

**Science and Technology
Campus Corporation**
Audited Financial Statements

As of and for the Years Ended
June 30, 2013 and 2012



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 Rea & Associates, Inc., for the audit period July 1, 2012 through June 30, 2013. 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

March 18, 2014

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CONTENTS

PAGE

Independent Auditor’s Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets.....	4
Statements of Cash Flows	5
Notes to the Financial Statements	6 - 13
Independent Auditor’s 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>	14-15

January 14, 2014

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Science and Technology Campus Corporation (the "Corporation") which comprise the statement of financial position as of June 30, 2013, the related statements of activities and changes in net assets, and 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 the *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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of June 30, 2013, and the changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of the Corporation, as of and for the year ended June 30, 2012, were audited by other auditors whose report dated January 31, 2013 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 January 14, 2014, on our consideration of the Corporations' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grand agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio

SCIENCE AND TECHNOLOGY CAMPUS CORPORATION

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2013 AND 2012

ASSETS

	2013	2012
	<u> </u>	<u> </u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 762,348	\$ 772,597
Assets limited as to use	163,350	157,551
Accounts receivable, net	300,488	48,980
Current portion of deferred rental income	-	1,750
Tenant billings	553,681	93,299
Prepaid expenses	43,332	50,128
Other reimbursables	-	42,255
	<u>1,823,199</u>	<u>1,166,560</u>
 PROPERTY AND EQUIPMENT:		
Leasehold estate	12,370,000	12,370,000
Buildings	33,064,035	32,385,017
Equipment	160,154	160,154
Construction in progress	49,396	160,804
	<u>45,643,585</u>	<u>45,075,975</u>
Less: accumulated amortization and depreciation	(11,688,307)	(10,473,824)
	<u>33,955,278</u>	<u>34,602,151</u>
 OTHER ASSETS:		
Investment in start-up companies, net	62,162	62,162
Deferred rental income	11,265	-
Deferred leasing costs, net	59,633	59,092
Other assets	73,511	86,955
	<u>206,571</u>	<u>208,209</u>
Total other assets	<u>206,571</u>	<u>208,209</u>
Total assets	<u>\$ 35,985,048</u>	<u>\$ 35,976,920</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 353,689	\$ 56,510
Accrued liabilities	264,427	332,240
Accrued interest	-	1,240,736
Current portion of notes and long-term debt payable	1,111,579	801,264
Current portion of unearned rental income	430,230	327,703
	<u>2,159,925</u>	<u>2,758,453</u>
Total current liabilities	<u>2,159,925</u>	<u>2,758,453</u>
 LONG-TERM LIABILITIES:		
Notes payable and long-term debt, net of current portion	19,458,059	19,419,103
Unearned rental income, net of current portion	3,083,088	3,270,186
	<u>22,541,147</u>	<u>22,689,289</u>
Total long-term liabilities	<u>22,541,147</u>	<u>22,689,289</u>
 NET ASSETS, unrestricted	<u>11,283,976</u>	<u>10,529,178</u>
Total liabilities and net assets	<u>\$ 35,985,048</u>	<u>\$ 35,976,920</u>

