Campus Partners for Community Urban Redevelopment and Subsidiaries

Consolidated Financial Statements as of and for the Years Ended June 30, 2011 and 2010, Supplemental Information as of and for the Year Ended June 30, 2011 and Independent Auditors' Report

Dave Yost • Auditor of State

Board of Directors
Campus Partners for Community Urban Redevelopment and Subsidiaries
1534 North High Street
Columbus, Ohio 43201

We have reviewed the *Report of Independent Auditors* of the Campus Partners for Community Urban Redevelopment and Subsidiaries, Franklin County, prepared by PricewaterhouseCoopers LLP, for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

January 25, 2012

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Report of Independent Auditors

To the Board of Directors of
Campus Partners for Community Urban Redevelopment and Subsidiaries
Columbus, Ohio

In our opinion, the accompanying consolidated financial statements of Campus Partners for Community Urban Redevelopment and Subsidiaries ("Campus Partners"), a component unit of The Ohio State University, and the discretely presented component unit, as of and for the year ended June 30, 2011, which collectively comprise the Campus Partners basic financial statements as listed in the table of contents present fairly, in all material respects, the financial position of Campus Partners, as of June 30, 2011, and the changes in their financial position and their cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Campus Partners' management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The financial statements of Campus Partners as of June 30, 2010 and for the year then ended were audited by other auditors whose report dated November 8, 2010 expressed an unqualified opinion on those statements.

The accompanying management's discussion and analysis on pages 3 through 7 are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. 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.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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 taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2011 on our consideration of Campus Partners' 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.

PricewaterhouseCoopers LLP

December 22, 2011

The following Management's Discussion and Analysis (MD&A) of Campus Partners For Community Urban Redevelopment and Subsidiaries ("Campus Partners") financial performance provides an introduction to the consolidated financial statements for the fiscal year ended June 30, 2011, with comparative data for fiscal year 2010 and fiscal year 2009. We encourage readers to consider information presented here in conjunction with Campus Partners' consolidated financial statements. This MD&A focuses on the operations of Campus Partners and not its discretely presented component unit, University District Community Development Entity, LLC (UDCDE). Information pertaining to the discretely presented component unit is located in Note 7 to the financial statements. Responsibility for the completeness and fairness of this information rests with Campus Partners' management.

Overview of the Basic Consolidated Financial Statements

Campus Partners' consolidated financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB). Campus Partners is structured as a not-for-profit community development corporation with revenues recognized when earned and expenses recognized when incurred. Assets are capitalized and are depreciated over their useful lives. See the notes to the consolidated financial statements for a summary of Campus Partners' significant accounting policies.

Following this MD&A are the consolidated financial statements of Campus Partners, together with the notes, which are essential to a full understanding of the data contained in the consolidated financial statements. Campus Partners' consolidated financial statements are designed to provide readers with a broad overview of Campus Partners' finances.

The consolidated statements of net assets present information on all Campus Partners' assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of Campus Partners' financial position.

The consolidated statements of revenues, expenses, and changes in net assets present information that illustrates Campus Partners' net asset changes during each fiscal year ended. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

The consolidated statements of cash flows relate to the flows of cash and cash equivalents. Consequently, only transactions that affect Campus Partners' cash accounts are recorded in this statement. A reconciliation of cash flows is provided at the bottom of the statement of cash flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

While Campus Partners' finances are complex due to our real estate holdings, development projects and multiple sources of funds, the organization's fiscal picture is solid. Campus Partners is current on its financial obligations and Campus Partners' cash provided by operating activities for fiscal year 2011 and 2010 was positive. Campus Partners net asset deficiency of $(20.4) million as of June 30, 2011 warrants additional explanation as follows:

- The fiscal year 2011 financial statements label the UDCDE Note B for $10.4 million as a liability (See Note 5). Campus Partners used this note to finance construction of the retail portion of South Campus Gateway. Under the federal New Markets Tax Credit program designed to attract private investment to distressed neighborhoods, the note does not require repayment and will be purchased by Campus Partners in August 2011 for $103,000.

- As a non-profit redevelopment corporation, Campus Partners is charged with purchasing under-performing real estate properties and holding them for future redevelopment to benefit the University District neighborhoods. Campus Partners has purchased residential properties immediately south of Gateway for eventual redevelopment. Many of these properties were dilapidated and have been demolished, thus ultimately resulting in a $6.9 million impairment of assets from January 1995 through June 2011.

- Campus Partners also is carrying $8.4 million in debt until The Ohio State University completes approval of Campus Partners' new five-year business plan. Once the business plan is approved, Campus Partners' liabilities will be reduced by that amount as the $8.4 million of debt is expected to be reclassified as a capital contribution.

Financial Position
The following represents Campus Partners' financial position as of June 30, 2011, 2010, and 2009:

	2011	2010	2009
Assets:			
Current assets	$ 5,804,118	$ 3,871,799	$ 2,823,669
Net capital assets	47,825,127	49,717,788	51,757,571
Deferred loan costs and other assets	2,570,390	1,809,033	1,680,789
Total	$ 56,199,635	$ 55,398,620	$ 56,262,029
Liabilities:			
Current liabilities	$ 39,040,104	$ 25,164,399	$ 15,070,695
Long-term liabilities	37,524,523	46,020,042	55,208,219
Total liabilities	76,564,627	71,184,441	70,278,914
Net (deficiency in) assets:			
Invested in capital assets — net of related debt	(20,724,983)	(16,595,592)	(13,077,300)
Restricted		4,340	
Unrestricted	359,991	805,431	(939,585)
Total net (deficiency in) assets	(20,364,992)	(15,785,821)	(14,016,885)
Total	$ 56,199,635	$ 55,398,620	$ 56,262,029

During 2011, Campus Partners' net capital assets decreased $1.9 million due to property demolitions in the Real Estate III portfolio and the disposal of assets relating to retail tenant improvements at South Campus Gateway. Current assets increased $1.9 million, primarily due to a $1.9 million increase in cash. Campus Partners' current liabilities increased by $13.9 million during 2011 primarily as a result of debt of $10.3 million being reclassified from long-term to current.

Long-term liabilities decreased by $8.5 million during 2011 due to the same reclassification of long term debt to current and a $0.2 million reduction in the ground lease payable. Note 5 includes more information regarding Campus Partners' financing arrangements. During 2011, Campus Partners' net deficit increased by $4.6 million as net operating income of $0.5 million was offset by impairment and demolition costs of $2.9 million and interest expense of $2.5 million.

During 2010, Campus Partners' net capital assets decreased $2.0 million due to property demolitions in the Real Estate III portfolio and the disposal of assets relating to retail tenant improvements at South Campus Gateway. Current assets increased $1.0 million, primarily due to a $1.9 million increase in cash. Campus Partners' current liabilities increased by $10.1 million during 2010 primarily as a result of debt of $10.3 million being reclassified from long-term to current. Long-term liabilities decreased by $9.2 million during 2010 due to the same reclassification of long term debt to current and a $0.2 million reduction in the ground lease payable. Note 5 includes more information regarding Campus Partners' financing arrangements. During 2010, Campus Partners' net deficit increased by $1.8 million due to a net operating loss of $0.7 million and a net expense from other non-operating revenues and expenses of $1.5 million as described in the summary of changes in net assets for fiscal year ended June 30, 2010.

During 2009, Campus Partners' net capital assets increased $975,000 due to the purchase of assets relating to retail tenant improvements at South Campus Gateway and property additions to the Real Estate III portfolio. Current assets decreased $2.2 million, primarily due to a decrease in cash of $1.6 million. Additionally, grants receivable decreased $348,000, primarily due to reimbursements received from the City of Columbus (the "City") for the Columbus Coated Fabrics (CCF) site project. The additional $252,000 mostly represents an increase to the allowance of doubtful accounts. Campus Partners' current liabilities increased by $3.6 million during 2009 primarily as a result of certain debt being classified as current. Long-term liabilities decreased by $3.5 million during 2009 due to a reduction in the ground lease payable in the amount of $3.5 million. During 2009, Campus Partners' net deficit increased by $650,000 due to a net operating loss of $2.6 million and interest expense and other nonoperating income of $2 million, as described in the summary of changes in net assets for fiscal year ended June 30, 2009.

