

**SCIENCE AND TECHNOLOGY
CAMPUS CORPORATION**

FINANCIAL REPORT

JUNE 30, 2007 AND 2006



Mary Taylor, CPA

Auditor of State

Board of Directors
Science and Technology Campus Corporation
1275 Kinnear Road
Columbus, Ohio 43212

We have reviewed the *Independent Auditors' Report* of the Science and Technology Campus Corporation, Franklin County, prepared by Hausser + Taylor LLC, for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 21, 2007

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SCIENCE AND TECHNOLOGY CAMPUS CORPORATION

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To the Board of Directors
Science and Technology Campus Corporation
(An Ohio Not-for-Profit Corporation)

Independent Auditors' Report

We have audited the accompanying statements of financial position of Science and Technology Campus Corporation (an Ohio not-for-profit corporation) (the Corporation) as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express 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 Government Auditing Standards, issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Science and Technology Campus Corporation as of June 30, 2007 and 2006, and the results of its activities and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with Government Auditing Standards, we have also issued our report, dated November 7, 2007, on our consideration of Science and Technology Campus Corporation's internal control over financial reporting and our tests of its compliance with certain provision 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Hausser + Taylor LLC

Columbus, Ohio
November 7, 2007

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

STATEMENTS OF FINANCIAL POSITION

June 30, 2007 and 2006

<u>ASSETS</u>	<u>2007</u>	<u>2006</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 383,201	\$ 1,024,486
Assets limited as to use (Notes 2 and 5)	142,377	135,665
Accounts receivable (less allowance for doubtful accounts of \$18,681)	103,997	7,569
Deferred rental income	23,340	12,700
Prepaid expenses	90,614	94,250
Total current assets	<u>743,529</u>	<u>1,274,670</u>
PROPERTY AND EQUIPMENT (Note 2)		
Leasehold estate	12,370,000	12,370,000
Buildings	20,627,240	19,747,468
Equipment	241,122	238,462
Construction in process	5,163	599,072
	<u>33,243,525</u>	<u>32,955,002</u>
Less accumulated amortization and depreciation	<u>(5,462,596)</u>	<u>(4,571,156)</u>
	<u>27,780,929</u>	<u>28,383,846</u>
OTHER ASSETS		
Investments in start-up companies (less allowances for impairment of \$747,932 and \$657,500, respectively)	727,759	718,191
Deferred rental income	209,041	232,300
Deferred leasing costs - net of accumulated amortization of \$4,308 and \$5,444, respectively	97,975	102,283
Other assets	344,152	274,040
	<u>1,378,927</u>	<u>1,326,814</u>
 Total assets	 <u>\$ 29,903,385</u>	 <u>\$ 30,985,330</u>

The accompanying notes are an integral part of these financial statements.

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

STATEMENTS OF FINANCIAL POSITION

June 30, 2007 and 2006

<u>LIABILITIES AND NET ASSETS</u>	<u>2007</u>	<u>2006</u>
CURRENT LIABILITIES		
Current portion of notes payable and long-term debt (Notes 3 and 5)	\$ 565,804	\$ 971,656
Current portion of leasehold obligations (Note 3)	464,783	547,039
Accounts payable	77,643	242,472
Accrued liabilities	393,436	335,906
Accrued interest	660,072	376,172
Fair value of interest rate swap (Note 6)	-	19,995
	<u>2,161,738</u>	<u>2,493,240</u>
LONG-TERM LIABILITIES		
Notes payable and long-term debt (Notes 3 and 5)	18,360,928	18,164,798
Leasehold obligations (Note 3)	914,716	1,379,501
	<u>19,275,644</u>	<u>19,544,299</u>
NET ASSETS		
Unrestricted	<u>8,466,003</u>	<u>8,947,791</u>
Total liabilities and net assets	<u>\$ 29,903,385</u>	<u>\$ 30,985,330</u>

The accompanying notes are an integral part of these financial statements.

