Campus Partners for Community Urban Redevelopment

Consolidated Financial Statements for the Years Ended June 30, 2003 and 2002 and Independent Auditors' Report

Auditor of State
Betty Montgomery

Board of Trustees
Campus Partners for Community Urban Redevelopment
2080 Blankenship Hall
901 Woody Hayes Dr.
Columbus, Ohio 43210-4016

We have reviewed the Independent Auditor's Report of the Campus Partners for Community Urban Redevelopment, Franklin County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2002 through June 30, 2003. 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 is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 6, 2004

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CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT

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CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2003 and JUNE 30, 2002

The following Management's Discussion and Analysis ("MD&A") of Campus Partners for Community Urban Redevelopment's ("Campus Partners") financial performance provides an introduction to the basic consolidated financial statements for the fiscal year ended June 30, 2003. The information contained in this MD&A should be considered in conjunction with the information contained in Campus Partners' basic consolidated financial statements.

OVERVIEW OF THE BASIC CONSOLIDATED FINANCIAL STATEMENTS

Campus Partners' basic consolidated financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles 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 basic consolidated financial statements for a summary of Campus Partners' significant accounting policies.

Following this MD&A are the basic 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' basic consolidated financial statements are designed to provide readers with a broad overview of Campus Partners' finances.

The *Consolidated Statements of Net Assets* presents 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* presents information showing how Campus Partners' net assets changed during the fiscal year ended June 30, 2003. 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* relates to the flows of cash and cash equivalents. Consequently, only transactions that affect Campus Partners' cash accounts are recorded in this statement. A reconciliation of cash flows is provided at the bottom of the Statement of Cash Flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

FINANCIAL POSITION

The following represents Campus Partners' financial position for the fiscal year ended June 30, 2003 and 2002:

	2003	2002
Assets:		
Current assets	$ 2,513,210	$ 900,346
Net property and equipment	27,606,671	24,448,728
Total assets	$ 30,119,881	$ 25,349,074
Liabilities—		
Current liabilities	$ 5,677,917	$ 572,611
Net Assets:		
Invested in capital assets—net of related debt	24,009,546	24,448,728
Net assets unrestricted	432,418	327,735
Total net assets	$ 30,119,881	$ 25,349,074

Campus Partners' assets exceeded liabilities by $24 million. The largest portion of Campus Partners' net assets ($24 million at June 30, 2003) represents its investment in capital assets net of related debt. Campus Partners' has acquired and constructed these real estate capital assets in order to further its primary mission of helping to revitalize the neighborhoods surrounding The Ohio State University. Long-term debt activity represents funds borrowed for the acquisition and construction of real estate assets.

The following represents Campus Partners' summary of changes in net assets for the fiscal year ended June 30, 2003 and 2002:

	2003	2002
Operating revenues	$ 1,232,635	1,161,305
Operating expenses	1,705,040	1,272,262
Net operating loss	(472,405)	(110,957)
Non operating revenue	712,121	662,546
Capital funds	(574,215)	4,589,633
(Decrease) increase in net assets	(334,499)	5,141,222
Net assets—beginning of year	24,776,463	19,635,241
Net assets—end of year	$24,441,964	$24,776,463

Campus Partners' $1.2 million operating revenues came from rental and lease/license income from real estate holdings.

The Campus Partners' major operating expenses for the year ended June 30, 2003 included professional service fees (25.7%), salaries (21.7%) and real estate taxes (15.6%). All other operating expense categories represented less than 10% of total operating expenses in the current year. Increase in operating expenses was primarily the result of an increase in professional services costs and increases in real estate tax expense, while the decrease in non-operating revenue was the result of $5.4 million in endowment funds for capital projects received from The Ohio State University in fiscal 2002 and no endowment funds received in 2003.

Non-operating revenues were obtained from funds contributed by The Ohio State University and various grants from the State of Ohio and the City of Columbus related to construction of the South Campus Gateway project and the restructuring of the Community Properties Inc. Section 8 housing portfolio. The return of cash to the OSU Endowment Fund was a distribution of surplus cash from real estate investment activity. The non-operating expenses for the year were attributable to expenses incurred on behalf of the City of Columbus for public infrastructure work necessary in conjunction with the South Campus Gateway project.

