VBRPA AUDIT for year ending

2009

- T A B L E O F C O N T E N T S -

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Our discussion and analysis of the Virginia BioTechnology Research Partnership Authority's (Authority) financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the Authority's financial statements and notes to financial statements.

About the Authority

The Authority is a political subdivision of the Commonwealth of Virginia (Commonwealth) created pursuant to Chapter 946, Virginia Acts of Assembly of 1993, as amended by Chapter 731, Virginia Acts of Assembly of 2000, and Chapter 788, Virginia Acts of Assembly of 2005. The Authority provides a mechanism for financing construction of the Virginia BioTechnology Research Park (Research Park) through bonds and other authorized means and contracting for goods and services. The Park Corporation (Corporation) is an IRS Code Section 501(c) (3) corporation and is organized and operated exclusively for scientific, educational, and charitable purposes. The results of operations of the Corporation are presented in blended format in the financial statements of the Authority. Corporation revenues and expenses each totaled $47,751 for fiscal year 2009.

The Board and staff of the Authority manage daily operations of the Research Park. The Research Park is a life sciences community adjacent to Virginia Commonwealth University that houses private sector companies, research institutes, non-profits, and government laboratories on a 34-acre campus in downtown Richmond, Virginia. The mission of the Authority is to advance life sciences by promoting scientific research and economic development through the attraction and creation of new jobs and companies.

The Authority does not have taxing powers. Operations are funded from lease and ancillary service revenues. Bond issuances, long-term notes payable, line of credit debt, and appropriations from the Commonwealth and contract support payments from Virginia Commonwealth University have funded the acquisition and construction of capital assets. The Authority has also received capital funding in previous years through bonds issued by the City of Richmond. The Research Park, as of June 30, 2009, was occupied by 47 private and non-profit companies, six state laboratories and offices, and nine research institutes/administrative functions of Virginia Commonwealth University, filling approximately 1,100,000 square feet of laboratory and office space in nine buildings and employing more than 2,000 researchers, scientists, engineers and support personnel.

In 2005, the Authority assembled and sold land within the Research Park to Philip Morris USA for the development of a new global Center for Research and Technology. The Center's capital cost was $350 million and employs approximately 500 individuals. This is the largest single investment in the history of the Research Park and the largest single private sector investment in the City of Richmond. With completion of the Philip Morris USA Center for Technology, the Research Park is now two-thirds developed.

BioTech Eight is a multi-tenant building in the Research Park. It is located on 5th Street in the location of the former BioTech Four. BioTech Eight is three stories with 76,300 square feet of space, and has an adjacent 296-space parking structure. The project is owned by a private entity, BioTech Eight, LLC. Construction began the fall of 2006 and was completed in the 1st quarter 2008.

When fully developed, the Research Park will contain approximately 1.75 million square feet of research, office and laboratory space in 13-15 buildings and employ 3,000 scientists, researchers, engineers and technicians, working in fields that include drug development, medical diagnostics and devices, biomedical engineering, environmental biosciences, forensics, and laboratory services.

The Research Park is not limited to its 34-acre downtown campus. Recognizing the growth of this dynamic industry, the Research Park has developed partnerships with neighboring Henrico and Chesterfield counties extending the reach of the Research Park to future satellite parks that can accommodate larger companies on suburban campuses in the Greater Richmond area.

Authority Highlights

- The Authority refunded the 1998 BioTech One bonds (which had interest rates from 5.33 to 6.25 percent) by refinancing a 2009 tax-exempt note of $7,929,987 from Banc of America Public Capital Corporation with a 3.28 percent interest rate. This refunding took place on May 27, 2009.

- In May 2008, the Authority was notified by the City of Richmond that the Office of the Assessor was beginning a review of assessments of properties within the Research Park owned by the Authority. The Authority, which was created as a political subdivision by the Acts of Assembly, as amended, is exempt from all state taxes, including real estate and property taxes. Since 1996, the Authority has operated under an agreement with the City of Richmond whereby leases for private sector tenants in buildings owned by the Authority would remit full real estate taxes through rents collected by the Authority on such tenants. In the notice received by the Authority from the Office of the Assessor in May 2008, the Authority was notified of a change in interpretation under the provision of the *Code of Virginia*, that properties owned by the Authority are subject to PILOT (payment in lieu of taxes) assessments because, in the opinion of the Assessor, the Authority is a state entity and therefore is subject to such assessments, versus the arrangement which has been in place for the prior 12 years. The Park initiated discussions with the City and filed appeals with the Assessor's Office regarding the change in this interpretation. A resolution was reached with a reduced Pilot rate of .457 versus the applicable rate of .508.

