

**SCIENCE AND TECHNOLOGY
CAMPUS CORPORATION**

FRANKLIN COUNTY

REGULAR AUDIT

July 1, 2007 through June 30, 2008

Fiscal Year Audited Under GAGAS: 2008

Caudill & Associates
Certified Public Accountants
725 5TH Street
Portsmouth, Ohio 45662



Mary Taylor, CPA

Auditor of State

Board of Directors
Science and Technology Campus Corporation
1275 Kinnear Road
Columbus, Ohio 43215

We have reviewed the *Independent Auditor's Report* of the Science and Technology Campus Corporation, Franklin County, prepared by Caudill & Associates, CPAs, for the audit period July 1, 2007 through June 30, 2008. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 11, 2008

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SCIENCE AND TECHNOLOGY CAMPUS CORPORATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Science and Technology Campus Corporation

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, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Science and Technology Campus Corporation as of June 30, 2007, were audited by other auditors whose report dated November 7, 2007, expressed an unqualified opinion on those statements.

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. 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, 2008, and the changes in its net assets and its cash flows for the year 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 September 23, 2008 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 grants. 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Caudill & Associates, CPA's

Caudill & Associates, CPA's

September 23, 2008

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

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2008 AND 2007

ASSETS	2008	2007
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 252,239	\$ 383,201
Assets Limited as to use (Note 2 and 4)	141,540	142,377
Accounts Receivable (less allowance for doubtful accounts of \$18,460 , and \$18,681)	71,851	103,997
Deferred Rental Income	34,467	23,340
Tenant Billings	45,943	-
Prepaid Expenses	69,658	90,614
Total Current Assets	615,698	743,529
PROPERTY AND EQUIPMENT		
Leasehold Estate	12,370,000	12,370,000
Buildings	21,342,725	20,627,240
Equipment	242,044	241,122
Construction in Progress	245,177	5,163
	34,199,946	33,243,525
Less Accumulated Amortization and Depreciation	(6,361,434)	(5,462,596)
Total Property and Equipment, Net	27,838,512	27,780,929
OTHER ASSETS		
Investment in Start-up Companies (less allowance for impairment of \$578,421 and \$747,932 respectively)	619,412	727,759
Deferred Rental Income	177,393	209,041
Deferred Leasing Costs (net of accumulated amortization of \$12,904 and \$4,308, respectively)	89,379	97,975
Other Assets	163,773	344,152
Total Other Assets	1,049,957	1,378,927
TOTAL ASSETS	\$ 29,504,167	\$ 29,903,385

See the Accompanying Notes to the Financial Statements

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

STATEMENTS OF FINANCIAL POSITION (Continued)

JUNE 30, 2008 AND 2007

<u>LIABILITIES AND NET ASSETS</u>	<u>2008</u>	<u>2007</u>
CURRENT LIABILITIES		
Current Portion of Notes and Long-term Debt Payable (Notes 3 & 4)	\$ 578,072	\$ 565,804
Current Portion of Leasehold Obligations (Note 3)	377,444	464,783
Accounts Payable	103,299	77,643
Accrued Liabilities	602,618	393,436
Accrued Interest (Note 3)	878,872	660,072
Total Current Liabilities	<u>2,540,305</u>	<u>2,161,738</u>
LONG-TERM LIABILITIES		
Notes Payable and Long-term Debt (Notes 3 and 4)	18,657,241	18,360,928
Leasehold Obligations (Note 3)	537,272	914,716
Total Long-Term Liabilities	<u>19,194,513</u>	<u>19,275,644</u>
NET ASSETS		
Unrestricted	<u>7,769,349</u>	<u>8,466,003</u>
Total Liabilities and Net Assets	<u>\$ 29,504,167</u>	<u>\$ 29,903,385</u>

See the Accompanying Notes to the Financial Statements

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

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2008 AND 2007

REVENUES	2008	2007
Rental Income (Note 3)	\$ 3,255,061	\$ 2,989,560
Contributions	331,446	362,891
Interest Income	3,827	5,104
Grants	100,941	200,000
Other Income	5,892	28,638
Total Revenues	<u>3,697,167</u>	<u>3,586,193</u>
RENTAL OPERATING EXPENSES		
Interest Expenses	1,035,650	1,190,119
Utilities	676,669	508,561
Repairs and Maintenance	332,235	327,095
Depreciation	590,888	581,600
Amortization	309,996	309,996
Management Fees	106,703	115,059
Other	386,716	328,532
Total Rental Operating Expenses	<u>3,438,857</u>	<u>3,360,962</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and Related Expenses	-	114,927
Consulting	276,425	168,997
Legal	68,676	41,627
Insurance	23,880	23,721
Accounting	51,934	70,485
Project Development Cost	87,825	94,523
Telecommunication	6,281	5,575
Travel, Meals and Meetings	6,939	5,489
Interest	33,647	29,161
Contributions	47,500	45,000
Impairment of Investment in Start-up Companies (Note 2)	152,465	90,432
Change in Fair Value of Interest Rate Swap	-	(19,995)
Other	199,392	37,077
Total General and Administrative Expenses	<u>954,964</u>	<u>707,019</u>
Total Expenses	<u>4,393,821</u>	<u>4,067,981</u>
Change in Net Assets	(696,654)	(481,788)
Net Assets - Unrestricted at Beginning of Year	<u>8,466,003</u>	<u>8,947,791</u>
Net Assets - Unrestricted at the End of Year	<u>\$ 7,769,349</u>	<u>\$ 8,466,003</u>