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

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
REVENUES		
Rental income (Note 3)	\$ 2,989,560	\$ 3,206,843
Contributions	362,891	362,891
Interest income	5,104	5,414
Grants	200,000	100,600
Other income	28,638	21,269
Total revenues	<u>3,586,193</u>	<u>3,697,017</u>
RENTAL OPERATING EXPENSES		
Interest expense	1,190,119	955,192
Utilities	508,561	578,606
Repairs and maintenance	327,095	312,641
Depreciation	581,600	570,281
Amortization	309,996	309,996
Management fees	115,059	123,288
Other	328,532	278,543
Total rental operating expenses	<u>3,360,962</u>	<u>3,128,547</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and related expenses	114,927	267,471
Consulting	168,997	28,372
Legal	41,627	42,213
Insurance	23,721	24,477
Accounting	70,485	70,084
Marketing and advertising	-	594
Project development costs	94,523	52,298
Telecommunications	5,575	12,037
Travel, meals and meetings	5,489	19,023
Interest	29,161	3,684
Contributions	45,000	31,284
Impairment of investments in start-up companies (Note 2)	90,432	300,000
Change in fair value of interest rate swap (Note 6)	(19,995)	(83,519)
Other	37,077	96,046
Total general and administrative expenses	<u>707,019</u>	<u>864,064</u>
Total expenses	<u>4,067,981</u>	<u>3,992,611</u>
CHANGE IN NET ASSETS	(481,788)	(295,594)
NET ASSETS - unrestricted at beginning of year	<u>8,947,791</u>	<u>9,243,385</u>
NET ASSETS - unrestricted at the end of year	<u>\$ 8,466,003</u>	<u>\$ 8,947,791</u>

The accompanying notes are an integral part of these financial statements.

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

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2007 and 2006

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (481,788)	\$ (295,594)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization and depreciation	891,596	880,277
Impairment change on investments in the start-up companies	90,432	300,000
Change in fair value of interest rate swap	(19,995)	(83,519)
Decrease in allowance for doubtful accounts	-	(571)
(Increase) decrease in current assets:		
Short term investments	-	307,925
Accounts receivable	(96,428)	50,623
Prepaid expenses	3,636	(36,897)
Deferred leasing costs and rental income	16,927	(102,283)
Other assets	(70,112)	(101,236)
Increase (decrease) in current liabilities:		
Accounts payable	(164,829)	49,135
Accrued liabilities and interest	341,430	99,825
Total adjustments	<u>992,657</u>	<u>1,363,279</u>
Net cash provided by operating activities	<u>510,869</u>	<u>1,067,685</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in assets limited as to use	(6,712)	(3,887)
Increase in investments in start-up companies	(100,000)	(215,000)
Decrease in construction in process	593,908	3,194,734
Additions to buildings and equipment	<u>(882,587)</u>	<u>(3,820,039)</u>
Net cash used in investing activities	<u>(395,391)</u>	<u>(844,192)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal reduction in leasehold obligations	(547,041)	(520,205)
Principal reduction in notes payable and long-term debt	(541,432)	(492,276)
Proceeds from notes payable and long term-debt	331,710	1,231,452
Net cash provided by (used in) financing activities	<u>(756,763)</u>	<u>218,971</u>
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (641,285)	 442,464
 CASH AND CASH EQUIVALENTS - Beginning of year	 <u>1,024,486</u>	 <u>582,022</u>
 CASH AND CASH EQUIVALENTS - End of year	 <u>\$ 383,201</u>	 <u>\$ 1,024,486</u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the years for interest	<u>\$ 935,380</u>	<u>\$ 1,005,231</u>

The accompanying notes are an integral part of these financial statements.

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

NOTES TO 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, the State of Ohio Department of Development and the City of Columbus Department of Trade and Development. The Corporation is constructing facilities on leased properties for the purpose of developing the Science and Technology Campus.

The Corporation reports contributions as unrestricted support unless explicit donor stipulations specify how the donated cash must be used. Where stipulations have been made and they have been satisfied in the same reporting period then the contribution is reported as unrestricted.

Note 2. Summary of Significant Accounting Policies

- A. Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

- B. Cash and Cash Equivalents - The Corporation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2007 or 2006.

- C. Accounts Receivable - Accounts receivable are shown at their net realizable value. Receivables consist of amounts due from tenants and governmental agencies for rent, grants and other services performed. The Corporation does not charge interest or finance charges on delinquent accounts.

