

**STATE OF ILLINOIS  
UNIVERSITY OF ILLINOIS  
RESEARCH PARK, LLC  
Champaign, Illinois**

**FINANCIAL AUDIT  
For the Two Years Ended June 30, 2005**

**Performed as Special Assistant Auditors  
for the Auditor General, State of Illinois**

**STATE OF ILLINOIS  
UNIVERSITY OF ILLINOIS  
RESEARCH PARK, LLC  
FINANCIAL AUDIT  
For the Two Years Ended June 30, 2005**

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**UNIVERSITY OF ILLINOIS  
RESEARCH PARK, LLC  
COMPANY OFFICIALS  
June 30, 2005**

Chair of Board	Edward L. McMillan
Vice Chair	Patrick F. Daly
Treasurer	Stephen K. Rugg
Secretary	Thomas R. Bearrows
Director	David L. Chicoine
Manager, Research Park & Incubator Facilities	Scott Pickard

Board of Managers:

Patrick F. Daly	Dr. Kenneth Schmidt
Eric A. Gislason	Charles F. Zukoski
Edward L. McMillan	

The University of Illinois Research Park, LLC office is located at:

University of Illinois Research Park  
60 Hazelwood, MC-659  
Champaign, Illinois

# **FINANCIAL STATEMENT REPORT**

## **SUMMARY**

The audit of the accompanying financial statements of University of Illinois Research Park, LLC was performed by Clifton Gunderson LLP.

Based on their audit, the auditors expressed an unqualified opinion on the University of Illinois Research Park, LLC's basic financial statements.

## Independent Auditor's Report

The Honorable William G. Holland  
Auditor General  
State of Illinois

and

Board of Managers  
University of Illinois  
Research Park, LLC

As Special Assistant Auditors for the Auditor General, we have audited the accompanying statements of net assets of University of Illinois Research Park, LLC, a component unit of the University of Illinois, as of June 30, 2005 and June 30, 2004, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Company'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 Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 University of Illinois Research Park, LLC as of June 30, 2005 and June 30, 2004, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2005 on our consideration of University of Illinois Research Park, LLC'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 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.

The accompanying management's discussion and analysis on pages 5 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Clifton Henderson LLP*

Peoria, Illinois  
August 2, 2005

**UNIVERSITY OF ILLINOIS  
RESEARCH PARK, LLC  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005**

(Unaudited)

**INTRODUCTION**

The following discussion and analysis provides an overview of the financial position and activities of the University of Illinois Research Park, LLC for the year ended June 30, 2005, with selected comparative information for the years ended June 30, 2004 and June 30, 2003. This discussion has been prepared by the management and should be read in conjunction with the financial statements and the notes thereto, which follow this section. These include the Statements of Net Assets, Statements of Revenues, Expenses, and Changes in Net Assets, and Statements of Cash Flows.

By agreement with the Board of Trustees of the University of Illinois ("University"), the University of Illinois Research Park, LLC (the "RPLLC") exists for the sole purpose of aiding and assisting the University of Illinois in establishing and operating a research park in support of the University's teaching, research, public service, and economic development activities.

**USING THE FINANCIAL STATEMENTS**

The RPLLC's financial report includes three financial statements: Statements of Net Assets, Statements of Revenues, Expenses, and Changes in Net Assets, and Statements of Cash Flows. These statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles.

The Statements of Net Assets are presented to show the assets, liabilities, and net assets as of June 30, 2005 and June 30, 2004. Following the Statements of Net Assets are the Statements of Revenues, Expenses, and Changes in Net Assets which provide operational information for the RPLLC. The Statements of Cash Flows provide details on how cash was used during the two years.

**FINANCIAL HIGHLIGHTS**

The Research Park, LLC experienced an increase in net assets of \$108,143 in fiscal year 2005 compared to a decrease of \$36,577 in fiscal year 2004. The main factors contributing to the changes are the changes in service income, operating expenses and the loss on the lease cancellation during the year ended June 30, 2005.

