Campus Partners for Community Urban Redevelopment and Subsidiaries

(A component unit of The Ohio State University)

Consolidated Financial Statements

As of and for the Years Ended June 30, 2018 and 2017

and Report of Independent Auditors

OHIO AUDITOR OF STATE
KEITH FABER

January 17, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

Ohio Auditor of State

Keith Faber

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Dave Yost • Auditor of State

Board of Directors
OSU Campus Partners for Community Urban Redevelopment
2040 Blankenship Hall
901 Woody Hayes Drive
Columbus, Ohio 43210-4016

We have reviewed the *Report of Independent Auditors* of the OSU Campus Partners for Community Urban Redevelopment, Franklin County, prepared by PricewaterhouseCoopers LLP, for the audit period July 1, 2017 through June 30, 2018. 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 OSU Campus Partners for Community Urban Redevelopment is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

January 4, 2019

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CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES
(A COMPONENT UNIT OF THE OHIO STATE UNIVERSITY)

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Report of Independent Auditors

To the Board of Directors of
Campus Partners for Community Urban Redevelopment and Subsidiaries:

We have audited the accompanying consolidated financial statements of Campus Partners for Community Urban Redevelopment and Subsidiaries ("Campus Partners"), a component unit of The Ohio State University, appearing on pages 12 to 31, which comprise the consolidated statements of net position as of June 30, 2018 and 2017, and the related consolidated statements of revenues, expenses, and other changes in net position and of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Campus Partners' basic consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Campus Partners as of June 30, 2018 and 2017, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The accompanying management's discussion and analysis on pages 3 through 11 is required by accounting principles generally accepted in the United States of America to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated 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 consolidated financial statements in an appropriate operational, economic, or 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 consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated December 17, 2018 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 for the year ended June 30, 2018. The purpose of that report is solely 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 effectiveness of the entity's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Campus Partners' internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

December 17, 2018

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of Campus Partners for Community Urban Redevelopment and Subsidiaries ("Campus Partners") for the year ended June 30, 2018, with comparative information for the year ended June 30, 2017 and Statement of Net Position as of June 30, 2016. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

About Campus Partners

Campus Partners is a component unit of The Ohio State University ("the university") and directs the revitalization of the area immediately adjacent to the university's main campus in Columbus, Ohio. The organization was incorporated on January 12, 1995 and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Campus Partners is governed by a seven-member board.

The consolidated financial statements include component units -- legally separate organizations for which Campus Partners is financially accountable – as defined under GASB Statement No. 14, *The Financial Reporting Entity*, as amended by Statement No. 61, *The Financial Reporting Entity: Omnibus*. Campus Partners' component units and the reasons for their inclusion in the financial statements are described below:

- **South Campus Gateway, LLC** – Campus Partners is the single member of this LLC, which has general property management responsibilities for the retail and office space in the Gateway development.
- **Campus Partners for Affordable Housing, LLC** – Campus Partners is the single member of this LLC, which operates Campus Partners and participates in revitalization initiatives in the Weinland Park neighborhood.
- **The Gateway Theatre LLC** – Campus Partners is the single member of this LLC, which operates the Gateway Film Center.
- **Redstone Realty, LLC** – Campus Partners is the single member of this LLC, which was created to participate in redevelopment activities adjacent to the university's Columbus campus.
- **Medstone Realty, LLC** – Campus Partners is the single member of this LLC, which was created to facilitate development of medical facilities for the OSU Wexner Medical Center.

The governing body of these component units is substantively the same as the governing body of the primary government, there are financial benefit and burden relationships between the primary government and the component units and management of the primary government has operational responsibility for the component units. Therefore, the transactions and balances for these organizations have been blended with those of Campus Partners.

About the Financial Statements

Campus Partners presents its financial statements in a "business type activity" format, in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's*

Discussion and Analysis – for State and Local Governments and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34.* In addition to this MD&A section, the financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Other Changes in Net Position, a Statement of Cash Flows and Notes to the Financial Statements.

The **Consolidated Statement of Net Position** is Campus Partners' balance sheet. It reflects the total assets, liabilities and net position (equity) of Campus Partners as of June 30, 2018, with comparative information as of June 30, 2017. Liabilities due within one year, and assets available to pay those liabilities, are classified as current. Other assets and liabilities are classified as non-current. Capital assets -- which consist primarily of the Gateway retail space on North High Street, related tenant improvements, 1800 Zollinger, an outpatient medical facility leased to the Wexner Medical Center, properties held for redevelopment and construction in progress -- are shown net of accumulated depreciation. Net position is grouped in the following categories:

- Net investment in capital assets
- Unrestricted

The **Consolidated Statement of Revenues, Expenses and Other Changes in Net Position** is Campus Partners' income statement. It details how net position has increased (or decreased) during the year ended June 30, 2018, with comparative information for the year ended June 30, 2017, and includes required subtotals for net operating income (loss) and net income (loss) before capital contributions. Rental income, recovery of operating expenses and other revenues arising from exchange transactions are shown as operating revenues.

