Campus Partners For Community Urban Redevelopment and Subsidiaries

Consolidated Financial Statements as of and for the Years Ended June 30, 2012 and 2011, Supplemental Information as of and for the Year Ended June 30, 2012 and Independent Auditors' Report

Dave Yost • Auditor of State

Board of Directors
Campus Partners for Community Urban Redevelopment and Subsidiaries
2040 Blankenship Hall
Columbus, Ohio 43210

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, 2011 through June 30, 2012. 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
Auditor of State

January 14, 2013

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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 statements of net assets and the related statements of revenues, expenses and changes in net assets and statements of cash flows present fairly, in all material respects, the financial position 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 June 30, 2012 and June 30, 2011 and the changes in its financial position and its cash flows for the years 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 audits. We conducted our audits 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 audits provide a reasonable basis for our opinion.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2012 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.

The accompanying management's discussion and analysis on pages 3 through 8 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, and historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Campus Partners' basic financial statements. The accompanying Consolidating Schedule - Statement of Revenues, Expenses, and Changes in Net Assets Information for the Year Ended June 30, 2012 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Consolidating Schedule - Statement of Revenues, Expenses, and Changes in Net Assets Information for the Year Ended June 30, 2012 is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

December 21, 2012

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, 2012, with comparative data for fiscal year 2011 and fiscal year 2010. 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 9 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. 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 Consolidated 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 2012, 2011 and 2010 was positive. Campus Partners net asset deficiency of $21.8 million as of June 30, 2012 warrants additional explanation as follows:

- The fiscal year 2012 financial statements label the UDCDE Note B of $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 mixed use development (“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 by March 2013 for $103,410.

- 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 $9.0 million in debt as the OSU Business Plan Loan (See Note 5) until the University completes approval of Campus Partners’ five-year business plan. Once the business plan is approved, Campus Partners’ liabilities will be reduced by that amount as the $9.0 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, 2012, 2011, and 2010:

	2012	2011	2010
Assets			
Current assets	$ 7,270,133	$ 5,804,118	$ 3,871,799
Net capital assets	49,666,369	47,825,127	49,717,788
Deferred loan costs and other assets	1,903,828	2,570,390	1,809,033
Total assets	$ 58,840,330	$ 56,199,635	$ 55,398,620
Liabilities			
Current liabilities	$ 62,377,889	$ 39,040,104	$ 25,164,399
Long-term liabilities	18,257,633	37,524,523	46,020,042
Total liabilities	80,635,522	76,564,627	71,184,441
Net (deficiency in) assets			
Invested in capital assets — net of related debt	(19,376,336)	(20,724,983)	(16,595,592)
Restricted	-	-	4,340
Unrestricted	(2,418,856)	359,991	805,431
Total net (deficiency in) assets	(21,795,192)	(20,364,992)	(15,785,821)
Total	$ 58,840,330	$ 56,199,635	$ 55,398,620

During 2012, Campus Partners’ net capital assets increased $1.8 million due to $4.0 million of property purchases for the redevelopment real estate portfolio and retail/office tenant improvements at Gateway offset by $2.0 million of depreciation and amortization and $0.2 million of current disposals. Current assets increased $1.5 million, primarily due to a $1.3 million increase in grants receivable from the City of Columbus. Campus Partners' current liabilities increased by $23.3 million during 2012 principally as a result of the UDCDE Note A principal balance ($21.9 million), which matures September 2012, being reclassified to current obligations as of June 30, 2012. In addition, the current portion of debt increased by $0.6 million as a result of additional draws on the OSU Business Plan Loan. Long-term liabilities decreased by $19.3 million during 2012. The decrease was primarily driven by the reclassification of the UDCDE Note A's principal balance to current liabilities and was partially offset by a $2.6 million increase in Campus Partners' ground lease payable. Note 5 includes more information regarding Campus Partners' financing arrangements. During 2012, Campus Partners' net deficit increased by $1.4 million as net operating income of $0.1 million was offset by net non-operating expenses of $1.8 million and net capital contributions of $0.2 million.

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 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 partially offset by a $2.6 million increase in ground lease payable. 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. 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.

The following represents Campus Partners' summary of changes in net assets for the fiscal years ended June 30, 2012, 2011, and 2010:

	2012	2011	2010
Operating revenues	$ 13,591,105	$ 12,824,610	$ 11,728,766
Operating expenses	13,489,954	12,333,368	12,427,896
Net operating income (loss)	101,151	491,242	(699,130)
Non-operating expenses	(1,762,682)	(5,028,316)	(1,460,788)
Capital contributions (distributions)	231,331	(42,097)	390,982
Change in net assets	(1,430,200)	(4,579,171)	(1,768,936)
Net deficiency - beginning of year	(20,364,992)	(15,785,821)	(14,016,885)
Net deficiency - end of year	$ (21,795,192)	$ (20,364,992)	$ (15,785,821)

Campus Partners' $13.6 million of operating revenues for the year ended June 30, 2012, resulted primarily from retail, office and residential rental income generated from real estate holdings at Gateway. The rental and office occupancy rates were steady in fiscal year 2012, but occupancy rates improved in fiscal year 2012 over fiscal 2011 for the residential division from 87% to 97% and for the retail division from 83% to 93%.

Campus Partners' major operating expenses for the year ended June 30, 2012, included ground lease rent (24.4%), salaries and wages (14.7%), repairs and maintenance (10.6%), and depreciation and amortization (16.9%). No other operating expense categories represented more than 10% of the total operating expenses in the current year.

Nonoperating expenses for fiscal year 2012 primarily related to interest expense of $2.5 million, which was partially offset by $0.65 million of operational funding support received from the University.

Capital contributions net of capital distributions for the year ended June 30, 2012 were $0.23 million which consisted of grant income of $3.93 million, grant disbursements of $4.05 million and a capital contribution from the University of $0.35 million. Campus Partners increase in grant income and grant expense for fiscal year 2012 related primarily to the U.S. Federal Government's Neighborhood Stabilization 2 program (See Note 6).

