
NET ASSETS		
Unrestricted	9,671,326	8,635,544
TOTAL LIABILITIES AND NET ASSETS	\$ 39,396,523	\$ 35,304,015

See the accompanying notes to the financial statements.

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

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2011 and 2010

	2011	2010
REVENUES		
Rental Income (Note 3)	\$ 3,744,321	\$ 3,315,791
Contributions	300,000	300,000
Interest Income	2,681	39,111
Grants	851,815	1,260,492
Other Income	194,320	78,024
Total Revenues	5,093,137	4,993,418
RENTAL OPERATING EXPENSES		
Interest Expenses	718,192	850,372
Utilities	851,604	770,425
Repairs and Maintenance	426,075	335,922
Depreciation	780,283	714,927
Amortization	309,996	309,996
Management Fees	135,271	111,871
Other	456,864	348,449
Total Rental Operating Expenses	3,678,285	3,441,962
GENERAL AND ADMINISTRATIVE EXPENSES		
Consulting	168,092	285,630
Legal	19,120	34,255
Insurance	19,897	20,788
Accounting	47,448	47,786
Project Development Cost	67,958	58,795
Telecommunication	4,236	5,284
Travel, Meals and Meetings	3,510	4,865
Interest	79,097	48,764
Contributions	-	-
Change in Fair Value of Interest Rate Swap	(118,144)	(121,677)
Impairment of Investments in Start-up Companies	63,376	-
Other	24,480	29,817
Total General and Administrative Expenses	379,070	414,307
Total Expenses	4,057,355	3,856,269
Change in Net Assets	1,035,782	1,137,149
Net Assets - Unrestricted at Beginning of Year	8,635,544	7,498,395
Net Assets - Unrestricted at End of Year	\$ 9,671,326	\$ 8,635,544

See the accompanying notes to the financial statements.

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

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2011 and 2010

	2011	2010
CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,035,782	\$ 1,137,149
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization and depreciation	1,091,248	1,026,412
Impairment change on investments in start-up companies	(62,500)	-
Decrease in allowance for doubtful accounts	(40,096)	(21,150)
Increase/(Decrease) in long term unearned revenue	3,487,088	-
Decrease/(Increase) in current assets:		
Accounts Receivable	(3,863,654)	(56,673)
Prepaid expenses	(604)	61,442
Other Reimbursables	13,378	(13,378)
Deferred leasing costs and rental income	65,166	54,498
Tenant billings	(208,925)	59,684
Other assets	46,364	9,537
Increase/(Decrease) in current liabilities:		
Accounts Payable	(830,953)	162,552
Accrued liabilities and interest	264,678	(827,765)
Total adjustments	(38,810)	455,159
Net cash provided by/(used in) operating activities	996,972	1,592,308
CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES		
Decrease/(Increase) in assets limited as to use	(2,883)	(5,882)
Decrease/(Increase) in investments in start-up companies	131,868	70,000
Decrease/(Increase) in construction in progress	3,355,518	(3,367,929)
Additions to building and equipment	(4,749,542)	14,102
Net cash provided by/(used in) investing activities	(1,265,039)	(3,289,709)
CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES		
Principal reductions in leasehold obligations	(138,100)	(399,171)
Principal reductions in notes payable and long-term debt	(2,983,048)	(695,564)
Proceeds from notes payable and long-term debt	3,257,059	2,943,733
Net cash provided by/(used in) financing activities	135,911	1,848,998
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(132,156)	151,597
CASH AND CASH EQUIVALENTS - Beginning of Year	508,573	356,976
CASH AND CASH EQUIVALENTS - End of Year	\$ 376,417	\$ 508,573
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during year for interest	\$ 745,217	\$ 646,700

See the accompanying notes to the financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010**

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 develop 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 is constructing facilities on leased properties for the purpose of developing the Science and Technology Campus.

The Corporation reports contributions as unrestricted support 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, then the contribution is reported as unrestricted.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A – Use of Estimates

The preparation of the 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 at 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 – 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, 2011 or 2010.

C – 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 does not charge interest or finance charges on delinquent accounts.

Management estimates an allowance for doubtful accounts based upon management's review of delinquent accounts and as 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, 2011, and 2010, management estimates that an allowance of \$10,000, and \$50,096 respectively were necessary.

D – 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 market value. Assets limited as to use consisted of \$154,650 and \$151,767 as of June 30, 2011 and 2010, respectively. The Corporation maintains these funds in a money market account that will be drawn upon to make the principal payments on the Adjustable Rate Taxable Securities, Series 2001 on the first day of November of each year (See Note 4). 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, 2011 and 2010**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E – Concentration of Credit Risk

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

F – Rental Income

Rental income is 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 the term.

G – Deferred Leasing Cost

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

H – 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 investment for impairment at least annually. Due to the start-up nature of companies that the Corporation invests in, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The activity in the reserve for impairment account was as follows:

	Year Ended June 30	
	2011	2010
Beginning Balance	\$ 237,283	\$ 237,283
Provision for Impairment	-	-
Write-offs	(62,500)	-
Ending Balance	\$ 174,783	\$ 237,283

I – Leasehold Estate

Leasehold estate is recorded at its estimated fair market value at original acquisition and amortized using the straight-line method based on the assets’ estimated useful life of forty years.

