Rea & associates a brighter way

Science and Technology Campus Corporation

Audited Financial Statements

As of and for the Years Ended
June 30, 2014 and 2013

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, 2013 through June 30, 2014. 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.

Dave Yost

Dave Yost
Auditor of State

May 6, 2015

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Rea & associates a brighter way

January 16, 2015

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 statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets, and cash flows for the years 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 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 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 from 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, 2014 and 2013, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated January 16, 2015, 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 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 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, 2014 AND 2013

ASSETS

	2014	2013
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,037,506	$ 762,348
Assets limited as to use	169,189	163,350
Accounts receivable, net	311,173	300,488
Tenant billings	198,353	553,681
Prepaid expenses	43,730	43,332
Total current assets	1,759,951	1,823,199
PROPERTY AND EQUIPMENT:		
Leasehold estate	12,263,409	12,370,000
Buildings	33,652,323	33,064,035
Equipment	160,154	160,154
Construction in progress	-	49,396
	46,075,886	45,643,585
Less: accumulated amortization and depreciation	(12,872,093)	(11,688,307)
Total property and equipment, net	33,203,793	33,955,278
OTHER ASSETS:		
Investment in start-up companies, net	62,162	62,162
Deferred rental income	48,432	11,265
Deferred leasing costs, net	52,548	59,633
Other assets	64,192	73,511
Total other assets	227,334	206,571
Total assets	$ 35,191,078	$ 35,985,048

LIABILITIES AND NET ASSETS

	2014	2013
CURRENT LIABILITIES:		
Accounts payable	$ 241,322	$ 353,689
Accrued liabilities	250,106	264,427
Current portion of notes and long-term debt payable	1,156,122	1,111,579
Current portion of unearned rental income	366,119	430,230
Total current liabilities	2,013,669	2,159,925
LONG-TERM LIABILITIES:		
Notes payable and long-term debt, net of current portion	18,301,419	19,458,059
Unearned rental income, net of current portion	2,895,991	3,083,088
Total long-term liabilities	21,197,410	22,541,147
NET ASSETS, unrestricted	11,979,999	11,283,976
Total liabilities and net assets	$ 35,191,078	$ 35,985,048

See the accompanying notes to the financial statements

SCIENCE AND TECHNOLOGY CAMPUS CORPORATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
REVENUES:		
Rental income	$ 5,966,817	$ 5,454,040
Operating support	300,000	300,000
Interest income	37	15
Other income	36,284	51,573
Total revenues	6,303,138	5,805,628
RENTAL OPERATING EXPENSES:		
Cleaning and janitorial	338,454	290,132
Interest expense	829,987	713,366
Utilities	1,373,549	1,528,726
Repairs and maintenance	602,944	482,485
Landscaping and snow removal	201,832	147,806
Public safety assessments	181,017	181,017
Depreciation	924,764	906,982
Amortization	306,696	309,250
Management fees	206,081	188,307
Other	111,446	71,439
Total rental operating expenses	5,076,770	4,819,510
GENERAL AND ADMINISTRATIVE EXPENSES:		
Consulting	160,337	204,844
Legal	9,229	15,299
Insurance	19,541	19,977
Accounting	21,775	20,315
Operating and development costs	168,690	127,225
Telecommunication	3,416	3,253
Travel, meals and meetings	3,498	3,500
Interest	19,046	21,543
Other	38,482	9,364
Total general and administrative expenses	444,014	425,320
Total expenses	5,520,784	5,244,830
Change in net assets from operations	782,354	560,798
OTHER INCOME AND (EXPENSES)		
Gain (loss) on sale of investments	(2,892)	93,999
Loss on sale of property and equipment	(83,439)	-
Recovery of investments in start-up companies	-	100,001
Total other income and (expenses)	(86,331)	194,000
Change in net assets	696,023	754,798
NET ASSETS, beginning of year	11,283,976	10,529,178
NET ASSETS, end of year	$ 11,979,999	$ 11,283,976

