

**SCIENCE AND TECHNOLOGY
CAMPUS CORPORATION**

FRANKLIN COUNTY

REGULAR AUDIT

July 01, 2009 through June 30, 2010

Fiscal Year Audited Under GAGAS: 2010



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 43212

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, 2009 through June 30, 2010. 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 9, 2010

This Page is Intentionally Left Blank.

SCIENCE AND TECHNOLOGY CAMPUS CORPORATION

Table of Contents
For the Years Ended June 30, 2010 and 2009

Title	Page
Independent Auditor's Report	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities	4
Statements of Cash Flows	5
Notes to the Financial Statements	6
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>	12



Caudill & Associates, CPAs

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, 2010 and 2009, 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, 2010 and 2009, 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 September 28, 2010 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's

Caudill & Associates, CPA's

September 28, 2010

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

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2010 and 2009

ASSETS	2010	2009
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 508,573	\$ 356,976
Assets Limited as to Use (Note 2 and 4)	151,767	145,885
Accounts Receivable (less allowance for doubtful accounts of \$50,096 and \$71,246, respectively)	114,779	36,956
Deferred Rental Income	57,840	45,950
Tenant Billings	1,360	61,044
Prepaid Expenses	12,548	73,990
Other Reimbursables	13,378	-
Total Current Assets	860,245	720,801
PROPERTY AND EQUIPMENT		
Leasehold Estate	12,370,000	12,370,000
Buildings	25,804,534	25,818,636
Equipment	243,071	243,071
Construction in Progress	3,471,315	103,386
	41,888,920	38,535,093
Less Accumulated Amortization and Depreciation	(8,290,310)	(7,263,898)
Total Property and Equipment, Net	33,598,610	31,271,195
OTHER ASSETS		
Investment in Start-up Companies (less allowance for impairment of \$237,283 and \$237,283, respectively)	551,973	621,973
Deferred Rental Income	75,378	133,170
Deferred Leasing Costs (net of accumulated amortization of \$30,097 and \$21,501, respectively)	72,186	80,782
Other Assets	145,623	155,160
Total Other Assets	845,160	991,085
TOTAL ASSETS	\$ 35,304,015	\$ 32,983,081

See the accompanying notes to the financial statements.

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

STATEMENTS OF FINANCIAL POSITION (Continued)

As of June 30, 2010 and 2009

LIABILITIES AND NET ASSETS	2010	2009
CURRENT LIABILITIES		
Current Portion of Notes and Long-term Debt Payable (Note 3 and 4)	\$ 750,978	\$ 599,455
Current Portion of Leasehold Obligations (Note 3)	138,100	399,172
Accounts Payable	956,608	794,056
Accrued Liabilities	344,357	1,265,279
Accrued Interest (Note 3)	1,107,825	1,014,668
Fair Value of Interest Rate Swap (Note 6)	118,144	239,821
Total Current Liabilities	3,416,012	4,312,451
LONG-TERM LIABILITIES		
Notes Payable and Long-term Debt (Note 3 and 4)	23,252,459	21,034,136
Leasehold Obligations (Note 3)	-	138,099
Total Long-term Liabilities	23,252,459	21,172,235
NET ASSETS		
Unrestricted	8,635,544	7,498,395
TOTAL LIABILITIES AND NET ASSETS	\$ 35,304,015	\$ 32,983,081