The **Consolidated Statement of Cash Flows** details how cash has increased (or decreased) during the year ended June 30, 2018, with comparative information for the year ended June 30, 2017. It breaks out the sources and uses of Campus Partners' cash into the following categories:

- Operating activities
- Noncapital financing activities
- Capital financing activities
- Investing activities

The **Notes to the Consolidated Financial Statements,** which follow the financial statements, provide additional details on the numbers in the financial statements, including condensed combining financial statements for Campus Partners' blended component units.

For comparative purposes, Campus Partners' MD&A includes unaudited balances for the Statement of Revenues, Expenses and Other Changes in Net Position and the Statement of Cash Flows for the year ended June 30, 2016.

Financial Highlights

Total net position for Campus Partners increased $1.4 million in 2018. During 2018, Campus Partners continued construction of the 15th and High infrastructure project. During the year Campus Partners received loans of $3 million from the university and $1.5 million from University Residences OSU Central LLC (Edwards) to fund the project. Project expenditures for the 15th & High redevelopment project in 2018 totaled $7.4 million.

The following sections provide additional details on Campus Partners' 2018 financial results and a look ahead at significant economic conditions that are expected to affect the organization in the future.

Statement of Net Position

Summary Statements of Net Position

	2018	2017	2016
Cash and restricted cash	$ 2,442,953	$ 7,349,011	$ 6,333,529
Accounts, grants and notes receivable	1,651,157	1,646,968	1,792,811
Inventory and prepaid expenses	104,619	106,399	162,407
Total current assets	4,198,729	9,102,378	8,288,747
Notes receivable	2,548,000	2,612,739	2,697,005
Money held in escrow	750,000	-	360,000
Capital assets, net	94,086,354	88,260,489	91,652,642
Unamortized leasing costs, net	514,597	478,279	413,355
Total noncurrent assets	97,898,951	91,351,507	95,123,002
Total assets	$ 102,097,680	$ 100,453,885	$ 103,411,749
Accounts payable and accrued expenses	$ 3,035,832	$ 7,171,099	$ 6,837,919
Current portion of loans payable to university	1,293,595	1,293,595	1,116,775
Advance from university	899,761	903,923	913,194
Unearned income -- current portion	1,283,191	1,348,182	1,350,371
Other current liabilities	211,881	209,604	263,091
Total current liabilities	6,724,260	10,926,403	10,481,350
Loans payable to university	79,547,053	75,696,984	66,874,017
Other loans payable	3,398,000	1,962,318	1,897,005
Unearned income -- noncurrent portion	22,929,828	23,797,640	21,324,714
Total noncurrent liabilities	105,874,881	101,456,942	90,095,736
Total liabilities	112,599,141	112,383,345	100,577,086
Net investment in capital assets	10,695,946	10,215,987	22,748,656
Unrestricted	(21,197,407)	(22,145,447)	(19,913,993)
Total net position	(10,501,461)	(11,929,460)	2,834,663
Total liabilities and net position	$ 102,097,680	$ 100,453,885	$ 103,411,749

Total Campus Partners **cash and restricted cash** decreased $4.9 million, to $2.4 million at June 30, 2018, primarily due to capital spending on the 15th & High Infrastructure project, most of which was financed by university loans. Amounts shown as restricted cash consist of tenant security deposits, which are released from restriction upon expiration of the tenant leases. The Consolidated Statement of Cash Flows, which is discussed in more detail below, provides additional information on sources and uses of Campus Partners' cash.

Accounts receivable, net of allowances -- which consist primarily of straight-line rent receivables, accounts receivable from tenants at South Campus Gateway, and accounts receivable from Gateway Film Center customers -- increased $398,000, to $1.6 million at June 30, 2018, reflecting increases in accounts receivable from tenants at South Campus Gateway. **Grants Receivable**, which consisted of grants receivable from the City of Columbus for the Neighborhood Stabilization Program funds, decreased $395,000 to $0 in 2018. The decrease was the result of the funds being paid by the City of Columbus. **Notes receivable**, which consists of notes receivable from property development companies, were relatively stable in 2018, decreasing $63,000, to $2.6 million at June 30, 2018.

Capital assets, net of accumulated depreciation, increased $5.8 million, to $94.1 million at June 30, 2018. Capital additions for the 15th & High redevelopment project totaled $7.4 million in 2018, capital additions for 1800 Zollinger totaled $1.0 million, offset by current depreciation expense ($3.1 million). Campus Partners' estimated future capital commitments, based on contracts and purchase orders, total approximately $1.4 million at June 30, 2018.

Accounts payable and accrued expenses decreased $4.1 million to $3.0 million at June 30, 2018, primarily due to reductions in outstanding invoices related to capital expenditures and accruals for consulting services.

Unearned income decreased $933,000 to $24.2 million at June 30, 2018, due to the recognition of rental income at 1800 Zollinger during 2018. Total prepaid rent of $26.0 million was paid by the Wexner Medical Center in connection with the construction of 1800 Zollinger and will continue to be recognized as rental income over the remaining 24-year term of the lease, which includes a 5-year bargain renewal option.