SIGNIFICANT EVENTS

During the fiscal year ended June 30, 2003, Campus Partners engaged Jones Lang LaSalle Americas, Inc. as the fee developer for the South Campus Gateway project. The development team has been assembled, construction of the public improvement phase of the project began and leasing efforts have begun. The project is scheduled for completion in Autumn, 2005. Also, during the fiscal year, Campus Partners assigned its purchase option for the Community Properties Inc. portfolio to Ohio Capital Corporation for Housing, who closed on the acquisition and has begun implementing the restructuring plan.

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Campus Partners for Community Urban
Redevelopment, Inc.

We have audited the accompanying basic consolidated statement of net assets, consolidated statements of net revenues, changes in net assets and cash flows of Campus Partners for Community Urban Redevelopment and its subdivisions ("Campus Partners," a component Unit of the Ohio State University) as of and for the year ended June 30, 2003. These financial statements are the responsibility of Campus Partners' management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of Campus Partners as of and for the year ended June 30, 2002 were audited by other auditors, whose report, dated October 9, 2002, expressed an unqualified opinion on those consolidated statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic consolidated financial statements present fairly, in all material respects, the financial position of Campus Partners as of June 30, 2003, and their changes in net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 1-3 is not a required part of the basic consolidated financial statements but is supplementary information required by the Governmental Accounting Standards Board ("GASB"). This supplementary information is the responsibility of the management of Campus Partners. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on Campus Partners 2003 basic consolidated financial statements. The supplemental schedules on pages 17-18 are presented for the purpose of additional analysis and are not part of the basic consolidated financial statements. This supplementary information is the responsibility of Campus Partners' management. The supplemental schedules have been subjected to the auditing procedures applied by us in the audit of the basic 2003 consolidated financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2003, on our consideration of internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

December 22, 2003

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT

CONSOLIDATED STATEMENTS OF NET ASSETS AS OF JUNE 30, 2003 AND 2002

ASSETS	**2003**	**2002**
CURRENT ASSETS:		
Cash	$ 423,711	$ 735,679
Accounts receivable	94,460	23,899
Grants receivable	1,898,499	92,387
Prepaid expenses	4,540	19,055
Deposits	92,000	29,326
Total current assets	2,513,210	900,346
CAPITAL ASSETS—net of accumulated depreciation	27,606,671	24,448,728
TOTAL ASSETS	$ 30,119,881	$ 25,349,074
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	$ 554,696	$ 257,583
Grants payable	1,310,395	
Accrued expenses	196,526	133,149
Deferred revenues		81,313
Rent deposits	19,175	20,566
Loans payable	3,597,125	80,000
Total current liabilities	5,677,917	572,611
NET ASSETS:		
Invested in capital assets—net of related debt	24,009,546	24,448,728
Unrestricted	432,418	327,735
Total net assets	24,441,964	24,776,463
TOTAL LIABILITIES AND NET ASSETS	$ 30,119,881	$ 25,349,074

See notes to financial statements.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT

CONDOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
OPERATING REVENUES:		
Barnes & Noble income	$ 1,004,784	$ 833,949
Rental income	227,851	327,356
Total operating revenues	1,232,635	1,161,305
OPERATING EXPENSES:		
Professional services	438,519	266,204
Salaries and wages	370,114	343,205
Real estate taxes	265,635	149,831
Payroll taxes and benefits	146,562	101,286
Miscellaneous	121,580	95,452
Depreciation expense	115,375	125,378
Utilities	82,113	65,846
Real estate expenses	68,082	91,035
Interest expense	45,668	
Travel and conferences	25,661	10,455
Printing	10,728	5,139
Office supplies and expense	8,144	6,056
Postage and delivery	3,582	2,682
Public relations	2,147	5,883
Occupancy	1,130	3,810
Total operating expenses	1,705,040	1,272,262
NET OPERATING LOSS	(472,405)	(110,957)
NONOPERATING REVENUES (EXPENSES):		
Operating Subsidy received from The Ohio State University	650,000	650,000
Gain on sale of assets	43,962	
Interest income	15,321	11,176
Miscellaneous income	2,838	1,370
Total non-operating revenues	712,121	662,546
INCOME BEFORE CAPITAL CONTRIBUTIONS	239,716	551,589
Grant income	2,267,401	92,387
The Ohio State University endowment capital funding		5,426,874
Return of The Ohio State University endowment funds	(1,200,000)	(863,961)
Restructuring grant	(1,641,616)	(65,667)
CHANGE IN NET ASSETS—(Decrease) increase in net assets	(334,499)	5,141,222
NET ASSETS—Beginning of year	24,776,463	19,635,241
NET ASSETS—End of year	$ 24,441,964	$ 24,776,463

