

**SOUTHERN POLYTECHNIC APPLIED
RESEARCH CORPORATION**

FINANCIAL REPORT

JUNE 30, 2013

SOUTHERN POLYTECHNIC APPLIED RESEARCH CORPORATION

**FINANCIAL REPORT
JUNE 30, 2013**

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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee of the Board of Directors
Southern Polytechnic Applied Research Corporation
Marietta, Georgia

We have audited the accompanying consolidated financial statements of the Southern Polytechnic Applied Research Corporation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the presentation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Southern Polytechnic Applied Research Corporation as of June 30, 2013, and the change in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Mauldin & Jenkins, LLC

Atlanta, Georgia
DATE

SOUTHERN POLYTECHNIC APPLIED RESEARCH CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The Southern Polytechnic Applied Research Corporation ("SPARC") was incorporated under the laws of the State of Georgia as a nonprofit corporation May 11, 2011. SPARC qualifies as a tax exempt Corporation under Section 501(c) (3) of the Internal Revenue Service Code. Fiscal activities of SPARC began on July 1, 2011.

SPARC operates as a cooperative organization of Southern Polytechnic State University (SPSU) under a Memorandum of Understanding with the Board of Regents of the State of Georgia.

SPARC is organized to fulfill broad scientific, literary, educational, and charitable purposes and operates to enhance the mission of SPSU of teaching, applied research, and public service.

SPARC contributes to the applied research function of SPSU by securing research contracts, grants, and awards from individuals, institutions, private organizations, and government agencies for the performance of applied research. SPARC administers grants and contracts to assure compliance with SPSU, State, and Federal requirements as well as the terms of each specific grant or contract. SPARC also identifies, protects and manages Intellectual Property for SPSU that may arise as a result of work done under grants or contracts.

Description of the Financial Statements

The statement of net assets, statement of revenues, expenses, and changes in net assets, and the statement of cash flows are designed to provide information which will assist in understanding the financial condition and performance of SPARC. SPARC's net assets are one indicator of SPARC's financial health. Over time, increases or decreases in net assets are one indicator of the changes in SPARC's financial condition when considered with other non-financial facts.

The Statement of Net Assets presents the assets, liabilities, and net assets of SPARC.

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or non-operating.

The Statement of Cash Flows presents information in the form of cash inflows and outflows summarized by operations.

Condensed financial statements are presented for the year ended June 30, 2013, the first year of activities of SPARC. In the following discussion, Fiscal 2013 refers to the year ended June 30, 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Statement of Net Position (Table 1)

	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>
Assets:		
Current Assets	\$1,234,328	\$ 601,388
Total Assets	<u>\$1,234,328</u>	<u>\$ 601,388</u>
Liabilities:		
Current Liabilities	\$ 569,648	\$ 340,048
Total Liabilities	<u>\$ 569,648</u>	<u>\$ 340,048</u>
Net Assets		
	\$ 664,680	\$ 261,340
Total Net Assets	<u>\$ 664,680</u>	<u>\$ 261,340</u>
Total Liabilities and Net Assets	<u>\$1,234,328</u>	<u>\$ 601,388</u>

Current assets consist of monies held at SunTrust bank, Petty cash, current accounts receivable, prepaid expenses and interfund due to/from accounts.

Liabilities consist of accounts payable that are largely composed of monies due to the University for subaward dollars not yet invoiced but currently due. Liabilities also include deferred revenue: Income received in fiscal year 2013 but not recognizable until fiscal year 2014 in the form of prepaid continuing education course registrations.

Net assets represent the difference between SPARC's assets and liabilities.

As this is SPARC's second year of operations there is only one prior year comparison available.