Campus Partners' $12.8 million of operating revenues for the year ended June 30, 2011, resulted primarily from retail, office and residential rental income generated from real estate holdings at Gateway. 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 $2.9 million 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, office and residential rental income generated from real estate holdings at Gateway. 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.

The Consolidated Statement 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 2012, 2011, and 2010 are as follows:

	2012	2011	2010
Net cash provided by operating activities	$ 5,241,944	$ 5,617,785	$ 1,563,700
Net cash provided by (used in) investing activities	(4,091,000)	(2,861,490)	248,945
Net cash used in capital financing activities	(2,074,276)	(1,549,634)	(1,242,948)
Net cash provided by noncapital financing activities	658,569	665,623	1,378,435

During fiscal 2012 net cash provided by operating activities decreased $0.4 million primarily due to cash paid to suppliers exceeding cash received from tenants and theater patrons. Net cash used in investing activities increased by approximately $1.2 million due to an increase in property purchases and tenant improvements. Net cash used in capital financing activities increased by $0.6 million primarily due to an increase in grant expense during the fiscal year.

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.

Economic Factors That Will Affect the Future

Campus Partners mission is to revitalize distressed neighborhoods within the University District of Columbus, Ohio and manage the first class mixed-use development called South Campus Gateway which is just south of The Ohio State University Columbus, Ohio campus.

Campus Partners is helping create new housing opportunities in the Weinland Park area in the University District. One risk facing this housing community development work is the potential reduction of federal grant funding. Much of the work in the University District area has been done using public grant funding as the catalyst to begin certain housing projects.

The past few years have been difficult from an economic standpoint, as the nation recovers from a recession and the State of Ohio reduces annual operating support to the University. Another risk for Campus Partners is the effect the economy has on the retail revenues and occupancy rates at South Campus Gateway. As the local economy improves, Campus Partners is focused on growing the revenue base of retail tenants at South Campus Gateway and as of the fiscal year end, retail occupancy is 93% and interest in retail leasing is strong.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES
Consolidated Statements of Net Assets
As of June 30, 2012 and 2011

	2012		2011	
	Campus Partners Primary	UDCDE Component	Campus Partners Primary	UDCDE Component
ASSETS				
Current assets				
Cash	$ 4,002,778	$ 1,318,465	$ 4,267,541	$ 1,012,428
Accounts receivable - net of allowance for doubtful accounts of $152,558 in 2012 and $20,785 in 2011	1,740,918	41,422	1,494,588	79,649
Grants receivable	1,270,116	-	1,000	-
Notes receivable - current portion	231,241	21,859,187	20,000	265,033
Other assets	25,080	-	20,989	-
Total current assets	7,270,133	23,219,074	5,804,118	1,357,110
Capital assets - net of accumulated depreciation	49,666,369	-	47,825,127	-
Notes receivables - net of current portion	1,451,042	-	2,084,971	-
Notes receivable from Campus Partners	-	10,376,491		32,235,678
Investment in UDCDE	140,841	-	140,841	-
Deferred loan and lease costs - net	311,945	-	344,578	-
Total assets	$ 58,840,330	$ 33,595,565	$ 56,199,635	$ 33,592,788
LIABILITIES AND NET ASSETS				
Current liabilities				
Current portion of loan payable	$ 58,666,214	$ -	$ 35,814,434	$ -
Accounts payable	879,171	-	630,613	-
Accrued liabilities	1,587,300	-	1,737,827	-
Unearned tenant income	976,017	-	243,032	-
Tenant deposits	269,187	-	614,198	-
Total current liabilities	62,377,889	-	39,040,104	-
Long-term liabilities				
Ground lease payable to related party	7,881,142	-	5,288,845	-
Loans payable to UDCDE	10,376,491	-	32,235,678	-
Total long-term liabilities	18,257,633	-	37,524,523	-
Total liabilities	80,635,522	-	76,564,627	-
Net (deficiency in) assets				
Invested in capital assets - net of related debt	(19,376,336)	-	(20,724,983)	-
Unrestricted	(2,418,856)	33,595,565	359,991	33,592,788
Total net (deficiency in) assets	(21,795,192)	33,595,565	(20,364,992)	33,592,788
Total liabilities and net assets	$ 58,840,330	$ 33,595,565	$ 56,199,635	$ 33,592,788

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, 2012 and 2011

	2012		2011	
	Campus Partners Primary	UDCDE Component	Campus Partners Primary	UDCDE Component
Operating Revenues				
Rental income	$ 8,270,655	$ -	$ 7,349,518	$ -
Lease termination fee income	-		1,201,195	
Recovery of operating expenses	2,381,597	-	1,750,664	-
Parking income	1,506,446	-	1,445,891	-
Other income	410,124	-	256,410	-
Gateway Theater sales less cost of goods sold of $864,753 in 2012 and $796,069 in 2011	1,022,283	-	820,932	-
Investment income	-	1,831,415	-	1,848,889
Total operating revenues	13,591,105	1,831,415	12,824,610	1,848,889
Operating Expenses				
Professional services	556,208	-	358,124	-
Salaries and wages	1,988,811	-	2,127,099	-
Ground lease expense	3,293,000	-	3,293,004	-
Real estate taxes	1,182,132	-	1,148,486	-
Depreciation and amortization expense	2,275,071	-	2,026,609	-
Utilities	847,512	-	850,408	-
Cleaning	339,292	-	376,816	-
Security	791,683	-	773,710	-
Repairs and maintenance	1,428,728	-	777,736	-
Public relations	254,370	-	281,236	-
Bad debt expense	171,206	-	56,889	-
Office supplies and expense	110,062	-	71,597	-
Miscellaneous	251,879	2,097	191,654	1,623
Total operating expenses	13,489,954	2,097	12,333,368	1,623
Operating Income	101,151	1,829,318	491,242	1,847,266
Non-operating revenues (expenses)				
Operating subsidy received from The Ohio State University	650,000	-	650,000	-
Tenant space revenue	-	-	67,394	-
Tenant space expense	-	-	(450,118)	-
Miscellaneous income	8,569	-	15,623	-
Impairment and demolition expense	(8,672)	-	(2,915,660)	-
Interest income	92,560	-	81,659	-
Interest expense	(2,505,139)	-	(2,477,214)	-
Total non-operating expenses	(1,762,682)	-	(5,028,316)	-
Decrease in net assets before capital contributions (distributions)	(1,661,531)	1,829,318	(4,537,074)	1,847,266
Capital Contributions (Distributions)				
Grant income	3,929,562	-	291,232	-
Grant disbursements	(4,048,231)	-	(333,329)	-
Capital contribution from The Ohio State University	350,000	-	-	-
Capital distributions from UDCDE	-	(1,826,541)	-	(1,842,297)
Capital contributions (distributions) - net	231,331	(1,826,541)	(42,097)	(1,842,297)
(Decrease) increase in net assets	(1,430,200)	2,777	(4,579,171)	4,969
Net (deficiency in) assets - beginning of year	(20,364,992)	33,592,788	(15,785,821)	33,587,819
Net (deficiency in) assets - end of year	$ (21,795,192)	$ 33,595,565	$ (20,364,992)	$ 33,592,788