The following represents Campus Partners' summary of changes in net assets for the fiscal years ended June 30, 2011, 2010, and 2009:

	2011	**2010**	**2009**
Operating revenues	$ 12,824,611	$ 11,728,766	$ 11,746,494
Operating expenses	12,333,368	12,427,896	14,374,566
Net operating income (loss)	491,243	(699,130)	(2,628,072)
Nonoperating expenses	(5,028,317)	(1,460,788)	(1,056,251)
Capital contributions (distributions)	(42,097)	390,982	(57,182)
Extraordinary Item			3,095,485
Change in net assets	(4,579,171)	(1,768,936)	(646,020)
Net deficiency — beginning of year	(15,785,821)	(14,016,885)	(13,370,865)
Net deficiency — end of year	$ (20,364,992)	$ (15,785,821)	$ (14,016,885)

Campus Partners' $12.8 million of operating revenues for the year ended June 30, 2011, resulted primarily from retail and residential rental income generated from real estate holdings at the South Campus Gateway mixed use development. Campus Partners also received a $1.2 million lease termination fee related to the SuperValu lease at Gateway. The rental rates and occupancy levels were steady in fiscal year 2011.

Campus Partners' major operating expenses for the year ended June 30, 2011, included ground lease rent (26.7 %), salaries and wages (17.3%), and depreciation and amortization (16.4 %). No other operating expense categories represented more than 10% of the total operating expenses in the current year.

Nonoperating expenses for fiscal year 2011 primarily related to impairment expense for properties demolished of $2.9M and interest expense of $2.5 million. This cost was partially offset by $0.65 million of operational funding support received from the University.

Campus Partners' $11.7 million of operating revenues for the year ended June 30, 2010, resulted primarily from retail and residential rental income generated from real estate holdings at the South Campus Gateway mixed use development. The rental rates and occupancy levels were steady in fiscal year 2010.

Campus Partners' major operating expenses for the year ended June 30, 2010, included ground lease rent (26.5%), salaries and wages (14.8%), and depreciation and amortization (16.1%). No other operating expense categories represented more than 10% of the total operating expenses in the current year. The decrease in operating expenses is attributable primarily to the decrease in ground lease expense of $1.1 million, a decrease in bad debt expense of $0.7 million and a decrease in salaries and wages of $0.1 million.

Nonoperating expenses for fiscal year 2010 primarily related to interest expense of $2.5 million. This cost was partially offset by $1.35 million of operational funding support received from the University.

During 2009, Campus Partners' $11.7 million of operating revenues for the year ended June 30, 2009, resulted primarily from retail and residential rental income generated from real estate holdings in South Campus Gateway, LLC (South Campus Gateway). The increase over 2008 is a result of increased occupancy of the retail, residential, and office properties.

Campus Partners' major operating expenses for the year ended June 30, 2009, included ground lease rent (30.4%), salaries and wages (13.5%), and depreciation and amortization (13.8%). No other operating expense categories represented more than 10% of the total operating expenses in the current year. The increase in operating expenses is attributable primarily to the increased activity at South Campus Gateway, an increase in real estate tax, and an increase in bad debt expense.

Nonoperating expenses for fiscal year 2009 primarily related to interest expense of $2.6 million offset by fee income of $800,000 with Weinland Park Development, LLC in exchange for the assignment of the right to purchase the Columbus Coated Fabrics site from the City of Columbus.

Additionally, the ground lease was amended during fiscal 2009 and ground rent was reduced by the University during fiscal 2009 in the amount of $3 million, as reflected as an extraordinary item in the Statement of Revenues, Expenses, and Change in Net Assets.

The statements of cash flows present detailed information about the major sources and uses of cash and the resultant change in Campus Partners' cash position under the direct method. The four categories of presentation and their respective amounts for fiscal years 2011, 2010, and 2009 are as follows:

	2011	2010	2009
Net cash provided by (used in) operating activities	$ 5,617,785	$ 1,563,700	$ 459,579
Net cash provided by (used in) investing activities	(2,861,490)	248,945	(24,288,923)
Net cash (used in) capital financing activities	(1,549,634)	(1,242,948)	20,968,961
Net cash provided by noncapital financing activities	665,623	1,378,435	1,278,732

During fiscal 2011 net cash provided by operating activities increased by approximately $4.0 million primarily due to increased rental income of $0.7 million and a decrease in cash paid to suppliers of approximately $2.9 million. Net cash used in investing activities decreased by approximately $3.1 million due to an increase in property purchases of $2.4 million. Net cash used in capital financing activities decreased by approximately $0.3 million primarily due to changes in grant activity during the year which were offset by higher interest costs.

During fiscal 2010 net cash provided by operating activities increased by approximately $1.1 million due to a decrease in cash paid to suppliers of approximately $1.4 million. Net cash provided by investing activities increased by approximately $24.5 million due to a reduction of cash used in last year's Holiday Inn purchase for approximately $20 million and in the reduction of purchases of property, plant and equipment of approximately $3.0 million due to less property acquisition activity. Net cash used in capital financing activities decreased by approximately $22.2 million because of last year's cash received from The Ohio State University of approximately $20 million in relation to the purchase of the Holiday Inn.

During fiscal 2009 net cash used by operating activities decreased by approximately $1.9 million due to an increase of cash received from tenants of approximately $1 million, a decrease in cash paid to suppliers of approximately $550,000, and a decrease in cash paid to employees of approximately $350,000. Net cash used by investing activities increased by approximately $19 million due to the purchase of the Holiday Inn for approximately $20 million, an increase in cash paid for The Ohio State University tenant space for approximately $1.3 million, offset by a reduction in the purchases of property, plant and equipment of approximately $1.4 million, and an increase in cash received from The Ohio State University for tenant space for approximately $700,000. Net cash provided by capital financing activities increased by approximately $16.9 million because of cash received from The Ohio State University of approximately $20 million in relation to the purchase of property and cash received from the Weinland Park Project of $800,000, offset by a reduction of cash received from grants of approximately $1.2 million, a reduction in grant disbursements of approximately $950,000, a reduction in borrowings of $2.5 million, and a decrease in notes receivable of approximately $1.1 million.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF NET ASSETS AS OF JUNE 30, 2011 AND 2010

	2011		2010	
	Campus Partners Primary	UDCDE Component	Campus Partners Primary	UDCDE Component
ASSETS				
CURRENT ASSETS:				
Cash	$ 4,267,541	$ 1,012,428	$ 2,395,257	$ 797,282
Accounts receivable — net of allowance of doubtful accounts for $20,785 in 2011 and $110,000 in 2010	1,495,588	79,649	1,424,402	40,689
Notes receivable — current portion	20,000	265,033	20,000	249,136
Other assets	20,989		32,140	
Total current assets	5,804,118	1,357,110	3,871,799	1,087,107
CAPITAL ASSETS — Net of accumulated depreciatior	47,825,127		49,717,788	
NOTES RECEIVABLE — Net of current portion	2,084,971		1,151,502	
NOTES RECEIVABLE FROM CAMPUS PARTNERS		32,235,678		32,500,712
INVESTMENT IN UDCDE	140,841		140,841	
DEFERRED LOAN AND LEASE COSTS — Net	344,578		516,690	
TOTAL	$ 56,199,635	$33,592,788	$ 55,398,620	$33,587,819
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Current portion of loan payable	$ 35,814,434	$ -	$ 22,981,689	$ -
Accounts payable	630,613		329,820	
Accrued liabilities	1,737,827		1,183,477	
Unearned tenant income	243,032		248,481	
Tenant deposits	614,198		420,932	
Total current liabilities	39,040,104	-	25,164,399	-
LONG-TERM LIABILITIES:				
Ground lease payable to related party	5,288,845		2,688,351	
Loans payable			10,830,979	
Loans payable to UDCDE	32,235,678		32,500,712	
Total long-term liabilities	37,524,523	-	46,020,042	-
Total liabilities	76,564,627	-	71,184,441	-
NET (DEFICIENCY IN) ASSETS:				
Invested in capital assets — net of related debt	(20,724,983)		(16,595,592)	
Restricted			4,340	
Unrestricted	359,991	33,592,788	805,431	33,587,819
Total net (deficiency in) assets	(20,364,992)	33,592,788	(15,785,821)	33,587,819
TOTAL	$ 56,199,635	$33,592,788	$ 55,398,620	$33,587,819