See the accompanying notes to the financial statements

SCIENCE AND TECHNOLOGY CAMPUS CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES		
Change in Net Assets	$ 696,023	$ 754,798
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization and depreciation	1,231,460	1,214,484
Loss on disposal of property and equipment	83,439	-
Gain on sale of investment in start-up company	-	(93,999)
Recovery change on investments in start-up companies	-	(100,001)
Decrease/(Increase) in assets:		
Assets limited as to use	(5,839)	(5,799)
Accounts receivable	(10,685)	(251,508)
Deferred rental income and leasing costs	(30,082)	(10,056)
Tenant billings	355,328	(460,382)
Prepaid expenses	(398)	6,796
Other reimbursables	-	42,255
Other assets	9,319	13,444
Increase/(decrease) in liabilities:		
Accounts payable	(112,367)	297,179
Accrued liabilities and interest	(14,321)	(67,813)
Unearned rental income	(251,208)	(84,571)
Total adjustments	1,254,646	500,029
Net cash provided by operating activities	1,950,669	1,254,827
CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES		
Net (payments)/reimbursements for construction in progress	(491,441)	111,407
Net proceeds from sale of investment in start-up company	-	194,000
Payments for the purchase property and equipment	(71,973)	(679,018)
Net cash used in investing activites	(563,414)	(373,611)
CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES		
Principal reductions in notes payable and long-term debt	(1,112,097)	(891,465)
Net cash used in financing activites	(1,112,097)	(891,465)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	275,158	(10,249)
CASH AND CASH EQUIVALENTS - Beginning of Year	762,348	772,597
CASH AND CASH EQUIVALENTS - End of Year	$ 1,037,506	$ 762,348
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during year for interest	$ 819,555	$ 688,360
Non-cash refinance of accrued interest	$ -	$ 1,240,736

See the accompanying notes to the financial statements

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 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 – Financial Statement Presentation

As required by generally accepted accounting principles, resources are classified into three net asset categories according to donor-imposed restrictions. A description of the categories is as follows:

<u>Unrestricted net assets</u> – Net assets that are not subject to restrictions by donors or grantors, even though their use may be limited in other respects, such as by contract or by board designation. Donor restricted contributions whose restrictions are met in the same year as the contributions are recorded as unrestricted net assets.

<u>Temporarily restricted net assets</u> – Net assets that are subject to donor or grantor imposed restrictions that may or will be met either by actions of the Corporation or by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There were no temporarily restricted net assets as of June 30, 2014 and 2013.

<u>Permanently restricted net assets</u> – Net assets that are subject to donor-imposed stipulations that they be maintained permanently by the Corporation. Generally, the donors of these assets permit the Organization to use all or a portion of the income earned on any related investments for general or specific purposes. There were no permanently restricted net assets as of June 30, 2014 and 2013.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C – Cash and Cash Equivalents

The Corporation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2014 or 2013.

D – Accounts Receivable

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

Management estimates an allowance for doubtful accounts based upon management's review of delinquent accounts and an assessment of the Corporation's historical evidence of collections. Specific accounts are charged directly to the reserve when management determines that the account is uncollectible. At June 30, 2014, and 2013, management estimates that allowances of $10,000, and $10,000, respectively were necessary.

E – 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 $169,189 and $163,350 as of June 30, 2014 and 2013, 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.

F – 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.

G – 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, 2014 and 2013, $3,260,449 and $3,465,890, respectively, of total unearned rental income related to prepaid rents received from the University (see Note 3).

H – Deferred Leasing Costs

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I – 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	
	2014	**2013**
Beginning Balance	$ 300,478	$ 400,479
Provision for Impairment	-	-
Write-Offs	-	-
Recoveries	-	(100,001)
Ending Balance	$ 300,478	$ 300,478

J – 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.

K – 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.

L – Grants

The Corporation occasionally receives grants from various State of Ohio and corporate funding sources. These funds are typically available on a reimbursement basis and require any restrictions on use to be satisfied prior to submission for funding. The Corporation did not receive any grant funds for the years ending June 30, 2014 and 2013.

M – Reclassification

Certain revenues and expenses on the June 30, 2013 statement of activities and changes in net assets have been reclassified with no net effect on the changes in net assets, to conform to the June 30, 2014 statement presentation.

N – Subsequent Events

The Corporation has evaluated subsequent events through January 16, 2015, 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, 2014 and 2013, rental income from affiliates was $2,602,323 and $2,359,396, respectively.

The following is a schedule, by year, of minimum future gross rental income on all non-cancelable operating leases as of June 30, 2014 (including rental income from non-affiliates):

Year Ending June 30:

	Affiliates	Non-Affiliates	Total
2015	$1,534,866	$2,436,488	$3,971,354
2016	795,297	1,521,141	2,316,438
2017	496,043	964,325	1,460,368
2018	463,110	871,565	1,334,675
2019	469,231	653,211	1,122,442
	$3,758,547	$6,446,730	$10,205,277

Operating Support

The Corporation received $300,000 in operating support from the University during each of the fiscal years ended June 30, 2014 and 2013. These funds have no specific restrictions and are used for normal operating expenses. This University has notified the Corporation of its intent to phase out this support by $100,000 per year over the Corporations next two fiscal years pursuant to the following schedule:

2015	$200,000
2016	100,000
Thereafter	$0

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. There were no funds to acquire property by the University for the year ended June 30, 2014. Funds to acquire the property were provided to the Corporation by the University in the amount of $18,214 in fiscal year 2013. 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 2014 or 2013 representing University funding from the joint use agreement.