Management estimates an allowance for doubtful accounts based upon management's review of delinquent accounts and 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, 2007 and 2006, management estimated that an allowance of \$18,681 was necessary.

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

- D. **Assets Limited as to Use** - The Corporation considers assets that have been designated by contract or internally designated for a specific purpose to be limited as to use and are recorded at market value. Assets limited as to use consisted of \$142,377 and \$135,665 as of June 30, 2007 and 2006, 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 5). 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.
- E. **Concentration of Credit Risk** - The Corporation's cash balances, which are in excess of federally insured levels, are maintained at large regional financial institutions. The Corporation continually monitors its balances to minimize the risk of loss for these balances.
- F. **Rental Income** - Rental income is recognized on a straight-line basis over the terms of the leases. Deferred rental income reflects rental income recognized in excess of payments due on leases which provide for scheduled increases over the term.
- G. **Deferred Leasing Costs** - Leasing costs, primarily commissions, are capitalized and amortized over the term of the respective lease.
- H. **Investments in Start-up Companies** - The Corporation invests in closely held, start-up companies and other 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 the companies that the Corporation invests in, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The activity in the reserve for impairment account was as follows:

	Year ended June 30	
	<u>2007</u>	<u>2006</u>
Beginning balance	\$ 657,500	\$ 490,119
Provision for impairment	90,432	300,000
Write-offs	<u>-</u>	<u>(132,619)</u>
Ending balance	<u>\$ 747,932</u>	<u>\$ 657,500</u>

- I. **Leasehold Estate** - Leasehold estate is recorded at its estimated fair market value at original acquisition and amortized using the straight-line method based on the assets' estimated useful life of forty years.

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

- J. Property and Equipment - Property and equipment are recorded at cost and depreciated over their estimated useful life using the straight-line method. Estimated useful lives range from three to thirty-six years.

Major additions and betterments are capitalized while maintenance and repairs which do not improve or extend the life of the respective assets are expensed as incurred.

- K. Grants - The Corporation receives grants from various City of Columbus and State of Ohio funding sources. Funds received from these grants are used to invest in start-up companies (See "Investments" above) and for operating expenses. These funds are only available on a reimbursement basis and the restrictions must be satisfied prior to applying for funding. The Corporation also receives matching contributions from various corporate or individual sponsors. These contributions have no donor-imposed restrictions.

Note 3. Related Party Transactions

Rental Income

The Corporation subleases certain property to affiliates of the University. For the years ended June 30, 2007 and 2006, rental income from affiliates amounted to \$1,713,031 and \$1,924,230, respectively. The following is a schedule by year of minimum future gross rental income on non-cancelable operating leases as of June 30, 2007:

Year Ending June 30:	
2008	\$ 2,235,656
2009	2,399,786
2010	2,414,163
2011	2,281,513
2012	<u>858,560</u>
Total minimum future rentals	<u>\$ 10,189,678</u>

Operating Support

The Corporation received \$300,000 in operating support from the University during each of the fiscal years ended June 30, 2007 and 2006. These funds, while reflected as cash contributions, have no specific restrictions attached and are used for normal operating expenses. These funds are provided to the Corporation pursuant to an agreement (the Development Agreement), which specifies that the University will continue to support the Corporation with these funds on an annual basis. The term of the operating support provided by the Development Agreement has been extended through the fiscal year ended June 30, 2007.

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

NOTES TO FINANCIAL STATEMENTS

Note 3. Related Party Transactions (Continued)

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 2007 or 2006 representing University funding from the joint use agreement.

Leasehold Obligations

Leasehold agreements require the Corporation to pay all costs of leased properties including operating costs, maintenance, renovation, and assessments. Leasehold obligations are due to the University and require aggregate monthly payments of \$54,016 with maturity dates ranging from December 2007 to October 2010 and interest rates fixed at a rate of 5.61%.

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

2008	\$	533,673
2009		419,153
2010		419,153
2011		<u>139,718</u>
Total minimum lease payments		1,511,697
Less amounts representing interest		<u>132,198</u>
Present value of leasehold obligations		1,379,499
Less current portion		<u>464,783</u>
Long-term leasehold obligations	\$	<u><u>914,716</u></u>

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

NOTES TO FINANCIAL STATEMENTS

Note 3. Related Party Transactions (Continued)

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

	<u>2007</u>	<u>2006</u>
Leasehold estate	\$ 12,370,000	\$ 12,370,000
Less accumulated amortization	<u>2,788,476</u>	<u>2,478,480</u>
Ending balance	<u>\$ 9,581,524</u>	<u>\$ 9,891,520</u>

Amortization of properties under leasehold obligations was \$309,996 for 2007 and 2006.