See notes to financial statements.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from tenants	$ 216,810	334,243
Cash received from Barnes & Noble	863,951	965,686
Cash paid to employees	(511,947)	(439,286)
Cash paid to suppliers	(1,141,505)	(638,263)
Net cash provided by (used in) operating activities	(572,691)	222,380
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(3,354,629)	(5,435,572)
Return of The Ohio State University endowment funds	(1,200,000)	(863,961)
Interest received on cash and investments	15,321	12,546
Return of escrow funds		376,821
Endowment funds received from The Ohio State University		5,403,255
Cash received from grants	(1,806,112)	
Cash paid from grants	1,310,395	
Proceeds from the sale of property	500,000	
Net cash used in investing activities	(4,535,025)	(506,911)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Cash received from grants	2,267,401	
Cash received from short-term loans	4,463,656	80,000
Debt repayment	(946,531)	
Net cash provided by capital financing activities	5,784,526	80,000
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Cash received as an operating subsidy from The Ohio State University	650,000	650,000
Restructuring grant	(1,641,616)	
Cash received from miscellaneous income	2,838	
Net cash provided by (used in) non-capital financing activities	(988,778)	650,000
NET (DECREASE) INCREASE IN CASH	(311,968)	445,469
BEGINNING CASH BALANCE	735,679	290,210
ENDING CASH BALANCE	$ 423,711	$ 735,679

(Continued)

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net operating loss	$ (472,405)	$ (110,957)
Adjustments to reconcile decrease in net assets to net cash provided by operations:		
Depreciation	115,375	125,379
Gain on sale of property	(43,962)	
(Increase) decrease in assets:		
Accounts receivable	(70,561)	
Prepaid insurance and accrued income	(66,798)	38,280
Increase (decrease) in liabilities:		
Accounts payable	(33,652)	179,455
Rent deposits	(64,065)	6,886
Accrued liabilities	63,377	(97,976)
Deferred revenues		81,313
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (572,691)	$ 222,380
SUPPLEMENTAL DISCLOSURE—Noncash activity—		
Property purchases in accounts payable	$ 330,567	

See notes to financial statements. (Concluded)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—Campus Partners for Community Urban Redevelopment ("Campus Partners") is a component unit of The Ohio State University ("OSU"). The financial activity of Campus Partners is blended within the consolidated financial statements of OSU. Campus Partners operates under funding primarily from OSU, whereby Campus Partners directs the revitalization of the area immediately adjacent to OSU's Main Campus in Columbus, Ohio. Campus Partners was incorporated on January 12, 1995.

Reporting Entity**—**The accompanying basic consolidated financial statements comply with the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, that the consolidated financial statements include all the organizations, activities and functions for which Campus Partners, the reporting entity, is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either 1) Campus Partner's ability to impose its will over the component unit 2) the possibility 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, that the City of Columbus acquired using its powers of eminent domain, for the development of South Campus Gateway. Pursuant to GASB Statement No. 14, Campus Partners is financially accountable for GARI in that Campus Partners continues to own all of the assets of GARI and GARI may impose a financial burden on Campus Partners by entering into contracts related to the development of the land. 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.

University Gateway Center, LLC was created for the purpose of incurring costs related to the construction of residential, office, retail and parking structures in the area immediately adjacent to the main campus of OSU. Pursuant to GASB Statement No. 14, Campus Partners is financially accountable for University Gateway Center in that Campus Partners continues to own all the assets of University Gateway Center. University Gateway Center imposes a financial burden on Campus Partners through a line of credit provided by The Ohio State University for construction of the office, retail, residential and parking space. The ability of Campus Partners to impose its will on University Gateway Center is manifest in that Campus Partners has the ability to dissolve the entity at any time.

University Gateway Parking Authority, LLC was created for the purpose of constructing a parking garage to support the development of residential, retail, and office buildings adjacent to the main campus of The Ohio State University. Campus Partners is financially accountable for University Gateway Parking Garage Authority in that University Gateway Parking Garage Authority may impose a financial burden on the Campus Partners through debt incurred for the construction of the parking garage. The ability of Campus Partners to impose its will on University Gateway Parking Garage Authority Entity is manifest in that Campus Partners has the ability to dissolve the entity at any time.

