



Crowe Chizek and Company LLC  
Member Horwath International

**STATE OF ILLINOIS**  
**SOUTHERN ILLINOIS RESEARCH PARK, INC.**  
**COMPLIANCE EXAMINATION**  
For the two years ended June 30, 2007  
Performed as Special Assistant Auditors for the  
Auditor General, State of Illinois

STATE OF ILLINOIS  
SOUTHERN ILLINOIS RESEARCH PARK, INC.

COMPLIANCE EXAMINATION  
For the years ended June 30, 2007

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FINDINGS AND RECOMMENDATIONS	
Current Findings .....	None
Prior Findings Not Repeated .....	None

FINANCIAL STATEMENT REPORT

The Agency's financial statement report for the year ended June 30, 2007, which includes the report of independent auditors, management discussion and analysis, basic financial statements, and independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with *Government Auditing Standards* has been issued separately.

STATE OF ILLINOIS  
SOUTHERN ILLINOIS RESEARCH PARK, INC.

COMPLIANCE EXAMINATION  
For the two years ended June 30, 2007

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STATE OF ILLINOIS  
SOUTHERN ILLINOIS RESEARCH PARK, INC.  
AGENCY OFFICIALS

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Southern Illinois University personnel who provide significant administrative support to the SIRP include:

Kyle Harfst, PhD.

Interim Executive Director

Research Park offices are located at:

Southern Illinois Research Park, Inc.  
Dunn- Richmond Center  
150 E. Pleasant Hill Road  
Carbondale, IL 62901

January 11, 2008

Crowe Chizek and Company LLC  
70 W. Madison St. Suite 700  
Chicago, IL 60602

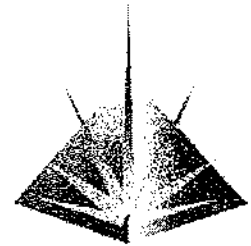
Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Southern Illinois Research Park, Inc (SIRP). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of SIRP's compliance with the following assertions during the two-year period ended June 30, 2007. Based on this evaluation, we assert that during the years ended June 30, 2007 and June 30, 2006, SIRP has materially complied with the assertions below.

- A. The SIRP has obligated, expended, received and used funds in accordance with the purpose for which such funds have been authorized by law.
- B. The SIRP has obligated, expended, received and used funds in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such expenditure, receipt, or use.
- C. The SIRP has complied, in all material respects, with applicable laws and regulations in its financial and fiscal operations.
- D. The revenues and receipts collected by the SIRP are in accordance with applicable laws and regulations and the accounting and record keeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. The money or negotiable securities or similar assets handled by the SIRP have been properly and legally administered, and the accounting and record keeping relating thereto is proper, accurate and in accordance with law.



Kyle Harfst, Interim Executive Director



FOUNDED 1925

SOUTHERN  
ILLINOIS  
RESEARCH  
P A R K

Chair  
Mr. Jeff Doherty  
City of Carbondale

VICE CHAIR  
Dr. John A. Korogochak  
Southern Illinois University  
Carbondale

TREASURER  
Mr. John Desjar  
First Southern Bank

SECRETARY  
Mr. Michael S. Kearney  
Ameren Service Corporation

BOARD MEMBERS

Mr. Curtis Baird  
Mr. Lee Roy Brandon  
Dr. Tom Firestone  
Mr. Dennis Harmon  
Ms. Mary K. Moore  
Dr. Glenn W. Peshard  
Dr. Don Rice  
Dr. Fernando M. Treviño

EXECUTIVE DIRECTOR  
Dr. Kyle Harfst

150 E Pleasant Hill Road, Suite 136  
Carbondale, IL 62903  
VOICE: 618/536-4451  
FAX: 618/533-5040  
[www.sirpark.com](http://www.sirpark.com)

## COMPLIANCE REPORT

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### Compliance Testing

A compliance examination test, on a sample basis, whether an agency is conforming to laws, rules, regulations, grant agreements, and other standards governing its conduct. A compliance report covers the agency's operations for the previous one or two fiscal years, depending upon how often the examination is performed.

The compliance report is comprised of the following:

A Summary section providing a brief overview of the compliance examination.