**UNIVERSITY OF ILLINOIS  
RESEARCH PARK, LLC  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005**

(Unaudited)

**FINANCIAL HIGHLIGHTS (CONTINUED)**

The Statements of Net Assets indicate an increase in current assets of \$19,681 from fiscal year 2004 to fiscal year 2005 and a decrease of \$27,498 from fiscal year 2003 to fiscal year 2004. This is primarily due to changes in both receivables and cash accounts. During the year ended June 30, 2004, it was decided to reorganize the Research Park operations. As part of the reorganization, it was decided to assign to the Vice Chancellors of Research offices at the Urbana-Champaign Campus and the Chicago Campus responsibilities for the day-to-day administration previously performed by the Research Park. In connection with this, effective July 1, 2004, the employees of the Research Park were transferred to the University of Illinois. After this change there is very limited activity flowing through the Research Park checking account. For these reasons, the balance in cash as of June 30, 2004 and 2005 has been reduced. The increase in property and equipment represents additions in the year ended June 30, 2005 for leasehold improvements net of depreciation on existing property and equipment. Total assets increased by \$471,389 between June 30, 2004 and 2005 and decreased by \$41,204 between June 30, 2003 and 2004. Current liabilities increased by \$363,246 between June 30, 2004 and 2005 as a result of amounts owed to the University of Illinois and Fox/Atkins Development, LLC for leasehold improvements incurred by the University on behalf of the Research Park.

**Summary Statements of Net Assets**

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Current assets	\$ 23,141	\$ 3,460	\$ 30,958
Capital assets	726,650	204,875	215,630
Lease receivable	<u>86,048</u>	<u>156,115</u>	<u>159,066</u>
<b>Total assets</b>	<u>\$ 835,839</u>	<u>\$ 364,450</u>	<u>\$ 405,654</u>
Current liabilities	<u>\$ 379,284</u>	<u>\$ 16,038</u>	<u>\$ 20,665</u>
Net assets:			
Invested in capital assets, net of related debt	384,911	204,875	215,630
Unrestricted	<u>71,644</u>	<u>143,537</u>	<u>169,359</u>
Total net assets	<u>456,555</u>	<u>348,412</u>	<u>384,989</u>
<b>Total liabilities and net assets</b>	<u>\$ 835,839</u>	<u>\$ 364,450</u>	<u>\$ 405,654</u>

The Research Park, LLC receives funding through the lease of the land to the developer as well as service income provided through the University. Therefore, there is no intent or need to accumulate cash balances. Cash at June 30, 2005 totaled \$3,141.

**UNIVERSITY OF ILLINOIS  
RESEARCH PARK, LLC  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005**

(Unaudited)

**FINANCIAL HIGHLIGHTS (CONTINUED)**

**Selected Items from Statements of Revenues, Expenses,  
and Changes in Net Assets**

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Operating revenues:			
Service income	\$ 251,544	\$ 306,217	\$ 678,072
Rental income	<u>59,236</u>	<u>67,104</u>	<u>62,755</u>
Total operating revenues	<u>310,780</u>	<u>373,321</u>	<u>740,827</u>
Operating expenses:			
Rent	-	-	30,614
Salaries	300	240,898	270,500
Office supplies	237	8,789	17,784
Depreciation	19,964	18,255	15,755
Travel	-	8,406	9,856
Support for EnterpriseWorks	1,387	78,798	-
Support for Office of the Vice Chancellor for Research	60,578	-	-
Professional fees	32,851	1,350	236,895
Office	107	-	19,562
Telecommunications	457	6,336	4,972
Subscriptions/dues/luncheons	1,477	9,139	13,504
Utilities	-	-	4,171
Advertising	-	13,749	20,692
Other	<u>17,924</u>	<u>25,112</u>	<u>42,376</u>
Total operating expenses	<u>135,282</u>	<u>410,832</u>	<u>686,681</u>
Operating income (loss)	175,498	(37,511)	54,146
Nonoperating revenue (loss)			
Interest	30	934	11,908
Loss on lease cancellation	<u>(67,385)</u>	<u>-</u>	<u>-</u>
<b>Increase (decrease) in net assets</b>	<u>\$ 108,143</u>	<u>\$ (36,577)</u>	<u>\$ 66,054</u>

**UNIVERSITY OF ILLINOIS  
RESEARCH PARK, LLC  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005**

(Unaudited)

**FINANCIAL HIGHLIGHTS (CONTINUED)**

Service income is revenue provided by the University to the Research Park, LLC in return for managing the Research Park at the Urbana-Champaign Campus. The amount of funding provided is dependent on the needs of the Research Park.