University District Community Development Entity, LLC was created for the purpose of submitting an application for an allocation of New Markets Tax Credits from the US Treasury Department. Funds generated from investors in the New Markets Tax Credits will be used as debt capital for the retail portion of the Gateway development. Pursuant to GASB Statement No. 14, Campus Partners is financially accountable for University District Community Development Entity in that Campus Partners continues to own all assets of University District Community Development Entity. The ability of Campus Partners to impose its will on University District Community Development Entity is manifest in that Campus Partners has the ability to dissolve the entity at any time.

Basis of Presentation—The basic 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 financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Campus Partners' significant accounting policies are described below.

Basis of Accounting—The accompanying basic 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 non-operating revenues. Expenses from employee wages and benefits, purchases of services, material and supplies and other miscellaneous expenses are reported as operating expenses. Grant and contracts determined to be exchange transactions are recognized as revenue when the exchange occurs. Grant 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 Statement of Revenues, Expenses and Changes in Net Assets, after non-operating 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 Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents—For the purposes of the statement of cash flows, Campus Partners considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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

Capital Assets—Capital assets with a unit cost of over $500 are recorded at cost on the date of acquisition, or, if donated, at fair market value on the date of donation. 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. Property is recorded at cost less accumulated depreciation.

Buildings and improvements that are completed are depreciated over 27.5 to 39 years and personal property is depreciated over 5-7 years using the straight-line method.

Maintenance and repairs are charged to operations as incurred. Significant betterment and improvements are capitalized and depreciated over their estimated useful lives.

Grants Payable—Grants payable represent funds due vendors under the restructuring grant from The City of Columbus, Ohio as well as certain funds due subrecipients.

Deferred Revenues—Deferred revenues relate to revenues received and related to the period after June 30, 2002.

Compensated Absences—Compensated absence costs are accrued when earned by employees. In conformity with GASB Statement No. 16, *Accounting for Compensated Absences*, Campus Partners accrues vacation and sick pay benefits as earned by employees utilizing the vesting method. As of June 30, 2003 and 2002, this liability was $43,645 and $38,785, respectively.

Leases—Campus Partners, as a lessor, has retained substantially all of the risks and benefits of ownership and accounts for its leases as operating leases. Rental income is recognized over the terms of the leases on a straight-line basis.

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

Reclassifications—Certain amounts from the prior year have been reclassified to conform to current year presentation.

Newly Issued Accounting Pronouncements—In March 2003, GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures, An Amendment for GASB Statement No. 3,* which clarifies existing guidance to disclosures of cotangential deposit and investment exposure risk to state and local governments. This statement will be effective for Campus Partners in fiscal year 2004. Management does not expect GASB Statement No. 40 to have a material impact on the basic consolidated financial statements of Campus Partners.

In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which requires governments to evaluate major events affecting capital assets to determine whether they are impaired. Impairment will be measured using methods designed to isolate the cost of the capital asset's service capacity that has been rendered unusuable by the impairment. This statement will be effective for Campus Partners in fiscal year 2005. Management has not yet evaluated the impact GASB Statement No. 42 will have on the basic consolidated financial statements.

2. RELATED PARTY TRANSACTIONS

In fiscal year 2003 and 2002, The Ohio State University provided $650,000 in operational subsidies to Campus Partners. Additionally, in fiscal year 2002, The Ohio State University endowment fund provided proceeds of $5,426,874 to Campus Partners for capital funding of which $1,200,000 and $863,961 was returned to the university in fiscal year 2003 and 2002, respectively.

On April 18, 2001, The Ohio State University (OSU), acting under the provisions of Chapter 3335 of the Revised Code of Ohio, entered into a joint use agreement with the GARI, a blended component unit of Campus Partners, for GARI to construct a parking garage immediately adjacent to OSU's main campus in Columbus, Ohio. Under legislation, the General Assembly of the State of Ohio appropriated funds to the OSU in the amount of $4.5 million for the construction of a parking garage immediately adjacent to OSU's main campus. Payment of construction costs will be made by OSU on behalf of GARI after such costs have been incurred by GARI. Administrative costs to be paid to OSU are 1.5% of the total appropriation.

The agreement expires 15 years from the date the parking garage is completed and placed into service. GARI reserves the right to terminate the agreement prior to the expiration date provided OSU is given 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 OSU in accordance with terms defined in the agreement.