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### Auditors' Reports

- An Auditors' Reports section containing statements by the auditors on the scope and results of their testing, as required by applicable professional standards. Depending upon the nature of the agency's operations, several reports may be issued.

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### Findings and Recommendations

- A Findings & Recommendations section containing sequentially numbered findings in which the auditors note any instances of non-conformity by the agency with applicable laws, rules, regulations, grant agreements, and other standards governing its conduct that were found by the auditors in the course of their review. All findings are discussed with the agency officials during the post audit process.

Each finding generally contains: a description of the condition found; a recommendation by the auditors for corrective action; a response by the agency either accepting or rejecting the auditors' finding; and a description of the agency's plan for addressing the problem.

STATE OF ILLINOIS  
SOUTHERN ILLINOIS RESEARCH PARK, INC.  
COMPLIANCE REPORT SUMMARY  
For the two years ended June 30, 2007

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The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

#### AUDITOR'S REPORTS

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

#### SUMMARY OF FINDINGS

<u>Number of</u>	<u>Compliance</u>	<u>Financial</u>	<u>Prior</u>
<u>Findings</u>	<u>Report</u>	<u>Report</u>	<u>Compliance</u>
Findings	0	2	0
Repeated findings	0	0	0
Prior recommendations implemented or not repeated	0	0	0

Details of *Government Auditing Standards* findings are issues related to significant deficiencies and material weaknesses in internal control over financial reporting. Findings related to *Government Auditing Standards* have been issued separately with the SIRP's Financial Statement Audit (\*\*).

#### SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
<u>FINDINGS (GOVERNMENT AUDITING STANDARDS)</u>		
07-1	**	Fraud Prevention and Detection Program
07-2	**	Internal Control over Receipts and Expenses Cut-off







Crowe Chizek and Company LLC  
Member Horwath International

INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE,  
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON  
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland  
Auditor General  
State of Illinois

**Compliance**

As Special Assistant Auditors for the Auditor General, we have examined the Southern Illinois Research Park, Incorporated (SIRP) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the years ended June 30, 2007 and 2006. The management of the SIRP is responsible for compliance with these requirements. Our responsibility is to express an opinion on the SIRP's compliance based on our examination.

- A. The SIRP has obligated, expended, received, and used funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The SIRP has obligated, expended, received, and used funds in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The SIRP has complied, in all material respects, with applicable laws and regulations in its financial and fiscal operations.
- D. The revenues and receipts collected by the SIRP are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the SIRP or held in trust by the SIRP have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the SIRP's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the SIRP's compliance with specified requirements.

In our opinion, the SIRP complied, in all material respects, with the requirements listed in the first paragraph of this report during the years ended June 30, 2007 and 2006. As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter to your office.

### **Internal Control**

The management of the SIRP is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the SIRP's internal control over compliance with the requirements listed in the first paragraph of this report in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the SIRP's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the SIRP's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement 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 noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance with the requirements listed in the first paragraph of this report 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 compliance that we consider to be material weaknesses, as defined above.

As required by the Audit Guide, immaterial findings relating to internal control deficiencies excluded from this report have been reported in a separate letter to your office.

### Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of the SIRP as of and for the year ended June 30, 2007, and have issued our report thereon dated January 11, 2008. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the SIRP. The 2007 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2007, taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States, the SIRP's basic financial statements for the year ended June 30, 2006. In our report dated September 29, 2006, we expressed an unqualified opinion on the basic financial statements. In our opinion, the 2006 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2006, taken as a whole. The financial statements of the SIRP as of June 30, 2005 were audited by other auditors whose report dated September 21, 2005 expressed an unqualified opinion on those statements.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the SIRP Board of Directors, and agency management and is not intended to be and should not be used by anyone other than these specified parties.

