



Rea & associates *a brighter way*

# Science and Technology Campus Corporation

*Audited Financial Statements*

As of and for the Years Ended  
June 30, 2015 and 2014





# Dave Yost • Auditor of State

Board of Directors  
Science and Technology Campus Corporation  
1275 Kinnear Road  
Columbus, Ohio 13212

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, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

February 17, 2016

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December 14, 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, 2015 and 2014, 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 Science and Technology Campus Corporation, as of June 30, 2015 and 2014, and the changes in its net assets and its 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 December 14, 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, 2015 AND 2014

	<u>ASSETS</u>	
	2015	2014
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,861,013	\$ 1,037,506
Assets limited as to use	172,106	169,189
Accounts receivable, net	259,865	311,173
Tenant billings	231,185	198,353
Prepaid expenses	3,342	43,730
	<hr/>	<hr/>
Total current assets	2,527,511	1,759,951
<b>PROPERTY AND EQUIPMENT:</b>		
Leasehold estate	12,263,409	12,263,409
Buildings	33,704,951	33,652,323
Equipment	168,830	160,154
	<hr/>	<hr/>
	46,137,190	46,075,886
Less: accumulated amortization and depreciation	(14,123,283)	(12,872,093)
	<hr/>	<hr/>
Total property and equipment, net	32,013,907	33,203,793
<b>OTHER ASSETS:</b>		
Investment in start-up companies, net	62,162	62,162
Deferred rental income	79,286	48,432
Deferred leasing costs, net	45,463	52,548
Other assets	54,873	64,192
	<hr/>	<hr/>
Total other assets	241,784	227,334
	<hr/>	<hr/>
Total assets	\$ 34,783,202	\$ 35,191,078
	<hr/> <hr/>	<hr/> <hr/>
	<u>LIABILITIES AND NET ASSETS</u>	
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 234,240	\$ 241,322
Accrued liabilities	278,134	250,106
Current portion of notes payable and long-term debt	1,197,379	1,156,122
Current portion of unearned rental income	405,241	366,119
	<hr/>	<hr/>
Total current liabilities	2,114,994	2,013,669
<b>LONG-TERM LIABILITIES:</b>		
Notes payable and long-term debt, net of current portion	17,104,040	18,301,419
Unearned rental income, net of current portion	2,708,893	2,895,991
	<hr/>	<hr/>
Total long-term liabilities	19,812,933	21,197,410
<b>NET ASSETS, unrestricted</b>	12,855,275	11,979,999
	<hr/>	<hr/>
Total liabilities and net assets	\$ 34,783,202	\$ 35,191,078
	<hr/> <hr/>	<hr/> <hr/>



SCIENCE AND TECHNOLOGY CAMPUS CORPORATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
	<u>                    </u>	<u>                    </u>
REVENUES:		
Rental income	\$ 6,478,999	\$ 5,966,817
Operating support	300,000	300,000
Interest income	2,896	37
Other income	35,271	36,284
	<u>                    </u>	<u>                    </u>
Total revenues	6,817,166	6,303,138
RENTAL OPERATING EXPENSES:		
Cleaning and janitorial	344,608	338,454
Interest expense	790,911	829,987
Utilities	1,474,820	1,373,549
Repairs and maintenance	583,560	602,944
Landscaping and snow removal	171,501	201,832
Public safety assessments	181,018	181,017
Depreciation	944,605	924,764
Amortization	306,585	306,696
Management fees	220,981	206,081
Other	100,998	111,446
	<u>                    </u>	<u>                    </u>
Total rental operating expenses	5,119,587	5,076,770
GENERAL AND ADMINISTRATIVE EXPENSES:		
Consulting	535,117	160,337
Legal	18,126	9,229
Insurance	20,939	19,541
Accounting	30,366	21,775
Operating and development costs	151,495	168,690
Telecommunication	3,028	3,416
Travel, meals and meetings	-	3,498
Interest	17,264	19,046
Other	45,968	38,482
	<u>                    </u>	<u>                    </u>
Total general and administrative expenses	822,303	444,014
	<u>                    </u>	<u>                    </u>
Total expenses	5,941,890	5,520,784
	<u>                    </u>	<u>                    </u>
Change in net assets from operations	875,276	782,354
OTHER INCOME AND (EXPENSES):		
Loss on sale of investments	-	(2,892)
Loss on sale of property and equipment	-	(83,439)
	<u>                    </u>	<u>                    </u>
Total other income and (expenses)	-	(86,331)
	<u>                    </u>	<u>                    </u>
Change in net assets	875,276	696,023
NET ASSETS, beginning of the year	11,979,999	11,283,976
	<u>                    </u>	<u>                    </u>
NET ASSETS, end of the year	\$ 12,855,275	\$ 11,979,999
	<u>                    </u>	<u>                    </u>