Loans payable to the university increased $3.9 million, to $80.8 million at June 30, 2018. During 2018, Campus Partners made three draws of loan funds for the 15th & High redevelopment project, totaling $5.1 million. Campus Partners made $1.3 million in principal payments on the OSU Retail loan, which was converted to a principal only loan starting in 2018.

Loans payable increased $1.4 million, to $3.5 million at June 30, 2018. The increase was due to a loan provided by a property development company.

Statement of Revenues, Expenses and Other Changes in Net Position

Summary Statement of Revenues, Expenses and Other Changes in Net Position

	2018	2017	2016 (unaudited)
Operating Revenues:			
Rental income	$ 5,210,865	$ 6,859,477	$ 4,745,300
Recovery of operating expenses	2,341,641	2,518,655	1,849,648
Gateway theatre sales, net	3,295,341	2,717,119	2,598,084
Other operating income	423,940	418,845	392,175
Total operating revenues	11,271,787	12,514,096	9,585,207
Operating Expenses:			
Property operating and maintenance	2,369,079	2,883,948	1,978,343
Impairment and demolition expense	-	1,888,672	-
Real estate taxes	1,302,281	1,822,143	994,037
Professional services	1,048,386	3,019,831	2,428,746
Salaries and wages	1,422,729	1,321,408	1,240,306
Gateway theatre film, food and beverage	1,475,130	1,190,162	1,086,689
Selling, general and administrative	706,216	1,184,749	3,147,104
Depreciation and amortization	3,247,317	3,465,244	2,623,551
Total operating expenses	11,571,138	16,776,157	13,498,776
Net operating loss	(299,351)	(4,262,061)	(3,913,569)
Non-operating revenues (expenses):			
Grants and contributions from university	1,856,620	-	11,880,000
Repayment of grant from university	-	(8,850,000)	-
Interest expense	(169,007)	(1,154,194)	(1,214,678)
Other non-operating revenue (expense)	39,737	(497,868)	(342,707)
Net non-operating revenue (expense)	1,727,350	(10,502,062)	10,322,615
Income (loss) before other changes in net position	1,427,999	(14,764,123)	6,409,046
Other changes in net position:			
Forgiveness of debt by university	-	-	3,789,200
Increase (decrease) in net position	1,427,999	(14,764,123)	10,198,246
Net position -- beginning of year	(11,929,460)	2,834,663	(7,363,583)
Net position -- end of year	$ (10,501,461)	$ (11,929,460)	$ 2,834,663

Rental income -- which includes income from leases at South Campus Gateway as well as other properties held by Medstone and Redstone -- decreased $1.6 million, to $5.2 million in 2018. The decrease relates primarily to the absence in rental income from 700 Ackerman, which was sold in March 2017.

Recovery of operating expenses decreased $177,000, to $2.3 million in 2018, due to the sale of 700 Ackerman. Sales of tickets, food and beverages at the **Gateway Theatre**, increased $578,000, to $3.3 million in 2018. The increase was due to the popularity of the movies shown in 2018.

Property operating and maintenance expenses decreased $515,000, to $2.4 million in 2018. The decrease is primarily due to a lack of operating expenses at 700 Ackerman. **Impairment and demolition expense** decreased $1.9 million. The decrease is primarily due to a lack of demolition of properties on High Street during 2018. **Real estate taxes** decreased $520,000, to $1.3 million in 2018, reflecting a decrease in property values in Redstone. The decrease primarily related to the decline in value of properties on High Street because of demolition that occurred during 2017. **Professional services**, which totaled $1.0 million in 2018 decreased $2.0 million. The decrease was due to 2017 accruals for fees paid to consultants in connection with redevelopment projects on High Street and in the surrounding campus area. **Gateway theatre film, food and beverage** expenses increased by $285,000 to $1.5 million in 2018. The increase was correlated to the increase in Gateway theatre sales. **Selling, general and administrative expenses** decreased $479,000, to $706,000 in 2018, primarily due to a decrease in rent expense and advertising expense. **Depreciation and amortization expense** decreased $218,000, to $3.2 million in 2018, primarily due to the sale of 700 Ackerman and buildings demolished in 2017.

Total non-operating revenue (expense) swung from a net expense of $10.5 million in 2017 to a net revenue of $1.7 million in 2018. The bulk of the change relates to transactions with the university, including $8.9 million of **repayment of grants from the university** in 2017 and $1.5 million **non-capital grant income** in 2018 from the university. **Interest expense** declined by $985,000 to $169,000 in 2018. Interest expense declined because the OSU Retail loan became a principal only loan in starting in July 2017.