  
Crowe Chizek and Company LLC

Chicago, Illinois  
January 11, 2008

STATE OF ILLINOIS  
SOUTHERN ILLINOIS RESEARCH PARK, INC.  
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES  
SUMMARY  
For the year ended June 30, 2007

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Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis
  - Comparative Schedule of Cash and Cash Equivalents
  - Comparative Schedule of Cash Receipts
  - Schedule of Changes in Property and Equipment
  - Analysis of Significant Variations in Revenues and Expenses
  - Analysis of Significant Statement of Net Assets Accounts
  - Analysis of Accounts Receivable
  
- Analysis of Operations
  - Agency Functions and Planning Program
  - Local Funds
  - Employee Statistics (Unaudited)
  - Service Efforts and Accomplishments (Unaudited)
  - Summary of Payments to the University

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, except for that portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

STATE OF ILLINOIS  
SOUTHERN ILLINOIS RESEARCH PARK, INC.  
COMPARATIVE SCHEDULE OF CASH AND CASH EQUIVALENTS  
June 30, 2007, 2006, and 2005

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	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash and cash equivalents by net asset class (carrying value)			
Unrestricted	\$ 55,262	\$ 57,358	\$ 70,272
Restricted	<u>          -</u>	<u>      3,000</u>	<u>      3,000</u>
	<u>\$ 55,262</u>	<u>\$ 60,358</u>	<u>\$ 73,272</u>
Cash and cash equivalents by depository (bank value)			
Old National Bank	<u>      55,262</u>	<u>      60,358</u>	<u>      73,272</u>
	<u>\$ 55,262</u>	<u>\$ 60,358</u>	<u>\$ 73,272</u>

STATE OF ILLINOIS  
SOUTHERN ILLINOIS RESEARCH PARK, INC.  
COMPARATIVE SCHEDULE OF CASH RECEIPTS  
For the years ended June 30, 2007, 2006, and 2005

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	<u>2007</u>	<u>2006</u>	<u>2005</u>
Grant revenue	\$ 18,718	\$ 212,326	\$ 29,000
Rental revenue	210,863	56,665	-
Interest and dividend income	<u>2,910</u>	<u>1,169</u>	<u>576</u>
	<u>\$ 232,491</u>	<u>\$ 270,160</u>	<u>\$ 29,576</u>

STATE OF ILLINOIS  
SOUTHERN ILLINOIS RESEARCH PARK, INC.  
SCHEDULE OF CHANGES IN PROPERTY AND EQUIPMENT  
For the years ended June 30, 2007, 2006, and 2005

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	Furniture Fixtures and <u>Equipment</u>	Less Accumulated <u>Depreciation</u>	Capital Assets, Net
Balance June 30, 2004	\$ -	\$ -	\$ -
Additions	80,956	-	80,956
Disposals	<u>-</u>	<u>-</u>	<u>-</u>
Balance June 30, 2005	<u>\$ 80,956</u>	<u>\$ -</u>	<u>\$ 80,956</u>
Additions	212,326	(14,664)	197,662
Disposals	<u>-</u>	<u>-</u>	<u>-</u>
Balance June 30, 2006	<u>\$ 293,282</u>	<u>\$ (14,664)</u>	<u>\$ 278,618</u>
Additions	17,483	(29,620)	(12,137)
Disposals	<u>-</u>	<u>-</u>	<u>-</u>
Balance June 30, 2007	<u>\$ 310,765</u>	<u>\$ (44,284)</u>	<u>\$ 266,481</u>

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STATE OF ILLINOIS  
SOUTHERN ILLINOIS RESEARCH PARK, INC.  
ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES AND EXPENSES  
For the years ended June 30, 2007, 2006, and 2005

	<u>2007</u>	Increase (Decrease)		<u>2006</u>	Increase (Decrease)		<u>2005</u>
Operating revenues							
Rental income	\$ 210,863	\$ 154,198	a	\$ 56,665	\$ 56,665	h	\$ -
Budget allocation from SIU	46,003	(8,685)	b	54,688	22,369	i	32,319
Operating expenses							
Budget expended at SIU	46,003	(8,685)	c	54,688	22,369	j	32,319
Expenditures for the benefit of SIU	-	-		-	(14,730)	k	14,730
General and operating	173,474	133,246	d	40,228	29,572	l	10,656
Depreciation	29,620	14,956	e	14,664	14,664	m	-
Bad debt	-	(13,659)	f	13,659	13,659	n	-
Nonoperating revenues (expenses)							
Interest income	2,910	1,741		1,169	593		576
Grant income	18,718	(193,608)	g	212,326	131,370	o	80,956