- In November 2006, the Authority entered into a partnership called BioTech Eight, LLC. The BioTech Eight, LLC is a for-profit development entity that the BioTech Authority has approximately 40 percent equity interest in. The Authority contributed land and cash and entered into a management agreement for property management and leasing. The private sector partners arranged for construction and permanent funding of the project on the strength of their equity contributions and personal guarantees. The total cost of the project is expected to be approximately $22 million and the first tenants moved in during the 1st quarter of 2008. With recent leases signed, the building will be approximately 65% leased and occupied by early 2010.

- In March 2008, the Authority entered into an agreement with the Virginia Commonwealth University (VCU) Health System Authority and BioTech Eight, LLC to draw on the Authority's Line of Credit with Wachovia Bank in the amount of $1,188,671 to provide funding for excess tenant improvements for the VCU Health Systems HLA Laboratory in BioTech Eight. The loan will be repaid directly to the Authority over the 84-month term of the lease at 7.25 percent annual interest as "additional rent."

Overview of Annual Financial Statements

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements. The MD&A represents management's examination and analysis of the financial condition and performance of the Authority. The financial statements of the Authority are presented using the accrual method of accounting. The financial statements themselves consist of the Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, the Statement of Cash Flows, and Notes to the Financial Statements.

The Statement of Net Assets presents the financial position of the Authority including information about the type and amount of resources and obligations at June 30, 2009. The Statement of Revenues, Expenses, and Changes in Net Assets present the results of the Authority's operating and non-operating activities and provide information as to changes to the net assets. The Statement of Cash Flows presents changes in cash and cash equivalents, as a result of operational, non-operational, and financing activities. The Authority currently has no investing activities and as such this section is not presented.

The Notes to the Financial Statements provide required disclosures and other pertinent information necessary to provide a reader of the financial statements a complete understanding of the data being presented. The notes are comprised of information about the Authority's accounting policies, significant account balances, obligations, commitments, contingencies, and subsequent events.

CONDENSED FINANCIAL INFORMATION

Statement of Net Assets

The Statement of Net Assets presents the financial position of the Authority at the end of the fiscal year. The statement includes all assets and liabilities of the Authority. Net assets are an indicator of the current fiscal health of the organization and the Authority's financial position over time. A condensed summary of the Authority's assets, liabilities, and net assets at June 30, 2009 and 2008 are as follows:

Statement of Net Assets, as of June 30, 2009 and 2008

	2009	2008	Value of Change	Percentage Of Change
Assets:				
Current and other assets	$47,819,088	$50,782,578	$(2,963,490)	(6)%
Capital assets, net	21,598,238	22,145,867	(547,629)	(2)%
Total assets	$69,417,326	$72,928,445	$(3,511,119)	(5)%
Liabilities:				
Current and other liabilities	$ 6,421,434	$ 4,302,744	$ 2,118,690	49%
Long-term liabilities	50,981,538	56,406,817	(5,425,279)	(10)%
Total liabilities	$57,402,972	$60,709,561	$(3,306,589)	(5)%
Net assets:				
Invested in capital assets, net	$10,185,141	$10,135,287	$ 49,854	0%
Unrestricted	1,829,212	2,083,597	(254,385)	(12)%
Total net assets	$12,014,353	$12,218,884	$ (204,531)	(2)%

The Authority's total assets decreased five percent and total liabilities decreased five percent. These reductions were due mainly to the reduction in the net investment in lease receivable and long-term debt. The total assets of the Authority exceeded its liabilities by $12 million.

Statement of Revenues, Expenses, and Changes in Net Assets

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Authority's operations and can be used to determine whether the Authority's fiscal condition has improved or worsened during the year. A summary of the Authority's revenues, expenses, and changes in net assets for the year ended June 30, 2009 and 2008 are as follows:

Statement of Revenues, Expenses, and Changes in Net Assets
for the years ended June 30, 2009 and 2008

	2009	2008	Value of Change	Percentage Of Change
Operating revenues:				
Rental income	$ 3,060,376	$ 3,032,363	$ 28,013	1%
Parking income	313,525	264,594	48,931	18%
University and other support	47,751	47,751	-	0%
Business support services	87,431	80,402	7,029	9%
Development fee	12,790	12,790	-	0%
Assessment fee	320,300	265,000	55,300	21%
Interest income	3,661	12,908	(9,247)	(72)%
Other income	19,643	25,511	(5,868)	(23)%
Total operating revenues	3,865,476	3,741,319	124,158	3%
Operating expenses:				
Salaries and benefits	992,717	943,338	49,379	5%
Marketing and promotion	63,057	37,870	25,187	67%
Occupancy costs	920,873	1,046,159	(125,286)	(12)%
Administrative	106,761	89,930	16,831	19%
Depreciation expense	574,779	590,997	(16,218)	(3)%
Bad debt expense	12,237	-	12,237	100%
Total operating expenses	2,670,425	2,708,294	(37,870)	(1)%
Operating income	1,195,051	1,033,025	162,028	16%
Non-operating revenues and expenses	(1,399,582)	(660,424)	(739,158)	112%
Change in net assets	(204,531)	372,601	(577,130)	(155)%
Net assets - beginning of year	12,218,884	11,846,283	372,601	3%
Net assets - end of year	$12,014,353	$12,218,884	$(204,529)	(2)%

Total operating revenues increased three percent from the previous fiscal year due to increase in assessment fee, parking, and rental revenues. Operating expenses decreased one percent due mainly to increased marketing costs for webpage development and administrative costs for legal fees offset by the decrease in occupancy costs.