3. CASH

At June 30, 2003, the carrying amount of Campus Partners' deposits with financial institutions was $423,711 and the bank balance was $758,395. The differences represent normal reconciling items associated with timing differences and cash on hand. Based upon criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements,* $100,000 of the bank balance was covered by deposit insurance provided by the FDIC; and $658,395 was uncollateralized as defined by GASB. However, to mitigate any risk of loss, Campus Partners maintains its cash in large financial institution, consequently management believes it is not exposed to any specific concentration of credit risk in relation to cash.

At June 30, 2002, the carrying amount of Campus Partners' deposits with financial institutions was $723,998 and the bank balance was $946,829. Based upon criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements,* $100,000 of the bank balance was covered by deposit insurance provided by the FDIC; and was uncollateralized as defined by GASB.

4. CAPITAL ASSETS

Capital asset activities for the year ended June 30, 2003 were as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	$ 21,592,729	$ 779,023	$ (37,192)	$ 22,334,560
Depreciable Assets:				
Buildings	3,040,325	2,947,074	(454,182)	5,533,217
Equipment	62,754	3,259		66,013
Total depreciable assets	3,103,079	2,950,333	(454,182)	5,599,230
Total capital assets	24,695,808	3,729,356	(491,374)	27,933,790
Less accumulated depreciation for:				
Buildings	203,033	109,210	(35,336)	276,907
Equipment	44,047	6,165		50,212
Total accumulated depreciation	247,080	115,375	(35,336)	327,119
Net capital assets	$ 24,448,728	$ 3,613,981	$(456,038)	$ 27,606,671

5. OPERATING LEASE

At June 30, 2003, rental property is being leased to parties under various operating lease agreement for lease terms ranging from 1 to 20 years. Minimum future rental income for all retail operating leases in effect at June 30, 2003 are as follows:

2004	$ 991,030
2005	907,040
2006	33,770
2007	31,500
2008	31,500
2009-2013	157,500
2014-2019	157,500
2020-2025	157,500
	$ 2,467,340

One of Campus Partners' properties, which originally had renewal options through October 2034, was sold to The Ohio State University in September 2002. A gain in the amount of $43,962 was recognized from the sale of this property.

6. LOANS PAYABLE

During the fiscal year ended June 30, 2002, Campus Partners received four $20,000 non-interest bearing loans to finance the development and implementation of community and economic development activities. The loans had an original payment date of June 30, 2002 and were extended to September 30, 2003. These loans were paid in full on September 18, 2003.

Campus Partners has a $5 million Pre-Construction line of credit from The Ohio State University for the purpose of construction related expenditures for residential, office, retail and parking structures in the area immediately adjacent to the main campus of OSU. Annual interest charged on the outstanding balance will be the average one month LIBOR rate plus 150 basis points. Interest is to be calculated and paid quarterly. Repayment is due on or before June 30, 2004. The repayment date may be extended upon mutual agreement between Campus Partners and OSU. Subsequent to June 30, 2003, this line of credit was increased to $7 million. Terms of the note did not change.

Loan activity for the period ended June 30, 2003 was as follows:

	Beginning Balance	**Additions**	**Repayments**	**Ending Balance**
Operating Division				
Broad Street Loans	$80,000	$ -	$ -	$80,000
University Gateway Center				
OSU Line of Credit		4,463,656	946,531	3,517,125
Total debt	$ 80,000	$ 4,463,656	$ 946,531	$ 3,597,125

7. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

All Campus Partner employees are required to participate in the statewide Ohio Public Employees Retirement System ("OPERS"). The plan is a 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. Authority to establish and amend benefits is provided by state statue per Chapter 145 of the Ohio Revise Code. In fiscal 2003 the employer was required to contribute 13.31% of active member payroll. For full-time employees, the portion of an employee's contribution is equal to 8.5% to be picked up (assumed and paid) on behalf of the employee, and in lieu of payment by the employee, by Campus Partners.

Total required employer contributions billed to Campus Partners were approximately $49,262, $45,063 and $41,554 in 2003, 2002 and 2001, respectively, which were equal to the required contributions each year.

OPERS issues a publicly available stand-alone financial report that includes its financial statements and required supplementary information. That report may be obtained by writing to Ohio Pubic Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-6705 or 1-800-222-7377.