See notes to consolidated financial statements.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011		2010	
	Campus Partners Primary	UDCDE Component	Campus Partners Primary	UDCDE Component
OPERATING REVENUES:				
Rental income	$ 7,349,518	$ -	$ 7,658,322	$ -
Lease termination fee income	1,201,195			
Recovery of operating expenses	1,750,664		1,717,372	
Parking income	1,445,891		1,333,876	
Other income	256,410		409,830	
Gateway Theater sales less cost of goods sold of $796,069 in 2011 and $497,475 in 2010	820,932		609,366	
Investment income		1,848,889		1,866,327
Total operating revenues	12,824,610	1,848,889	11,728,766	1,866,327
OPERATING EXPENSES:				
Professional services	358,124		704,110	
Salaries and wages	2,127,099		1,840,125	
Ground lease expense	3,293,004		3,293,004	
Real estate taxes	1,148,486		1,218,270	
Depreciation and amortization expense	2,026,609		2,005,393	
Utilities	850,408		861,326	
Cleaning	376,816		409,672	
Security	773,710		704,551	
Repairs and maintenance	777,736		758,857	
Public relations	281,236		255,503	
Bad debt expense	56,889		97,603	
Office supplies and expense	71,597		78,079	
Miscellaneous	191,654	1,623	201,403	1,503
Total operating expenses	12,333,368	1,623	12,427,896	1,503
OPERATING (LOSS) INCOME	491,242	1,847,266	(699,130)	1,864,824
NONOPERATING REVENUES (EXPENSES):				
Operating subsidy received from The Ohio State University	650,000		1,350,000	
Tenant space revenue	67,394		600,000	
Tenant space expense	(450,118)		(707,283)	
Miscellaneous income	15,623		28,435	
Impairment and demolition expense	(2,915,660)		(326,042)	
Interest income	81,659		53,059	
Interest expense	(2,477,214)		(2,458,957)	
Total nonoperating expenses	(5,028,316)	-	(1,460,788)	-
(DECREASE) INCREASE IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS (DISTRIBUTIONS)	(4,537,074)	1,847,266	(2,159,918)	1,864,824
CAPITAL CONTRIBUTIONS (DISTRIBUTIONS):				
Grant income	291,232		616,576	
Grant disbursements	(333,329)		(88,955)	
Transfer of assets to The Ohio State University			(136,639)	
Capital distributions from UDCDE		(1,842,297)		(1,861,430)
Capital contributions (distributions) — net	(42,097)	(1,842,297)	390,982	(1,861,430)
(DECREASE) INCREASE IN NET ASSETS	(4,579,171)	4,969	(1,768,936)	3,394
NET (DEFICIENCY IN) ASSETS — Beginning of year	(15,785,821)	33,587,819	(14,016,885)	33,584,425
NET (DEFICIENCY IN) ASSETS — End of year	$ (20,364,992)	$33,592,788	$ (15,785,821)	$33,587,819

See notes to consolidated financial statements.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011 Campus Partners Primary	2010 Campus Partners Primary
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from tenants	$ 12,175,060	$ 11,434,714
Cash received from Gateway Theater	794,241	609,366
Cash paid to employees	(1,914,063)	(2,036,951)
Cash paid to suppliers	(5,437,453)	(8,443,429)
Net cash provided by operating activities	5,617,785	1,563,700
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(2,401,781)	(406,792)
Interest received on cash	1,216	31,877
Payment of deferred leasing costs	(78,201)	(52,530)
Cash received from tenant space income	67,394	1,383,673
Cash paid for tenant space expense	(450,118)	(707,283)
Net cash provided by (used in) investing activities	(2,861,490)	248,945
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Cash received from grants	290,232	616,576
Cash paid on grant disbursements	(337,668)	(342,784)
Cash received from loans	2,204,788	1,786,519
Debt repayment	(1,060,247)	(1,002,647)
Cash paid for interest	(1,861,815)	(1,889,727)
Cash paid for note receivable	(933,469)	(238,169)
Decrease in overdraft payable		(38,316)
Other	148,545	(134,400)
Net cash (used in) capital financing activities	(1,549,634)	(1,242,948)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received as an operating subsidy from The Ohio State University	650,000	1,350,000
Cash received from miscellaneous nonoperating income	15,623	28,435
Cash provided by noncapital financing activities	665,623	1,378,435
NET INCREASE (DECREASE) IN CASH	1,872,284	1,948,132
CASH — Beginning of year	2,395,257	447,125
CASH — End of year	$ 4,267,541	$ 2,395,257

(Continued)

See notes to consolidated financial statements.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011 Campus Partners Primary	2010 Campus Partners Primary
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	$ 491,241	$ (699,130)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	2,026,609	2,005,393
Bad debt expense	56,889	97,603
Write down after demolition	(361,757)	
(Increase) decrease in assets:		
Accounts receivable	(43,140)	183,561
Other assets	11,151	(4,404)
(Decrease) increase in liabilities:		
Accounts payable	300,793	127,781
Ground lease payable	2,600,494	(214,256)
Unearned tenant income	(5,447)	102,171
Tenant deposits	193,266	29,581
Accrued liabilities	347,686	(64,600)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 5,617,785	$ 1,563,700
SUPPLEMENTAL DISCLOSURES — Noncash activity:		
Property purchases in accounts payable and accrued liabilities	$	$ 25,966
Transfer of capital assets to The Ohio State University	$ -	$ 136,639
Interest incurred and added to debt	$ 592,187	$ 569,637

See notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization — Campus Partners For Community Urban Redevelopment and Subsidiaries ("Campus Partners") is a component unit of The Ohio State University (the "University"). The financial activity of Campus Partners is blended within the consolidated financial statements of the University. The cost of the operations of Campus Partners is funded primarily by rental operations and subsidies from the University, whereby Campus Partners directs the revitalization of the area immediately adjacent to the University's main campus in Columbus, Ohio. Campus Partners was incorporated on January 12, 1995.

Reporting Entity — The accompanying consolidated financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the consolidated financial statements include all the organizations, activities, and functions for which Campus Partners, the reporting entity, is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) Campus Partners' ability to impose its will over the component unit or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the reporting entity. On this basis, the reporting entity of Campus Partners includes the following component units:

- South Campus Gateway was created for the purpose of incurring costs related to the construction of residential, office, retail, and parking structures in the Gateway Project. During fiscal years 2007 and 2006, the title to the capital assets related to the residential, office, and parking portions of the project was transferred to the University. Pursuant to GASB Statement No. 14, Campus Partners is financially accountable for South Campus Gateway in that Campus Partners continues to own the remaining assets of South Campus Gateway. South Campus Gateway imposes a financial burden on Campus Partners through financing provided for the Gateway project. The ability of Campus Partners to impose its will on South Campus Gateway is manifest in that Campus Partners has the ability to dissolve the entity at any time.
- The Gateway Area Revitalization Initiative (GARI) was created to purchase land for the development of South Campus Gateway LLC (South Campus Gateway), an area immediately adjacent to the main campus of the University (the "Gateway Project"). Campus Partners is financially accountable for GARI in that the majority of the trustees of GARI must be trustees of Campus Partners. Therefore, the ability of Campus Partners to impose its will on GARI is manifest in that Campus Partners has the ability to dissolve the entity at any time. In fiscal year 2004, the title to the land was transferred to the University.
- The Gateway Theater, LLC ("Gateway Theater") was created on June 21, 2005, for the purpose of operating the cinema at South Campus Gateway. GARI is the sole member of the Gateway Theater. The ability of Campus Partners to impose its will on the Gateway Theater is manifest in that the majority of the trustees of GARI must be trustees of Campus Partners.
- University District Community Development Entity, LLC (UDCDE) was created for the purpose of submitting an application for an allocation of New Markets Tax Credits from the U.S. Treasury Department. Funds generated from investors in UDCDE were used to provide debt financing for the retail portion of South Campus Gateway. In August 2005, UDCDE amended its operating agreement and admitted SCG Investment Fund LLC as a 99.72% member, and Campus Partners reduced its ownership from 100% to 0.28%. UDCDE is a discretely presented component unit because UDCDE is considered fiscally dependent on Campus Partners through voting rights, but does not provide services entirely or almost entirely to Campus Partners.