Statement of Cash Flows

The Statement of Cash Flows provides information about the Authority's cash receipts and cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where cash came from, what was it used for, and what was the change in cash balance during the reporting period.

Condensed Statement of Cash Flows
for the years ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities	$1,740,685	$1,813,394
Cash flows from non-capital financing activities	(23,888)	(183,219)
Cash flows from capital and related financing activities	(1,470,867)	(1,857,108)
Net increase (decrease) in cash and cash equivalents	245,930	(226,933)
Cash and cash equivalents:		
Beginning of year	988,808	1,215,741
End of year	$ 1,234,738	$ 988,808

The Authority's available cash and cash equivalents increased from $.99 million at the end of 2008 to $1.23 million at the end of 2009 mainly due to the refinancing of BioTech One.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's investment in capital assets as of June 30, 2009 amounted to $21.6 million (net of accumulated depreciation). This investment in capital assets primarily includes buildings, land, leasehold improvements, and equipment. The only capital asset event during the current fiscal year included the improvement of the Chiller system in BioTech One and Center with a cost of $27,151.

Buildings located within the Research Park

Buildings	Number of Occupants	Total Sq. Ft.	Leased Sq. Ft.	Date Acquired/ Constructed
BioTech Center	48	27,455	9,508	1995
BioTech One	582	106,342	92,375	1996
BioTech Two [(A)]	150	133,700	102,124	1998
BioTech Three [(B)]	115	31,124	31,124	1996
BioTech Five	13	13,400	13,400	1999
BioTech Six	279	191,000	191,000	2003
BioTech Seven [(C)]	300	80,000	80,000	2002
BioTech Eight [(D)]	76	76,300	34,057	2007
BioTech Nine [(C)]	500	450,000	450,000	2007
Total	2,063	1,109,321	1,003,588	

[(A)] Property is owned by the Commonwealth of Virginia

[(B)] Property is owned by VCU Real Estate Foundation

[(C)] Property is owned by Building Occupant

[(D)] Property is owned by BioTech Eight, LLC.

The BioTech Center was 85 percent occupied, BioTech One was 98 percent occupied, and BioTech Eight was 45 percent occupied at June 30, 2009. All other BioTech buildings were 100 percent occupied.

Long-Term Debt

Bonds

At June 30, 2009, the Authority had $46.6 million in long-term bond debt, excluding current maturities.

The Authority Taxable Lease Revenue bonds were issued in 1998 for $14 million to refinance BioTech One bond and leasehold improvements. Virginia Commonwealth University supports the bonds through a Master Lease with the Authority. The bonds previously carried an A2 rating from Moody's Investor Services and AA- rating from Standard and Poor's. The balance excluding current maturities at June 30, 2009 was $-0- due to the refunding of these bonds with the tax exempt note explained in the "Other Debt" section.

The Authority Industrial Development Revenue bonds, Series 1999A and 1999B, were issued in 1999 for $2.75 million to finance construction of BioTech Five. An operating lease between the Authority and Infilco Degremont North American Research and Development Center supports the bonds. The bonds carry an A rating from Standard and Poor's. The balance excluding current maturities at June 30, 2009 was $1.57 million.

The Authority Lease Revenue bonds were issued in 2001 for $60 million to finance the construction of BioTech Six. A capital lease between the Authority and Virginia Department of General Services, Division of Consolidated Laboratory Services supports the bonds. The bonds carry an AA+ rating from Standard and Poor's, Aa1 rating from Moody's Investor Services and AA+ rating from Fitch Rating, Inc. The balance excluding current maturities at June 30, 2009 was $45.07 million.

In 2002, the Authority issued Variable Rate Revenue Bonds in the amount of $12 million for the construction of BioTech Seven. The 2002 bonds were issued as a conduit to finance construction of the new national headquarters for the United Network for Organ Sharing (UNOS) and as such the Authority does not have a financial obligation and does not carry a balance on the financial statements. The bonds carry a Standard and Poor's rating of A+/A-1.

In 2006, the Authority served as the conduit for issuing $14 million in tax-exempt variable rate revenue bonds to finance the construction of new facilities for Virginia Blood Services in Henrico County, Virginia. The bonds were secured by pledge payments from Virginia Blood Services and the ASTREA, the parent company of Virginia Blood Services and were secured by a letter of credit issued by Sun Trust Bank.

