Science and Technology Campus Corporation

Audited Financial Statements

As of and for the Years Ended
June 30, 2018 and 2017

Rea & associates

www.reacpa.com

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, 2017 through June 30, 2018. 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
Auditor of State

December 11, 2018

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Rea & associates a brighter way

November 26, 2018

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, 2018 and 2017, 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, 2018 and 2017, 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.

CPAs and business consultants

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated November 26, 2018, on our consideration of the Corporation's 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 the effectiveness of the Corporation's 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, 2018 AND 2017

ASSETS

	2018	2017
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,772,879	$ 1,180,822
Assets limited as to use	2,917,780	2,880,783
Accounts receivable, net	106,284	115,000
Current portion of deferred rental income	32,089	13,626
Tenant billings	105,862	72,699
Prepaid expenses	11,530	24,445
Total current assets	4,946,424	4,287,375
PROPERTY AND EQUIPMENT:		
Leasehold estate	12,263,409	12,263,409
Buildings	34,590,629	34,135,540
Equipment	140,350	168,830
	46,994,388	46,567,779
Less: accumulated amortization and depreciation	(17,929,530)	(16,657,328)
Total property and equipment, net	29,064,858	29,910,451
OTHER ASSETS:		
Investment in start-up companies, net	50,000	52,762
Deferred rental income	95,982	111,082
Deferred leasing costs, net	24,208	31,293
Other assets	26,362	35,681
Total other assets	196,552	230,818
Total assets	$ 34,207,834	$ 34,428,644

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES:		
Accounts payable	$ 357,680	$ 257,175
Accrued liabilities	115,287	185,527
Current portion of notes payable and long-term debt	1,391,751	2,040,554
Current portion of unearned rental income	376,719	348,695
Total current liabilities	2,241,437	2,831,951
LONG-TERM LIABILITIES:		
Notes payable and long-term debt, net of current portion	13,189,337	13,818,048
Unearned rental income, net of current portion	2,147,600	2,334,697
Total long-term liabilities	15,336,937	16,152,745
NET ASSETS, unrestricted	16,629,460	15,443,948
Total liabilities and net assets	$ 34,207,834	$ 34,428,644

The accompanying notes are an integral part of these financial statements

SCIENCE AND TECHNOLOGY CAMPUS CORPORATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
REVENUES:		
Rental income	$ 6,402,578	$ 6,541,944
Interest income	12,209	9,576
Other income	35,965	32,603
Total revenues	6,450,752	6,584,123
RENTAL OPERATING EXPENSES:		
Cleaning and janitorial	321,233	325,657
Interest	671,710	720,019
Utilities	1,353,461	1,336,275
Repairs and maintenance	597,946	581,780
Landscaping and snow removal	172,344	121,692
Public safety assessments	181,017	181,017
Depreciation	994,098	965,798
Amortization	306,585	306,585
Management fees	224,647	234,102
Other	32,989	50,981
Total rental operating expenses	4,856,030	4,823,906
GENERAL AND ADMINISTRATIVE EXPENSES:		
Consulting	119,589	134,571
Legal	12,803	8,038
Insurance	13,318	12,202
Accounting	31,090	32,294
Operating and development costs	134,830	139,590
Telecommunication	2,180	2,118
Travel, meals and meetings	1,724	1,094
Interest	23,212	19,013
Other	68,372	58,730
Total general and administrative expenses	407,118	407,650
Total expenses	5,263,148	5,231,556
OTHER INCOME AND (EXPENSES)		
Investment losses	(2,092)	-
Change in net assets	1,185,512	1,352,567
NET ASSETS, beginning of the year	15,443,948	14,091,381
NET ASSETS, end of the year	$ 16,629,460	$ 15,443,948

The accompanying notes are an integral part of these financial statements

SCIENCE AND TECHNOLOGY CAMPUS CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 1,185,512	$ 1,352,567
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization and depreciation	1,300,683	1,272,383
Decrease (increase) in assets:		
Accounts receivable	8,716	323,951
Deferred rental income and leasing costs	3,722	(11,701)
Tenant billings	(33,163)	88,254
Prepaid expenses	12,915	(21,902)
Other assets	9,319	9,319
Increase (decrease) in liabilities:		
Accounts payable	100,505	(121,228)
Accrued liabilities and interest	(70,240)	(69,251)
Unearned rental income	(159,073)	(250,770)
Total adjustments	1,173,384	1,219,055
Net cash provided by operating activities	2,358,896	2,571,622
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (increase) in investments in start-up companies	2,762	770
Payments for the purchase property and equipment	(455,090)	(55,610)
Net cash used in investing activities	(452,328)	(54,840)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal reductions in notes payable and long-term debt	(1,277,514)	(1,245,438)
Net cash used in financing activities	(1,277,514)	(1,245,438)
INCREASE IN CASH AND CASH EQUIVALENTS	629,054	1,271,344
CASH AND CASH EQUIVALENTS, beginning of the year	4,061,605	2,790,261
CASH AND CASH EQUIVALENTS, end of the year	$ 4,690,659	$ 4,061,605
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash and Cash Equivalents Reconciliation		
Cash and cash equivalents	1,772,879	1,180,822
Assets limited as to use	2,917,780	2,880,783
Cash and cash equivalents, end of the year	$ 4,690,659	$ 4,061,605
Cash paid during year for interest	$ 684,709	$ 714,468