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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
REVENUES		
Rental Income (Note 3)	\$ 3,315,791	\$ 3,372,954
Contributions	300,000	300,000
Interest Income	39,111	1,324
Grants	1,260,492	222,685
Other Income	78,024	24,906
Total Revenues	<u>4,993,418</u>	<u>3,921,869</u>
RENTAL OPERATING EXPENSES		
Interest Expenses	850,372	979,856
Utilities	770,425	710,081
Repairs and Maintenance	335,922	348,639
Depreciation	714,927	590,858
Amortization	309,996	309,996
Management Fees	111,871	111,971
Other	348,449	405,810
Total Rental Operating Expenses	<u>3,441,962</u>	<u>3,457,211</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Consulting	285,630	188,741
Legal	34,255	36,532
Insurance	20,788	22,575
Accounting	47,786	59,861
Project Development Cost	58,795	55,709
Telecommunication	5,284	6,388
Travel, Meals and Meetings	4,865	8,100
Interest	48,764	23,521
Contributions	-	12,812
Change in Fair Value of Interest Rate Swap	(121,677)	239,821
Other	29,817	81,552
Total General and Administrative Expenses	<u>414,307</u>	<u>735,612</u>
Total Expenses	<u>3,856,269</u>	<u>4,192,823</u>
Change in Net Assets	1,137,149	(270,954)
Net Assets - Unrestricted at Beginning of Year	<u>7,498,395</u>	<u>7,769,349</u>
Net Assets - Unrestricted at End of Year	<u>\$ 8,635,544</u>	<u>\$ 7,498,395</u>

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, 2010 and 2009

	2010	2009
CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,137,149	\$ (270,954)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization and depreciation	1,026,412	902,464
Impairment change on investments in start-up companies	-	(341,138)
Decrease in allowance for doubtful accounts	(21,150)	52,786
Decrease/(Increase) in current assets:		
Accounts Receivable	(56,673)	(17,891)
Prepaid expenses	61,442	(4,332)
Other Reimbursables	(13,378)	-
Deferred leasing costs and rental income	54,498	41,337
Tenant billings	59,684	(15,101)
Other assets	9,537	8,613
Increase/(Decrease) in current liabilities:		
Accounts payable	162,552	690,757
Accrued liabilities and interest	(827,765)	1,038,278
Total adjustments	455,159	2,355,773
Net cash provided by/(used in) operating activities	1,592,308	2,084,819
CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES		
Decrease/(Increase) in assets limited as to use	(5,882)	(4,345)
Decrease/(Increase) in investments in start-up companies	70,000	338,577
Decrease/(Increase) in construction in progress	(3,367,929)	141,791
Additions to building and equipment	14,102	(4,476,938)
Net cash provided by/(used in) investing activities	(3,289,709)	(4,000,915)
CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES		
Principal reductions in leasehold obligations	(399,171)	(377,445)
Principal reductions in notes payable and long-term debt	(695,564)	(580,330)
Proceeds from notes payable and long-term debt	2,943,733	2,978,608
Net cash provided by/(used in) financing activities	1,848,998	2,020,833
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	151,597	104,737
CASH AND CASH EQUIVALENTS - Beginning of Year	356,976	252,239
CASH AND CASH EQUIVALENTS - End of Year	\$ 508,573	\$ 356,976
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during year for interest	\$ 646,700	\$ 867,581

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, 2010 and 2009**

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, 2010 or 2009.

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, 2010, and 2009, management estimates that an allowance of \$50,096, and \$71,246 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 \$151,767 and \$145,885 as of June 30, 2010 and 2009, 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, 2010 and 2009**

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	
	2010	2009
Beginning Balance	\$ 237,283	\$ 578,421
Provision for Impairment	-	-
Write-offs	-	(341,138)
	\$ 237,283	\$ 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, 2010 and 2009

NOTE 3 RELATED PARTY TRANSACTIONS

Rental Income

The Corporation subleases certain property to affiliates of the University. For the years ended June 30, 2010 and 2009, rental income from affiliates was \$1,543,096 and \$1,528,361, respectively.

The following is a schedule by year of minimum future gross rental income on all non-cancelable operating leases as of June 30, 2010 (including rental income from non-affiliates):

Year Ending June 30:	
2011	\$ 2,471,562
2012	702,530
2013	645,889
2014	503,245
2015	<u>356,972</u>
	<u>\$ 4,680,198</u>

Operating Support

The Corporation received \$300,000 in operating support from the University during each of the fiscal years ended June 30, 2010 and 2009. 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, 2011.