Statements of Cash Flows

Summary Statement of Cash Flows

	2018	2017	2016 (unaudited)
Net cash provided by operating activities	$ (179,782)	$ 4,869,270	$ 17,769,458
Net cash provided (used) by non-capital financing activities	1,970,112	(724,787)	307,754
Proceeds from notes payable and university loans	6,643,664	9,859,786	15,060,200
Proceeds from sale of capital assets	33,965	9,171,877	3,719,511
Capital grant from university	-	-	8,850,000
Repayment of grant from university	-	(8,850,000)	-
Payment into Escrow	(750,000)	-	-
Payments for purchase or construction of capital assets	(11,209,507)	(11,209,745)	(38,196,101)
Principal and interest payments on university loans	(1,293,595)	(1,835,428)	(7,555,706)
Deferred leasing costs	(158,039)	(304,514)	(204,522)
Net cash provided by investing activities	37,124	39,023	90,928
Net increase (decrease) in cash	$ (4,906,058)	$ 1,015,482	$ (158,478)

Net cash provided by operating activities decreased $5.0 million in 2018. The decline was due primarily to the decline in cash provided by Medstone. During 2017, Medstone received $2.5 million in rent for the 1800 Zollinger building. During 2017, Medstone also had rental income for 700 Ackerman of $1.4 million.

Net cash provided by noncapital financing activities increased $2.7 million in 2018. The increase was due to receipt of Non-capital grants in 2018 and repayment of Non-capital grants in 2017. In 2018, Campus Partners received a $1.5 million grant from the university. In 2017, Campus Partners paid $913,000 to the university in non-capital grants to the university.

Economic Factors That Will Affect the Future

South Campus Gateway is responsible for about 55% of the revenue at Campus Partners. The revenue at South Campus Gateway is reliant on the rental income of its tenants. Due to the increased interest in the campus area, and specifically in the area near South Campus Gateway, the rents at South Campus Gateway are expected to remain strong. This will allow Campus Partners to meet the debt obligations and help fund redevelopment of the campus area.

Through the Redstone entity, Campus Partners has considerable resources devoted to the development of 15^{th} & High. There are significant risks associated with this project at this early stage, as with any large development project, including an escalation of construction costs.

Campus Partners has historically been involved in the redevelopment of Weinland Park. As the area has improved due to successes of Campus Partners and the overall economy, Campus Partners will do less work in the Weinland Park area.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)
CONSOLIDATED STATEMENTS OF NET POSITION
AS OF JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets:		
Cash	$ 2,323,192	$ 7,224,103
Restricted Cash	119,761	124,908
Accounts receivable - net of allowances for doubtful accounts of $285,744 and $338,003	1,565,193	1,167,631
Grants receivable	-	395,071
Notes receivable - current portion	85,964	84,266
Inventory and prepaid expenses	104,619	106,399
Total Current Assets	4,198,729	9,102,378
Noncurrent Assets:		
Notes receivable	2,548,000	2,612,739
Money held in escrow	750,000	-
Capital assets, net	94,086,354	88,260,489
Unamortized leasing costs, net	514,597	478,279
Total Noncurrent Assets	97,898,951	91,351,507
Total Assets	$ 102,097,680	$ 100,453,885
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accounts payable	$ 833,541	$ 2,289,350
Accrued expenses	2,202,291	4,881,749
Current portion of loans payable to university	1,293,595	1,293,595
Current portion of loans payable	85,964	84,687
Advance from university	899,761	903,923
Unearned income - current portion	1,283,191	1,348,182
Rent and constructon deposits	125,917	124,917
Total Current Liabilities	6,724,260	10,926,403
Noncurrent Liabilities:		
Loans payable to university	79,547,053	75,696,984
Loans payable	3,398,000	1,962,318
Unearned income - noncurrent portion	22,929,828	23,797,640
Total Noncurrent Liabilities	105,874,881	101,456,942
Total Liabilities	112,599,141	112,383,345
Net Position:		
Net investment in capital assets	10,695,946	10,215,987
Unrestricted	(21,197,407)	(22,145,447)
Total Net Position	(10,501,461)	(11,929,460)
Total Liabilities and Net Position	$ 102,097,680	$ 100,453,885

The accompanying notes are an integral part of these consolidated financial statements.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND OTHER CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Operating Revenues		
Rental income	$ 5,210,865	$ 6,859,477
Recovery of operating expenses	2,341,641	2,518,655
Gateway theatre sales	3,295,341	2,717,119
Other operating income	423,940	418,845
Total Operating Revenues	11,271,787	12,514,096
Operating Expenses		
Property operating and maintenance	2,369,079	2,883,948
Impairment and demolition expense	-	1,888,672
Real estate taxes	1,302,281	1,822,143
Professional services	1,048,386	3,019,831
Salaries and wages	1,422,729	1,321,408
Gateway theatre film, food and beverage	1,475,130	1,190,162
Selling, general and administrative	706,216	1,184,749
Depreciation and amortization	3,247,317	3,465,244
Total Operating Expenses	11,571,138	16,776,157
Net Operating Loss	(299,351)	(4,262,061)
Non-Operating Revenues (Expenses):		
Non-capital grants income	1,856,620	103,886
Interest income	253,770	103,475
Gain on sale of assets	33,965	435,511
Non-capital grant expense	(247,998)	(1,140,740)
Interest expense	(169,007)	(1,154,194)
Repayment of grants from university	-	(8,850,000)
Total Non-Operating Revenue (Expense)	1,727,350	(10,502,062)
Increase (Decrease) in Net Position	1,427,999	(14,764,123)
Net Position - Beginning of Year	(11,929,460)	2,834,663
Net Position - End of Year	$ (10,501,461)	$ (11,929,460)