SCIENCE AND TECHNOLOGY CAMPUS CORPORATION

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
	<u>                    </u>	<u>                    </u>
<b>CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 875,276	\$ 696,023
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization and depreciation	1,251,190	1,231,460
Loss on disposal of property and equipment	-	83,439
Decrease/(Increase) in assets:		
Assets limited as to use	(2,917)	(5,839)
Accounts receivable	51,308	(10,685)
Deferred rental income and leasing costs	(23,769)	(30,082)
Tenant billings	(32,832)	355,328
Prepaid expenses	40,388	(398)
Other assets	9,319	9,319
Increase/(decrease) in liabilities:		
Accounts payable	(7,082)	(112,367)
Accrued liabilities and interest	28,028	(14,321)
Unearned rental income	(147,976)	(251,208)
Total adjustments	<u>1,165,657</u>	<u>1,254,646</u>
Net cash provided by operating activities	2,040,933	1,950,669
 <b>CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES:</b>		
Payments for construction in progress	-	(491,441)
Payments for the purchase property and equipment	(61,304)	(71,973)
Net cash used in investing activities	<u>(61,304)</u>	<u>(563,414)</u>
 <b>CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES:</b>		
Principal reductions in notes payable and long-term debt	(1,156,122)	(1,112,097)
Net cash used in financing activities	<u>(1,156,122)</u>	<u>(1,112,097)</u>
 <b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>823,507</u>	<u>275,158</u>
 <b>CASH AND CASH EQUIVALENTS, beginning of the year</b>	<u>1,037,506</u>	<u>762,348</u>
<b>CASH AND CASH EQUIVALENTS, end of the year</b>	<u><u>\$ 1,861,013</u></u>	<u><u>\$ 1,037,506</u></u>
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during year for interest	<u><u>\$ 781,316</u></u>	<u><u>\$ 819,555</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

**NOTE 1 ORGANIZATION AND PRESENTATION**

The Science and Technology Campus Corporation (an Ohio Not-for-Profit Corporation), (the Corporation), was formed on March 1, 1996 to further development of the Science and Technology Campus at the Ohio State University (the University).

The Corporation's sources of funding include rental income and contributions received under agreements with the University and the Ohio Development Services Agency. 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:

Unrestricted net assets – 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.

Temporarily restricted net assets – 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, 2015 and 2014.

Permanently restricted net assets – 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, 2015 and 2014.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

**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, 2015 or 2014.

**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, 2015, and 2014, 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 \$172,106 and \$169,189 as of June 30, 2015 and 2014, 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 – Uninsured Risk – Cash Deposits**

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, 2015 and 2014, \$3,051,984 and \$3,260,449, respectively, of total unearned rental income related to prepaid rents received from the University (see Note 3). Unearned rental income related to prepaid rents from tenants other than the University totaled \$62,150 and \$1,661 for the years ended June 30, 2015 and 2014, respectively.

**H – Deferred Leasing Costs**

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

**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:

	<b>Year Ending June</b>	
	<b>2015</b>	<b>2014</b>
Beginning Balance	\$ 300,478	\$ 300,478
Provision for Impairment	-	-
Write-Offs	-	-
Recoveries	-	-
Ending Balance	<u>\$ 300,478</u>	<u>\$ 300,478</u>

**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, 2015 and 2014.

**M – Subsequent Events**

The Corporation has evaluated subsequent events through December 14, 2015, the date on which the financial statements were available to be issued.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

**NOTE 3 RELATED PARTY TRANSACTIONS**

**Rental Income**

The Corporation subleases certain property to the University or its affiliates. For the years ended June 30, 2015 and 2014, rental income from affiliates was \$2,712,631 and \$2,602,323, respectively, which accounted for 42% and 44%, respectively, of total rental income. The University and its affiliates occupied 34% of total square footage of the Corporation for the years ended June 30, 2015 and 2014.

The following is a schedule, by year, of minimum future gross rental income on all non-cancelable operating leases as of June 30, 2015 (including rental income from non-affiliates):

**Year Ending June 30:**

	Affiliates	Non-Affiliates	Total
2016	\$795,297	\$1,532,163	\$2,327,460
2017	496,043	964,325	1,460,368
2018	463,110	871,564	1,334,674
2019	469,231	653,211	1,122,442
2020	469,231	427,690	896,921
	\$2,692,912	\$4,448,953	\$7,141,865

**Operating Support**

The Corporation received general operating support from the University in the amount of \$200,000 and \$300,000 in fiscal years 2015 and 2014, respectively. 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 pursuant to the following schedule:

2016	\$100,000
Thereafter	\$0

During fiscal year 2015, the Corporation received a one-time payment from the University of \$100,000 for use in offsetting costs associated with a long term strategic planning study. This amount is included in Operating Support on the Statement of Activities.