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, 2012 and 2011

	2012 Campus Partners Primary	2011 Campus Partners Primary
Cash flows from operating activities		
Cash received from tenants	$ 12,643,698	$ 12,175,060
Cash received from Gateway Theater	1,873,803	1,590,310
Cash paid to employees	(1,961,741)	(1,914,063)
Cash paid to suppliers	(7,313,816)	(6,233,522)
Net cash provided by operating activities	5,241,944	5,617,785
Cash flows from investing activities		
Purchases of property, equipment and improvements	(4,031,536)	(2,401,781)
Interest received on cash	1,353	1,216
Payment of deferred leasing costs	(60,817)	(78,201)
Cash received from tenant space income	-	67,394
Cash paid for tenant space expense	-	(450,118)
Net cash (used in) investing activities	(4,091,000)	(2,861,490)
Cash flows from capital financing activities		
Cash received from grants	2,660,446	290,232
Cash paid on grant disbursements	(4,048,231)	(337,668)
Cash received from loans	11,074,197	2,204,788
Debt repayment	(10,698,366)	(1,060,247)
Cash paid for interest	(1,835,010)	(1,861,815)
Cash paid for note receivable	422,688	(933,469)
Capital Contribution from The Ohio State University	350,000	-
Other	-	148,545
Net cash (used in) capital financing activities	(2,074,276)	(1,549,634)
Cash flows from noncapital financing activities		
Cash received as an operating subsidy from The Ohio State University	650,000	650,000
Cash received from miscellaneous nonoperating income	8,569	15,623
Cash provided by noncapital financing activities	658,569	665,623
Net increase (decrease) in cash	(264,763)	1,872,284
Cash - beginning of year	4,267,541	2,395,257
Cash - end of year	$ 4,002,778	$ 4,267,541

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, 2012 and 2011

	2012 Campus Partners Primary	2011 Campus Partners Primary
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 101,151	$ 491,241
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	2,275,071	2,026,609
Ground lease straight-line rent expense	3,293,000	3,293,000
Bad debt expense	171,206	56,889
Write down after demolition	-	(361,757)
(Increase) decrease in assets		
Accounts receivable	(326,330)	(43,140)
Other assets	(4,091)	11,151
(Decrease) increase in liabilities		
Accounts payable	248,558	300,793
Ground lease payable	(700,703)	(692,506)
Unearned tenant income	732,985	(5,447)
Tenant deposits	(345,011)	193,266
Accrued liabilities	(203,892)	347,686
Net cash provided by operating activities	$ 5,241,944	$ 5,617,785
Supplemental disclosures - noncash activity		
Interest incurred and added to debt	$ 616,763	$ 592,187

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 component units which represent all the organizations, activities, and functions for which Campus Partners, the reporting entity, is financially accountable. Financial accountability is defined as an ability, by Campus Partners, to appoint a voting majority of a 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:

- 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.

- 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. 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 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 three banking institutions.

At June 30, 2012, the carrying amounts of Campus Partners' deposits with financial institutions totaled $4,002,778 compared to bank balances of $4,071,564. At June 30, 2011, the carrying amounts of Campus Partners' deposits with financial institutions totaled $4,267,541 compared to bank balances of $4,361,729. 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 for interest bearing accounts and an unlimited amount for non-interest bearing accounts in each legal entity was covered by deposit insurance provided by the Federal Deposit Insurance Corporation ("FDIC"). In fiscal years 2012 and 2011, $591,246 and $170,705, respectively, was uncollateralized as defined by GASB. However, to mitigate any risk of loss, Campus Partners maintains its cash in three 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. Gross receivables are 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, recovery income 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 contractual term of the leases. The expected straight-line rental income in excess of rents currently due under such lease agreements is recorded as an unbilled deferred rent receivable. As of June 30, 2012 and 2011, such receivables (included in accounts receivable) were $538,856 and $530,270, respectively. Certain operating leases contain contingent rent provisions under which tenants are required to pay, as additional rent, a percentage of their sales in excess of a specified amount. Campus Partners defers recognition of contingent rental revenue until those specified sales targets are met and notification is received from the tenant. Contingent rental income was $326,297 and $286,357 for the years ended June 30, 2012 and 2011, respectively.

Recovery of Operating Expenses
Campus Partners' leases generally contain provisions under which the tenants reimburse Campus Partners for a portion of operating expenses and real estate taxes incurred; such income is recognized as the expenses are incurred. The reimbursements are recognized and presented gross, as Campus Partners is generally the primary obligor with respect to purchasing goods and services from third-party suppliers, has discretion in selecting the supplier and bears the associated risk.

Concentration of Credit Risk
For the years ended June 30, 2012 and 2011, Campus Partners had rental income generated from two tenants, which represented greater than 10% of Campus Partners' rental income. For the year ended June 30, 2012, rental income from these two tenants was $1.0 million and $2.0 million, respectively and represented 12.1% and 24.4% of rental income, respectively. For the year ended June 30, 2011, rental income from these two tenants was $1.0 million and $1.5 million, respectively and represented 13.6% and 20.2% of rental income, 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 $1,000 in fiscal year 2012 and $500 in fiscal year 2011 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 5 to 7 years.