The accompanying notes are an integral part of these consolidated financial statements.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash Flows from Operating Activities:		
Receipts from tenants	$ 6,813,149	$ 12,456,815
Receipts from Gateway theatre	3,345,920	2,684,405
Payments to employees	(1,434,927)	(1,334,779)
Payments to vendors for supplies and services	(8,903,924)	(8,937,171)
Net cash provided (used) by operating activities	(179,782)	4,869,270
Cash Flows from Noncapital Financing Activities:		
Cash paid non-capital grants to university	-	(913,108)
Cash received money held in escrow	-	360,000
Principal payments on non-capital notes payable	(68,481)	(91,872)
Cash received on non-capital notes receivable	63,041	82,601
Interest payments on non-capital notes payable	(28,141)	(38,664)
Cash received non-capital grants	2,251,691	103,887
Cash paid non-capital grants	(247,998)	(227,631)
Net cash provided (used) by noncapital financing activities	1,970,112	(724,787)
Cash Flows from Capital Financing Activities:		
Proceeds from university loans	5,143,664	9,709,786
Proceeds from notes payable	1,500,000	150,000
Principal payments on university loans	(1,293,595)	(710,000)
Payment into escrow	(750,000)	-
Payments for purchase or construction of capital assets	(11,209,507)	(11,209,745)
Proceeds from sale of capital assets	33,965	9,171,877
Repayment of grants from university	-	(8,850,000)
Deferred leasing costs	(158,039)	(304,514)
Interest payments on university loans	-	(1,125,428)
Net cash provided (used) in capital financing activities	(6,733,512)	(3,168,024)
Cash Flows from Investing Activities:		
Interest income	37,124	39,023
Net cash provided (used) by investing activities	37,124	39,023
Net Increase (decrease) in Cash and restricted cash	(4,906,058)	1,015,482
Cash and restricted cash - Beginning of Year	7,349,011	6,333,529
Cash and restricted cash - End of Year	$ 2,442,953	$ 7,349,011

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Reconciliation of Net Operating Loss to Cash Provided by Operations:		
Net operating loss	$ (299,351)	$ (4,262,061)
Adjustments to reconcile net operating loss		
to cash provided by operations:		
Depreciation and amortization expense	3,247,317	3,465,244
Bad debt expense	52,260	44,843
Impairment and demolition expense	-	1,720,159
Changes in assets and liabilities:		
Accounts receivable	(233,174)	102,665
Inventory and prepaid expenses	1,780	56,008
Accounts payable	(487,650)	170,175
Accrued expenses	(1,529,161)	1,157,073
Rent and construction deposits	1,000	(55,573)
Unearned income	(932,803)	2,470,737
Net cash provided (used) by operating activities	$ (179,782)	$ 4,869,270
Non Cash Transactions:		
Construction in Process in Accounts Payable and Accrued Expenses	$ 1,241,868	$ 3,492,230

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - DESCRIPTION OF ORGANIZATION AND 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 discretely presented in 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.

Basis of Presentation

The accompanying presents the consolidated financial statements of Campus Partners, which constitutes the primary government for financial reporting purposes. In addition, the consolidated financial statement includes component units -- legally separate organizations for which Campus Partners is financially accountable. Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by Statement No. 61, *The Financial Reporting Entity: Omnibus*, defines financial accountability. The criteria for determining financial accountability include the following circumstances:

- Appointment of a voting majority of an organization's governing authority and the ability of the primary government (i.e. Campus Partners) to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or;
- An organization is fiscally dependent on the primary government and provides specific financial benefits to, or imposes specific financial burdens on, the primary government.

Campus Partners' component units and the reasons for their inclusion in the financial statement are described below:

- **South Campus Gateway, LLC** – Campus Partners is the single member of this LLC, which has general property management responsibilities for the retail and office space in the Gateway development.
- **Campus Partners for Affordable Housing, LLC** – Campus Partners is the single member of this LLC, which operates Campus Partners and participates in revitalization initiatives in the Weinland Park neighborhood.
- **The Gateway Theatre LLC** – Campus Partners is the single member of this LLC, which operates the Gateway Film Center.
- **Redstone Realty, LLC** – Campus Partners is the single member of this LLC, which was created to participate in redevelopment activities adjacent to the university's Columbus campus.
- **Medstone Realty, LLC** – Campus Partners is the single member of this LLC, which was created to facilitate development of medical facilities for the OSU Wexner Medical Center.