Notes Payable

The University has authorized up to \$21 million in construction financing for development at the Science and Technology Campus provided certain criteria are met. As of June 30, 2007 and 2006, the Corporation had drawn \$14,495,761 and \$14,466,705, respectively, of the available funds.

The Corporation signed a reimbursement agreement with the University on November 1, 2002, relating to \$7 million of the payable balance. Under the terms of the agreement, interest accrues from November 1, 2002 and is calculated based on the actual interest rate on 25-year municipal securities. The interest rate as of June 30, 2007 and 2006 was 5.4%. For the years ended June 30, 2007 and 2006, \$345,665 and \$353,831, respectively, of interest was paid in cash. None of the interest on this obligation was capitalized during the years ended June 30, 2007 and 2006. Outstanding debt and accrued interest are payable to the University on a monthly basis through the maturity date of January 2024. As of June 30, 2007 and 2006, the outstanding balance on the note was \$6,310,990 and \$6,476,155, respectively.

In December 2005, the Corporation signed a reimbursement agreement with the University relating to \$4 million of the payable balance. Under the terms of the agreement, interest accrues from December 2005 and is calculated using a blend of fixed and variable rates. The interest rate as of June 30, 2007 and 2006 was 4.08%. For the years ended June 30, 2007 and 2006, \$157,714 and \$171,908, respectively, of interest was paid in cash. None of the interest on this obligation was capitalized during the years ended June 30, 2007 and 2006. Outstanding debt and accrued interest are payable to the University on a monthly basis through the maturity date of December 2026. As of June 30, 2007 and 2006, the outstanding balance on the note was \$3,774,073 and \$3,579,852, respectively.

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

NOTES TO FINANCIAL STATEMENTS

Note 3. Related Party Transactions (Continued)

Notes Payable (Continued)

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

2008	\$ 317,509
2009	333,106
2010	349,485
2011	366,685
2012	384,725
Thereafter	<u>8,333,553</u>
Total principal payments	\$ <u>10,085,063</u>

As of June 30, 2007 and 2006, the Corporation had drawn an additional \$4,410,698 of the total available funds for which it has not entered into a reimbursement agreement with the University. For the year ended June 30, 2006, the Corporation accrued interest on the borrowings, at a variable interest rate, ranging from 5.27% to 5.51%, at the direction of the University, totaling \$243,765 (\$0 of which was capitalized). For the year ended June 30, 2006, the Corporation accrued interest on the borrowings, at a variable interest rate, ranging from 3.74% to 5.27%, at the direction of the University, totaling \$198,797 (\$73,250 of which was capitalized). None of the principal amount of these borrowings had been repaid as of June 30, 2007 or 2006.

Pass-through Funding

The Corporation acts as a pass-through entity from time to time. The Corporation has an agreement with the University to manage construction of various projects. The agreement provides \$9 million in pass through funding for construction costs. In accordance with the agreement, the Corporation does not recognize any revenue or capitalize construction costs related to this project. As of June 30, 2007 and 2006, all construction expenditures related to these projects had been reimbursed by the University.

Note 4. Defined Contribution Retirement Plan

The Corporation sponsors a defined contribution retirement plan under the guidelines of Section 401(a) of the Internal Revenue Code. Contributions to the plan are based on a rate of 7.25% of compensation, plus 5.7% of compensation in excess of the Social Security Wage Base subject to Internal Revenue Code compensation limits. Full time employees are immediately eligible and 100% vested. For the years ended June 30, 2007 and 2006, the Corporation incurred retirement expense of \$8,561 and \$17,683, respectively.