Tenant improvements are depreciated 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 2012 and 2011, Campus Partners incurred interest totaling $2,505,139 and $2,477,214, respectively, of which no interest was capitalized in fiscal 2012 and 2011.

During fiscal 2012 and 2011, Campus Partners recorded an impairment charge on recent property acquisitions of $8,672 and $2,915,660, 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 lease origination costs and financing fees. Lease origination 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 lease agreement. As of June 30, 2012 and 2011, accumulated amortization totaled $638,441 and $605,869, respectively.

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.

Tenant Improvement Reimbursements

Certain operating leases contain tenant improvement allowances under which Campus Partners contributes money towards the construction of leasehold improvements within the tenant’s demised space. Typically, the operating lease requires the tenant to use the allowance to construct real property which is retained by Campus Partners at the end of the tenant’s contractual lease term. In certain circumstances, the tenant agrees to reimburse Campus Partners for a portion of Campus Partner’s contribution under a tenant improvement allowance. Campus Partners treats tenant reimbursements of these costs as a reduction of minimum base rent over the underlying contractual lease term. As such, upon receipt, the tenant reimbursement is classified as unearned tenant income and amortized as a reduction of rental income on a straight-line basis over the contractual life of the tenants lease. During the year ended June 30, 2012, amortization of tenant reimbursements of the cost of tenant improvements decreased rental income by $57,755. As of June 30, 2012, tenant reimbursements deferred as unearned tenant income were $659,707.

Ground Leases Payable
Campus Partners leases land and certain leasehold improvements under a ground lease with the University. As a lessee, Campus Partners 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, 2012 and 2011, such payables were $7,881,142 and $5,288,845, respectively.

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

Newly Issued Accounting Pronouncements
In November 2010, GASB issued Statement No. 60, *Accounting and Reporting for Service Concession Arrangements.* This standard provides guidance on accounting for agreements where a government transfers the right to operate a government asset to another entity, in exchange for significant consideration from that entity. Upfront payments from such agreements are to be recorded as a “deferred inflow of resources” and recognized as revenue over the life of the agreement. The standard also provides guidance for operators/concessionaires that are government entities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

Also in November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations

2. Accounting Principles Board Opinions

3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

In addition, this Statement eliminates the option, provided under GASB 20, to elect to apply non-conflicting post-1989 FASB standards. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

In June 2011, the GASB issued Statement No. 63*, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. *Concepts Statement No. 4, Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. *Concepts Statement 4* also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term 'deferred' in financial statement presentations. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012.

Also in March 2012, the GASB issued Statement No. 66, *Technical Corrections -- 2012*. This Statement resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement 62 by modifying the specific guidance on accounting for certain operating lease payments, purchases of loans and mortgage loan servicing fees. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012.

In June 2012, the GASB issued two related accounting standards, Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 67 builds upon the existing framework for financial reports of defined benefit pension plans and expands required note disclosures and Required Supplementary Information. It is effective for periods beginning after June 15, 2013.

Statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position (currently known as the statement of net assets) a net pension liability, which is the difference between the total pension liability and the assets set aside to pay pension benefits. Statement No. 68 also requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. It is effective for periods beginning after June 15, 2014.

Campus Partners' management is currently assessing the impact that implementation of GASB Statements No. 60, 61, 62, 63, 65, 66, 67 and 68 will have on Campus Partners' financial statements.

Reclassifications
Certain reclassifications have been made to the 2011 Capital Assets footnote (Note 3) and the Consolidated Statement of Cash Flows for the year ended June 30, 2011 to conform to the 2012 presentation. These reclassifications were considered immaterial and had no impact to the Company's results of operations for any of the periods presented herein.

2. RELATED-PARTY TRANSACTIONS

In fiscal years 2012 and 2011, the University provided $650,000 and $650,000, 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 for GARI to construct a parking garage immediately adjacent to the University's main campus in Columbus, Ohio. 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 joint use 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, 2012 and 2011, the agreement remained in effect.

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 leased by Campus Partners 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 leased assets consist of both land and building and will remain the property of the University at ground lease expiration.

During fiscal year 2006, Campus Partners entered into three leases whereby Campus Partners leases office space to the University. The leased space is part of the University Project 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. Base rent and recoveries from the University under these leases totaled $1,674,252 and $1,394,155 for 2012 and 2011, respectively, and is included in rental income.

As of June 30, 2012 and 2011, 11,892 square feet of Gateway retail space was leased to three affiliates of the University. During the years ended June 30, 2012 and 2011, South campus Gateway, LLC recognized $223,000 and $149,000 of rental income related to these tenants, respectively.

On January 10, 2012, an affiliate of the University took possession of 14,288 square feet of retail space in Gateway. As of June 30, 2012, Gateway had recognized rental income of $119,000 related to this tenant. Under the terms of the tenant’s lease agreement, the tenant was granted a tenant improvement allowance of up to $1.2 million with all tenant improvement costs incurred by Gateway in excess of the allowance being reimbursed by the tenant. During the year ended June 30, 2012, Gateway incurred $1.7 million of capital expenditures associated with the tenant’s site improvements and was reimbursed $0.5 million by the tenant.

A portion of Campus Partners’ 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 2012 and 2011, Campus Partners incurred $977,629 and $946,869, respectively, of which $240,564 and $226,106 were accrued at June 30, 2012 and 2011, respectively.