Basis of Presentation — The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The preparation of consolidated financial statements in conformity with GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Campus Partners' significant accounting policies are described below.

Basis of Accounting — The consolidated financial statements have been prepared on an accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund.

Revenue from charges for services is reported as operating revenue. Transactions, which are capital, financing, and investment-related, are reported as nonoperating revenues. Expenses from employee wages and benefits, purchases of services, material and supplies, and other miscellaneous expenses are reported as operating expenses. Grants and contracts determined to be exchange transactions are recognized as revenue when the exchange occurs. Grants and contracts determined to be non-exchange transactions are recognized as revenue when all eligibility requirements are met. Grants for the acquisition and construction of land, property, and certain types of equipment are reported in the consolidated statements of revenues, expenses, and changes in net assets, after nonoperating revenues and expenses.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Enterprise Fund Accounting*, Campus Partners follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Boards (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. Campus Partners has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

Cash — Campus Partners' financial instruments that are exposed to concentrations of credit risk consist of cash. Cash is on deposit with four banking institutions.

At June 30, 2011, the carrying amounts of Campus Partners' deposits with financial institutions totaled $4,267,540 compared to bank balances of $4,361,729. At June 30, 2010, the carrying amounts of Campus Partners' deposits with financial institutions totaled $2,395,257 compared to bank balances of $2,932,661. Outstanding checks and deposits in transit cause the differences in the carrying amounts and bank balances. Based upon criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase and Reverse Repurchase Agreements*, $250,000 of the bank balance in each legal entity was covered by deposit insurance provided by the Federal Deposit Insurance Corporation (FDIC). In fiscal years 2011 and 2010, $3,287,896 and $1,608,231, respectively, was uncollateralized as defined by GASB. However, to mitigate any risk of loss, Campus Partners maintains its cash in four large financial institutions; consequently, management believes it is not exposed to any specific concentration of credit risk in relation to cash.

Accounts Receivable — Receivables are reported at their gross value when earned as the underlying exchange transaction occurs, and reduced by the estimated portion deemed uncollectible. This estimate is based on collection history, industry trends, and current information regarding credit worthiness of the debtors. When continued collection activity results in receipts of amounts previously written off, revenue is recognized for the amount collected.

Unbilled Deferred Rent Receivable and Rental Income — Campus Partners, as a lessor, has retained substantially all of the risks and benefits of ownership and accounts for its leases as operating leases. Certain tenant leases provide for increases in minimum rental payments and for occupancy in periods where no rent is due. Campus Partners recognizes such rental revenue monthly on a straight-line basis over the terms of the leases. The expected straight-line rental income in excess of rents currently due under such lease agreements is recorded as unbilled deferred rent receivable. As of June 30, 2011 and 2010, such receivables (included in accounts receivable) were $530,270 and $606,596, respectively.

Concentration of Credit Risk — For the years ended June 30, 2011 and 2010, Campus Partners had rental revenue generated from one tenant, which represented greater than 10% of Campus Partners' revenue. Revenue from this tenant was $1 million for years ended June 30, 2011 and 2010, which represents 13.6% and 13.1% of Campus Partners' revenue, respectively.

Grants Receivable — Grants receivable represent funds due to Campus Partners from capital financing sources subsequent to Campus Partners meeting all eligibility requirements to receive reimbursement of funds as required by the grant.

Notes Receivable — Loans are stated in the amount of unpaid principal, reduced by unearned loan fees and the allowance for loan losses, when management believes the collectability of the principal is unlikely.

Capital Assets — Capital assets with a unit cost of greater than $500 are recorded at cost on the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. Buildings are depreciated over 27.5 to 39 years, and personal property over five to seven years.

Tenant improvements are amortized over the lesser of the estimated life of the improvement or the life of the lease. Interest is capitalized during the development period and amortized over the estimated life of the building, once construction is complete. During fiscal years 2011 and 2010, Campus Partners incurred interest totaling $2,477,214 and $2,458,957, respectively, of which no interest was capitalized in fiscal 2010 and 2009.

During fiscal 2011 and 2010, Campus Partners recorded an impairment charge on recent property acquisitions of $2,915,660 and $326,042 respectively, which is reflected as impairment and demolition expense in the accompanying Consolidated Statement of Revenues, Expenses, and Changes in Net Assets.

Deferred Loan and Lease Costs — Deferred costs consist principally of leasing costs and financing fees. Leasing costs consist of commissions paid to third parties and other direct costs related to leasing activities. These costs are amortized on a straight-line basis over the terms of the respective agreements. As of June 30, 2011 and 2010, accumulated amortization totaled $605,869 and $612,159, respectively.

Grants Payable — Grants payable represent funds due to vendors under grants from the City and the state of Ohio, as well as certain funds due subrecipients.

Unearned Tenant Income and Tenant Deposits — Unearned tenant income consists of prepaid rent, which is recognized in the period it is earned. Tenant deposits are refundable at the end of the lease.

Ground Leases Payable — Campus Partners, as a lessee, does not receive the substantial risks and benefits of ownership and accounts for the ground lease as an operating lease. Rental expense is recognized over the term of the lease on a straight-line basis. The expected straight-line rental expense in excess of rents due currently under the lease represents unbilled ground lease payable. As of June 30, 2011 and 2010, such payables were $5,288,845 and $2,688,351, respectively.

Income Taxes — Campus Partners is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

2. RELATED-PARTY TRANSACTIONS

In fiscal years 2011 and 2010, the University provided $650,000 and $1,350,000 respectively, in operational subsidies to Campus Partners.

On April 18, 2001, the University, acting under the provisions of Chapter 3335 of the Revised Code of Ohio, entered into a joint use agreement with GARI, a blended component unit of Campus Partners, for GARI to construct a parking garage immediately adjacent to the University's main campus in Columbus, OH. Under legislation, the General Assembly of the State of Ohio appropriated funds to the University for $4.5 million for this purpose. The funds were fully utilized as of June 30, 2005. Administrative costs were paid to the University in an amount equal to 1.5% of the total appropriation.

The agreement expires 15 years from August 1, 2005, the date the parking garage was completed and placed into service. GARI reserves the right to terminate the agreement prior to the expiration date provided the University is given a one-year notice prior to the effective date of termination. In the event the agreement is terminated prior to the original expiration date, GARI will be required to reimburse the University in accordance with terms defined in the agreement. As of June 30, 2010 and 2009, the agreement remained in effect.

During fiscal year 2010, there was $136,639 of nonretail development and building construction costs transferred to the University, respectively. During fiscal year 2007, title to $3.7 million of South Campus Gateway nonretail predevelopment, development, and building construction costs were transferred to the University and subsequently subleased under the terms of the Ground Lease Agreement dated June 30, 2004. A corresponding $3.7 million of related debt was forgiven by the University in accordance with a Memorandum of Agreement dated January 20, 2004, between Campus Partners and the University. The subleased assets consist of both land and building and will remain the property of the University at ground lease expiration. Accordingly, the lease has been classified as an operating lease.