The governing body of these component units is substantively the same as the governing body of the primary government, there are financial benefit and burden relationships between the primary government and the component units and management of the primary government has operational responsibility for the component units. Therefore, the transactions and balances for these organizations have been blended with those of Campus Partners. Summary financial statement information for Campus Partners' blended component units is provided in Note 6.

Basis of Accounting
The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the GASB. Campus Partners is reporting as a special purpose government engaged in business type activities (BTA) on the accrual basis. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods and services.

Campus Partners' financial resources are classified for accounting and reporting purposes into the following net position categories:

- **Net investment in capital assets:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Unrestricted:** Amounts which are not subject to externally-imposed stipulations.

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, 2018, the carrying amount of Campus Partners' cash and restricted cash is $2,442,953 as compared to bank balances of $2,693,700. The differences in carrying amount and bank balances are caused by outstanding checks, deposits in transit and petty cash. Of the bank balances, $741,769 is covered by federal deposit insurance and $1,951,931 is uncollateralized as defined by the GASB.

At June 30, 2017, the carrying amount of Campus Partners' cash and restricted cash is $7,349,011 as compared to bank balances of $7,721,212. The differences in carrying amount and bank balances are caused by outstanding checks, deposits in transit and petty cash. Of the bank balances, $1,121,814 is covered by federal deposit insurance and $6,599,398 is uncollateralized as defined by the GASB.

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.

Restricted Cash
Restricted cash consists of tenant security deposits. Amounts are released from restriction upon expiration of the tenant leases.

Accounts Receivable, Net of Allowances

Accounts receivable consists of straight-line rent receivables, trade receivables, interest receivable and tenant expense recovery receivables. 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 creditworthiness of the debtors. When continued collection activity results in receipts of amounts previously written off, recovery income is recognized for the amount collected.

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 rent receivable. These receivables totaled $291,751 and $263,769 at June 30, 2018 and 2017 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.

The accounts receivable balances include accrued interest of $748,699 and $532,053 at June 30, 2018 and 2017, respectively. These amounts relate primarily to interest on one note receivable. Management does not believe the related interest receivable will be fully collected and has reserved allowances for bad debt of $185,083 at June 30, 2018 and 2017.

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 are recorded at cost on the date of acquisition and are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives:

Type of Asset	Estimated Useful Life
Improvements other than buildings	2.5 to 10 years
Buildings and fixed equipment	27.5 to 39 years
Moveable equipment, furniture and software	3 to 10 years

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. 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.

Campus Partners reviews its capital assets on a regular basis for indicators of impairment, including evidence of physical damage, changes in legal or environmental factors, technological change or obsolescence, changes in manner or duration of use, and permanent construction stoppages. If these circumstances result in a significant and unexpected decline in service utility, the capital asset is considered impaired.

Unamortized Leasing Costs
Unamortized leasing costs consist principally of lease origination costs. 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. Accumulated amortization totaled $514,597 and $859,972 at June 30, 2018 and 2017 respectively.

Unearned Income
Unearned income primarily consists of advance payments for an outpatient medical facility operated by the OSU Wexner Medical Center. These amounts will be recognized as rental income over the 25-year term of the lease, which includes a 5-year bargain renewal option.

Rent and Construction Deposits
Deposits primarily consist of tenant deposits, which are refundable at the end of the lease.

Operating Revenues and Revenue Recognition
Campus Partners defines operating revenues, for purposes of reporting in the Statement of Revenues, Expenses and Other Changes in Net Position, as those revenues that generally result from exchange transactions. Other revenues are shown as non-operating. Rental income is recognized on a straight-line basis over the term of the lease. Campus Partners' leases generally contain provisions under which tenants reimburse Campus Partners for a portion of operating expenses and real estate taxes incurred; income for recovery of operating expenses is recognized as expenses are incurred. Gateway theatre sales generally are recognized at the point of sale.

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

Management Estimates
The preparation of financial statements in conformity with accounting principles, generally accepted in the United States of America, requires the use of management estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures

during the reported period. The most significant estimates and assumptions relate to the valuation of capital assets, including the assessment of impairments and depreciable lives, and the collectability of accounts and notes receivable. Actual results could differ from those estimates.

Newly Issued Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This standard establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The deferred outflow is recognized as expense over the life of the related asset. The determination of when the liability is incurred is based on the existence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Internal obligating events include the occurrence of contamination, placing into use a tangible capital asset that is required to be retired, abandoning a tangible capital asset before use begins, or acquiring a tangible capital asset that has an existing asset retirement obligation. This standard is effective for periods beginning after June 15, 2018.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This standard establishes criteria for identifying and reporting fiduciary activities of all state and local governments. The focus of the criteria generally is whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Governments with activities meeting the criteria are required to present these activities in a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to this requirement is provided for a business-type activity that expects to hold assets in a custodial fund for three months or less. This standard is effective for periods beginning after December 15, 2018.