The accompanying notes are an integral part of these 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 development of the Science and Technology Campus at the Ohio State University (the University).

The Corporation's sources of funding include rental income and contributions received under agreements with the University and the State of Ohio Development 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, 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, 2018 and 2017.

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 Corporation 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, 2018 and 2017.

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, 2018 or 2017.

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, 2018 and 2017, management estimates that an allowance of $10,000 was 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 money market value. Assets limited as to use consists of the following:

	Year Ending June 30:	
	2018	**2017**
Capital Reserve Fund	$ 2,704,425	$ 2,699,926
Debt Service Fund	213,355	180,857
Ending Balance	$ 2,917,780	$ 2,880,783

The Capital Reserve Fund consists of funds designated for future capital repairs and replacements to the Corporation's buildings and equipment. The Corporation maintains these funds in a separate money market account earning interest at a variable rate. Per the Corporation's letter of credit agreement securing the Adjustable Rate Taxable Securities, Series 2001 (the "Project Notes" - See Note 4), the Corporation has agreed to maintain a minimum balance in this account roughly corresponding to the then unpaid balance of the Project Notes. Funds above the required minimum balance may be used for any purpose as designated by the Corporation. The required minimum balance of the Capital Reserve Fund was $990,000 and $1,300,000 for the years ended June 30, 2018 and 2017, respectively.

The Debt Service Fund consists of funds maintained in a separate money market account that will be drawn upon to make the principal payments on the Project Notes on the first day of November of each year. 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F – Concentration of Uninsured 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 their terms. Unearned rental income reflects payments received in excess of rental income recognized. As of June 30, 2018 and 2017, $2,518,656 and $2,674,205, 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 $5,663 and $9,187 for the years ended June 30, 2018 and 2017, respectively.

H – Deferred Leasing Costs

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

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 total investment in start-up companies was $50,000 and $52,762 as of June 30, 2018 and 2017, respectively. The activity in the reserve for impairment account was as follows:

	Year Ending June 30: 2018	2017
Beginning Balance	$ 6,906	$ 300,478
Write-Offs	(6,906)	(293,572)
Ending Balance	$ -	$ 6,906

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018 and 2017.

M – Recently Issued But Not Yet Effective Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02 entitled “Leases (Topic 842),” which will change the Corporation’s statement of financial position by adding lease-related assets and liabilities. This may affect compliance with contractual agreements and loan covenants. This new standard is effective for the Corporation’s annual reporting periods beginning after December 15, 2019. Early implementation is permitted. Management has not yet determined whether this new standard will have a material effect on its financial statements.

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09 entitled “Revenue from Contracts with Customers (Topic 606),” which will change the Corporation’s method of revenue recognition. This new standard is effective for the Corporation’s annual reporting periods beginning after December 15, 2018. Early implementation is permitted. The provisions of this standard will be applied retrospectively. Management has not yet determined whether this new standard will have a material effect on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14 entitled “Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)” which will, among other changes, change the presentation of the Corporation’s classifications of net assets from three classes to two (with donor restrictions and without donor restrictions) and require a schedule of expenses by both natural and functional classification. This new standard is effective for the Corporation’s annual reporting periods beginning after December 15, 2017. Early implementation is permitted. Management has not yet determined whether this new standard will have a material effect on its financial statements.

N – Allocation of Functional Expenses

The Corporation allocates expenses to program services, management and general, and fund-raising activities whenever costs are associated with more than one activity, and are attributed to each activity accordingly.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O – Reclassification

Certain items on the statement of financial position as of June 30, 2017 have been reclassified, with no effect on net position, to be consistent with the classifications adopted as of and for the year ended June 30, 2018.

P – Subsequent Events

The Corporation has evaluated subsequent events through November 26, 2018, 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, 2018 and 2017, rental income from affiliates was $2,675,582 and $2,726,964, respectively, which accounted for 42% and 42%, 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, 2018 and 2017.