During fiscal year 2006, Campus Partners entered into three leases whereby Campus Partners leases office space to the University, which has been subleased under the Ground Lease Agreement. The leased space is part of the University Improvements, as defined under the ground lease, which were funded by the University and constructed by Campus Partners, and transferred to the University upon completion. At the end of the ground lease term, title to the office space will remain with the University. Lease income from the University under these leases totaled $1,394,155 and $1,372,592 for 2011 and 2010, respectively, and is included in rental income.

Campus Partners' operating division salaries, wages, and other compensation are paid directly to the employees by the University. Campus Partners reimburses the University based on the percentage of employees' time allocated to Campus Partners. During fiscal years 2011 and 2010, Campus Partners incurred $429,997 and $459,559, respectively, of which $283,036 and $103,869 were accrued at June 30, 2011 and 2010, respectively.

3. CAPITAL ASSETS

Capital asset activities for the years ended June 30, 2011 and 2010 are as follows:

	June 30, 2010	Additions	Disposals	Transfers	June 30, 2011
Land	$ 4,029,311	$ 114,410	$	$	$ 4,143,721
Depreciable assets:					
Buildings and improvements	53,810,158	1,564,737	(2,930,070)		52,444,825
Equipment	423,664	722,565			1,146,229
Total depreciable assets	54,233,822	2,287,302	(2,930,070)		53,591,054
Total capital assets	58,263,133	2,401,712	(2,930,070)		57,734,775
Less accumulated depreciation and amortization for:					
Buildings and improvements	(8,229,139)	(1,709,123)	519,944		(9,418,318)
Equipment	(316,207)	(175,123)			(491,330)
Total accumulated depreciation and amortization	(8,545,346)	(1,884,246)	519,944		(9,909,648)
Net capital assets	$ 49,717,787	$ 517,466	$ (2,410,126)	$	$ 47,825,127

	June 30, 2009	Additions	Disposals	Transfers	June 30, 2010
Land	$ 4,029,311	$ -	$ -	$ -	$ 4,029,311
Depreciable assets:					
Buildings and improvements	54,126,677	38,767	(355,286)		53,810,157
Equipment	389,728	73,774	(39,838)		423,664
Total depreciable assets	54,516,405	112,541	(395,124)		54,233,822
Total capital assets	58,545,716	112,541	(395,124)		58,263,133
Less accumulated depreciation and amortization for:					
Buildings and improvements	(6,519,847)	(1,771,010)	61,718		(8,229,139)
Equipment	(268,299)	(85,222)	37,314		(316,207)
Total accumulated depreciation and amortization	(6,788,146)	(1,856,232)	99,032		(8,545,346)
Net capital assets	$ 51,757,570	$ (1,743,691)	$ (296,092)	$ -	$ 49,717,787

OPERATING LEASES

At June 30, 2011, rental property is being leased to parties under various operating lease agreements for lease terms ranging from 1 to 20 years. Minimum future rental income for all retail operating leases in effect at June 30, 2011, and the new leases entered into subsequent to year-end are as follows:

Years Ending June 30	
2012	$ 4,458,480
2013	4,500,670
2014	4,486,940
2015	4,490,379
2016	3,791,636
2017–2021	14,550,577
2022–2026	8,989,765
Total	$ 45,268,447

Effective June 30, 2004, Campus Partners entered into a 40-year operating ground lease with the University for the South Campus Gateway land and University improvements, as defined in the lease. Payments, which are over a 30-year period, began on October 1, 2006, and are calculated based on the total value of nonretail assets transferred to the University. The interest rate used to calculate monthly payments is a blend of fixed and variable rates based on the University's 2003 B and C General Receipt Bond Issues (4.61% at June 30, 2011 and 2010).

As of June 30, 2010, the total minimum lease payments due to the University under the lease, including the amendments are:

Years Ending June 30	
2012	$ 4,898,247
2013	4,898,247
2014	4,898,247
2015	4,898,247
2016	4,898,247
2017–2021	24,491,236
2022–2026	24,442,076
2027–2031	22,182,284
2032–2035	10,400,125
Total	$ 106,006,956

4. LOANS PAYABLE

Loan activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Principal Additions	Repayments	Ending Balance	Current Portion
Campus Partners:					
City of Columbus Loan	$ 125,000	$	$	$ 125,000	$ 125,000
OSU Business Plan Loan	7,563,025	872,502		8,435,527	8,435,527
RE III Acquisition Line of Credit	6,111,969	249,011		6,360,980	6,360,980
OSU 2005 MOU — Sun Longs	2,181,464	88,876		2,270,340	2,270,340
OSU 2005 MOU — RE II	1,072,436	43,693		1,116,129	1,116,129
Garland Mortgage Note — Sun Longs	411,110		(411,110)		
South Campus Gateway:					
OSU Line of Credit	5,265,197	210,608		5,475,805	5,475,805
OSU Line of Credit		1,332,286		1,332,286	1,332,286
UDCDE Note A	22,373,355		(249,137)	22,124,218	265,034
UDCDE Note B	10,376,491			10,376,491	
ESIC $12M Loan	10,833,333		(400,000)	10,433,333	10,433,333
Total debt	$ 66,313,381	$ 2,796,976	$ (1,060,247)	$ 68,050,109	$ 35,814,434

Loan activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Principal Additions	Repayments	Ending Balance	Current Portion
Campus Partners:					
City of Columbus Loan	$ 125,000	$ -	$ -	$ 125,000	$ 125,000
OSU Business Plan Loan	5,776,506	1,786,519		7,563,025	7,563,025
RE III Acquisition Line of Credit	6,110,107	238,113	(236,251)	6,111,969	6,111,969
OSU 2005 MOU — Sun Longs	2,177,932	86,494	(82,962)	2,181,464	2,181,464
OSU 2005 MOU — RE II	1,070,700	42,520	(40,784)	1,072,436	1,072,436
Garland Mortgage Note — Sun Longs	423,856		(12,746)	411,110	13,461
South Campus Gateway:					
OSU Line of Credit	5,062,689	202,508		5,265,197	5,265,197
UDCDE Note A	22,603,256		(229,901)	22,373,355	249,137
UDCDE Note B	10,376,491			10,376,491	
ESIC $12M Loan	11,233,333		(400,000)	10,833,333	400,000
Total debt	$ 64,959,870	$ 2,356,155	$ (1,002,644)	$ 66,313,381	$ 22,981,689

During the fiscal year ended June 30, 2007, Campus Partners entered into a $125,000 loan agreement with the City to perform due diligence for the CCF site project. The loan bears an interest rate of 0% and expires in August of 2016. Repayment is conditioned upon Campus Partners’ acquiring and developing the site in a manner that will provide funds for the repayment of the loan. If such funds are not provided as of the expiration date, Campus Partners will not be obligated to repay the loan.

During the fiscal year ended June 30, 2004, Campus Partners obtained a $5 million real estate acquisition line of credit from the University for the purpose of purchasing real estate in the area immediately adjacent to South Campus Gateway. The note bears interest at 4% annually as of May 1, 2009 and it is capitalized to the loan in quarterly installments. Principal and any remaining unpaid interest are due on or before June 30, 2011. The amount outstanding on this line of credit (including accrued interest) was $6,360,980 and $6,111,969 at June 30, 2011 and 2010, respectively.

On December 21, 2005, Campus Partners entered into an MOU with the University, which redefined the terms of a November 3, 1995, resolution by the University’s Board of Trustees to invest in Sun Longs and Real Estate II assets. These investment funds, which were used primarily in fiscal year 2001 to acquire the real estate assets in the Sun Longs and Real Estate II portfolios, were originally recorded on Campus Partners’ consolidated financial statements as nonoperating income. Under the memorandum, approximately $4 million of this investment was redefined as a loan payable to the University and was recorded as a capital distribution. The loan bears interest quarterly at an annual rate of 5% and is due in full on June 30, 2011. The amount due on this loan was $3,386,469 and $3,253,900 as of June 30, 2011 and 2010, respectively.