J – Property and Equipment

Property and equipment are recorded at cost and depreciated over their estimated useful life using the straight-line method. Estimated useful lives range from three to thirty-six years.

K – Grants

The Corporation receives grants from various State of Ohio funding sources. Funds received from these grants are used to invest in start-up companies (See “Investments” above) and for operating expenses. These funds are only available on a reimbursement basis and the restriction must be satisfied prior to applying for funding. The Corporation also receives matching contributions from various corporate or individual sponsors. These contributions have no donor-imposed restrictions.

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010**

NOTE 3 RELATED PARTY TRANSACTIONS

Rental Income

The Corporation subleases certain property to affiliates of the University. For the years ended June 30, 2011 and 2010, rental income from affiliates was \$1,766,582 and \$1,543,096, respectively.

The following is a schedule by year of minimum future gross rental income on all non-cancelable operating leases as of June 30, 2011 (including rental income from non-affiliates):

Year Ending June 30:	
2012	\$ 3,318,328
2013	2,410,797
2014	2,168,579
2015	2,039,905
2016	<u>1,267,611</u>
	<u>\$ 11,205,220</u>

Operating Support

The Corporation received \$300,000 in operating support from the University during each of the fiscal years ended June 30, 2011 and 2010. These funds, while reflected as cash contributions, have no specific restrictions attached and are used for normal operating expenses. These funds are provided to the Corporation pursuant to an agreement (the Development Agreement), which specifies that the University will continue to support the Corporation with these funds on an annual basis. The term of the operating support provided by the Development Agreement has been extended through the fiscal year ended June 30, 2012.

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 2011 or 2010 representing University funding from the joint use agreement.

Leasehold Obligations

Leasehold agreements require the Corporation to pay all costs of leased properties including operating costs, maintenance, renovation, and assessments. Leasehold obligations are due to the University and require aggregate monthly payments of \$54,016 with maturity dates ranging from December 2007 to October 2010 and interest rates fixed at a rate of 5.61%.

The final minimum lease payment was made on October 31, 2010.

Properties under leasehold obligations are included in the accompanying statements of financial positions at June 30:

	<u>2011</u>	<u>2010</u>
Leasehold estate	\$ 12,370,000	\$ 12,370,000
Less accumulated amortization	<u>4,028,460</u>	<u>3,718,464</u>
Ending balance	<u>\$ 8,341,540</u>	<u>\$ 8,651,536</u>

Amortization of properties under leasehold obligations was \$309,996 for both 2011 and 2010.

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

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 3 RELATED PARTY TRANSACTIONS (Continued)

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. As of June 30, 2011 and 2010, the Corporation had drawn \$18,529,816 and \$18,178,057, respectively, of the available funds.

The Corporation signed a reimbursement agreement with the University on November 1, 2002, relating to \$7 million of the payable balance. Under the terms of the agreement, interest is calculated based on the actual interest rate on 25-year municipal securities. The interest rate as of June 30, 2011 and 2010 was 5.4%. For the years ended June 30, 2011 and 2010, \$305,942 and \$316,689, respectively, of interest was paid in cash. None of the interest on this obligation was capitalized during the years ended June 30, 2011 and 2010. Outstanding debt and accrued interest are payable to the University on a monthly basis through the maturity date of January 2024. As of June 30, 2011 and 2010, the outstanding balance on the note was \$5,553,697 and \$5,758,585, respectively.

In December 2005, the Corporation signed a reimbursement agreement with the University relating to \$4 million of the payable balance. Under the terms of the agreement, interest is calculated using a blend of fixed and variable rates. The interest rate as of June 30, 2011 and 2010 was 4.08%. For the years ended June 30, 2011 and 2010, \$132,721 and \$139,177, respectively, of interest was paid in cash. None of the interest on this obligation was capitalized during the years ended June 30, 2011 and 2010. Outstanding debt and accrued interest are payable to the University on a monthly basis through the maturity date of December 2026. As of June 30, 2011 and 2010, the outstanding balance on the note was \$3,164,579 and \$3,326,377, respectively.

Principal payments for the next five fiscal years and thereafter are as follows:

2012	\$ 384,725
2013	403,700
2014	423,628
2015	444,559
2016	466,543
Thereafter	<u>6,595,121</u>
Total principal payments	<u>\$8,718,276</u>

During fiscal year 2011, the Corporation had drawn an additional \$1,075,878 of the total available funds for which it has not entered into a reimbursement agreement with the University. In addition, the Corporation accrued interest on the borrowings, at a variable interest rate, ranging from 1.03% to 1.49% during fiscal year 2011, at the direction of the University, totaling \$92,207 for fiscal year 2011. For the years ended June 30, 2011 and 2010, the principal balance outstanding was \$7,529,816 and \$7,178,057, respectively, while accumulated accrued interest on that loan was \$1,159,897 and \$1,067,691, respectively. As of June 30, 2011, the Corporation has repaid \$724,119 of the principal due on the note.