As of July 1, 2004, the employees of the Research Park, LLC were transferred to the University. Also, most of the operating activities were delegated to the University. As a result of these changes, the operating expenses, wages and support needed to fund the Research Park operations are all significantly less than in the years ended June 30, 2004 and June 30, 2003. As of September 1, 2004, the Research Park's lease agreement with the developer and the University for one tract was terminated. The remaining lease receivable on this tract was written off as a loss on lease cancellation.

In April 2003, Research Park, LLC administrative offices relocated to the EnterpriseWorks facility. As a result, no rent payments were paid in fiscal year 2004. Additionally, no consultant costs were required to be paid to the developer in fiscal year 2004 by the Developer Agreement as amended. Finally, the Research Park director resigned in April 2004. A University employee is managing the Research Park. These changes contributed to a decrease in service income during fiscal year 2004 of \$371,855.

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The University of Illinois Research Park, LLC no longer relies on funding from the University - Office of the Vice Chancellor for Research. All of the University of Illinois Research Park, LLC employees have been transferred to the University of Illinois as of July 1, 2004. The operating functions of the University of Illinois Research Park, LLC have been assigned to the University of Illinois. As of June 30, 2005, the University of Illinois Research Park owed \$341,739 to the University of Illinois for leasehold improvements. The only source of funds the University of Illinois Research Park LLC currently has to repay this balance is rental income from the developer and support from the University.

**UNIVERSITY OF ILLINOIS  
RESEARCH PARK, LLC  
STATEMENTS OF NET ASSETS  
June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 3,141	\$ 3,460
Accounts receivable	<u>20,000</u>	<u>-</u>
Total current assets	23,141	3,460
<b>CAPITAL ASSETS</b>	726,650	204,875
<b>LEASE RECEIVABLE</b>	<u>86,048</u>	<u>156,115</u>
<b>TOTAL ASSETS</b>	<u>\$ 835,839</u>	<u>\$ 364,450</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	<u>\$ 379,284</u>	<u>\$ 16,038</u>
<b>NET ASSETS</b>		
Invested in capital assets net of related debt	384,911	204,875
Unrestricted	<u>71,644</u>	<u>143,537</u>
Total net assets	<u>456,555</u>	<u>348,412</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 835,839</u>	<u>\$ 364,450</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**UNIVERSITY OF ILLINOIS  
RESEARCH PARK, LLC  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES  
IN NET ASSETS  
Years Ended June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>OPERATING REVENUES</b>		
Service income	\$ 251,544	\$ 306,217
Rental income	<u>59,236</u>	<u>67,104</u>
Total operating revenues	<u>310,780</u>	<u>373,321</u>
 <b>OPERATING EXPENSES</b>		
Salaries	300	240,898
Office supplies	237	8,789
Depreciation	19,964	18,255
Travel	-	8,406
Support for Enterprise Works	1,387	78,798
Support for Office of Vice Chancellor for Research	60,578	-
Professional fees	32,851	1,350
Office	107	-
Telecommunications	457	6,336
Subscriptions/dues/luncheons	1,477	9,139
Advertising	-	13,749
Other	<u>17,924</u>	<u>25,112</u>
Total operating expenses	<u>135,282</u>	<u>410,832</u>
Operating income (loss)	175,498	(37,511)
 <b>NONOPERATING REVENUE (LOSS)</b>		
Interest	30	934
Loss on lease cancellation	<u>(67,385)</u>	<u>-</u>
 <b>INCREASE (DECREASE) IN NET ASSETS</b>	108,143	(36,577)
 <b>NET ASSETS, BEGINNING OF YEAR</b>	<u>348,412</u>	<u>384,989</u>
 <b>NET ASSETS, END OF YEAR</b>	<u>\$ 456,555</u>	<u>\$ 348,412</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**UNIVERSITY OF ILLINOIS  
RESEARCH PARK, LLC  
STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Service income	\$ 80,611	\$ 376,272
Payments to suppliers	<u>(80,960)</u>	<u>(390,942)</u>
Net cash used in operating activities	<u>(349)</u>	<u>(14,670)</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	<u>-</u>	<u>(7,500)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	<u>30</u>	<u>934</u>
 <b>DECREASE IN CASH</b>	(319)	(21,236)
 <b>CASH, BEGINNING OF YEAR</b>	<u>3,460</u>	<u>24,696</u>
 <b>CASH, END OF YEAR</b>	<u>\$ 3,141</u>	<u>\$ 3,460</u>
 <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 175,498	\$ (37,511)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	19,964	18,255
Noncash service income	(180,000)	-
Effects of changes in operating assets and liabilities:		
Accounts receivable	(20,000)	6,262
Lease receivable	2,682	2,951
Accounts payable	<u>1,507</u>	<u>(4,627)</u>
 <b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>\$ (349)</u>	<u>\$ (14,670)</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**UNIVERSITY OF ILLINOIS  
RESEARCH PARK, LLC  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005 and 2004**