South Campus Gateway obtained a $35 million construction line of credit from the University for the purpose of funding construction-related expenditures for residential, office, retail, and parking structures in the area immediately adjacent to the main campus of the University during the fiscal year ended June 30, 2004. This line of credit was reduced to $5 million during fiscal year ended June 30, 2006. Repayment can be in the form of cash or title transfer of South Campus Gateway nonretail improvements, as defined in the ground lease agreement between the University and Campus Partners (the “Ground Lease”). For fiscal years ended June 30, 2011 and 2010, no assets were transferred to the University. Annual interest charged on the outstanding balance is the average one-month LIBOR rate plus 1.5% (2.67% and 3.33% at June 30, 2011 and 2010, respectively) and is calculated and paid quarterly. The principal amount outstanding on this line of credit was $5,265,197 with interest incurred of $210,608 at June 30, 2011. The principal and interest due at June 30, 2011 was $5,475,805.

In the fiscal year ended June 30, 2004, the University issued 2003 B and C General Receipt Bond Issues for the purpose of funding a portion of the construction costs associated with the South Campus Gateway nonretail assets. On January 20, 2004, Campus Partners entered into a MOU with the University to finance a total of $64,691,555, including $55 million of project costs and amortized interest of $9,340,369, plus a pro rata share of the issuance costs of $351,186.

Under the memorandum, repayment can be in the form of cash or title transfer of South Campus Gateway nonretail improvements, as defined in the Ground Lease Agreement between the University and Campus Partners. For the fiscal years ended June 30, 2011 and 2010, assets transferred to the University in exchange for a reduction on the MOU balance totaled $0.

During fiscal year 2006, South Campus Gateway borrowed $33.45 million from UDCDE for the purpose of financing the retail portion of South Campus Gateway. The loan was as a result of a New Markets Tax Credit–enhanced investment in UDCDE by SCG Investment Fund (the “Investor Member”). A portion of the loan proceeds was used to repay a portion of the $35 million construction line of credit from the University. The loans comprise Note A (principal balance of $23,076,919) and Note B (principal balance of $10,376,491) at June 30, 2007. Note A had monthly interest-only payments through February 22, 2007, bearing interest at 6.85%. On February 22, 2007, monthly principal and interest payments commenced, bearing interest at 7.95% through the loan’s maturity on September 22, 2012. Note B has monthly interest-only payments at 0.5% through the maturity date of September 22, 2035, at which time the entire principal balance and any accrued interest will be due. In conjunction with this loan, Campus Partners entered into a put option agreement and a purchase option agreement with the Investor Member and Fifth Third Community Development Corporation (“Fifth Third CDC”). These agreements give the Investor Member the right to require Campus Partners to purchase the interest in UDCDE from the Investor Member for $103,410. The Investor Member and Campus Partners have the right to exercise the option upon the Investor Member’s receiving a distribution for $24,762,500 from UDCDE sufficient for the Investor Member to pay its loan from Fifth Third CDC in full. Campus Partners is in compliance with all required financial covenants associated with this loan as of June 30, 2011.

South Campus Gateway obtained a $12 million loan from ESIC New Markets Partners II LP (ESIC) on July 12, 2004. The purpose of the loan is to provide financing for construction of the retail portion of the South Campus Gateway project. The monthly debt service payments of $33,333 are due commencing in August of 2007 with the remaining $10.4 million balance due in August of 2011. The amount outstanding on the loan was $10,433,333 and $10,833,333 at June 30, 2011 and 2010, respectively. Annual interest charged on the outstanding balance is 0% at June 30, 2011 and 2010. Campus Partners is in compliance with all required financial covenants associated with this loan as of June 30, 2011.

During fiscal 2008, the University Board of Trustees approved an additional allocation of capital for property acquisitions for targeted Campus Partners projects. Funding of this additional capital is contingent upon Campus Partners and the University agreeing upon a Campus Partners five-year business plan and related performance measures. In order to allow Campus Partners to continue acquiring properties prior to the capital funding contingencies being met, Campus Partners and the University entered into a MOU for a $5.7 million line of credit. The line of credit may be increased to $10 million if additional acquisition opportunities arise, are consistent with Campus Partners strategic plan and are approved by the Campus Partners' Board of Directors. The line of credit will be repaid with capital funding and is non-interest bearing. As of June 30, 2011, the outstanding balance on the line of credit was $8,435,527.

During fiscal 2008, Campus Partners acquired a 100% interest in a limited liability company, Garland Properties IV, Ltd., whose sole assets are two real estate investment properties located at 28-32 and 36-38 East Fourteenth Avenue. In conjunction with this acquisition, Campus Partners entered into an arrangement whereby the seller of the limited partnership provided Campus Partners with a mortgage loan in the principal amount of $444,546, which matures on September 10, 2013. As of June 30, 2010, the outstanding balance was $411,110. The loan had an interest rate of 5.5% through September 9, 2008. At September 10, 2008 and going forward, the interest rate was adjusted to equal the weekly average on the United States Treasury securities, adjusted to a constant maturity of five years, as published by the Federal Reserve Board in Statistical Release H-15. The interest rate will not be adjusted lower than the initial rate of 5.5% and will not exceed 15%, except upon the occurrence of default. Based on the formula, the interest rate was 5.5% for 2011. The loan was paid in full on January 31, 2011.

Campus Partners has entered into a series of MOUs outlining the terms of various lines of credit between Campus Partners and The Ohio State University. Campus Partners is currently working with the university's Business & Finance office to simplify the terms (including maturity dates and interest rates) of the MOUs and expects to complete these modifications during fiscal year 2012.

Repayment amounts due under the various MOUs and loan agreements are as follows:

Years Ending June 30	Future Repayment Schedule Principal	Interest
2012	$35,814,434	$2,493,966
2013	21,859,184	496,329
2014		52,603
2015		52,603
2016		263,304
2017–2021		263,160
2022–2026		263,160
2027–2031		263,160
2032–2036	10,376,491	13,258
Total	$68,050,109	$4,161,543

5. RETIREMENT PLANS

All Campus Partners employees are employees of the university and are covered by either the Ohio Public Employees Retirement System (OPERS) or the Alternative Retirement Plan (ARP). Employees may opt out of OPERS and participate in the ARP if they meet certain eligibility requirements.

OPERS offers three separate plans: 1) a defined benefit plan, 2) a defined contribution plan and 3) a combined plan. Each of these three options is discussed in greater detail in the following sections.

Defined Benefit Plan
OPERS offers statewide cost-sharing multiple-employer defined benefit pension plan. OPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute and are calculated using formulas that include years of service and final average salary as factors. OPERS issues separate, publicly available financial reports that include financial statements and required supplemental information. These reports may be obtained by contacting: OPERS, 277 East Town Street, Columbus, Ohio, 43215-4642, or by calling (614) 222-5601 or (800) 222-7377 or **WWW.OPERS.ORG**.

Defined Contribution Plans
ARP is a defined contribution pension plan. Full-time administrative and professional staff may choose enrollment in ARP in lieu of OPERS. Classified civil service employees hired on or after august 1, 2005 are also eligible to participate in ARP. ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant’s choice of investment options.

OPERS also offers a defined contribution plan, the Member-Directed plan (MD). The MD Plan does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

Combined plans

OPERS also offers a combined plan. This is a cost-sharing multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive postretirement health care benefits. OPERS provides retirement, disability, survivor and postretirement health benefits to qualifying members of the combined plan.

Funding policy

The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans. The 2011 member contribution rates was 10.0% of covered payroll for members and employer contribution rates was 14.0% of covered payroll.

Campus Partners's employer contributions to PERS and ARP for the years ended June 30, 2011, 2010 and 2009 were $108,477, $63,041 and $62,936, respectively, equal to 100% of the required contributions for each year.