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

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-term Debt

In October 2001, the Corporation issued approximately \$5.1 million in Adjustable Rate Taxable Securities, Series 2001 (the Project Notes). The proceeds of the Project Notes have been used to finance construction costs. The Project Notes have a variable interest rate. The interest rate was 5.37% and 3.49% as of June 30, 2007 and 2006, respectively. As of June 30, 2006 and 2005, the outstanding balance on the note was \$4,000,749 and \$4,230,749, respectively. In addition, the Project Notes contain certain financial covenants, of which the Corporation was in compliance with at June 30, 2007 and 2006.

The owners of the Project Notes have the option to demand redemption of their outstanding Notes at dates defined in the agreement. The Corporation has entered into a remarketing agreement, which requires the remarketing agent to utilize its best efforts to remarket any such bonds that may be tendered for payment. If the proceeds to the remarketing agent are not sufficient to purchase the project Notes tendered, the Trustee is required to draw on an irrevocable letter of credit to pay the necessary purchase price. The letter of credit expires November 15, 2007.

For the years ended June 30, 2007 and 2006, the Corporation interest expense relating to this note of \$288,543 and \$286,328, respectively. None of the interest on this obligation was capitalized during the years ended June 30, 2007 and 2006. As of June 30, 2007 and 2006, the Corporation had repaid \$1,100,000 and \$870,000, respectively, of the principal due on the note. In addition, the Corporation had designated funds in a money market account for the repayment of principal in the amount of \$142,377 and \$135,665 as of June 30, 2007 and 2006, respectively (See Note 2).

In addition, during 2006, the Corporation entered into a credit facility to draw up to \$3.4 million to finance capital improvement projects on commercial property located on the Science and Technology Campus. Interest is payable monthly at LIBOR (5.32% and 5.35% at June 30, 2007 and 2006, respectively) plus 1.25% through end of the draw period (December 31, 2006). Subsequent to year-end, the draw period was extended to December 31, 2007. At the end of the draw period, the note will be amortized over a period up to 120 months and will bear interest at LIBOR plus 1.25%. The note is collateralized by a commercial property located on the Science and Technology Campus. As of June 30, 2007 and 2006, the Corporation had drawn \$430,222 and \$439,000, respectively, against this credit facility.

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

2007	\$	248,295
2008		279,305
2009		286,175
2010		298,147
2011		305,227
Thereafter		<u>3,013,822</u>
Total principal payments	\$	<u><u>4,430,971</u></u>

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

NOTES TO FINANCIAL STATEMENTS

Note 6. Interest Rate Swap Agreement

In December 2001, the Corporation entered into an interest rate swap agreement with a bank as a hedge against the interest rate risk associated with borrowing at a variable rate. The Corporation's objective was to eliminate the variability of cash flows in interest payments for a portion of its variable rate debt. The Swap agreement had a notional amount of \$2,488,440 as of June 30, 2006, and effectively locked a portion of the Corporation's variable rate note at a fixed rate of 6.90% for the period from December 1, 2005 to December 20, 2006. The agreement expired on December 20, 2006 and was not renewed. The Corporation does not use derivative financial instruments for speculative purposes.

As of June 30, 2006, the fair value of the swap agreement, based on current settlement prices, was a liability of \$19,995. In accordance with the provisions of Statement of Financial Accounting Standards No. 133, the change in the fair value of the interest rate swap agreement has been recognized in the statement of activities.

Note 7. Federal Income Taxes

The Internal Revenue Service has ruled that the Corporation is a tax-exempt organization as defined under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for federal income taxes has been reflected in the financial statements.

Note 8. Contingency

During 2007, the Corporation determined that a portion of notes payable drawn from the University may not have been used for construction/development activities, but rather for other operating activities of the Corporation. The Corporation has notified the University of the matter, but as of November 7, 2007 the matter has not been resolved.



**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**

Board of Directors
Science and Technology Campus Corporation
(An Ohio Not-for-Profit Corporation)

We have audited the financial statements of Science and Technology Campus Corporation (an Ohio Not-for-Profit Corporation) as of and for the year ended June 30, 2007, and have issued our report thereon dated November 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards; issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Science & Technology Campus Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Science & Technology Campus Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Science & Technology Campus Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Science & Technology Campus Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Columbus, Ohio
November 7, 2007

Hausser + Taylor LLC



Mary Taylor, CPA
Auditor of State

SCIENCE AND TECHNOLOGY CAMPUS CORPORATION

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 6, 2007**