All increases/decrease greater than \$2,500 were determined to be significant:

- a. In FY07 the entire SIRP building was leased and open for a full year compared to half of FY06
- b. The Executive Director retired at the beginning of FY07 and his salary was not allocated to the SIRP as it was in FY06.
- c. The Executive Director retired at the beginning of FY07 and his salary was not allocated to the SIRP as it was in FY06.
- d. In FY07 the SIRP building was open for a full year and more building operations and lease expenses were incurred than FY06
- e. Leasehold improvements were placed in service for half of FY06 and all of FY07.
- f. One large uncollectible receivable was written off in FY06, none in FY07.
- g. The majority of the expense incurred on the building was eligible for reimbursement from two grants awarded in FY05. The remainder of the reimbursable amounts from those grants was all the grant revenue received in FY07.
- h. In FY06 the SIRP building was opened and leased for approximately half of the year.
- i. More University employee's time was allocated to SIRP in FY06 than in FY05 due to increased activities.
- j. More University employee's time was allocated to SIRP in FY06 than in FY05 due to increased activities.
- k. FY05 included construction costs for the SIRP building. All additional expenses relating to the SIRP building have been capitalized as leasehold improvements.
- l. In FY06 the SIRP building was open for approximately half of the year and more building operating expenses were incurred.
- m. Leasehold improvements were placed in service for half of FY06. No depreciable assets prior to this period.
- n. One large uncollectible receivable was written off in FY06, none in FY05.
- o. Two large cost reimbursement grants were awarded in FY05 but the majority of reimbursable expenses were incurred in FY06.



STATE OF ILLINOIS  
SOUTHERN ILLINOIS RESEARCH PARK, INC.  
ANALYSIS OF SIGNIFICANT STATEMENT OF NET ASSETS ACCOUNTS  
For the years ended June 30, 2007, 2006, and 2005

	<u>2007</u>	<u>Increase (Decrease)</u>		<u>2006</u>	<u>Increase (Decrease)</u>		<u>2005</u>
<b>Assets</b>							
Cash	\$ 55,262	(5,096)	a	\$ 60,358	(12,914)	g	\$ 73,272
Due from SIU	101,749	71,707	b	30,042	16,383	h	13,659
Grants receivable	-	(31,282)	c	31,282	(20,674)	i	51,956
Prepaid insurance	1,791	685		1,106	1,106		-
Capital assets	266,481	(12,137)	d	278,618	197,662	j	80,956
<b>Liabilities</b>							
Due to SIU	-	(31,940)	e	31,940	31,940	k	-
Accounts payable	6,926	(2,311)		9,237	(51,986)	l	61,223
Prepaid rent liability	28,731	28,731	f	-	-		-

All increases/decrease greater than \$2,500 were determined to be significant:

- a. Decrease in the amount of cash held by a financial institution has decreased slightly compared to the prior year due to timing differences.
- b. The increase is due to the SIRP building being open for all of FY07 compared to half of FY06. Also, certain tenants have prepaid rent and this is held by SIU for SIRP.
- c. FY06 balance is due to cost reimbursement grants for which revenue had been earned by SIRP and submitted for reimbursement but not yet received from grantor.
- d. Depreciation expense for FY07 was larger than amount of additions.
- e. SIRP had a payable to SIU at FY06 year-end for marketing, education and related services on behalf of SIRP.
- f. In FY07, a SIRP tenant prepaid for an entire year of rent. In addition, refundable security deposits were received from two other tenants.
- g. Difference from FY06 to FY05 is due to larger amounts being held in receivables in FY06.
- h. Increase is due to the SIRP building tenants payments as the building was opened halfway through FY06. These payments are made to SIU and held for SIRP.
- i. Two cost reimbursement grants were awarded in FY05 and amounts submitted for reimbursement were more at the end of FY05 compared to FY06.
- j. Work on the SIRP during FY06 was capitalized as leasehold improvements.
- k. SIRP had a payable to SIU at FY06 year-end for marketing, education and related services on behalf of SIRP.
- l. A large amount of payables existed at the end of FY05 due to construction on the SIRP building.