See the Accompanying Notes to the Financial Statements

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

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES		
Change in Net Assets	\$ (696,654)	\$ (481,788)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization and depreciation	900,884	891,596
Impairment change on investment in start-up companies	(169,511)	90,432
Change in fair value of interest rate swap	-	(19,995)
Decrease in allowance for doubtful accounts	(221)	-
Decrease/(Increase) in current assets:		
Accounts receivable	32,367	(96,428)
Prepaid expenses	20,956	3,636
Deferred leasing costs and rental income	29,117	16,927
Tenant billings	(45,943)	-
Other assets	180,379	(70,112)
Increase/(decrease) in current liabilities:		
Accounts payable	25,656	(164,829)
Accrued liabilities and interest	427,982	341,430
Total Adjustments	<u>1,401,666</u>	<u>992,657</u>
Net cash provided by operating activities	<u>705,012</u>	<u>510,869</u>
CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES		
Decrease/(increase) in assets limited as to use	837	(6,712)
Decrease/(Increase) in investments in start-up companies	277,858	(100,000)
Decrease/(increase) in construction in progress	(240,014)	593,908
Additions to buildings and equipments	<u>(716,407)</u>	<u>(882,587)</u>
Net cash used in financing activities	<u>(677,726)</u>	<u>(395,391)</u>
CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES		
Principal reductions in leasehold obligations	(464,783)	(547,041)
Principal reductions in notes payable and long-term debt	(575,591)	(541,432)
Proceeds from notes payable and long-term debt	<u>882,126</u>	<u>331,710</u>
Net cash provided by/(used in) financing activities	<u>(158,248)</u>	<u>(756,763)</u>
DECREASE IN CASH AND CASH EQUIVALENT	(130,962)	(641,285)
CASH AND CASH EQUIVALENT - Beginning of year	<u>383,201</u>	<u>1,024,486</u>
CASH AND CASH EQUIVALENT - End of Year	<u>\$ 252,239</u>	<u>\$ 383,201</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during year for interest	<u>\$ 850,497</u>	<u>\$ 935,380</u>

See the Accompanying Notes to the Financial Statements

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 and 2007**

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, the State of Ohio Department of Development and the City of Columbus Department of Trade and 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, 2008 or 2007.

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, 2008, and 2007, management estimates that an allowance of \$18,460, and \$18,681 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 \$141,540 and \$142,377 as of June 30, 2008 and 2007, 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
JUNE 30, 2008 and 2007

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	
	2008	2007
Beginning Balance	\$ 747,932	\$ 657,500
Provision for Impairment	152,465	90,432
Write-offs	<u>(321,976)</u>	<u>-</u>
Ending Balance	<u>\$ 578,421</u>	<u>\$ 747,932</u>

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 City of Columbus and 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
JUNE 30, 2008 and 2007

NOTE 3. RELATED PARTY TRANSACTIONS

Rental Income

The Corporation subleases certain property to affiliates of the University. For the years ended June 30, 2008 and 2007, rental income from affiliates was \$1,522,031 and \$1,713,031, respectively.

The following is a schedule by year of minimum future gross rental income on all non-cancelable operating leases as of June 30, 2008 (including rental income from non-affiliates):

Year Ending June 30:	
2009	\$ 2,403,668
2010	2,145,923
2011	2,056,347
2012	336,380
2013	<u>372,314</u>
	<u>\$ 7,314,632</u>

Operating Support

The Corporation received \$300,000 in operating support from the University during each of the fiscal years ended June 30, 2008 and 2007. 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, 2008.

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 2008 or 2007 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%.