In June 2017, the GASB issued Statement No. 87, *Leases*. This standard establishes accounting and reporting for leases, based on the foundational principle that all leases are financings of the right to use an underlying asset for a period of time. Lessees will record an intangible right-of-use asset and corresponding lease liability. Lessors will record a lease receivable and a corresponding deferred inflow of resources. The standard provides an exception for short-term leases with a maximum possible term of 12 months or less. This standard is effective for periods beginning after December 15, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard is intended to improve note disclosures related to debt, including direct borrowings and private placements. It defines debt, for disclosure purposes, as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) to settle an amount that is fixed at the date the contractual obligation is established. The standard requires additional disclosures related to unused lines of credit, assets pledged as collateral and significant provisions related to default, termination events and acceleration clauses. In addition, it requires that disclosures for direct borrowings and private placements be shown separately from other debt. The standard is effective for reporting periods beginning after June 15, 2018.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This standard requires that interest cost incurred during the period of construction be recognized as an expense in the period in which the cost is incurred. These costs will no longer be included in the historical costs of capital assets. The standard is effective for periods beginning after December 15, 2019 and will be applied on a prospective basis.

Campus Partners management is currently assessing the impact that implementation of GASB Statements 83, 84, 87, 88 and 89 will have on Campus Partners' financial statements.

Revision of Prior Period

During 2018, an error was identified in Campus Partners' financial statements for the year ended June 30, 2017. The error relates to contractual payments due to a consultant, whereby accrued expenses and professional services expense were understated by $1,466,813 at June 30, 2017. As a result, the Company has revised its previously reported financial statements to reflect the correction of the error by increasing accrued expenses by $1,466,813 in the Consolidated Statement of Net Position at June 30, 2017 and increasing professional services expense by $1,466,813 in the Consolidated Statement of Revenues, Expenses and Other Changes in Net Position for the year ended June 30, 2017 from the previously reported balances. In addition, as a result the revision the decrease in net position in the Consolidated Statement of Revenues, Expenses and Other Changes in Net Position was revised from an as reported reduction of ($13,297,310) to ($14,764,123). The Company evaluated the impact of the error on the previously issued financial statements and determined that it was not material.

NOTE 2 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	$ 23,640,057	$ -	$ -	$ 23,640,057
Construction in progress	6,742,716	7,949,376	1,032,946	13,659,146
Total non-depreciable assets	30,382,773	7,949,376	1,032,946	37,299,203
Capital assets being depreciated:				
Improvements other than buildings	8,875,663	903,866	955,931	8,823,598
Buildings and fixed equipment	66,238,476	1,032,946	52,270	67,219,152
Moveable equipment, furniture and software	1,964,342	105,711	70,189	1,999,864
Total	77,078,481	2,042,523	1,078,390	78,042,614
Less: Accumulated depreciation	19,200,765	3,125,107	1,070,409	21,255,463
Total depreciable assets, net	57,877,716	(1,082,584)	7,981	56,787,151
Capital assets, net	$ 88,260,489	$ 6,866,792	$ 1,040,927	$ 94,086,354

Capital asset activity for the year ended June 30, 2017 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	$ 21,222,137	$ 4,262,997	$ 1,845,077	$ 23,640,057
Construction in progress	24,847,903	9,379,406	27,484,593	6,742,716
Total non-depreciable assets	46,070,040	13,642,403	29,329,670	30,382,773
Capital assets being depreciated:				
Improvements other than buildings	8,139,997	910,536	174,870	8,875,663
Buildings and fixed equipment	53,450,008	27,050,402	14,261,934	66,238,476
Moveable equipment, furniture and software	1,456,718	520,385	12,761	1,964,342
Total	63,046,723	28,481,323	14,449,565	77,078,481
Less: Accumulated depreciation	17,464,121	3,122,688	1,386,044	19,200,765
Total depreciable assets, net	45,582,602	25,358,635	13,063,521	57,877,716
Capital assets, net	$ 91,652,642	$ 39,001,038	$ 42,393,191	$ 88,260,489

During fiscal year 2017, Camus Partners demolished a number of buildings adjacent to the university's campus as part of the 15th & High Redevelopment project. The remaining net book value of these properties was $1,541,834 and was recorded as impairment and demolition expense on the consolidated statement of revenues, expenses and other changes in net position during 2017.

NOTE 3 – OPERATING LEASES FOR RETAIL

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, 2018 are as follows:

Years Ending June 30	
2019	3,674,150
2020	3,458,480
2021	2,927,595
2022	2,209,071
2023	1,976,768
2024-2028	5,028,843
Total	$ 19,274,907

NOTE 4 – LONG-TERM DEBT

Campus Partners has loans with the university, the Columbus Foundation and University Residences OSU Central, LLC ("Edwards"). The university has issued loans to Campus Partners through Memorandums of Understanding ("MOUs") which document the principal, interest charges and repayment terms as well as any other conditions or covenants. The

Columbus Foundation issued a loan to Campus Partners with the terms of the loan defined in a promissory note.