Other post-employment benefits for health care cost provided by OPERS are as follows:

OPERS provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit ("OPEB") as described in GASB Statement No. 12 *Disclosure of Information on Post-employment Benefits and Other Pension Benefits by State and Local Government Employers.* A portion of each contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2003 employer contribution rate for state employers was 13.31% of covered payroll; 5.00% was the portion that was used to fund health care for the year. These rates are the actuarially determined contribution requirement for OPERS. The portion of the Campus Partners' 2003 and 2002 contributions that were used to fund postemployment benefits was $2,463 and $2,253, respectively. The ORC provides the statutory authority requiring public employers to employers to fund post-retirement health care through their contributions to OPERS.

The assumptions and calculations below were based on the Retirement System's latest Acutarial Review performed as of December 31, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfounded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate of 2001 was 8.00%. An annual increase of 4.00% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase 4.00% annually.

OPEB are advance-funded on an actuarially determined basis. As of December 31, 2001, the actuarial value of the Retirement System's net assets available for OPEB was $11.6 billion. The number of active contributing participants was 402,041. The actuarially accrued liability and the unfunded actuarial liability, based on the actuarial cost method used, were $16.4 billion and $4.8 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

8. SUBSEQUENT EVENTS

On November 7, 2003, the Board of Trustees of the Ohio State University approved the transfer of land from the South Campus Gateway to the Board of Trustees of the Ohio State University. The Board of Trustees accepted ownership of and title in the property of South Campus Gateway, with a carrying cost of $19 million.

* * * * * *

SUPPLEMENTAL SCHEDULES

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT

CONSOLIDATING SCHEDULE—STATEMENT OF NET ASSETS INFORMATION
JUNE 30, 2003

Description	Operating Division	Long's/Sun Division	Real Estate II Division	Total Campus Partners	Gateway Revitalization Initiative	University Gateway Center, LLC	Campus Partners Parking Authority, LLC	University District Community Development	Subtotal	Eliminations	Consolidated Total
CURRENT ASSETS:											
Cash	$ 160,039	$ 107,020	$ 412	$ 267,471	$ (89,780)	$ 244,743	$ 354	$ 923	$ 423,711	$ -	$ 423,711
Accounts receivable	1,000	84,498	8,962	94,460					94,460		94,460
Grants receivable	796,155			796,155	1,100,001		2,343		1,898,499		1,898,499
Prepaid expenses	203	4,142		4,345	195				4,540		4,540
Deposits	17,000			17,000		75,000			92,000		92,000
Interdivision/company receivable	453,121	572,989		1,026,110	4,100	253,248			1,283,458	(1,283,458)	
Total current assets	1,427,518	768,649	9,374	2,205,541	1,014,516	572,991	2,697	923	3,796,668	(1,283,458)	2,513,210
CAPITAL ASSETS—Net of accumulated depreciation	15,801	3,508,862	756,306	4,280,969	19,889,016	2,913,462	523,224		27,606,671		27,606,671
TOTAL CURRENT ASSETS	$ 1,443,319	$ 4,277,511	$ 765,680	$ 6,486,510	$ 20,903,532	$ 3,486,453	$ 525,921	$ 923	$ 31,403,339	$ (1,283,458)	$ 30,119,881
CURRENT LIABILITIES											
Accounts payable	$ 24,306	$ 3,229	$ -	$ 27,535	$ -	$ 497,025	$ 830	$ 29,306	$ 554,696	$ -	$ 554,696
Grant payable	569,606			569,606	740,789				1,310,395		1,310,395
Accrued expenses	45,859	54,145	3,195	103,199		93,087	240		196,526		196,526
Rent deposits		18,240	935	19,175					19,175		19,175
Loans payable	80,000			80,000		3,517,125			3,597,125		3,597,125
Interdivision/company payable	549,670		51,419	601,089	623,644	55,725	2,000	1,000	1,283,458	(1,283,458)	
Total current liabilities	1,269,441	75,614	55,549	1,400,604	1,364,433	4,162,962	3,070	30,306	6,961,375	(1,283,458)	5,677,917
NET ASSETS											
Invested in capital assets—net of related debt	(64,199)	3,508,862	756,306	4,200,969	19,889,016	(603,663)	523,224		24,009,546		24,009,546
Unrestricted	238,077	693,035	(46,175)	884,937	(349,917)	(72,846)	(373)	(29,383)	432,418		432,418
Total net assets	173,878	4,201,897	710,131	5,085,906	19,539,099	(676,509)	522,851	(29,383)	2,441,964	-	24,441,964
TOTAL LIABILITES AND NET ASSETS	$ 1,443,319	$ 4,277,511	$ 765,680	$ 6,486,510	$ 20,903,532	$ 3,486,453	$ 525,921	$ 923	$ 31,403,339	$ (1,283,458)	$ 30,119,881