Other Debt

In May 2009, the Authority refunded the 1998 BioTech One Taxable Lease Revenue bonds by refinancing to a 2009 tax-exempt note of $7,929,987 from Banc of America Public Capital Corporation with a 3.28 percent interest rate and a term through December 2015.

In June 2006, the Authority entered into a loan agreement in the amount of $436,600 to purchase property located at 603 North 7th Street and 704 East Leigh Street, and property located at 616 North 8th Street. The loan's interest rate is LIBOR Market Index Rate plus two percent. The loan is payable in monthly interest payments. All principal and unpaid interest is due and payable on or before June 2010.

In June 2006, the Authority opened a $1 million revolving line of credit for upcoming and future Capital expansion projects. During fiscal year 2008 the credit limit was increased to $3 million. At June 30, 2009 the line of credit had a balance of $1.56 million.

Future Impact to Financial Position

The BioTech Six building occupied through a Capital lease by the Virginia Division of Consolidated Laboratory Services is to be refinanced in the fall of 2009. The Park expects that part of the refinancing will include a lump sum payment to the Park as additional rent for the bond servicing fee, in return for dropping the 0.125% annual issuer's fee that was approved at the time of the issuance of the original bonds in 2001.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, customers, investors, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money we receive. If you have any questions about this report or need additional financial information, contact the Authority's Financial Manager at 800 East Leigh Street, Richmond, VA 23219, (804) 828-0963.

FINANCIAL STATEMENTS

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY
STATEMENT OF NET ASSETS
As of June 30, 2009

ASSETS	
Current assets:	
Cash and cash equivalents (Note 2)	$ 307,827
Cash with trustee (Note 2)	228,320
Cash with Local Government Investment Pool (Note 2)	698,591
Accounts receivable, net of allowance for doubtful accounts of $-0-	147,990
Prepaid expenses	4,935
Net investment in lease receivable (Note 5)	2,520,000
Unamortized bond issuance costs	18,877
BioTech Eight, LLC HLA Lab receivable (Note 3)	169,810
Total current assets	4,096,350
Non-current assets, net of depreciation:	
Net investment in lease receivable (Note 5)	42,549,998
Unamortized bond issuance costs	194,536
Investment in BioTech Eight, LLC (Note 13)	157,455
BioTech Eight, LLC HLA Lab receivable (Note 3)	820,749
Non-depreciable capital assets (Note 4)	5,280,354
Depreciable capital assets, net of accumulated depreciation (Note 4)	16,317,884
Total non-current assets	65,320,976
Total assets	69,417,326
LIABILITIES	
Current liabilities:	
Accounts payable	107,313
Customer deposit	40,323
Unearned revenue	71,108
Deferred income	342,525
Long-term debt - current portion (Note 7)	5,860,165
Total current liabilities	6,421,434
Non-current liabilities:	
Long-term debt (Note 7)	50,962,160
Compensated absences (Notes 1 and 7)	19,378
Total non-current liabilities	50,981,538
Total liabilities	57,402,972
NET ASSETS	
Invested in capital assets, net of related debt	10,185,141
Unrestricted	1,829,212
Total net assets	$ 12,014,353

The accompanying Notes to Financial Statements are an integral part to this financial statement.

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
For the year ended June 30, 2009

Operating revenues:	
Rental income	$ 3,060,376
Parking income	313,525
University and other support (Note 10)	47,751
Business support services	87,431
Development fee	12,790
Assessment fee	320,300
Interest income	3,661
Other income	19,643
Total operating revenues	3,865,476
Operating expenses:	
Salaries and benefits	992,717
Marketing and promotion	63,057
Occupancy costs	920,873
Administrative	106,761
Depreciation expense (Note 4)	574,779
Bad debt expense	12,237
Total operating expenses	2,670,425
Income from operations	1,195,051
Non-operating revenue/(expenses):	
VBDC in kind expense (Note 11)	(147,496)
DCLS bond servicing fee	56,338
VCUREF for guarantee on BioTech Five	(2,569)
Gain recognized on land transfer to BioTech Eight, LLC (Note 13)	22,557
Loss from BioTech Eight LLC (Note 13)	(475,326)
Interest revenue	2,283,894
Interest expense	(2,967,205)
Loan refinancing costs	(280,774)
Income from funds in trust	3,409
HLA Lab loan payments	55,090
VBDC reimbursements	52,500
Total non-operating activity	(1,399,582)
Change in net assets	(204,531)
Net assets - beginning of year	12,218,884
Net assets - end of year	$ 12,014,353

The accompanying Notes to Financial Statements are an integral part of this financial statement.