Pass-through Funding

The Corporation acts as a pass-through entity from time to time. The Corporation has an agreement with the University to manage construction of various projects. The agreement provides \$9 million in pass through funding for construction costs. In accordance with the agreement, the Corporation does not recognize any revenue or capitalize construction costs related to this project. Construction expenditures yet to be reimbursed by the University totaled \$111,024 and \$0 as of June 30, 2011 and 2010, respectively.

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

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 3 RELATED PARTY TRANSACTIONS (Continued)

Wireless Communication/Radio Frequency Research Building

In March 2010, the Corporation entered into a construction loan agreement with PNC Bank to fund the construction of the Wireless Communication/Radio Frequency Research Building of which the University will be the primary tenant. The University has agreed to pay the full amount of their rent for the building in advance to cover the payment of the construction loan. As of June 30, 2011, the Corporation had booked a receivable totaling \$3,774,296 for the rent and a corresponding entry to unearned rental revenue of which \$3,487,088 was considered long term as of June 30, 2011.

NOTE 4 LONG-TERM DEBT

In October 2001, the Corporation issued approximately \$5.1 million in Adjustable Rate Taxable Securities, Series 2001 (the Project Notes). The proceeds of the Project Notes have been used to finance construction costs. The Project Notes have a variable interest rate. The interest rate was 5.25% as of June 30, 2011 and 2010. As of June 30, 2011 and 2010, the outstanding balance on the note was \$3,005,749 and \$3,265,749, respectively.

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 March 15, 2014.

For the years ended June 30, 2011 and 2010, the Corporation interest expense relating to this note was \$140,506 and \$234,928 respectively. None of the interest on this obligation was capitalized during the years ended June 30, 2011 and 2010. As of June 30, 2011 and 2010, the Corporation has repaid \$2,094,251 and \$1,834,251 respectively, of the principal due on the note. In addition, the Corporation had designated funds in a money market account for the repayment of principal in the amount of \$154,650 and \$151,767 as of June 30, 2011 and 2010, respectively (See Note 2D).

In addition, 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. Interest is payable monthly at LIBOR (.186% and .348% at June 30, 2011 and 2010, respectively) plus 1.25% through end of the draw period (December 31, 2009). At the end of the draw period, the note will be amortized over a period of 92 months and will bear interest at LIBOR plus 1.25%. The note is collateralized by a commercial property located on the Science and Technology Campus. As of June 30, 2011 and 2010, the Corporation has drawn \$3,216,143 and \$3,216,143, respectively, against this credit facility. As of June 30, 2011 and 2010, the Corporation has repaid \$1,573,027 and \$58,927, respectively of the principal on this credit facility, and outstanding principal was \$1,643,112, and \$3,157,212, respectively.

In March 2010, the Corporation entered into a construction loan agreement with PNC Bank to fund the construction of the Wireless Communication/Radio Frequency Research Building. PNC Bank has agreed to advance up to the sum of \$3,887,000 to the Corporation provided certain criteria are met. As of June 30, 2011 and 2010, the Corporation has drawn \$3,498,641 and \$1,317,460, respectively, of the available balance.

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

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

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.

NOTE 6 INTEREST RATE SWAP AGREEMENT

In December 2001, the Corporation entered into an interest rate swap agreement with a bank as a hedge against interest rate risk associated with borrowing at a variable rate. The Corporation's objective was to eliminate the variability of cash flows in interest payments for a portion of its variable rate debt. The Corporation does not use derivative financial instruments for speculative purposes. The swap agreement has a notional amount of \$3,265,000 as of June 30, 2010.

The Corporation allowed the swap agreement to expire during the fiscal year and as such the swap has no value on the balance sheet as of June 30, 2011. As of June 30, 2011, the company had \$3,005,750 in debt subject to a floating interest rate.

NOTE 7 SUBSEQUENT EVENTS

In July of 2011, the Corporation received \$3,649,090 of the \$3,774,296 prepaid rent receivable from the University for the Wireless Communication/Radio Frequency Research Building. The Corporation then used these funds to repay in full the PNC construction loan that was used to fund the construction of the building.



Caudill & Associates, CPA

725 5th Street Portsmouth, OH 45662
P: 740.353.5171 | F: 740.353.3749
www.caudillepa.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

To the Board of Directors:

We have audited the financial statements of Science and Technology Campus Corporation (an Ohio Not-for-Profit Corporation) (the Corporation) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Corporation's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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, providing an opinion 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*.

Science and Technology Campus Corporation

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (Continued)

We intend this report solely for the information and use of management, the Board of Directors, others within the Corporation and the Auditor of State. We intend it for no one other than these specified parties.

Caudill & Associates, CPA

A handwritten signature in blue ink that reads "Caudill & Associates, CPA". The signature is written in a cursive, slightly slanted style.

December 13, 2011



Dave Yost • Auditor of State

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
JANUARY 31, 2012**