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 2010 or 2009 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 remainder of the lease are as follows:

2011	\$ 139,717
Total minimum lease payments	139,717
Less amounts representing interest	<u>1,618</u>
Present value of leasehold obligations	<u>\$ 138,099</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2010 and 2009**

NOTE 3 RELATED PARTY TRANSACTIONS (Continued)

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

	<u>2010</u>	<u>2009</u>
Leasehold estate	\$ 12,370,000	\$ 12,370,000
Less accumulated amortization	<u>3,718,464</u>	<u>3,408,468</u>
Ending balance	\$ <u>8,651,536</u>	\$ <u>8,961,532</u>

Amortization of properties under leasehold obligations was \$309,996 for both 2010 and 2009.

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, 2010 and 2009, the Corporation had drawn \$17,263,120 and \$15,773,630, 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, 2010 and 2009 was 5.4%. For the years ended June 30, 2010 and 2009, \$316,689 and \$326,872, respectively, of interest was paid in cash. None of the interest on this obligation was capitalized during the years ended June 30, 2010 and 2009. 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, 2010 and 2009, the outstanding balance on the note was \$5,758,585 and \$5,952,725, 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, 2010 and 2009 was 4.08%. For the years ended June 30, 2010 and 2009, \$139,177 and \$146,468, respectively, of interest was paid in cash. None of the interest on this obligation was capitalized during the years ended June 30, 2010 and 2009. 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, 2010 and 2009, the outstanding balance on the note was \$3,326,377 and \$3,481,721, respectively.

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

2011	\$ 366,685
2012	384,725
2013	403,700
2014	423,628
2015	444,559
Thereafter	<u>7,061,666</u>
Total principal payments	<u>\$9,084,963</u>

During fiscal year 2010, the Corporation had drawn an additional \$1,489,490 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 1.28% to 1.75% during fiscal year 2010, at the direction of the University, totaling \$93,158 for fiscal year 2010. For the year ended June 30, 2010, the principal balance outstanding was \$7,178,057, while accumulated accrued interest on that loan was \$1,067,691. None of the principal amount or accrued interest of these borrowings had been repaid as of June 30, 2010.

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2010 and 2009**

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, 2010 and 2009, 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% as of June 30, 2010 and 2009. As of June 30, 2010 and 2009, the outstanding balance on the note was \$3,265,749 and \$3,515,749, 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 expires March 15, 2011.

For the years ended June 30, 2010 and 2009, the Corporation interest expense relating to this note was \$234,928 and \$284,448 respectively. None of the interest on this obligation was capitalized during the years ended June 30, 2010 and 2009. As of June 30, 2010 and 2009, the Corporation had repaid \$1,834,251 and \$1,584,251 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 \$151,767 and \$145,885 as of June 30, 2010 and 2009, 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 (.348% and .309% at June 30, 2010 and 2009, 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, 2010 and 2009, the Corporation had drawn \$3,216,143 and \$3,021,865, respectively, against this credit facility. As of June 30, 2010 and 2009, the Corporation has repaid \$58,927 and \$27,036, respectively of the principal on this credit facility, and outstanding principal was \$3,157,212, and \$2,994,827, 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, 2010, the Corporation has drawn \$1,317,460 of the available balance.

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.

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

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2010 and 2009

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 is to eliminate the variability of cash flows in interest payments for a portion of its variable rate debt. The swap agreement has a notional amount of \$3,265,000 and \$3,515,000 as of June 30, 2010 and 2009, respectively. The Corporation does not use derivative financial instruments for speculative purposes.

As of June 30, 2010, the fair value of the swap agreement, based on current settlement prices, was a liability of \$(118,144). In accordance with the provisions of Statement of Financial Accounting Standards No. 133, the change in the fair value of the interest rate swap agreement has been recognized in the statement of activities.

NOTE 7 SUBSEQUENT EVENTS

In July 2010, the Corporation entered into an agreement to sublease property with The Research Institute at Nationwide Children's Hospital. The initial term of the lease agreement is five years.



Caudill & Associates, CPAs

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, 2010, and have issued our report thereon dated September 28, 2010. 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.

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)

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*.

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

Caudill & Associates, CPA's

Caudill & Associates, CPA's

September 28, 2010



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 21, 2010**