The condensed statement of revenues, expenses and changes in net assets is shown below:

Statement of Revenues, Expenses and Changes in Net Position (Table 2)

	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>
Operating revenues:		
Sales and Service	\$ 257,419	\$ 142,309
Grants & Contracts	\$1,221,531	\$ 671,329
Contributions	<u>\$ 1,588</u>	<u>\$ 600</u>
Total Revenue	\$1,480,538	\$ 814,238
Operating expenses:		
Sub-awards to University	\$ 750,540	\$ 325,433
Payments to and on Behalf of SPSU	\$ 289,174	\$ 191,682
Management and administration	<u>\$ 37,484</u>	<u>\$ 35,783</u>
Total operating Expenses	\$1,077,198	\$ 552,898
Increase (decrease) in net assets	\$ 404,340	\$ 261,340
Net assets beginning of year	<u>\$ 261,340</u>	<u>\$ -</u>
Net assets end of year	<u>\$ 664,680</u>	<u>\$ 261,340</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Operating revenues consist primarily of sponsored research and sales and service (Continuing Education Center). At this time SPARC does not have any investment assets or intellectual property holdings.

Operating assets consist primarily of sponsored research and sales and service (Continuing Education Center). At this time SPARC does not have any investment assets or Intellectual Property holdings.

Operating expenses primarily are subawards to the University, Professional services \$7,418; Contractual to SPSU (ELS Program) \$120,000; consultants \$55,450, administration expenses (postage, Insurance, IT, Dues and Subscriptions) and other expenses.

The condensed statement of cash flows is shown below:

Statement of Cash Flows (Table 3)

	<u>Year ended June 30, 2013</u>	<u>Year ended June 30, 2012</u>
Net cash provided by operating activities	\$ <u>368,358</u>	\$ <u>416,559</u>
Cash and cash equivalents, Beginning of year	\$ <u>416,559</u>	\$ -
Cash and cash equivalents, End of year	\$ <u>784,917</u>	\$ <u>416,559</u>

Economic Outlook

Due to the slow economic recovery in the State of Georgia, the University is expecting budget cuts to continue in Fiscal 2014. Therefore, SPARC's financial support of the University's research mission will continue to be a primary focus. Through financial planning and budgeting, SPARC will be able to continue its support of existing and new research initiatives and the Continuing Education Center through its unrestricted net assets.

Questions concerning this report or requests for additional information should be directed to Ruston Hunt, Chief Operating Officer, SPARC, at (678) 915-7338 or at Building J – Room 377, 1100 South Marietta Parkway, Marietta, GA 30060

**SOUTHERN POLYTECHNIC APPLIED
RESEARCH CORPORATION**

**STATEMENT OF NET POSITION
JUNE 30, 2013**

Assets

Current assets		
Cash	\$	784,917
Accounts receivable		449,411
		<hr/>
Total current assets		1,234,328
		<hr/>
Total assets	\$	1,234,328
		<hr/> <hr/>

Liabilities and Net Position

Current liabilities		
Accounts payable	\$	5,300
Due to SPSU		554,228
Deferred revenue		10,120
		<hr/>
Total current liabilities		569,648
		<hr/>
Net position		
Unrestricted		664,680
		<hr/>
Total liabilities and net position	\$	1,234,328
		<hr/> <hr/>

See Notes to Financial Statements.

**SOUTHERN POLYTECHNIC APPLIED
RESEARCH CORPORATION**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2013**

Revenues and other support	
Federal grant revenue	\$ 696,584
State grant revenue	184,950
Program fees	257,419
Contractual private	295,730
Contributions	1,588
Other revenues	44,267
	<hr/>
Total revenues and other support	1,480,538
	<hr/>
Expenses	
Subawards	750,540
Payments to and on behalf of SPSU	289,174
Management and general	37,484
	<hr/>
Total expenses	1,077,198
	<hr/>
Change in unrestricted net assets	403,340
Net assets, beginning of year	261,340
	<hr/>
Net assets, end of year	<u><u>\$ 664,680</u></u>

See Notes to Financial Statements.

**SOUTHERN POLYTECHNIC APPLIED
RESEARCH CORPORATION**

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013**

OPERATING ACTIVITIES

Change in unrestricted net assets	\$	403,340
Net change in:		
Accounts receivable		(266,225)
Prepaid expenses		1,643
Accounts payable		2,011
Due to SPSU		227,213
Deferred revenue		376
		<hr/>
Net cash provided by operating activities		368,358
		<hr/>
Increase in cash and cash equivalents		368,358
Cash, beginning of year		416,559
		<hr/>
Cash, end of year	\$	<u><u>784,917</u></u>

See Notes to Financial Statements.