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

The University of Illinois Research Park, LLC (Research Park) was organized March 15, 2000 as an Illinois Limited Liability Company with offices located in Champaign, Illinois. The Research Park was organized by, and is a component unit of, the University of Illinois. The sole member of the Research Park is the Board of Trustees of the University of Illinois (University), a body corporate and politic of the State of Illinois. To the extent provided by the Illinois Limited Liability Company Act, the member's liability is limited.

The purpose of the Research Park is to develop and operate a research park to encourage and facilitate research and development and to foster economic growth within the State using the University's intellectual assets.

On September 11, 2003, the Board of Trustees of the University of Illinois approved certain amendments to the Operating Agreement (bylaws) of the University of Illinois Research Park, LLC and the Services and Management Agreement between the University and the LLC. The effect of the changes to the two agreements is to broaden the jurisdiction of the LLC to oversight of the research parks at the Urbana campus, the Chicago campus, and other research parks in Illinois where the University has some operating responsibility by statute or contract.

Services are primarily provided in Central Illinois. The Research Park extends unsecured credit to its customers.

**Basis of Presentation**

The Research Park prepared its financial statements as a business-type activity, as defined by GASB Statement No. 34, using the economic resources measurement focus and the accrual basis of accounting. Business-type activities are those financed in whole, or in part, by fees charged to external parties for goods and services. Pursuant to GASB Statement No. 20, Research Park has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and do not conflict with or contradict GASB pronouncements. The Research Park has elected not to follow subsequent private sector guidance.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**UNIVERSITY OF ILLINOIS  
RESEARCH PARK, LLC  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005 and 2004**

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

The Company's leasehold improvements are depreciated on the straight-line method over their estimated useful lives of twenty-five years. Office equipment is depreciated on the straight-line method over the estimated useful life of each asset, which ranges from five to seven years.

**Income Taxes**

Research Park's sole member has elected to have the Company's income taxed as a limited liability company under the provisions of the Internal Revenue Code and a similar section of the Illinois income tax law; therefore, taxable income or loss is reported to the sole member for inclusion on its tax return. No provision for federal or state income taxes is included in these statements.

**Advertising Costs**

The costs of advertising are charged to expense as incurred. Advertising expense for the years ended June 30, 2005 and 2004 totaled \$-0- and \$13,749, respectively.

**Revenue Recognition**

Revenue is recognized as services are provided. Operating revenues result from services and rentals rendered. Nonoperating revenue consists of interest income and capital contributions.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Company does not have a formal policy for interest rate risk. All of the Company's deposits are in either a commercial checking account or a bank money market account, which are not subject to maturity and therefore do not have interest rate risk.