3. CAPITAL ASSETS

Capital asset activities for the years ended June 30, 2012 and 2011 are as follows:

	June 30, 2011	Additions	Disposals	Transfers	June 30, 2012
Non depreciable assets:					
Land	$ 4,009,004	$ 612,232	$ -	$ -	$ 4,621,236
Construction in process		28,871	-	-	28,871
Total non depreciable assets	$ 4,009,004	$ 641,103	$ -	$ -	$ 4,650,107
Depreciable assets					
Buildings and improvements	$ 52,444,238	$ 3,017,127	$ (322,329)	$ -	$ 55,139,036
Equipment	1,281,533	373,306	-	-	1,654,839
Total depreciable assets	53,725,771	3,390,433	(322,329)	-	56,793,875
Total capital assets	57,734,775	4,031,536	(322,329)	-	61,443,982
Less accumulated depreciation for:					
Buildings and improvements	(9,418,318)	(1,809,473)	155,719	-	(11,072,072)
Equipment	(491,330)	(214,211)	-	-	(705,541)
Total accumulated depreciation	(9,909,648)	(2,023,684)	155,719	-	(11,777,613)
Net capital assets	$ 47,825,127	$ 2,007,852	$ (166,610)	$ -	$ 49,666,369

	June 30, 2010	Additions	Disposals	Transfers	June 30, 2011
Land	$ 3,894,594	$ 114,410	$ -	$ -	$ 4,009,004
Depreciable assets					
Buildings and improvements	$ 53,809,571	$ 1,564,737	$ (2,930,070)	$ -	$ 52,444,238
Equipment	558,968	722,565	-	-	1,281,533
Total depreciable assets	54,368,539	2,287,302	(2,930,070)	-	53,725,771
Total capital assets	58,263,133	2,401,712	(2,930,070)	-	57,734,775
Less accumulated depreciation 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	(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

4. OPERATING LEASES

At June 30, 2012, rental property is being leased to parties under various operating lease agreements for lease terms ranging from 1 to 20 years. Annual future minimum rents due to be received under non-cancellable operating leases in effect at June 30, 2012 are as follows:

Years Ending June 30	
2013	$ 5,114,221
2014	5,078,259
2015	5,040,243
2016	4,603,180
2017	4,630,531
2018–2022	14,587,602
2023–2026	6,820,194
Total	$ 45,874,230

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 ground 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 are 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, 2012 and 2011).

As of June 30, 2012, the total minimum lease payments due to the University under the lease, including the amendments are:

Years Ending June 30	
2013	$ 4,898,247
2014	4,898,247
2015	4,898,247
2016	4,898,247
2017	4,898,247
2018–2022	24,491,236
2023–2027	23,980,825
2028–2032	22,182,284
2033–2035	5,963,669
Total	$ 101,109,249

5. LOANS PAYABLE

Loan activity for the year ended June 30, 2012, 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	8,435,527	614,197	-	9,049,724	9,049,724
RE III Acquisition					
Line of Credit	6,360,980	259,880		6,620,860	6,620,860
OSU 2005					
MOU — Sun Longs	2,270,340	91,779		2,362,119	2,362,119
OSU 2005					
MOU — RE II	1,116,129	45,474		1,161,603	1,161,603
South Campus Gateway					
OSU Line of Credit	5,475,805	219,632	-	5,695,437	5,695,437
OSU Line of Credit	1,332,286	-		1,332,286	1,332,286
UDCDE Note A	22,124,218	-	(265,033)	21,859,185	21,859,185
UDCDE Note B	10,376,491	-	-	10,376,491	-
ESIC $12M Loan	10,433,333	-	(10,433,333)	-	-
OSU Advance	-	10,460,000	-	10,460,000	10,460,000
Total debt	$ 68,050,109	$ 11,690,962	$ (10,698,366)	$ 69,042,705	$ 58,666,214

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

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, 2013. The amount outstanding on this line of credit (including accrued interest) was $6,620,860 and $6,360,980 at June 30, 2012 and 2011, 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 4% and is due in full on June 30, 2013. The amount due on this loan was $3,523,722 and $3,386,469 as of June 30, 2012 and 2011, 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, 2012 and 2011, no assets were transferred to the University. Annual interest charged on the outstanding balance is at a rate of 4.0% at June 30, 2012 and 2011, respectively and is calculated and paid or accrued quarterly. The principal amount outstanding on this line of credit was $5,475,805 with interest incurred of $219,632 at June 30, 2012. The principal and interest due at June 30, 2011 was $5,475,805.

During the year ended June 30, 2011 Campus Partners obtained a line of credit from the University for the purpose of funding certain retail tenant improvements at Gateway. Annual interest charged on the outstanding balance is at a rate of 4.0% at June 30, 2012 and 2011. The amount due on this loan was $1,332,286 as of June 30, 2012 and 2011.

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, 2012.

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 $0 and $10,433,333 at June 30, 2012 and 2011, respectively. Annual interest charged on the outstanding balance was 0% at June 30, 2011. The ESIC loan was paid in full during September 2011 with an advance of $10.5 million from the University. The University is not requiring repayment of the advance with the intent that Campus Partners refinances the advance at the same time as the NMTC Note A.

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, 2012, the outstanding balance on the line of credit was $9,049,009.

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.

During May 2012, Campus Partners obtained and irrevocable standby letter of credit from a third party banking institution. The letter of credit expires on April 19, 2013 and permits Campus Partners to draw up to $115,000. As of June 30, 2012, outstanding draws on the letter of credit were $0.

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 2013.

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

	Future Repayment Schedule	
Years Ending June 30	**Principal**	**Interest**
2013	$ 58,666,214	$ 1,183,250
2014	-	52,603
2015	-	52,603
2016	-	52,603
2017		52,747
2018–2022	-	263,160
2023–2027	-	263,160
2028–2032	-	263,160
2033–2036	10,376,491	223,815
Total	$ 69,042,705	$ 2,407,101

6. GRANT INCOME AND GRANT EXPENSE

In April 2010 Campus Partners entered a consortium agreement with the City of Columbus Department of Development ("City of Columbus"). Under the agreement, the City of Columbus engaged Campus Partners to use funds awarded under the U.S. Federal Government's Neighborhood Stabilization 2 program ("NSP2") for the purpose of renovating vacant and foreclosed residential properties in Weinland Park, a community adjacent to The Ohio State University's Columbus Campus.

Campus Partners has engaged a third-party real estate developer ("the Developer") to perform property rehabilitation services within Weinland Park. As rehabilitation services are performed by the Developer, Campus Partners advances funds to the Developer. The City of Columbus reimburses the Developer advances made by Campus Partners with NSP2 funds as invoices supporting NSP2 eligible expenditures are submitted to the City of Columbus by the Developer.