SCIENCE AND TECHNOLOGY CAMPUS CORPORATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
REVENUES:		
Rental income	\$ 4,796,213	\$ 3,927,056
Operating support	300,000	300,000
Contribution for capital asset acquisition	18,214	1,262,807
Interest income	15	61
Grants	-	83,000
Other income	33,359	70,977
	<hr/>	<hr/>
Total revenues	5,147,801	5,643,901
RENTAL OPERATING EXPENSES:		
Interest expense	713,366	565,183
Utilities	870,900	859,578
Repairs and maintenance	459,213	451,015
Depreciation	905,234	868,714
Amortization	309,250	309,996
Management fees	188,307	199,998
Other	708,822	612,403
	<hr/>	<hr/>
Total rental operating expenses	4,155,092	3,866,887
GENERAL AND ADMINISTRATIVE EXPENSES:		
Consulting	204,844	269,117
Legal	15,299	26,350
Insurance	19,977	19,947
Accounting	20,315	43,206
Project development costs	127,225	78,920
Telecommunication	3,253	3,704
Travel, meals and meetings	3,500	4,184
Interest	21,543	28,196
Other	15,955	25,095
	<hr/>	<hr/>
Total general and administrative expenses	431,911	498,719
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Total expenses	4,587,003	4,365,606
	<hr/>	<hr/>
Change in net assets from operations	560,798	1,278,295
OTHER INCOME AND (EXPENSES)		
Gain on sale of investments	93,999	-
Recovery/ (Impairment) of investments in start-up companies	100,001	(420,443)
	<hr/>	<hr/>
Total other income and (expenses)	194,000	(420,443)
	<hr/>	<hr/>
Change in net assets	754,798	857,852
NET ASSETS, beginning of year	10,529,178	9,671,326
	<hr/>	<hr/>
NET ASSETS, end of year	\$ 11,283,976	\$ 10,529,178
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SCIENCE AND TECHNOLOGY CAMPUS CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES		
Change in Net Assets	\$ 754,798	\$ 857,852
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization and depreciation	1,214,484	1,178,710
Gain on sale of investment in start-up company	(93,999)	-
(Recovery)/ Impairment change on investments in start-up companies	(100,001)	420,444
Decrease/(Increase) in assets:		
Assets limited as to use	(5,799)	(2,901)
Accounts receivable	(251,508)	3,969,550
Deferred rental income and leasing costs	(10,056)	79,395
Tenant billings	(460,382)	116,986
Prepaid expenses	6,796	(36,974)
Other reimbursables	42,255	(42,255)
Other assets	13,444	12,304
Increase/(decrease) in liabilities:		
Accounts payable	297,179	(69,146)
Accrued liabilities and interest	(67,813)	44,832
Unearned rental income	(84,571)	(77,914)
Total adjustments	<u>500,029</u>	<u>5,593,031</u>
Net cash provided by operating activities	<u>1,254,827</u>	<u>6,450,883</u>
CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES		
Net payments for construction in progress	111,407	(45,008)
Net proceeds from sale of investment in start-up company	194,000	-
Payments for the purchase property and equipment	(679,018)	(1,834,468)
Net cash used in investing activities	<u>(373,611)</u>	<u>(1,879,476)</u>
CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES		
Principal reductions in notes payable and long-term debt	(891,465)	(4,275,955)
Proceeds from notes payable and long-term debt	-	100,728
Net cash provided by/(used in) financing activities	<u>(891,465)</u>	<u>(4,175,227)</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(10,249)	396,180
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>772,597</u>	<u>376,417</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 762,348</u>	<u>\$ 772,597</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during year for interest	\$ 688,360	\$ 512,540
Non-cash refinance of accrued interest	<u>\$ 1,240,736</u>	<u>\$ -</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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 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 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 – 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, 2013 or 2012.

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'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, 2013, and 2012, management estimates that allowances of \$10,000, and \$10,000, respectively were necessary.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$163,350 and \$157,551 as of June 30, 2013 and 2012, 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.

E – Concentration of Credit Risk

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.

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. Unearned rental income reflects payments received in excess of rental income recognized. As of June 30, 2013 and 2012, \$3,465,890 and \$3,597,889, respectively, of total unearned rental income related to prepaid rents received from the University (see Note 3).

G – Deferred Leasing Costs

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 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 activity in the reserve for impairment account was as follows:

	Year Ending June	
	2013	2012
Beginning Balance	\$400,479	\$174,783
Provision for Impairment	0	420,443
Write-Offs	0	(194,747)
Recoveries	(100,001)	0
Ending Balance	<u>\$300,478</u>	<u>\$400,479</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I – 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.

J – 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.

K – Grants

The Corporation receives grants from various State of Ohio and corporate funding sources. Grant funds received for the years ending June 30, 2013 and 2012 were \$0 and \$83,000, respectively, and were used for facilities construction and a marketing study. These funds are typically available on a reimbursement basis and require any restrictions on use to be satisfied prior to submission for funding.

L – Subsequent Events

The Corporation has evaluated subsequent events through January 14, 2014, the date on which the financial statements were available to be issued.

NOTE 3 RELATED PARTY TRANSACTIONS

Rental Income

The Corporation subleases certain property to the University or its affiliates. For the years ended June 30, 2013 and 2012, rental income from affiliates was \$2,359,396 and \$2,433,685, respectively.

The following is a schedule, by year, of minimum future gross rental income on all non-cancelable operating leases as of June 30, 2013 (including rental income from non-affiliates):

Year Ending June 30:

	Affiliates	Non-Affiliates	Total
2014	\$1,517,247	\$2,197,827	\$3,715,074
2015	795,297	2,355,170	3,150,467
2016	795,297	1,452,527	2,247,824
2017	496,043	914,495	1,410,538
2018	533,643	850,225	1,383,868
	<u>\$4,137,527</u>	<u>\$7,770,244</u>	<u>\$11,907,771</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 3 RELATED PARTY TRANSACTIONS (Continued)

Operating Support

The Corporation received \$300,000 in operating support from the University during each of the fiscal years ended June 30, 2013 and 2012. These funds have no specific restrictions 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, 2014.

Contribution for Capital Asset Acquisition and Property Purchase

During February 2012, the Corporation purchased land and an existing building within the Science and Technology Campus area from a third party. This property was subsequently leased to the University and a third party for development as a nuclear medicine facility. Funds to acquire the property were provided to the Corporation by the University in the amount of \$18,214 and \$1,262,807 in fiscal years 2013 and 2012, respectively. The amounts have been reflected as items of unrestricted support in the Statement of Activities.