6. OTHER POSTEMPLOYMENT BENEFITS

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the traditional pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care Plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2011, the employer contribution allocated to the health care plan was 7.0% covered payroll. The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Campus Partners's employer contributions used to fund post-employment benefits for the years ended June 30, 2011, 2010 and 2009 are estimated to be $54,239, $31,521, and $26,275, respectively.

The Health Care Preservation Plan ("HCPP") adopted on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

7. UNIVERSITY DISTRICT COMMUNITY DEVELOPMENT ENTITY, LLC

Campus Partners formed UDCDE, an Ohio Limited Liability Company on June 19, 2002, and entered into its initial operating agreement (the "Operating Agreement") on that date. On August 22, 2005, under UDCDE's Second Amended and Restated Operating Agreement, SCG Investment Fund LLC, an Ohio Limited Liability Company, was admitted as an Investor Member.

Throughout Note 7 to the consolidated financial statements, italicized words or phrases represent defined terms under the New Markets Tax Credit (NMTC) Program or Section 45D of the Internal Revenue Code of 1986, as amended.

UDCDE has been certified by the U.S. Treasury's Community Development Financial Institutions Fund (CDFI Fund) as a *Community Development Entity (CDE).* As a CDE, UDCDE's primary purpose is serving or providing investment capital for *low-income communities*. UDCDE was organized as a *subsidiary* for the purposes of receiving a sub allocation of NMTCs from its managing member, Campus Partners, an *Allocatee* under the NMTC Program.

Campus Partners owns a 0.2840634% managing member interest in UDCDE. Campus Partners applied for and received a first-round allocation of NMTCs sufficient to support $35 million of *qualified equity investments*. During the period June 19, 2002 (inception) to June 30, 2006, Campus Partners made a suballocation of its NMTC allocation to UDCDE for $35 million.

Pursuant to the Operating Agreement, the Investor Member is required to provide initial capital contributions to UDCDE totaling $35,103,410. As of June 30, 2011 and 2010, the Investor Member's capital contributions totaled $35,103,410. Of these capital contributions, $35 million has been designated as *qualified equity investments*, qualifying the Investor Member to claim NMTCs on its investment.

Pursuant to the Operating Agreement, Campus Partners is required to provide capital contributions to the UDCDE totaling $100,000. As of June 30, 2011 and 2010, Campus Partners' capital contributions totaled $140,841.

Pursuant to the Operating Agreement, income, losses, and cash flows are allocated to the members in proportion to their membership interests.

Concentration of Credit Risk — UDCDE deposits its cash in one financial institution. At times, deposits may exceed federally insured limits. UDCDE has not experienced any losses in such accounts.

Economic Concentration — At June 30, 2011, UDCDE has loans receivable with South Campus Gateway totaling $32,500,711 (Note A and Note B in the principal amounts of $22,124,218 and $10,376,491, respectively) or 99.99% of total retail assets managed by South Campus Gateway. Future operations could be affected by changes in the economic conditions of those entities or their parent companies. Terms of these notes are disclosed in Note 5.

New Markets Tax Credit — During 2002, Campus Partners was awarded $35 million of NMTC allocation authority by the CDFI Fund under the NMTC Program and entered into an allocation agreement with the CDFI Fund. UDCDE has entered into an allocation agreement with the CDFI Fund as a *subsidiary allocatee*, of Campus Partners. As a *subsidiary allocatee*, UDCDE has been allocated $35 million. The NMTCs allow individual and corporate taxpayers to receive a credit against federal income taxes in exchange for making *qualified equity investments* in UDCDE. For the period from June 10, 2002 (inception) to June 30, 2006, capital contributions of $35 million were designated as *qualified equity investments*.

In order to qualify for these credits, UDCDE must comply with various federal requirements. These requirements include, but are not limited to, making *qualified low-income community investments* within one year of receiving the *qualified equity investments*. If *qualified equity investment* funds are not continuously invested in *qualified low-income community investments*, the members risk recapture of previously taken tax credits, plus penalties and interest thereon.

UDCDE's allocation agreement places restrictions on UDCDE's operations, including, but not limited to, the specific geographic area of *low-income communities* UDCDE must serve. Pursuant to UDCDE's allocation agreement, *qualified low-income community investments* can take the form of investment in or loans to *qualified active low-income community businesses* locally.

NMTCs are issued over seven years at a rate of 5% of the *qualified equity investments* for years one through three and 6% for years four through seven. As a result of its *qualified equity investments*, the Investor Member was eligible to claim $1,750,000 of NMTCs for the period from June 19, 2002 (inception) to June 30, 2008.

Future NMTC amounts as a result of *qualified equity investments* are expected to be as follows:

Years Ending June 30	
2012	$ 2,100,000
Total	$ 2,100,000

8. CONTINGENCIES AND GUARANTEES

Campus Partners is involved from time to time in routine litigation. Management does not believe that the ultimate resolution of this litigation will be material to the consolidated financial statements of Campus Partners.

On June 1, 2011 Campus Partners signed guarantee agreements with Affordable Housing Trust for Columbus and Franklin County (AHT) guaranteeing payment and performance by Columbus Affordable Housing, LLC (CAH) and Urban Revival, LLC (UR) of their loans with AHT for $100,000 and $400,000 respectively. The original due date for the loans is December 31, 2011. The borrowers have been granted a one month extension to January 31, 2012.

9. SUBSEQUENT EVENTS

On August 1, 2011, Campus Partners repaid the outstanding loan balance on the ESIC loan. The amount paid to ESIC totaled $10,460,000, including the outstanding loan balance and fees due to ESIC. Campus Partners used proceeds from a line of credit executed with The Ohio State University.

SUPPLEMENTAL INFORMATION

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

CONSOLIDATING SCHEDULE — STATEMENT OF NET ASSETS INFORMATION AS OF JUNE 30, 2011

	Operating Division	Longs/Sun Division	Real Estate II and III Division	Campus Partners SCG	Total Campus Partners	Gateway Area Revitalize Initiative	South Campus Gateway	The Gateway Theatre	Subtotal	Eliminations	Consolidated Total
ASSETS											
CURRENT ASSETS:											
Cash	$ 915,333	$ 6,465	$ 8,711	$ 1,389,750	$ 2,320,259	$ 1,115	$ 1,896,408	$ 49,759	$ 4,267,541	$	$ 4,267,541
Accounts receivable	320,314	203,169	10,068	176,162	709,713		772,958	12,917	1,495,588		1,495,588
Notes receivable							20,000		20,000		20,000
Other assets	863	1,465	1,269		3,597			17,391	20,988		20,988
Total current assets	1,236,510	211,099	20,048	1,565,912	3,033,569	1,115	2,689,366	80,067	5,804,117		5,804,117
CAPITAL ASSETS — Net of accumulated depreciation	110,763	3,844,882	5,007,865	38,369,925	47,333,435	41,155	866,233	477,852	48,718,675	(893,547)	47,825,128
NOTES RECEIVABLE — Net of current portion	2,011,638				2,011,638		73,333		2,084,971		2,084,971
INVESTMENT IN UDCDE	140,841				140,841				140,841		140,841
DEFERRED LOAN AND LEASE COSTS — Net	5,750			338,828	344,578				344,578		344,578
TOTAL	$3,505,502	$ 4,055,981	$ 5,027,913	$40,274,665	$ 52,864,061	$ 42,270	$ 3,628,932	$ 557,919	$ 57,093,182	$(893,547)	$56,199,635
LIABILITIES AND NET ASSETS											
CURRENT LIABILITIES:											
Current portion of loan payable	$8,559,812	$ 2,271,059	$ 7,477,106		$ 18,307,977		$17,506,457		$ 35,814,434	$	$35,814,434
Accounts payable	2,350	380	124,717	127,300	254,747		223,842	$ 152,024	630,613		630,613
Grants payable											
Accrued liabilities	737,727	56,683	71,723	138,450	1,004,583		709,196	24,048	1,737,827		1,737,827
Unearned tenant income				182,977	182,977		57,608	2,447	243,032		243,032
Tenant deposits		30,620	66,509	295,402	392,531		221,667		614,198		614,198
Total current liabilities	9,299,889	2,358,742	7,740,055	744,129	20,142,815		18,718,770	178,519	39,040,104		39,040,104
LONG-TERM LIABILITIES:											
Ground lease payable				5,288,845	5,288,845				5,288,845		5,288,845
Loans payable											
Loans payable to UDCDE							32,235,678		32,235,678		32,235,678
Total long-term liabilities				5,288,845	5,288,845		32,235,678		37,524,523		37,524,523
Total liabilities	9,299,889	2,358,742	7,740,055	6,032,974	25,431,660		50,954,448	178,519	76,564,627		76,564,627
NET (DEFICIENCY IN) ASSETS:											
Invested in capital assets — net of related debt	(8,949,048)	1,573,823	(2,469,241)	38,369,925	28,525,459	41,155	(48,875,902)	477,852	(19,831,436)	(893,547)	(20,724,983)
Restricted											
Unrestricted	3,154,661	123,416	(242,901)	(4,128,234)	(1,093,058)	1,115	1,550,386	(98,452)	359,991		359,991
Total net (deficiency in) assets	(5,794,387)	1,697,239	(2,712,142)	34,241,691	27,432,401	42,270	(47,325,516)	379,400	(19,471,445)	(893,547)	(20,364,992)
TOTAL	$3,505,502	$ 4,055,981	$ 5,027,913	$40,274,665	$ 52,864,061	$ 42,270	$ 3,628,932	$ 557,919	$ 57,093,182	$(893,547)	$56,199,635