*Credit Risk.* Credit risk is the risk that an issuer or their counterparty to an investment will not fulfill its obligations. The Company does not have a formal policy for credit risk. All of the Company's deposits are in either a commercial checking account or a bank money market account.

*Custodial Credit Risk.* Deposits, as of June 30, are categorized in accordance with the risk factors defined by governmental reporting standards.

**UNIVERSITY OF ILLINOIS  
RESEARCH PARK, LLC  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005 and 2004**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

<u>Depository Account</u>	<u>2005</u>	<u>2004</u>
Insured	\$ 3,558	\$ 3,877
<b>Total</b>	<u>\$ 3,558</u>	<u>\$ 3,877</u>

Custodial credit risk is the risk that in the event of a bank failure, the Company's deposits may not be returned to the Company. The Company does not have a custodial deposit risk as of June 30th as there were no uncollateralized deposits.

Research Park implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures* (an amendment of GASB Statement No. 3) for the fiscal year ended June 30, 2005.

**NOTE 3 - DEVELOPMENT AGREEMENT AND LEASE RECEIVABLE**

The Research Park has entered into an agreement dated May 3, 2000 with Fox/Atkins Development, LLC for the development of a research park on land specifically defined in the agreement and owned by the University of Illinois. For each tract of land developed under the basic agreement, a ground lease will be entered into. The terms of the ground leases are 50 years from the commencement date of the individual leases. The basic annual rent for the land is \$5,000 per acre with a waiver of any lease payments due prior to July 1, 2003. The leases will be adjusted every five years based on increases in the consumer price index over the prior five-year period. The increase due to changes in the consumer price index is limited to 12 percent each adjustment period. The rental income for the leases is being recognized on a straight-line basis over the entire terms of the leases using total minimum lease payments that will be received for each lease.

As of June 30, 2005, four tracts have been leased under the terms of the development agreement.

Total rent receivable accrued under these leases as of June 30, 2005 and 2004 is \$86,048 and \$156,115, respectively.

Minimum future rentals to be received on these noncancelable leases as of June 30, 2005 are as follows:

2006	\$ 63,405
2007	63,405
2008	63,405
2009	63,405
2010	63,405
Later years	<u>2,657,766</u>
<b>Total</b>	<u>\$ 2,974,791</u>

**UNIVERSITY OF ILLINOIS  
RESEARCH PARK, LLC  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005 and 2004**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the years ended June 30, 2005 and 2004 was as follows:

	<b>2005</b>			
	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Retirements</u></b>	<b><u>Ending Balance</u></b>
Office equipment	\$ 48,313	\$ -	\$ -	\$ 48,313
Leasehold improvements	<u>209,540</u>	<u>541,739</u>	<u>-</u>	<u>751,279</u>
	257,853	541,739	-	799,592
Less accumulated depreciation	<u>52,978</u>	<u>19,964</u>	<u>-</u>	<u>72,942</u>
	<u>\$ 204,875</u>	<u>\$ 521,775</u>	<u>\$ -</u>	<u>\$ 726,650</u>
	<b>2004</b>			
	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Retirements</u></b>	<b><u>Ending Balance</u></b>
Office equipment	\$ 40,813	\$ 7,500	\$ -	\$ 48,313
Leasehold improvements	<u>209,540</u>	<u>-</u>	<u>-</u>	<u>209,540</u>
	250,353	7,500	-	257,853
Less accumulated depreciation	<u>34,723</u>	<u>18,255</u>	<u>-</u>	<u>52,978</u>
	<u>\$ 215,630</u>	<u>\$ (10,755)</u>	<u>\$ -</u>	<u>\$ 204,875</u>

**NOTE 5 - OPERATING LEASES**

The Research Park offices are located in the EnterpriseWorks Building which the University of Illinois owns. There is currently no lease agreement for the space and the Research Park is not being charged any rent for the space.