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 2013 or 2012 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:	
	2013	2012
Leasehold estate	\$12,370,000	\$12,370,000
Less accumulated amortization	(4,647,706)	(4,338,456)
Ending Balance	<u>\$ 7,722,294</u>	<u>\$ 8,031,544</u>

Amortization of properties under leasehold obligations was \$309,250 and \$309,996 for fiscal years ending June 30, 2013 and 2012, respectively.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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. 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, the terms of which are discussed in Note 4, 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, 2013, the University had prepaid total rent of \$3,741,954 of which \$3,270,186 and \$3,457,284 was reflected as unearned rental revenue as of June 30, 2013 and 2012, respectively.

NOTE 4 NOTES PAYABLE AND LONG TERM DEBT

Loan activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Principal Additions	Principal Repayments	Ending Balance	Current Portion
<u>OSU \$21M Financing Facility</u>					
OSU 2002 MOU \$7M	\$5,337,468		(\$228,199)	\$5,109,269	\$240,831
OSU 2005 MOU \$4M	2,996,058		(175,501)	2,820,557	182,797
OSU 2013 MOU \$10M	7,630,544	\$1,240,736	(90,201)	8,781,079	280,387
<u>Commercial Banks</u>					
Project Notes Series 2001	2,740,749		(270,000)	2,470,749	280,000
\$3.4M Credit Facility	1,515,548		(127,564)	1,387,984	127,564
Total	<u>\$20,220,367</u>	<u>\$1,240,736</u>	<u>(\$891,465)</u>	<u>\$20,569,368</u>	<u>\$1,111,579</u>

Loan activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Principal Additions	Principal Repayments	Ending Balance	Current Portion
<u>OSU \$21M Financing Facility</u>					
OSU 2002 MOU \$7M	\$5,553,697		(\$216,229)	\$5,337,468	\$228,199
OSU 2005 MOU \$4M	3,164,579		(168,521)	2,996,058	175,501
\$10M subject to future MOU	7,529,816	\$100,728		7,630,544	
<u>Commercial Banks</u>					
Project Notes Series 2001	3,005,749		(265,000)	2,740,749	270,000
\$3.4M Credit Facility	1,643,112		(127,564)	1,515,548	127,564
\$3.887M Construction Loan	3,498,641		(3,498,641)		
Total	<u>\$24,395,594</u>	<u>\$100,728</u>	<u>(\$4,275,955)</u>	<u>\$20,220,367</u>	<u>\$801,264</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 4 NOTES PAYABLE AND LONG TERM DEBT (Continued)

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, 2013 and 2012, the Corporation has drawn \$18,630,543 and \$19,354,663 respectively, 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, 2013 and 2012 was \$282,630 and \$294,600 respectively, of which none was subject to capitalization.

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, 2013 and 2012 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, 2013 and 2012 was \$118,991 and \$125,996 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, 2013 and 2012 was \$255,515 and \$80,839 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, 2013 and 2012 were .37% and .38%, respectively. Interest expense for the years ended June 30, 2013 and 2012 was \$9,681 and \$12,249 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 March 15, 2014.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 4 NOTES PAYABLE AND LONG TERM DEBT (Continued)

Project Notes (Continued)

The Project Notes provide for annual scheduled payments of principal on November 1 of each year. The remaining annual principal payments range from \$270,000 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.

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 unpaid balance bears variable interest at the rate of monthly LIBOR plus 1.25%. The interest rate as of June 30, 2013 and 2012 was 1.45% and 1.49% respectively. The facility is payable in monthly payments of interest plus principal of \$10,630, calculated using a 25 amortization, with a final balloon payment of unpaid interest and principal due November 2020. Interest expense for the years ended June 30, 2013 and 2012 was \$21,543 and \$24,159, respectively, none of which was subject to capitalization. The note is collateralized by a commercial property located on the Science and Technology Campus.

Commercial Bank \$3.887M Construction Loan

During March, 2010, the Corporation entered into a construction loan agreement to draw up to \$3.887 million to fund the construction of a Research Building on Kinnear Road. The unpaid balance bore interest at daily LIBOR plus 2%, payable monthly. The interest rate as of June 30, 2011 was 2.19%. The loan had a maximum maturity date of March, 2012. The Corporation drew a total of \$3,498,641 for construction of the Research Building. The loan was paid in full during July 2011, using prepaid rent received from the University (See Note 3). Interest expense for the years ended June 30, 2012 was \$6,157, none of which was subject to capitalization.

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

2014	\$1,111,579
2015	1,156,122
2016	1,197,379
2017	1,245,438
2018	1,290,387
Thereafter	14,568,733
Total principal payments	<u>\$20,569,638</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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, 2013 and 2012, 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 balance sheet 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. In general, the Corporation is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for the period prior to June 30, 2009.

January 14, 2014

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

INDEPENDENT AUDITOR'S 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*

We have audited, 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, the financial statements of the Science and Technology Campus Corporation (the "Corporation"), which comprise the statement of financial position as of June 30, 2013, the related statements of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 14, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Science and Technology Campus Corporation
Independent Auditor's 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*
Page 2

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio



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
APRIL 1, 2014**