NOTE 3 RELATED PARTY TRANSACTIONS (Continued)

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.

During July, 2013, the Corporation relinquished its leasehold estate on 1.068 acres of unimproved land owned by the University for use in a road improvement project. The unamortized value of the relinquished leasehold in the amount of $66,431 has been included in the loss on sale of property and equipment on the Statement of Activities.

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

	Year Ending June 30:	
	2014	**2013**
Leasehold estate	$12,263,409	$12,370,000
Less accumulated amortization	(4,914,242)	(4,647,706)
Ending Balance	$ 7,349,167	$ 7,722,294

Amortization of properties under leasehold obligations was $306,696 and $309,250 for fiscal years ending June 30, 2014 and 2013, respectively.

Notes Payable

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

Research Building – 1330 Kinnear Road

In March 2010, the Corporation entered into a construction loan agreement with a commercial bank to fund the construction of a research building in which the University would be the primary tenant. The University agreed to prepay the full amount of their rent for the building in advance to cover repayment of the construction loan. As of June 30, 2014, the University had prepaid total rent of $3,741,954 of which $3,083,088 and $3,270,186 was reflected as unearned rental revenue as of June 30, 2014 and 2013, respectively.

NOTE 4 NOTES PAYABLE AND LONG TERM DEBT

Loan activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Principal Additions	Principal Repayments	Ending Balance	Current Portion
OSU $21M Financing Facility					
OSU 2002 MOU $7M	$5,109,269	-	($240,831)	$4,868,438	$254,163
OSU 2005 MOU $4M	2,820,557	-	(182,565)	2,637,992	190,396
OSU 2013 MOU $10M	8,781,079	-	(280,388)	8,500,691	293,999
Commercial Banks					
Project Notes Series 2001	2,470,749	-	(280,749)	2,190,000	290,000
$3.4M Credit Facility	1,387,984	-	(127,564)	1,260,420	127,564
Total	$20,569,638	-	($1,112,097)	$19,457,541	$1,156,122

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

	Beginning Balance	Principal Additions	Principal Repayments	Ending Balance	Current Portion
OSU $21M Financing Facility					
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
Commercial Banks					
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	$20,220,367	$1,240,736	($891,465)	$20,569,638	$1,111,579

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, 2014 and 2013, the Corporation has drawn $18,630,543 of the available funds under this facility.

During November 2002 the Corporation signed a reimbursement agreement (MOU) with the University relating to $7 million of the payable balance. Under the terms of the agreement, the unpaid balance bears interest at the fixed rate of 5.4% and is payable in self-amortizing monthly payments of principal and interest in the amount of $42,569 through the maturity date of November 2027. Interest expense for the years ended June 30, 2014 and 2013 was $269,998 and $282,630 respectively, of which none was subject to capitalization.

NOTE 4 NOTES PAYABLE AND LONG TERM DEBT (Continued)

OSU Financing Facility (Continued)

During December 2005, the Corporation signed a reimbursement agreement (MOU) with the University relating to $4 million of the payable balance. Under the terms of the agreement, interest on the unpaid balance is calculated using a blend of fixed and variable rates based on the University's 2005 A&B General Receipts Bond Issues. The interest rate as of June 30, 2014 and 2013 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, 2014 and 2013 was $111,926 and $118,991 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, 2014 and 2013 was $411,049 and $255,515 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, 2014 and 2013 was .28% and .37%, respectively. Interest expense for the years ended June 30, 2014 and 2013 was $7,536 and $9,681 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 April 17, 2017.

The Project Notes provide for annual scheduled payments of principal on November 1 of each year. The remaining annual principal payments range from $290,000 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, 2014 and 2013 was 1.40% and 1.45% respectively.

NOTE 4 NOTES PAYABLE AND LONG TERM DEBT (Continued)

Commercial Bank $3.4M Credit Facility (Continued)

The facility is payable in monthly payments of interest plus principal of $10,630, calculated using a 25 year amortization, with a final balloon payment of unpaid interest and principal due November 2020. Interest expense for the years ended June 30, 2014 and 2013 was $19,046 and $21,543, respectively, none of which was subject to capitalization. The note is collateralized by a commercial property located on the Science and Technology Campus.

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

2015	$1,156,122
2016	1,197,379
2017	1,245,438
2018	1,290,387
2019	1,342,324
Thereafter	13,225,891
Total principal payments	$19,457,541

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, 2014 and 2013, 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, 2010.

January 16, 2015

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 statements of financial position as of June 30, 2014, 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 16, 2015

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*.

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 CORP

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
MAY 19, 2015