Future minimum lease payments for the next five fiscal years and thereafter are as follows:

2009	\$ 419,153
2010	419,153
2011	<u>139,717</u>
Total minimum lease payments	978,023
Less amounts representing interest	<u>63,307</u>
Present value of leasehold obligations	914,716
Less current portion	<u>377,444</u>
Long-term leasehold obligations	<u>\$ 537,272</u>

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 and 2007

NOTE 3 RELATED PARTY TRANSACTIONS (Continued)

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

	<u>2008</u>	<u>2007</u>
Leasehold estate	\$ 12,370,000	\$ 12,370,000
Less accumulated amortization	<u>3,098,472</u>	<u>2,788,476</u>
Ending balance	\$ <u>9,271,528</u>	\$ <u>9,581,524</u>

Amortization of properties under leasehold obligations was \$309,996 for both 2008 and 2007.

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, 2008 and 2007, the Corporation had drawn \$15,077,887 and \$14,495,761, 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, 2008 and 2007 was 5.4%. For the years ended June 30, 2008 and 2007, \$336,521 and \$345,665, respectively, of interest was paid in cash. None of the interest on this obligation was capitalized during the years ended June 30, 2008 and 2007. 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, 2008 and 2007, the outstanding balance on the note was \$6,136,682 and \$6,310,990, 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, 2008 and 2007 was 2.25%. For the years ended June 30, 2008 and 2007, \$151,328 and \$157,714, respectively, of interest was paid in cash. None of the interest on this obligation was capitalized during the years ended June 30, 2008 and 2007. 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, 2008 and 2007, the outstanding balance on the note was \$3,630,875 and \$3,774,073, respectively.

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

2009	\$ 333,106
2010	349,485
2011	366,685
2012	384,725
2013	403,700
Thereafter	<u>7,929,856</u>
Total principal payments	<u>\$9,767,557</u>

During fiscal year 2008, the Corporation had drawn an additional \$582,126 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 5.27% to 5.51%, at the direction of the University, totaling \$218,799 for fiscal year 2008 (none of which was capitalized). For the year ended June 30, 2008, the principal balance outstanding was \$4,992,824, while accumulated accrued interest on that loan was \$838,737. None of the principal amount or accrued interest of these borrowings had been repaid as of June 30, 2008 and 2007.

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 and 2007

NOTE 3 RELATED PARTY TRANSACTIONS (Continued)

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. As of June 30, 2008 and 2007, all construction expenditures related to these projects had been reimbursed by the University.

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% and 5.37% as of June 30, 2008 and 2007, respectively. As of June 30, 2008 and 2007, the outstanding balance on the note was \$3,760,749 and \$4,000,749, respectively. In addition, the Project Notes contain certain financial covenants, of which the Corporation was in compliance with at June 30, 2008 and 2007.

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 expires March 15, 2011.

For the years ended June 30, 2008 and 2007, the Corporation interest expense relating to this note was \$214,776 and \$288,543 respectively. None of the interest on this obligation was capitalized during the years ended June 30, 2008 and 2007. As of June 30, 2008 and 2007, the Corporation had repaid \$1,339,251 and \$1,100,000, 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 \$141,540 and \$142,377 as of June 30, 2008 and 2007, 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 (3.71% and 5.32% at June 30, 2008 and 2007, respectively) plus 1.25% through end of the draw period (December 31, 2008). Subsequent to year-end, the draw period was extended to December 31, 2009. At the end of the draw period, the note will be amortized over a period up to 120 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, 2008 and 2007, the Corporation had drawn \$739,000 and \$439,000, respectively, against this credit facility. As of June 30, 2008 and 2007, the Corporation has repaid \$24,815 and \$10,241, respectively of the principal on this credit facility, and outstanding principal was \$714,182, and \$430,222, respectively.

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

2009	\$ 244,966
2010	284,983
2011	292,067
2012	297,067
2013	304,983
Thereafter	<u>3,050,865</u>
Total Principal Payments	<u>\$ 4,474,931</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 and 2007**

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 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

In 2008, the Corporation has deemed unrecoverable certain of its reimbursable expenses totaling \$205,371, previously recorded as Other Assets in the Statement of Financial Position. These expenses represented expenditures made by the Corporation in the previous years in relation to consulting services that were to be reimbursed by TCC, LLC.

The 2008 Other Assets in the Statement of Financial Position was reduced and an expense of \$205,371 was reflected on the 2008 Statement of Activities as Other General and Administrative expense.

Caudill & Associates, CPA's

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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*

To the Board of Directors
Science and Technology Campus Corporation

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, 2008, and have issued our report thereon dated September 23, 2008. 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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Corporation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Corporation's internal control. We did not identify any deficiency in internal control over financial reporting that we consider to be significant deficiency as identified above.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Corporation's internal control.

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

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*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, audit committee, and board of directors and is not intended to be and should not be used by anyone other than these specified parties.

Caudill & Associates, CPA's

Caudill & Associates, CPA's

September 23, 2008



Mary Taylor, CPA
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
DECEMBER 24, 2008**