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY

STATEMENT OF CASH FLOWS

For the year ended June 30, 2009

Cash flows from operating activities:	
Cash received from rent	$ 3,137,180
Cash received from parking	339,775
Cash received from university and other support	47,751
Cash received from business support services	88,931
Cash received from development fees	12,790
Cash received from operating interest income	3,661
Cash received from miscellaneous income	19,713
Cash received from assessment program	389,227
Payments for personnel expenses	(985,349)
Payments for marketing expenses	(63,057)
Payments for occupancy expenses	(1,143,176)
Payments for administrative expenses	(106,761)
Net cash provided by operating activities	1,740,685
Cash flows from non-capital financing activities:	
Payments made on behalf of VBDC	(147,496)
VBDC reimbursements	52,500
Unearned income	71,108
Contributions/grant revenue	41,942
Contributions/grant expenses	(41,942)
Net cash used by noncapital financing activities	(23,888)
Cash flows from capital and related financing activities:	
DCLS bond servicing fee	56,338
BioTech five guarantee fees	(2,569)
DCLS project expenses	(210,081)
Lease receivable - BioTech Six	4,698,894
Proceeds from note payable	7,929,987
Principal paid	(10,947,941)
Interest paid	(2,944,181)
Fixed asset additions	(27,151)
HLA Lab	253,202
Loan refinancing costs	(280,774)
Non-operating interest	3,409
Net cash used by capital and related financing activities	(1,470,867)

Net increase in cash	245,930
Cash and cash equivalents - 6/30/08	988,808
Cash and cash equivalents – 6/30/09	$ 1,234,738
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating income	$ 1,195,051
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	574,779
Decrease in accounts payable	(222,263)
Decrease in operating accounts receivable	86,100
Decrease in customer deposits	(8,548)
Increase in deferred income	96,001
Increase in prepaid expenses	(40)
Increase in leave accrual	7,368
Bad debt expense	12,237
Net cash used by operating activities	$ 1,740,685

The accompanying Notes to Financial Statements are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Virginia BioTechnology Research Partnership Authority (Authority), which began operations effective July 1, 1993, provides a mechanism for financing construction of the BioTechnology Research Park through bond issuances and other approved means. The Virginia BioTechnology Research Park Corporation (Corporation) is an Internal Revenue Code Section 501(c) (3) corporation and is organized and operated exclusively for scientific, educational, and charitable purposes. For financial statement presentation, the Corporation is reflected as a blended component unit of the Authority. Corporation revenues and expenses each totaled $47,751 for the year ended June 30, 2009.

The Authority is responsible for developing, leasing, operating, managing, and maintaining the Research Park properties and grounds, as well as, oversight of contractors.

The Authority is a component unit of the Commonwealth and is included in the basic financial statements of the Commonwealth. A separate report is prepared for the Commonwealth that includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority.

Basis of Accounting

The financial statements of the Authority have been prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with generally accepted accounting principles, which provides that revenues are recorded when earned and expenses are recorded when incurred.

The Authority defines operating revenues as revenue derived from the primary business activities of the Authority. These activities include the following: 1) lease revenues related to non-capitalized leases with lease terms of one-year or less; 2) contributions from Virginia Commonwealth University, or other contributed income directly supporting the operations or advancement of the Research Park; 3) revenue derived from ownership and management of parking surface lots within the footprint of the Research Park; and 4) other miscellaneous revenue sources such as vending machine commissions, event fees for conference facilities, tenant fax and copying fees, and expenditure reimbursements that are not related to a specific capital outlay project.

The Authority defines non-operating revenues as revenue derived from capital lease agreements and capital financing activities such as interest income on funds held in trust accounts and developer's/issuer's fees earned on bond issuances and project development.

Cash and Cash Equivalents

For the purpose of reporting cash flows, the Authority considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Asset Capitalization and Depreciation Method

Capital assets are generally assets with an initial cost of $2,500 or more and an estimated useful life in excess of two years. Capital assets are valued at historical costs or estimated historical cost if actual cost is not available. Capital assets are comprised of land, buildings, equipment, construction-in-progress, and other improvements. Donated capital assets are carried at market value at the date of contribution. Accumulated depreciation is reported on the Statement of Net Assets. Depreciation is computed on the straight-line basis over the estimated useful life of the asset ranging from three to 48 years. Depreciable Capital Assets were evaluated at the beginning of the fiscal year 2005 and determined to have 40 years of useful life remaining from July 2004 going forward.

Buildings	20-48 years
Improvements	5-15 years
Equipment	3-20 years
Land	Non-depreciable assets

The costs for maintenance and repairs are charged to occupancy expense as incurred. When items are retired or otherwise disposed of, the related costs and accumulated depreciation are eliminated from the accounts and any resulting profit or loss on such dispositions is reflected in non-operating activities.

Long-Term Obligations

Long-term obligations are reported as liabilities in the Statement of Net Assets. In accordance with paragraph 146 of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The Authority elected to apply this policy prospectively beginning July 1, 2004.