SOUTHERN POLYTECHNIC APPLIED RESEARCH CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES

Southern Polytechnic Applied Research Corporation (the "Research Corporation") was established in 2011 to contribute to the educational, research, and service functions of Southern Polytechnic State University (the "University") in securing gifts, contributions, and grants from individuals, private organizations, and public agencies and in obtaining contracts with such individuals or entities for the performance of sponsored research, development, education, or other programs by the various colleges, schools, departments, or other units of the University.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Research Corporation's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB").

The GASB has issued Statement No. 35, "Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities" and Statement No. 38, "Certain Financial Statement Note Disclosures." The financial statement presentation required by these statements provides a comprehensive, entity-wide perspective of the Research Corporation's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows and replaces the fund-group perspective previously required. In addition, these statements require the Research Corporation to present a Management's Discussion and Analysis ("MD&A"). The MD&A is considered to be required supplemental information and precedes the financial statements.

Reporting Entity

The Research Corporation has been defined in accordance with GASB Statement 14 "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units." The Research Corporation qualifies for treatment as a component unit of the University; therefore, the Research Corporation's financial statements are included in the University's combined financial statements as a discretely presented component unit.

Basis of Accounting

For financial reporting purposes, the Research Corporation is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the Research Corporation's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

In accounting and reporting for its proprietary operations, the Research Corporation applies all Governmental Accounting Standards Board (GASB) pronouncements. For the year ended June 30, 2013, the Commission implemented GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, and GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements. Statement No. 63 identified net position as the residual of all other elements presented in a statement of financial position.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The Research Corporation's net assets are comprised entirely of unrestricted net assets. Unrestricted net assets are not subject to donor or other stipulations imposed by outside sources.

Revenue Recognition

Revenue from sponsored research is recognized as expenditures are made for approved research activities. A sponsored research receivable is recorded for amounts expended for authorized purposes but not yet reimbursed by research sponsors. The Research Corporation has not established any allowances for uncollectible accounts, because all amounts are considered collectible.

Income Taxes

The Research Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax. In addition, the Research Corporation is not classified as a private foundation based on a determination received from the Internal Revenue Service.

The Research Corporation evaluated the Research Corporation's tax positions and concluded that the Research Corporation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions on accounting for uncertainty in income taxes. With few exceptions, the Research Corporation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2009.

Concentrations of Credit Risk

The Research Corporation maintains cash balances at a financial institution located in Atlanta, Georgia. Accounts at the financial institution are insured by the Federal Deposit Insurance Corporation for up to \$250,000. The Organization does not have any uninsured cash or investment balances at June 30, 2013.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

NOTE 3. FACILITIES AND ADMINISTRATIVE COST REVENUE

The Research Corporation receives reimbursement from research sponsors for facilities and administrative ("F&A") costs incurred. Of the total received, 80% is held for the University for reimbursement of F&A costs incurred by the University.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. SUMMARY OF SPONSORED RESEARCH ACTIVITY

The activity for sponsored research awarded to the Research Corporation is summarized for the year ended June 30, 2013 as follows:

Sponsored research awarded but not recognized - beginning of year	\$	-
Sponsored research awarded during the year (including facilities and administrative cost reimbursements)		3,538,678
Sponsored research recognized during the year (including facilities and administrative cost reimbursements)		(845,476)
Sponsored research awarded but not recognized – end of year	\$	<u>2,693,202</u>

The total number of sponsored research awards was fourteen for the year ended June 30, 2012. The \$845,476 of sponsored research recognized during the year is included in federal grant revenue, state grant revenue, gifts in kind, contractual private, and partially in other revenues on the Statement of Activities.

NOTE 5. RELATED PARTY TRANSACTIONS

As of June 30, 2013, the Research Corporation owes the University \$554,228, related to compensation paid up front by the University for research projects. Additionally, \$289,174 in payments were made to and on behalf of the University during 2013.

NOTE 6. SIGNIFICANT FUNDING SOURCES

The Research Corporation had total revenues of \$1,480,538 during the year 2013. Of the total received, \$696,584 is federal grant revenue and \$295,730 is contractual private revenue. \$215,475 of contractual private revenue was from ELS Educational Services.

NOTE 7. SUBSEQUENT EVENTS

The Research Corporation has evaluated events occurring through DATE, the date on which the financial statements were available to be issued, and no additional disclosures are necessary.