Campus Partners also advances the Developer funds related to the cost of acquiring and holding a property pending rehabilitation. Property holding costs include real estate taxes, exterior maintenance, and security. Reimbursements for holding cost advances are made by the City of Columbus to Campus Partners upon the sale of the underlying property and the reconciliation of sale proceeds, provided the property's net sale proceeds are sufficient to cover the cost of acquiring and holding costs incurred. As of June 30, 2012, holding cost advances associated with unsold properties were $0.3 million.

Campus Partners accounts for the Weinland Park NSP2 program on a gross basis as Campus Partners serves in the capacity of a principal under the consortium agreement. As a principal, Campus Partners is responsible for the activities of the third-party developer and is responsible for administering program funds in accordance with the consortium agreement. Campus Partners advances funds to the third-party developer prior to receiving reimbursement from the City of

Columbus. As such, Campus Partners bears the risk of credit loss with the Developer as well as the City of Columbus.

Grant income and grant disbursements are recognized on a gross basis upon the submittal and verification of documentation supporting a request for the reimbursement of renovation costs by the Developer to Campus Partners. During the year ended June 30, 2012, Campus Partners recognized $3.2 million of grant income and grant disbursements associated with the reimbursement of property renovation costs.

With respect to the reimbursement of property acquisition and holding costs, grant income and grant disbursements are recognized on a gross basis upon the sale of the underlying property as, upon the property's disposition, Campus Partners can determine whether or not the sale proceeds are sufficient to obtain reimbursement of the holdings costs. During the year ended June 30, 2012, Campus Partners recognized $0.47 million of grant income and grant disbursements associated with the reimbursement of property acquisition and holding costs.

As of June 30, 2012, outstanding receivables from the City of Columbus for reimbursements of renovation costs and acquisition and holding costs were $0.7 million and $0.6 million, respectively and are recorded within Grants Receivable. As of June 30, 2012, reimbursements advanced to the Developer were $0.5 million and are recorded within Notes Receivable.

7. 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 provides 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 Plan"). 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 Partner's employer contributions to PERS and ARP for the years ended June 30, 2012 and 2011 were $117,637 and $108,477, respectively, equal to 100% of the required contributions for each year.

8. 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 Partner's employer contributions used to fund post-employment benefits for the years ended June 30, 2012 and 2011 are estimated to be $58,819 and $54,239 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.

9. UNIVERSITY DISTRICT COMMUNITY DEVELOPMENT ENTITY, LLC

Campus Partners formed University District Community Development Entity, LLC "(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, SCG Investment Fund LLC ("SCG"), an Ohio Limited Liability Company, was admitted as a 99.72% investor member in UDCDE. Campus Partners owns a 0.28% managing member interest in UDCDE. As of June 30, 2012 and 2011, Campus Partners' and SCG's capital contributions in UDCDE totaled $140,841 and $35,103,410, respectively. Pursuant to the Operating Agreement, income, losses, and cash flows are allocated to the members in proportion to their membership interests.

The U.S. Treasury's New Market Tax Credit Program allows individual and corporate taxpayers to receive a credit against federal income taxes in exchange for making qualified equity investments in a Community Development Entity ("CDE"). During 2002, Campus Partners applied for and received a first-round allocation of $35 million of New Markets Tax Credit ("NMTCs") allocation authority from the U.S. Treasury's Community Development Financial Institutions Fund ("CDFI Fund"). Campus Partners' allocation authority is sufficient to support $35 million of qualified equity investments. UDCDE, which has been certified by the CDFI Fund as a CDE, was organized for the purpose of receiving a sub allocation of NMTCs from Campus Partners. As a CDE, UDCDE's primary purpose is serving or providing investment capital for low-income communities.

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 of NMTCs by Campus Partners. In order to qualify for its allocation of NMTCs, 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 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.

Pursuant to the Operating Agreement, in August 2005, SCG provided an initial capital contribution to UDCDE totaling $35,103,410. The initial capital contribution was designated as a qualified equity investment under the NMTC program and qualified SCG to claim NMTCs on its investment. NMTCs are issued over 7 years at a rate of 5% of the qualified equity investment for years 1 through 3 and 6% for years 4 through 7. As a result of its qualified equity investments, SCG is eligible to claim $13,650,000 of NMTCs over a period of 7 years.

The remaining NMTCs expected to be claimed by SCG are as follows:

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

Concentration of Credit Risk
UDCDE deposits its cash in one financial institution. At June 30, 2012 and 2011, no deposits were uncollateralized by FDIC deposit insurance, respectively.

Economic Concentration
At June 30, 2012, UDCDE had loans receivable with South Campus Gateway totaling $32,235,676 (Note A and Note B in the principal amounts of $21,859,185 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.

10. 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 dates for the loans were December 31, 2011. The borrowers had been granted a one month extension to January 31, 2012 followed by a two month extension. The loans were paid in full on March 31, 2012.

11. SUBSEQUENT EVENTS

On August 1, 2012, Campus Partners received an advance from the University for $1.5 million to purchase land and building just south of Gateway. No repayment terms have been determined as of the report date. The acquisition of the land and building was completed on August 2, 2012 for $1.5 million.

On September 19, 2012 Campus Partners borrowed $500,000 from The Affordable Housing Trust for Columbus and Franklin County (AHT) to be used for the development of 10 lots at the corner of North Fourth Street and East Eighth Avenue in the Weinland Park area. The loan was fully disbursed on September 20, 2012, bears interest at a rate of 2.5% per annum and matures on September 30, 2013. Campus Partners has granted a security interest to AHT in the reimbursements through the City of Columbus under the Housing and Urban Development's Neighborhood Stabilization Program 2.

The South Campus Gateway, LLC New Markets Tax Credit (NMTC) Note A matured on September 22, 2012. Campus Partners has exercised a provision in the loan documents to extend the maturity date 6 months to March 22, 2013. The loan payments during the extension will be interest-only at a rate of 30 day LIBOR plus 165 basis points.