Compensated Absences

Compensated absences represent the amounts of paid time off (PTO) hours earned by employees, but not taken at June 30, 2009. PTO combines traditional vacation and sick leave and accrues based on employee's years of service. The amount reflects all earned PTO and related payroll taxes to be paid under the Authority's leave pay out policy upon employment termination.

Interest Income

Interest income and expense from operating and LGIP accounts are recorded as operating revenue. Interest income and administrative fees related to the bond accounts are recorded as non-operating revenue.

2. CASH AND CASH EQUIVALENTS

The Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment to GASB No. 3, modified previous disclosure requirements related to investment risk. This statement requires deposit and investment risk disclosures for credit risk, including custodial credit risk and concentrations of credit risk, interest rate risk, and foreign currency risk.

Cash is defined as demand deposits, non-negotiable time deposits, and certificates of deposit in accordance with Section 2.2-4400 of the Code of Virginia. Cash equivalents are defined as investments with an original maturity of less than three months. Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (Act). Under the Act, banks holding public deposits in excess of the amount insured by the FDIC must pledge collateral that ranges in amounts from 50 percent to 100 percent of excess deposits in the case of a bank, and 100 percent to 110 percent for a savings institution to a collateral pool in the name of the Commonwealth of Virginia Treasury Board. Accordingly, all deposits are considered fully collateralized.

Cash with the trustee represents bond proceeds held by trustees. Other funds of the Authority are invested in the State Treasurer's Local Government Investment Pool (LGIP), whose carrying value is equal to the market value. The LGIP is a Standard and Poor's AAA rated investment pool.

3. BIOTECH EIGHT, LLC HLA LAB RECEIVABLE

The Authority is in partnership with BioTech Eight, LLC that owns the BioTech Eight building. Effective May 2008, the Authority advanced funds to the VCU Health System in the amount of $1,188,671 for the build out of their lab located within the BioTech Eight building. The VCU Health System is invoiced $18,085 monthly as additional rent for the term of the lease, which includes both repayment of the advance and interest over the seven-year life of the agreement. As of June 30, 2009 the balance was $990,559 and 70 installments were still remaining.

4. PROPERTY, PLANT, AND EQUIPMENT

	Beginning Balance as of July 1, 2008	Acquired (Increased)	Deleted (Decreased)	Ending Balance as of June 30, 2009
Land	$ 5,280,354	$ -	$ -	$ 5,280,354
Buildings	24,107,571	-	-	24,107,571
Equipment	393,561	27,151	-	420,712
Leasehold improvements	1,824,815	-	-	1,824,815
Total at historical cost	31,606,301	27,151	-	31,633,452
Less accumulated depreciation for:				
Buildings	7,748,701	465,122	-	8,213,823
Equipment	169,140	25,606	-	194,746
Leasehold improvements	1,542,593	84,051	-	1,626,644
Total accumulated depreciation	9,460,434	574,779	-	10,035,213
Capital assets, net	$22,145,867	$(547,628)	$ -	$21,598,239

The increase in the Authority's equipment is due to improvement of the Chiller system for BioTech One and BioTech Center.

5. LEASE RECEIVABLE

The Authority has a capital lease agreement with the Department of General Services for the BioTech Six building. The capital lease has a value of $61,416,780 at June 30, 2009, which equals the remaining principal and interest due on the debt for the BioTech Six building. The financial statements include unearned income of $16,346,780 related to the capital lease receivable for interest due in future periods. The following lists the components of the net investment in lease receivable as of June 30, 2009:

	2009
Current portion:	
Minimum lease payments receivable	$ 4,703,619
Less: unearned revenue	(2,183,619)
Current net investment in lease receivable	2,520,000
Non-current portion:	
Minimum lease payments receivable	56,713,159
Less: unearned revenue	(14,163,161)
Non-current net investment in lease receivable	42,549,998
Total net investment in lease receivable	$45,069,998

At June 30, 2009, lease payments for each of the succeeding fiscal years are as follows:

Year	Amount
2010	$ 4,703,619
2011	4,705,756
2012	4,705,992
2013	4,710,862
2014	4,716,066
2015 – 2019	23,635,108
2020 – 2022	14,239,372
Total lease payments	$61,416,778

The Lease Revenue bond will be refinanced in fiscal year 2010 to take advantage of the lower interest rates in the current market. This refinancing will affect future lease payments.

6. CONDUIT DEBT OBLIGATIONS

On April 9, 2002, the Authority issued $12,000,000 in Series 2002 Variable Rate Revenue Bonds to fund construction of the BioTech Seven project. BioTech Seven is an office and data facility built specifically for United Network for Organ Sharing (UNOS). The bonds are secured by a letter of credit and are payable solely from the payments made by the borrower under the loan agreement. Upon repayment of the bonds, ownership of the facility transfers to UNOS. The bonds do not constitute a debt or pledge of the faith and credit of the Authority or the Commonwealth and accordingly have not been reported in the accompanying financial statements.