**Consulting Services**

During fiscal year 2015, the Corporation paid the University \$50,000 for property management and operating support services. This amount is included in Consulting on 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 2015 or 2014 representing University funding from the joint use agreement.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

**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 is included in the loss on sale of property and equipment on the Statement of Activities for the year ended June 30, 2014.

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

	<b>Year Ending June 30:</b>	
	<b>2015</b>	<b>2014</b>
Leasehold estate	\$12,263,409	\$12,263,409
Less accumulated amortization	(5,220,827)	(4,914,242)
Ending Balance	\$ 7,042,852	\$ 7,349,167

Amortization of properties under leasehold obligations was \$306,585 and \$306,696 for fiscal years ending June 30, 2015 and 2014, 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, 2015, the University had prepaid total rent of \$3,741,954 of which \$2,895,991 and \$3,083,088 was reflected as unearned rental revenue as of June 30, 2015 and 2014, respectively.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

**NOTE 4 NOTES PAYABLE AND LONG TERM DEBT**

Loan activity for the year ended June 30, 2015 was as follows:

	<b>Beginning Balance</b>	<b>Principal Additions</b>	<b>Principal Repayments</b>	<b>Ending Balance</b>	<b>Current Portion</b>
<u>OSU \$21M Financing Facility</u>					
OSU 2002 MOU \$7M	\$4,868,438	-	(\$254,162)	\$4,614,276	\$268,232
OSU 2005 MOU \$4M	2,637,992	-	(190,396)	2,447,596	198,311
OSU 2013 MOU \$10M	8,500,691	-	(293,999)	8,206,692	308,272
<u>Commercial Banks</u>					
Project Notes Series 2001	2,190,000	-	(290,000)	1,900,000	295,000
\$3.4M Credit Facility	1,260,420	-	(127,565)	1,132,855	127,564
Total	<u>\$19,457,541</u>	<u>-</u>	<u>(\$1,156,122)</u>	<u>\$18,301,419</u>	<u>\$1,197,379</u>

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

	<b>Beginning Balance</b>	<b>Principal Additions</b>	<b>Principal Repayments</b>	<b>Ending Balance</b>	<b>Current Portion</b>
<u>OSU \$21M Financing Facility</u>					
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
<u>Commercial Banks</u>					
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	<u>\$20,569,638</u>	<u>-</u>	<u>(\$1,112,097)</u>	<u>\$19,457,541</u>	<u>\$1,156,122</u>

**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, 2015 and 2014, 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, 2015 and 2014 was \$256,666 and \$269,998 respectively, of which none was subject to capitalization.



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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

**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, 2015 and 2014 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, 2015 and 2014 was \$104,096 and \$111,926 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, 2015 and 2014 was \$397,437 and \$411,049 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, 2015 and 2014 was .29% and .28%, respectively. Interest expense for the years ended June 30, 2015 and 2014 was \$5,853 and \$7,536 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, 2015 and 2014 was 1.44% and 1.40%, respectively.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

**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 2017. Interest expense for the years ended June 30, 2015 and 2014 was \$17,264 and \$19,046, 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:

2016	\$ 1,197,379
2017	1,245,438
2018	2,040,550
2019	1,214,760
2020	1,268,781
Thereafter	<u>11,334,511</u>
Total principal payments	<u>\$18,301,419</u>

**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, 2015 and 2014, 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 statements of financial position 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, 2011.

**NOTE 6 MAJOR TENANTS**

The corporation had three tenants that were not affiliated with the University that occupied greater than 10% of total square footage for the years ended June 30, 2015 and 2014. See Note 3 for University tenants. Total square footage occupied by these three tenants was 39% for the years ended June 30, 2015 and 2014. Rental income from these tenants was 35% and 34% of total rental income for the years ended June 30, 2015 and 2014, respectively. One of the leases is month to month while the other two end March 31, 2019 and November 30, 2021.

December 14, 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 statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 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*.

Science and Technology Campus Corporation  
Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*  
Page 2

***Purpose of this Report***

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

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
Dublin, Ohio



# Dave Yost • Auditor of State

**SCIENCE AND TECHNOLOGY CAMPUS CORPORATION**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 1, 2016**