On August 1, 2012 the Office of Student Life ("Student Life") at the University began managing the 184 apartment units at Gateway. Under the management agreement, revenue and direct operating expenses associated with the apartments will be recognized and incurred by Student Life. For fiscal year 2013, Student Life has agreed to reimburse Campus Partners for the pro rata share of Gateway common area expenses associated with the residential units.

On September 21, 2012, the University entered into a 50-year lease and concession agreement with a third-party to operate the University's parking facilities. The Gateway garage is part of the 50-year lease and concession agreement. As of September 21, 2012, all revenue and expense associated with the Gateway garage will be managed by the third-party.

SUPPLEMENTAL INFORMATION

Campus Partners for Community Urban Redevelopment and Subsidiaries
Consolidating Schedule - Statement of Net Assets Information
As of June 30, 2012

	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	$ 1,369,574	$ 234,612	$ 8,011	$ 1,118,737	$ 2,730,934	$ 30,177	$ 1,144,547	$ 97,120	$ 4,002,778		$ 4,002,778
Accounts receivable	558,209	77,398	17,964	399,395	1,052,966		941,710	37,374	2,032,050	$ (291,132)	1,740,918
Grants receivable	1,270,116				1,270,116				1,270,116		1,270,116
Notes receivable					-		231,241		231,241	-	231,241
Other assets	1,937	3,165	990		6,092			18,988	25,080		25,080
Inter-division receivable				4,697,858	4,697,858		1,189,267		5,887,125	(5,887,125)	-
Total current assets	3,199,836	315,175	26,965	6,215,990	9,757,966	30,177	3,506,765	153,482	13,448,390	(6,178,257)	7,270,133
Capital assets - net of accumulated depreciation	755,302	3,766,791	4,888,565	37,046,630	46,457,288	40,086	3,566,613	495,929	50,559,916	(893,547)	49,666,369
Notes receivable - net of current portion	1,360,453				1,360,453		90,589		1,451,042	-	1,451,042
Investment in UDCDE	140,841				140,841				140,841	-	140,841
Deferred loan and leas costs - net				311,945	311,945				311,945		311,945
Total	$ 5,456,432	$ 4,081,966	$ 4,915,530	$ 43,574,565	$ 58,028,493	$ 70,263	$ 7,163,967	$ 649,411	$ 65,912,134	$ (7,071,804)	$ 58,840,330
LIABILITIES AND NET ASSETS											
Current liabilities:											
Current portion of loan payable	$ 9,174,009	$ 2,362,836	$ 7,782,458		$ 19,319,303		$ 39,346,911		$ 58,666,214		$ 58,666,214
Accounts payable	28,874	308	120,937	$ 340,586	490,705		241,277	$ 147,189	879,171		879,171
Accrued liabilities	366,946	79,430	66,870	265,137	778,383		1,050,754	49,295	1,878,432	$ (291,132)	1,587,300
Unearned tenant income		3,102	7,751	219,117	229,970		734,064	11,983	976,017		976,017
Tenant deposits			2,654	148,281	150,935		118,252		269,187		269,187
Inter-division payable	1,246,992	198,275	103,000	491,192	2,039,459	$ 31,175	3,217,426	599,065	5,887,125	(5,887,125)	-
Total current liabilities	10,816,821	2,643,951	8,083,670	1,464,313	23,008,755	31,175	44,708,684	807,532	68,556,146	(6,178,257)	62,377,889
Long-term liabilities:											
Ground lease payable				7,881,142	7,881,142			-	7,881,142		7,881,142
Loans payable to UDCDE					-		10,376,491	-	10,376,491		10,376,491
Total long-term liabilities	-	-	-	7,881,142	7,881,142	-	10,376,491	-	18,257,633	-	18,257,633
Total liabilities	10,816,821	2,643,951	8,083,670	9,345,455	30,889,897	31,175	55,085,175	807,532	86,813,779	(6,178,257)	80,635,522
Net (deficiency in) assets:											
Invested in capital assets - net of related debt	(8,418,707)	1,403,955	(2,893,893)	37,046,630	27,137,985	40,086	(46,156,789)	495,929	(18,482,789)	(893,547)	(19,376,336)
Restricted					-				-		-
Unrestricted	3,058,318	34,060	(274,247)	(2,817,520)	611	(998)	(1,764,419)	(654,050)	(2,418,856)		(2,418,856)
Total net (deficiency in) assets	(5,360,389)	1,438,015	(3,168,140)	34,229,110	27,138,596	39,088	(47,921,208)	(158,121)	(20,901,645)	(893,547)	(21,795,192)
Total	$ 5,456,432	$ 4,081,966	$ 4,915,530	$ 43,574,565	$ 58,028,493	$ 70,263	$ 7,163,967	$ 649,411	$ 65,912,134	$ (7,071,804)	$ 58,840,330