On October 1, 2006, the Authority issued $14,000,000 series 2006 Variable Rate Revenue Bonds to finance the Virginia Blood Services project. The Virginia Blood Services project was issued to finance the acquisition of land and the construction, equipping and development of a new 60,000 square foot headquarters facility in Henrico County, including a collection center, a production facility, a distribution area, and other related improvements. The bonds are secured by a letter of credit and are payable solely from the lease payments made by the borrower under the loan agreement. The bonds do not constitute a debt or pledge of the faith and credit of the Authority or the Commonwealth and accordingly have not been reported in the accompanying financial statements.

7. NON-CURRENT LIABILITIES

The Authority's non-current liabilities consist of long-term debt, accrued, and other non-current liabilities.

Long-term debt of the Authority consists of the following bonds, line of credit, and notes payable at June 30, 2009:

5.25 percent to 6.40 percent taxable and tax-exempt Virginia BioTechnology Research Park Authority Commonwealth of Virginia Lease Revenue Bonds, (BioTech Five Project), Series 1999A and 1999B.	$1,565,000
4.00 percent to 5.00 percent Virginia BioTechnology Research Park Authority Commonwealth of Virginia Lease Revenue Bonds, (BioTech Six Consolidated Laboratories Project), Series 2001.	45,070,000
3.28 percent tax exempt note from Banc of America Public Capital Corporation. This note was issued on May 27, 2009 to refund the 1998 BioTech One bonds.	7,847,046
LIBOR market index rate plus 2.0 percent, three year, interest only, Wachovia note payable taken on June 22, 2006. This deed of trust was used to purchase two pieces of land, which serve as collateral on the note.	436,600
LIBOR market index rate plus 1.0 percent, renewable, interest only, Wachovia Line of Credit of $1.5 million taken on September 7, 2006. Credit line renewable annually.	1,564,452
Total long-term debt	$56,483,098

Long-term debt matures as follows:

Fiscal Year	Principal	Interest	Total
2010	$ 5,832,473	$ 2,551,976	$ 8,384,449
2011	3,998,755	2,343,042	6,341,797
2012	4,180,019	2,168,162	6,348,182
2013	4,389,989	1,970,660	6,360,649
2014	4,612,272	1,761,069	6,373,341
2015-2019	20,244,589	5,724,100	25,968,689
2020-2022	13,225,000	1,014,375	14,239,375
Total	$56,483,098	$17,533,384	$74,016,482

A summary of changes in the Authority's non-current liabilities for the year ended June 30, 2009 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
Commonwealth of Virginia	$57,500,000	0	$10,865,000	$46,635,000	$2,730,000
lease revenue bonds					
Unamortized bond premium	366,919	-	27,692	339,227	27,692
Notes payable:					
BioTech One Note	-	7,929,987	82,941	7,847,046	1,101,421
Line of Credit	1,558,980	5,472	-	1,564,452	1,564,452
Deed of Trust	436,600	-	-	436,600	436,600
Total long-term debt	59,862,499	7,935,459	10,975,633	56,822,325	5,860,165
Compensated absences	12,010	7,368	-	19,378	-
Total long-term liabilities	$59,874,509	$7,942,827	$10,975,633	$56,841,703	$5,860,165

8. PENSION PLAN

Employees of the Authority participate in a defined benefit retirement plan administered by the Virginia Retirement System (VRS). VRS is an agent multiple-employer public employee retirement system (PERS) that acts as a common investment and administrative agency for the Commonwealth and its political subdivisions.

The VRS does not measure assets and pension benefit obligations for individual state agencies. Therefore, all information relating to this plan is available at the statewide level only and can be found in the Commonwealth's Comprehensive Annual Financial Report (CAFR). The CAFR discloses the unfunded pension benefit obligation at June 30, 2009, as well as the ten-year historical trend information showing VRS's progress in accumulating sufficient assets to pay benefits when due.

The Authority's expenses include the amount assessed by the Commonwealth for contributions to VRS, which totaled $96,960 for the year ended June 30, 2009. These contributions included the employee contribution and life insurance assumed by the employer. For fiscal year 2009 the contribution rate was 12.29 percent and the life insurance rate was .82 percent. Contributions to the VRS were calculated using a base salary amount of approximately $739,588 for the fiscal year ended June 30, 2009. The Authority's total payroll and benefits was $992,717 for the year ended June 30, 2009.

9. POST-EMPLOYMENT BENEFITS

The Authority participates in the VRS-administered statewide group life insurance program, which provides post-employment life insurance benefits to eligible retired and terminated employees. Information relating to these plans is available at the statewide level in the CAFR.