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT

CONSOLIDATING SCHEDULE—STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS INFORMATION
FOR THE YEAR ENDED JUNE 30, 2003

	Operating Division	Long's/Sun Division	Real Estate II Division	Total Campus Partners	Gateway Area Revitalization Initiative	University Gateway Center, LLC	Campus Partners Parking Authority, LLC	University District Community Development Entity, LLC	Consolidated Total
OPERATING REVENUES									
Barnes & Noble income	$ -	$ 1,004,784	$ -	$ 1,004,784	$ -	$ -	$ -	$ -	$ 1,004,784
Rental income		201,894	25,957	227,851					227,851
Total operating revenues	-	1,206,678	25,957	1,232,635	-	-	-	-	1,232,635
OPERATING EXPENSES									
Professional services	44,498	1,070		45,568	(38,985)	402,630		29,306	438,519
Salaries	370,114			370,114					370,114
Real estate taxes		101,345	4,281	105,626	(39,849)	199,858			265,635
Payroll taxes and benefits	146,562			146,562					146,562
Miscellaneous expenses	41,064	45,562	150	86,776	7,364	27,394	32	14	121,580
Depreciation expense	6,165	102,035	7,175	115,375					115,375
Utilities	13,540	63,654		77,194	4,919				82,113
Real estate expenses		46,416	20,286	66,702			1,380		68,082
Interest expense						45,668			45,668
Travel and conferences	25,661			25,661					25,661
Printing	9,916			9,916		812			10,728
Office supplies and expense	7,818			7,818		147	101	78	8,144
Postage and delivery	3,582			3,582					3,582
Public relations	2,147			2,147					2,147
Occupancy		1,130		1,130					1,130
Total operating expenses	671,067	361,212	31,892	1,064,171	(66,551)	676,509	1,513	29,398	1,705,040
NET OPERATING LOSS	(671,067)	845,466	(5,935)	168,464	66,551	(676,509)	(1,513)	(29,398)	(472,405)
NON OPERATING REVENUES/(EXPENSES)									
Operating subsidy received from The Ohio State University	650,000			650,000					650,000
Gain on the sale of assets		43,962		43,962					43,962
Interest income	4,060	8,576		12,636	2,670			15	15,321
Miscellaneous income	778	2,060		2,838					2,838
Total non-operating revenues	654,838	54,598		709,436	2,670			15	712,121
INCOME BEFORE CAPITAL FUNDS	(16,229)	900,064	(5,935)	877,900	69,221	(676,509)	(1,513)	(29,383)	239,716
GRANT INCOME	134,162			134,162	1,608,875		524,364		2,267,401
RETURN OF OHIO STATE UNIVERSITY ENDOWMENT FUNDS		(1,200,000)		(1,200,000)					(1,200,000)
RESTRUCTURING GRANT	(32,741)			(32,741)	(1,608,875)				(1,641,616)
CHANGE IN NET ASSETS—									
Increase/(decrease) in net assets	85,192	(299,936)	(5,935)	(220,679)	69,221	(676,509)	522,851	(29,383)	(334,499)
NET ASSETS—Beginning of year	88,686	4,501,833	716,066	5,306,585	19,469,878				24,776,463
NET ASSETS—End of year	$ 173,878	$ 4,201,897	$ 710,131	$ 5,085,906	$ 19,539,099	$ (676,509)	$ 522,851	$ (29,383)	$ 24,441,964

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Board of Trustees of the
Campus Partners for Community Urban Redevelopment

We have audited the financial statements of the Campus Partners for Community Urban Redevelopment (the "Campus Partners"), as of and for the year ended June 30, 2003, and have issued our report thereon dated June 30, 2003. We conducted our audits 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.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Campus Partner's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 required to be reported under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Campus Partners' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Members of the Board of Trustees, the Auditor of State of Ohio, management, and others within Campus Partners and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

December 22, 2003

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CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 3, 2004