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, 2012

	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		$ 181,734	$ 215,818	$ 4,443,574	$ 4,841,126		$ 3,547,970		$ 8,389,096	$ (118,441)	$ 8,270,655
Recovery of operating expenses				1,185,531	1,185,531		1,420,690		2,606,221	(224,624)	2,381,597
Parking income				1,506,446	1,506,446				1,506,446		1,506,446
Other operating income	$ 74			49,212	49,286		360,838		410,124		410,124
Management fee income	147,168				147,168				147,168	(147,168)	-
Theater sales — net					-	-		$ 1,022,283	1,022,283	-	1,022,283
Total operating revenues	147,242	181,734	215,818	7,184,763	7,729,557	-	5,329,498	1,022,283	14,081,338	(490,233)	13,591,105
Operating Expenses:											
Professional services	218,393	17,647	34,220	115,233	385,493	2,013	219,865	96,005	703,376	(147,168)	556,208
Salaries and wages	390,260			784,752	1,175,012		225,444	588,355	1,988,811		1,988,811
Ground lease expense				3,293,000	3,293,000				3,293,000		3,293,000
Real estate taxes	12,454	214,737	94,177		321,368		860,764		1,182,132		1,182,132
Depreciation and amortization expense	33,134	78,091	110,628	603,398	825,251	1,069	1,327,206	121,545	2,275,071		2,275,071
Utilities	5,975	7,410	16,980	613,470	643,835		77,563	126,114	847,512		847,512
Cleaning		342	8,079	255,960	264,381		59,163	15,748	339,292		339,292
Security				441,617	441,617		350,066		791,683		791,683
CAM charges					-			224,624	224,624	(224,624)	-
Repairs and maintenance	333	20,628	78,084	882,664	981,709		289,322	157,697	1,428,728		1,428,728
Rent expense				72,248	72,248		46,192	1	118,441	(118,441)	-
Public relations	8,547	150	1,922	15,055	25,674		126,066	102,630	254,370		254,370
Bad debt expense		2,090	9,375	58,207	69,672		101,534		171,206		171,206
Office supplies and expenses	4,265	175		37,585	42,025		12,939	55,098	110,062		110,062
Miscellaneous	13,648	8,354	4,327	72,204	98,533	100	81,259	71,987	251,879	-	251,879
Total operating expenses	687,009	349,624	357,792	7,245,393	8,639,818	3,182	3,777,383	1,559,804	13,980,187	(490,233)	13,489,954
Operating (loss) income	(539,767)	(167,890)	(141,974)	(60,630)	(910,261)	(3,182)	1,552,115	(537,521)	101,151	-	101,151
Nonoperating (expenses) revenues											
Operating subsidy received from The Ohio State University	650,000				650,000				650,000	-	650,000
Miscellaneous Income		1,100			1,100		7,469		8,569	-	8,569
Loss on disposal of fixed assets			(8,672)		(8,672)				(8,672)		(8,672)
Interest income	91,793	63			91,856		704		92,560	-	92,560
Interest expense	(2,548)	(92,497)	(305,352)		(400,397)	-	(2,104,742)		(2,505,139)	-	(2,505,139)
Total nonoperating (expenses) revenues	739,245	(91,334)	(314,024)	-	333,887	-	(2,096,569)	-	(1,762,682)	-	(1,762,682)
(Decrease) increase in net assets before capital contributions (distributions)	199,478	(259,224)	(455,998)	(60,630)	(576,374)	(3,182)	(544,454)	(537,521)	(1,661,531)	-	(1,661,531)
Capital contributions (distributions)											
Grant income	3,929,562				3,929,562				3,929,562	-	3,929,562
Grant disbursement	(4,048,231)				(4,048,231)				(4,048,231)	-	(4,048,231)
Transfer of capital assets	3,189			48,049	51,238		(51,238)		-		-
Capital contribution from The Ohio State University	350,000				350,000				350,000		350,000
Total capital contributions (distributions)	234,520	-	-	48,049	282,569	-	(51,238)	-	231,331	-	231,331
(Decrease) increase in net assets	433,998	(259,224)	(455,998)	(12,581)	(293,805)	(3,182)	(595,692)	(537,521)	(1,430,200)	-	(1,430,200)
Net (deficiency in) assets - beginning 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)
Net (deficiency in) assets - end of year	$ (5,360,389)	$ 1,438,015	$ (3,168,140)	$ 34,229,110	$ 27,138,596	$ 39,088	$ (47,921,208)	$ (158,121)	$ (20,901,645)	$ (893,547)	$ (21,795,192)

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 using 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, 2012, which collectively comprise the Campus Partners basic financial statements, and have issued our report thereon dated December 21, 2012. 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 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. We identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency. This deficiency is:

1. **Accounting For Neighborhood Stabilization Program II Grant Transactions**

Observation*:* During our testing of grant income and grant disbursements, we noted significant current year development activity in the Weinland Park area. The redevelopment activity, which has been partially funded through proceeds from the Neighborhood Stabilization Program II ("NSP II"), is highly complex in that the project includes redevelopment of Campus Partners owned and not owned properties, a third-party developer, and The City of Columbus. Based on the results of our current year testing, we noted the following observations:

a. Within the initial draft of the financial statements, all current year NSP II transactions were classified net, as a note receivable from the third-party developer. As such, the initial draft of the financial statements did not include the necessary gross-up of grant income and disbursements for NSP II funds passed through Campus Partners.

b. Although Management had internal discussions regarding the proper accounting treatment for NSP II transactions, Management's accounting policies regarding NSP II were not formalized and documented until subsequent to the completion of the FY 2012 financial statement close.

Implication*:* Significant and/or unusual transactions are not appropriately classified within the financial statements in a timely manner and/or are incomplete, inaccurate, or improperly valued within the financial statements as a result of informal accounting policies.

Recommendation*:* We recommend that Management formalize the period-end NSP II reconciliation process to include a timely reconciliation of all NSP II transactions by financial statement caption and by party (e.g., The City of Columbus, third-party developer, Campus Partners). The reconciliation should be prepared by an individual with requisite knowledge of the Weinland Park redevelopment project and the NSP II program in conjunction with the financial statement close. The reconciliation should be reviewed and approved by an appropriate member of senior management and should include an evaluation of the period-end results against Management's stated NSP II accounting policy.

Management Response*:* The NSP II program is a relatively new HUD federal government program administered through the City of Columbus. Although Campus Partners entered into a Consortium Agreement with the City of Columbus on April 9, 2010 for its allocation of NSP II funding, the program regulations from HUD have been evolving as the program is implemented. The documentation for some of the key accounting information relating to the NSP II transactions in Weinland Park is created by the third-party developer and reviewed by Campus Partners. Timing of the accounting information is sometimes delayed due to the complex nature of the transactions. The initial Campus Partners entries to record the NSP II transactions were a gross up of non-operating income and expense and had a net zero effect on the income statement. Campus Partners recorded the transactions as a report level re-class for the audited fiscal year end financials. We agree with the auditor's recommendation and have formalized the accounting treatment of the NSP II transactions. The Finance Manager and his staff will prepare a spreadsheet at the time of financial statement closing and have it reviewed by senior management monthly.

Our consideration of internal control was for the limited purpose described in the second paragraph of this report and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Campus Partners' 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 21, 2012.

This report is intended solely for the information and use of Campus Partners' Fiscal and Investment 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 21, 2012

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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
JANUARY 24, 2013