**SOUTHERN POLYTECHNIC APPLIED
RESEARCH CORPORATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013**

	<u>Federal CFDA #</u>	<u>Federal Expenditures</u>
Environmental Protection Agency		
National Student Design Competition for Sustainability	66.516	10,520
National Science Foundation		
Mesa STEM Grant	47.076	2,750
Strengthening the STEM Pipeline	47.076	86,405
Mobile Security	47.076	12,078
Total National Science Foundation		<u>101,233</u>
National Security Administration		
Information Security Grant Program	12.902	29,868
Nuclear Regulatory Commission		
Scholarship and Fellowship Program : Scholarship Program	77.008	78,569
Scholarship and Fellowship Program : Faculty Development	77.008	82,024
Total Nuclear Regulatory Commission		<u>160,593</u>
Department of Transportation		
State Planning and Research Program : POTR Mathematical Models	20.515	22,690
State Planning and Research Program : Improving Transportation	20.515	20,981
State Planning and Research Program : Resilient Moduli	20.515	48,900
State Planning and Research Program : Leadership	20.515	80,386
Total Department of Transportation		<u>172,957</u>
Department of Education		
The College Access Challenge Grant Program - Soldiers to Scholars	84.378A	2,196
Race to the Top : SPSU UTEACH Program Replication	84.395A	323,499
Total Department of Education		<u>325,695</u>
		<u>\$ 800,866</u>

See Note to Schedule of Expenditures of Federal Awards.

SOUTHERN POLYTECHNIC APPLIED RESEARCH CORPORATION
NOTE TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1. BASIS OF PRESENTATION

The schedule of expenditures of federal awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

To the Audit Committee of the Board of Directors
Southern Polytechnic Applied Research Corporation
Marietta, Georgia

We have audited, in accordance with auditing standards generally accepted in the United States or America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Southern Polytechnic Applied Research Corporation, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated _____, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southern Polytechnic Applied Research Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southern Polytechnic Applied Research Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

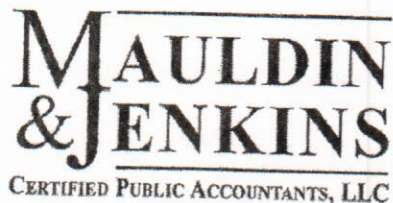
As part of obtaining reasonable assurance about whether Southern Polytechnic Applied Research Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
DATE



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Audit Committee of the Board of Directors
Southern Polytechnic Applied Research Corporation
Marietta, Georgia

Report on Compliance for Each Major Federal Program

We have audited Southern Polytechnic Applied Research Corporation's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Southern Polytechnic Applied Research Corporation's major federal programs for the year ended June 30, 2013. Southern Polytechnic Applied Research Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Southern Polytechnic Applied Research Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southern Polytechnic Applied Research Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Southern Polytechnic Applied Research Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, Southern Polytechnic Applied Research Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Southern Polytechnic Applied Research Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Southern Polytechnic Applied Research Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southern Polytechnic Applied Research Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
DATE

SOUTHERN POLYTECHNIC APPLIED RESEARCH CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:

Financial Statements:

Type of auditors' report issued

Unqualified

Yes

No

Internal control over financial reporting:

Material weaknesses identified?

X

Significant deficiencies identified not considered to be material weaknesses?

None Reported

Noncompliance material to the financial statements noted?

X

Federal Awards:

Internal controls over major programs:

Material weaknesses identified?

X

Significant deficiencies identified not considered to be material weaknesses?

None Reported

Type of auditors' report issued on compliance for major programs

Unqualified

Audit findings required to be reported in accordance with OMB Circular A-133 Section 510(a)

None

Identification of major programs:

84.395 UTeach

77.008 NRC Faculty & Scholarships

Dollar threshold used to distinguish between Type A and type B programs

\$ 300,000

Yes

No

Auditee qualified as low-risk auditee?

X

Financial Statement Findings?

X

Federal Award Findings Questioned Costs?

X

SOUTHERN POLYTECHNIC APPLIED RESEARCH CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
YEAR ENDED JUNE 30, 2013

II. FINANCIAL STATEMENT FINDINGS

NONE REPORTED

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE REPORTED