STATE OF ILLINOIS  
SOUTHERN ILLINOIS RESEARCH PARK, INC.  
ANALYSIS OF ACCOUNTS RECEIVABLE  
June 30, 2007, 2006, and 2005

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	<u>2007</u>	<u>2006</u>	<u>2005</u>
Accounts receivable, net			
Grants receivable	\$ -	\$ 31,282	\$ 51,956
Related organizations	<u>101,749</u>	<u>30,042</u>	<u>13,659</u>
	<u>\$ 101,749</u>	<u>\$ 61,324</u>	<u>\$ 65,615</u>

All receivables reported above are deemed collectible.

STATE OF ILLINOIS  
SOUTHERN ILLINOIS RESEARCH PARK, INC.  
AGENCY FUNCTIONS AND PLANNING PROGRAM  
For the two years ended June 30, 2007

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The Research Park is a not-for-profit corporation which exists for the principal purpose of creating a high-tech and research hub for Southern Illinois and to greatly expand knowledge-based investment and job opportunities in Carbondale and Southern Illinois. This includes starting, expanding, and recruiting high-tech, research, and knowledge-based enterprises to the Research Park site and enhancing Southern Illinois through cooperative agreements and strategic alliances between Research Park businesses, the Southern Illinois University at Carbondale research community, the City of Carbondale and the region.

The Research Park has formal, written long-term and short-term goals to achieve the above-mentioned mission. Various development activities have been designed as a means to reach identified goals. The achievement of these goals and the effectiveness of the development activities are reviewed by Dr. Kyle Harfst, the Interim Executive Director, on an ongoing basis. Overall performance is monitored with members of the Research Park's Board of Directors.

STATE OF ILLINOIS  
SOUTHERN ILLINOIS RESEARCH PARK, INC.  
ADDITIONAL REQUIRED INFORMATION  
For the years ended June 30, 2007 and 2006

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Local Funds: All funds of the Research Park are locally held funds and are not appropriated.

Employee Statistics: (Unaudited) During each of the years ended 2007 and 2006, the equivalent of .5 and .4, respectively, full-time employees worked for the Research Park. These employees are officially employed by the University and were assigned to the Research Park. The following is a breakdown of these employees by function:

	<u>2007</u>	<u>2006</u>
Coordinator/Directors	.25	.30
Administrative	<u>.25</u>	<u>.10</u>
	<u>.50</u>	<u>.40</u>

Service Efforts and Accomplishments (Unaudited):

The mission of Southern Illinois Research Park is to create a high-tech and research hub for southern Illinois and to greatly expand knowledge-based investment and job opportunities in Carbondale and southern Illinois. One Enterprise Place, the multi-tenant facility managed by Southern Illinois Research Park, is home to five different entities which employ a total of 59 full time and six part time individuals in this facility. Within the Southern Illinois Research Park boundaries, next to One Enterprise Place, is the Dunn-Richmond Economic Development Center. This Center is home to the SIUC Small Business Incubator and the SIUC Office of Economic and Regional Development. In addition to university economic development providers, there are 16 private and public sector tenants in the Small Business Incubator program, which employ a total of 25 full time and 18 part time individuals.

Research Park staff work with SIUC economic development in providing technical assistance to start-up and existing businesses in southern Illinois. SIUC economic development assisted 55 start-up businesses or expansion projects resulting in 912 jobs created or retained. A total of \$13.5 million in financing was secured. SIUC economic development providers counseled a total of 445 clients.

STATE OF ILLINOIS  
SOUTHERN ILLINOIS RESEARCH PARK, INC.  
SUMMARY OF PAYMENTS TO THE UNIVERSITY  
For the years ended June 30, 2007, and 2006

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	<u>2007</u>	<u>2006</u>
Expenses in association with space leased from the University	\$ <u>92,677</u>	\$ <u>1</u>
	<u>\$ 92,677</u>	<u>\$ 1</u>

These expenses are classified as general and operating expenses on the Statement of Activities.