See Independent Auditor's Report

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

CONSOLIDATING SCHEDULE — STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS INFORMATION FOR THE YEAR ENDED JUNE 30, 2011

	Operating Division	Longs/Sun Division	Real Estate II and III Division	Campus Partners SCG	Total Campus Partners	Gateway Revitalize Initiative	South Campus Gateway	The Gateway Theatre	Subtotal	Eliminations	Consolidated Total
OPERATING REVENUES:											
Rental income		$ 183,131	$ 257,622	$ 3,758,608	$ 4,199,361		$ 3,150,157		$ 7,349,518	$ (1)	$ 7,349,517
Lease termination fee income				1,195	1,195		1,200,000		1,201,195		1,201,195
Recovery of operating expenses				665,143	665,143		1,310,144		1,975,287	(224,624)	1,750,663
Parking income				1,445,891	1,445,891				1,445,891		1,445,891
Other operating income				45,530	45,530		210,880		256,410		256,410
Ground rent income											
Management fee income	$ 143,964				143,964				143,964	(143,964)	
Theater sales — net								$ 820,932	820,932		820,932
Total operating revenues	143,964	183,131	257,622	5,916,367	6,501,084		5,871,181	820,932	13,193,197	(368,589)	12,824,608
OPERATING EXPENSES:											
Professional services	53,053	12,388	29,120	64,531	159,092	$ 1,409	238,795	102,792	502,088	(143,964)	358,124
Salaries and wages	429,997			800,727	1,230,724		297,593	598,781	2,127,098		2,127,098
Ground lease expense				3,293,004	3,293,004				3,293,004		3,293,004
Real estate taxes		167,244	151,896		319,140		829,346		1,148,486		1,148,486
Depreciation and amortization expense	22,947	122,806	125,342	506,528	777,623	534	1,163,850	84,601	2,026,608		2,026,608
Utilities	3,487	17,597	29,834	601,786	652,704		65,718	131,986	850,408		850,408
Cleaning		1,168	5,080	235,578	241,826		70,510	64,480	376,816		376,816
Security	35	401		435,319	435,755		337,956		773,711		773,711
CAM charges								224,624	224,624	(224,624)	
Repairs and maintenance	259	25,138	116,625	426,062	568,084		129,168	80,484	777,736		777,736
Rent expense								1	1	(1)	
Public relations	3,509	106	3,198	21,342	28,155		134,963	118,118	281,236		281,236
Bad debt expense							32,608	24,281	56,889		56,889
Office supplies and expenses	9,635	51	628	27,508	37,822		7,622	26,152	71,596		71,596
Miscellaneous	18,318	13,182	13,499	75,857	120,856		13,223	57,576	191,655		191,655
Total operating expenses	541,240	360,081	475,222	6,488,242	7,864,785	1,943	3,321,352	1,513,876	12,701,956	(368,589)	12,333,367
OPERATING (LOSS) INCOME	(397,276)	(176,950)	(217,600)	(571,875)	(1,363,701)	(1,943)	2,549,829	(692,944)	491,241		491,241
NONOPERATING (EXPENSES) REVENUES:											
Operating subsidy received from The Ohio State University	650,000				650,000				650,000		650,000
Intercompany operating subsidy	(158,059)	739,096	814,297	(3,031,780)	(1,636,446)	43,500	501,741	1,091,205			
Tenant space income							67,394		67,394		67,394
Tenant space expense							(450,118)		(450,118)		(450,118)
Miscellaneous Income		2,473			2,473		9,081	4,068	15,622		15,622
Impairment expense	(211,353)	(1,432,583)	(721,214)	(550,510)	(2,915,660)				(2,915,660)		(2,915,660)
Interest income	81,399	7			81,406		254		81,660		81,660
Interest expense		(103,193)	(292,703)		(395,896)		(2,081,317)		(2,477,213)		(2,477,213)
Total nonoperating (expenses) revenues	361,987	(794,200)	(199,620)	(3,582,290)	(4,214,123)	43,500	(1,952,965)	1,095,273	(5,028,315)		(5,028,315)
(DECREASE) INCREASE IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS (DISTRIBUTIONS)	(35,289)	(971,150)	(417,220)	(4,154,165)	(5,577,824)	41,557	596,864	402,329	(4,537,074)		(4,537,074)
CAPITAL CONTRIBUTIONS (DISTRIBUTIONS):											
Grant income	291,232				291,232				291,232		291,232
Grant disbursement	(302,527)		(30,802)		(333,329)				(333,329)		(333,329)
Transfer of capital assets				31,397	31,397		(31,397)				
Capital Distribution to The Ohio State University											
Total capital contributions (distributions)	(11,295)		(30,802)	31,397	(10,700)		(31,397)		(42,097)		(42,097)
(DECREASE) INCREASE IN NET ASSETS	(46,584)	(971,150)	(448,022)	(4,122,768)	(5,588,524)	41,557	565,467	402,329	(4,579,171)		(4,579,171)
NET (DEFICIENCY IN) ASSETS — Beginning of year	(5,747,803)	2,668,389	(2,264,120)	38,364,459	33,020,925	713	(47,890,983)	(22,929)	(14,892,274)	(893,547)	(15,785,821)
NET (DEFICIENCY IN) ASSETS — End of year	$ (5,794,387)	$ 1,697,239	$ (2,712,142)	$ 34,241,691	$ 27,432,401	$ 42,270	$ (47,325,516)	$ 379,400	$ (19,471,445)	$ (893,547)	$ (20,364,992)

See Independent Auditor's Report

Basis of Presentation — The supplemental consolidating schedules include the accounts of Campus Partners and its wholly owned subsidiaries. Campus Partners accounts for its investment in subsidiaries on the cost method.

Report of Independent Auditors 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 Board of Directors of
Campus Partners for Community Urban Redevelopment and Subsidiaries
Columbus, Ohio

We have audited the consolidated financial statements of Campus Partners for Community Urban Redevelopment and Subsidiaries ("Campus Partners"), a component unit of The Ohio State University, and the discretely presented component unit, as of and for the year ended June 30, 2011, which collectively comprise the Campus Partners basic financial statements, and have issued our report thereon dated December 22, 2011. 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.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Campus Partners in a separate letter dated December 22, 2011.

This report is intended solely for the information and use of Campus Partners' audit committee, management, The Ohio State University and the Auditor of the State and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

December 22, 2011

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 7, 2012