The Company leases the ground for the development of a research park from the University of Illinois which, in turn, it leases to Fox/Atkins. Under the terms of the lease agreement with the University of Illinois, the annual lease payment is \$10 per year for each tract. The term of the leases are 50 years. The Company has the option to extend the lease for an additional 25 years.

**UNIVERSITY OF ILLINOIS  
RESEARCH PARK, LLC  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005 and 2004**

**NOTE 5 - OPERATING LEASES (CONTINUED)**

Future minimum lease payments under this lease are as follows:

2006	\$ 40
2007	40
2008	40
2009	40
2010	40
Later years	<u>1,660</u>
<b>Total</b>	<b><u>\$ 1,860</u></b>

**NOTE 6 - RELATED PARTY TRANSACTIONS**

The University provides support to the Research Park including salaries (staff are University employees), bookkeeping and accounting services, and certain administrative costs as provided in the operating and service agreement. For the years ended June 30, 2005 and 2004, the University provided support in the amount of \$251,544 and \$306,217, respectively, to the Research Park which has been recognized as revenue in the statements of revenues, expenses, and changes in net assets. For the year ended June 30, 2005, the University provided support for operating expenses totaling \$51,544 and for purchase of capital assets of \$200,000. For the year ended June 30, 2004, the support provided by the University of \$306,217 was for operating expenses.

Also, the Research Park leases tracts of land from the University and subleases them to the Research Park developer and/or tenants of the Research Park.

The Research Park provided support for EnterpriseWorks, which is a part of the University of Illinois incubator program, of \$1,387 and \$78,798 in the years ended June 30, 2005 and 2004, respectively.

The Research Park provided support to the University of Illinois at Urbana Champaign Office of Vice Chancellor of Research of \$60,578 and \$0- during the years ended June 30, 2005 and 2004, respectively.

The Research Park owed the University of Illinois at Urbana Champaign Facilities and Services department \$341,739 for leasehold improvements that the University incurred on behalf of the Research Park.

**UNIVERSITY OF ILLINOIS  
RESEARCH PARK, LLC  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005 and 2004**

**NOTE 7 - RETIREMENT PLAN AND OTHER EMPLOYEE BENEFITS**

Employees of the Company were generally treated as employees of the University of Illinois and, as such, participate in the University retirement plan and other employee benefit plans to the extent they meet eligibility requirements of the University plans. The Company did not make contributions to any retirement plan or other benefit plan for its employees. The University of Illinois made any contributions due to the retirement plan and other benefit plans for Company employees. The Company no longer has any employees as of July 1, 2004.

**NOTE 8 - TERMINATION OF LEASES ON TRACT #205**

On September 1, 2004, the lease agreements for one tract (#205) between the University of Illinois and the University of Illinois Research Park, LLC and between the University of Illinois Research Park, LLC and Fox/Atkins Development, LLC were terminated. The termination of the lease resulted in the write off of the lease receivable balance which has been accrued on tract #205. The Research Park did not receive any compensation for early termination of the lease agreement with Fox/Atkins.

**NOTE 9 - COMMITMENTS**

As part of an amendment to the development agreement at June 30, 2005, the Company was committed to pay the developer \$74,000 in professional fees for the oversight of a remodeling project on a University building. Costs incurred through June 30, 2005 were \$32,851, leaving a remaining balance committed of \$41,149.

**NOTE 10 - CASH FLOWS**

During the year ended June 30, 2005, the Company procured leasehold improvements for which the Company is obligated to the University of Illinois for \$341,739. The University of Illinois provided support through the purchase of leasehold improvements of \$200,000 during the year ended June 30, 2005.

This information is an integral part of the accompanying financial statements.

**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***

The Honorable William G. Holland  
Auditor General  
State of Illinois

and

Board of Managers  
University of Illinois  
Research Park, LLC

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of University of Illinois Research Park, LLC as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated August 2, 2005. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered University of Illinois Research Park, LLC's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether University of Illinois Research Park, LLC'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 Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and Company management, and is not intended to be and should not be used by anyone other than these specified parties.

*Clifton Henderson LLP*

Peoria, Illinois  
August 2, 2005