The following is a schedule, by year, of minimum future gross rental income on all non-cancelable operating leases as of June 30, 2018 (including rental income from non-affiliates):

Year Ending June 30:

	Affiliates	Non-Affiliates	Total
2019	$1,659,277	$1,518,769	$3,178,046
2020	1,678,472	1,336,522	3,014,994
2021	1,697,807	1,323,204	3,021,011
2022	891,355	692,627	1,583,982
2023	786,849	376,829	1,163,678
	$6,713,760	$5,247,951	$11,961,711

Consulting Services

The Corporation paid the University $50,000 for property management and operating support services in each of the fiscal years ended 2018 and 2017. 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 2018 or 2017 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.

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

	Year Ending June 30:	
	2018	**2017**
Leasehold estate	$12,263,409	$12,263,409
Less accumulated amortization	(6,140,583)	(5,833,998)
Ending Balance	$ 6,122,826	$ 6,429,411

Amortization of properties under leasehold obligations totaled $306,585 for fiscal years ending June 30, 2018 and 2017.

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, 2018, the University had prepaid total rent of $3,741,954 of which $2,334,697 and $2,521,795 was reflected as unearned rental revenue as of June 30, 2018 and 2017, respectively.

NOTE 4 NOTES PAYABLE AND LONG TERM DEBT

Loan activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Principal Additions	Principal Repayments	Ending Balance	Current Portion
OSU $21M Financing Facility					
OSU 2002 MOU $7M	$ 4,062,963	-	$ (298,752)	$ 3,764,211	$ 315,289
OSU 2005 MOU $4M	2,042,730	-	(215,141)	1,827,589	224,086
OSU 2013 MOU $10M	7,575,182	-	(338,930)	7,236,252	355,385
Commercial Banks					
Project Notes Series 2001	1,300,000	-	(310,000)	990,000	320,000
$3.4M Credit Facility	877,727	-	(114,691)	763,036	176,991
Total	$ 15,858,602	-	$(1,277,514)	$14,581,088	$ 1,391,751

Loan activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Principal Additions	Principal Repayments	Ending Balance	Current Portion
OSU $21M Financing Facility					
OSU 2002 MOU $7M	$ 4,346,044	-	$ (283,081)	$ 4,062,963	$ 298,751
OSU 2005 MOU $4M	2,249,285	-	(206,555)	2,042,730	215,142
OSU 2013 MOU $10M	7,898,420	-	(323,238)	7,575,182	338,930
Commercial Banks					
Project Notes Series 2001	1,605,000	-	(305,000)	1,300,000	310,000
$3.4M Credit Facility	1,005,291	-	(127,564)	877,727	877,731
Total	$17,104,040	-	$(1,245,438)	$15,858,602	$ 2,040,554

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, 2018 and 2017, 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, 2018 and 2017 was $212,078 and $227,748 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, 2018 and 2017 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, 2018 and 2017 was $79,350 and $87,937 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, 2018 and 2017 was $352,505 and $368,198 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, 2018 and 2017 was 2.30% and 1.29%, respectively. Interest expense for the years ended June 30, 2018 and 2017 was $17,564 and $11,575 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 November 17, 2020.

The Project Notes provide for annual scheduled payments of principal on November 1 of each year. The remaining annual principal payments range from $320,000 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.

NOTE 4 NOTES PAYABLE AND LONG TERM DEBT (Continued)

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 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. Prior to maturity, the Corporation entered into an agreement with the bank that extends the final maturity date of the facility to December, 2022 and provides for increased monthly payments of interest plus principal of $13,953 effective August, 2018, an amount sufficient to self-amortize the facility to the extended maturity date. The unpaid balance for both the original and extended facilities bears variable interest at the rate of monthly LIBOR plus 1.25%. The interest rate as of June 30, 2018 and 2017 was 3.23% and 2.47%, respectively.

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

2019	$ 1,391,751
2020	1,436,222
2021	1,492,437
2022	1,201,314
2023	1,167,799
Thereafter	7,891,565
Total principal payments	$14,581,088

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, 2018 and 2017, 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.

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, 2018 and 2017. See Note 3 for University tenants. Total square footage occupied by these three tenants was 39% and 38% for the years ended June 30, 2018 and 2017, respectively. Rental income from these tenants was 37% and 36% of total rental income for the years ended June 30, 2018 and 2017, respectively. Three of the leases are month to month while the other two end March 31, 2019 and November 30, 2021.

November 26, 2018

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, 2018, 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 November 26, 2018.

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*.

Rea & Associates, Inc.
5775 Perimeter Drive, Suite 200 | Dublin, OH 43017-3224 | p: 614.889.8725 | f: 614.889.0159
www.reacpa.com

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
DECEMBER 27, 2018

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