10. FINANCIAL SUPPORT

The Authority received $47,751 from Virginia Commonwealth University during fiscal year 2009 for adjunct faculty contributions. On August 19, 1994, a Memorandum of Understanding was signed committing the Virginia Commonwealth University to a 20-year master lease with the Authority which guarantees monthly rent equal to the principal and interest necessary to amortize the outstanding debt associated with the construction to the facilities and additional rent required. Upon the commencement of this lease, the amount payable under the lease shall not exceed $935,000 annually during the first ten years of the lease and $2,200,000 annually for the remainder of the lease term.

11. RELATED PARTY TRANSACTIONS

During fiscal year 2000, the Authority established the Virginia Biosciences Development Center (VBDC). VBDC is a private, not-for-profit corporation organized under 501(c) (3) of the Internal Revenue Code that provides administrative support to start-up Biotechnology companies. Expenses incurred by the Authority related to the operations of VBDC during fiscal year 2009 totaled $147,496.

12. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The Authority participates in insurance plans maintained by the Commonwealth. The Department of Human Resource Management administers the state employee health care plan. The risk management insurance plans and worker's compensation plans are administered by a private insurance agency. Risk management insurance includes property and general liability plans and faithful performance of duty bond. The Authority pays premiums directly to the vendor for insurance coverage. Information relating to the Commonwealth's employee health care plan is available at the statewide level in the Commonwealth's Comprehensive Annual Financial Report.

13. BIOTECH EIGHT, LLC

The BioTech Eight, LLC is a for-profit development entity in which the Virginia BioTechnology Research Park has a 39 percent equity interest. The Research Park contributed land at 740 Navy Hill Road valued at $1,000,000 and cash in the amount of $500,000, for a total equity contribution of $1,500,000. Under the terms of the Operating Agreement creating the LLC, the Authority, as a limited partner, is subject to cash call provisions in the event of construction or operating shortfalls. However, the Authority's exposure is limited to $1 million in any three-year period, without the consent of the Board. Any cash calls in excess that may not be approved by the Board would result in a reduction of the Research Park's 39 percent equity, under the terms of the Operating Agreement. The building was 45 percent occupied as of June 30, 2009, and will have an expected total project cost in excess of $22 million when fully occupied.

Investment in BioTech Eight, LLC	$1,501,236
Unrealized gain on land	(868,455)
Net loss	(475,326)
Net investment in BioTech Eight, LLC	$ 157,455

14. SUBSEQUENT EVENTS

In May 2008, the BioTech Authority received property tax statements from the City of Richmond that were substantially more than the Park has remitted in prior years. After discussions with the City Assessor's Office, the Park learned that the City Assessor has determined that, as a political subdivision of the Commonwealth of Virginia, the Authority is subject to "payment in lieu of taxes" (PILOT assessments) under the provisions of the *Code of Virginia* that permits local units of government to levy fees for certain public services (e.g., police and fire protection) to the state for facilities located within its jurisdiction. This represents a significant change over the historical practice and agreement that the Park and the City have operated under since 1996, whereby the Park voluntarily remitted full property taxes at current assessment rates for *private sector* tenants in Authority-owned facilities, but other tenant occupancy by VCU, the Park and other non-profits has been exempt from payment of any taxes. The Park had discussions with the City and filed an appeal with the Assessor's Office regarding this change in interpretation. A resolution was reached with a reduced pilot rate of $.457. The Authority continues to work with the city to finalize pilot invoices, and set procedure going forward.

The BioTech Six building occupied through a Capital Lease by the Virginia Division of Consolidated Laboratory Services was refinanced in the fall of 2009. The Authority expects that part of the refinancing will include a lump sum payment to the Authority as additional rent for the bond servicing fee.

In September 2009, the Authority contributed $115,000 towards a member loan to BioTech Eight, LLC.

Commonwealth of Virginia

Walter J. Kucharski, Auditor

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

December 3, 2009

The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
and Review Commission

Board Members
Virginia BioTechnology Research Partnership Authority Board
Virginia BioTechnology Research Park Corporation Board

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the **Virginia BioTechnology Research Partnership Authority**, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on the audit.

We conducted our audit 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 audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2009, and the changes in financial position, and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis 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.

In accordance with Government Auditing Standards, we have also issued our report dated December 3, 2009, on our consideration of the Authority'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.

AUDITOR OF PUBLIC ACCOUNTS

MSM/clj

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY
(As of June 30, 2009)

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Patricia Bell Williams, Vice Chair

James E. Sheffield, Secretary

William H. Weirich, Treasurer

Robert T. Skunda, Executive Director

Patrick O. Gottschalk
Robert L. Jesse
Dwight C. Jones
Cheryl A. Moore
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Zobair M. Younossi

VIRGINIA BIOTECHONOLOGY RESEARCH PARK CORPORATION
(As of June 30, 2009)

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Charles H. Foster, Vice Chair

Samuel B. Hunter, Secretary

William H. Weirich, Treasurer

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