In October 2013, Campus Partners entered into the Retail Note with the university, the proceeds of which were used to fund property acquisitions in the South Campus Gateway. Under the terms of the original Retail Note, total principal was $39,611,154, the note bears interest at 4.5% per annum, and the note has a ten year term, with a final balloon principal payment due in April 2023. Campus Partners and the university agreed to amend the Retail Note in October 2014, October 2015 and again in March 2017. Under the terms of the March 2017 amended Retail Note, beginning in July 2017 Campus Partners will make principal only payments of $1,293,595 per annum and the note will not bear interest. The term of note will be 30 years, maturing in June 2047.

In August 2013, Campus Partners entered into the Real Estate Note with the university, the proceeds of which were used to fund multiple property acquisitions in the campus area. Under the terms of the Real Estate Note, total principal was $19,866,144, and the note does not bear any contractual interest. Campus Partners is required to make payments on the note when the properties associated with the note are sold or leased. Any net proceeds from a sale or lease of the associated properties is required to first be used to repay the note. In May 2016, the university forgave $3,789,200 of the Real Estate note for losses on related property sales and exchanges. The total outstanding principal balance at June 30, 2018 was $13,022,746.

In December 2014, Campus Partners entered into the Real Estate IV Note with the university. Subsequently, from February 2015 through January 2018, Campus Partners and the university have entered into 19 MOUs as addendums to the Real Estate IV Note, whereby Campus Partners has borrowed a total of $20,190,000 from the university. Campus Partners utilized the proceeds from each individual borrowing to finance a property acquisition and related acquisition expenses. As with the Real Estate Note, the repayment terms of the Real Estate IV Note are linked to the subsequent sale or lease of the properties acquired with the note proceeds. Any net proceeds from a sale or lease of the associated propertied is required to first be used to repay the note. The Real Estate IV Note does not bear any contractual interest. The total outstanding principal balance at June 30, 2018 was $18,353,651.

In April 2014, Campus Partners entered into a note with the Columbus Foundation. The proceeds of which were used to help fund housing improvements on 11th Avenue in the University District. Under the terms of the note, the original principal was $2,000,000, and bears interest at 5% per annum. This note will mature in April 2021. The outstanding principal at June 30, 2018 was $1,833,964.

In August 2015, Campus Partners entered into a cooperation agreement with Edwards. As part of the agreement, Edwards agreed to lend up to $2,000,000 to Campus Partners to offset a portion of the costs to be incurred by Campus Partners in performing certain infrastructure improvements. The $2,000,000 will be paid to Campus Partners in four payments, contingent on completion of various phases of the project. Campus Partners received the first payment of $150,000 in March 2017. In July 2017 Campus Partners received the second payment of $500,000. In March 2018 Campus Partners received the third payment of $1,000,000. The total balance outstanding at June 30, 2018 is $1,650,000. On October 4, 2018, Campus Partners and Edwards signed an amendment to the cooperation agreement with Edwards. By signing the amendment, Edwards agreed to forgo the reimbursement of TIF proceeds. As a result of this amendment, Campus Partners is relieved of the obligation to reimburse Edwards.

In February 2016, the university entered into Memorandum of Understanding to issue loans not to exceed $30,000,000 to Campus Partners to finance the redevelopment of properties adjacent to the university's main campus at 15th Ave and High Street. Through June 30, 2018, Campus Partners has made draws totaling $11,950,000. The loan does not bear interest and repayment terms have not been set.

Debt activity for the year ended June 30, 2018 is as follows:

	Beginning Balance	Additions	Repayments	Ending Balance	Current Portion
OSU Loan - Retail	$ 38,807,846	$ -	$ 1,293,595	$ 37,514,251	$ 1,293,595
OSU Loan - Real Estate	13,022,746	-	-	13,022,746	-
OSU Loan - Real Estate IV	16,209,987	2,143,664	-	18,353,651	-
OSU Loan - 15th & High Infrastructure	8,950,000	3,000,000	-	11,950,000	-
Columbus Foundation	1,897,005	-	63,041	1,833,964	85,964
Edwards TIF Proceeds	150,000	1,500,000	-	1,650,000	-
Total Debt	$ 79,037,584	$ 6,643,664	$ 1,356,636	$ 84,324,612	$ 1,379,559

Debt activity for the year ended June 30, 2017 is as follows:

	Beginning Balance	Additions	Repayments	Ending Balance	Current Portion
OSU Loan - Retail	$ 38,807,846	$ -	$ -	$ 38,807,846	$ 1,293,595
OSU Loan - Real Estate	13,022,746	-	-	13,022,746	-
OSU Loan - Real Estate IV	16,160,200	759,787	710,000	16,209,987	-
OSU Loan- 15th & High Infrastructure	-	8,950,000	-	8,950,000	-
Edwards	-	150,000	-	150,000	-
Columbus Foundation	1,979,606	-	82,601	1,897,005	84,687
Total Debt	$ 69,970,398	$ 9,859,787	$ 792,601	$ 79,037,584	$ 1,378,282

Principal maturities and interest on long-term debt for the next five years and in subsequent five-year periods are as follows:

Years Ending June 30	Principal	Interest	Total
2019	$ 1,379,559	$ 35,613	$ 1,415,172
2020	1,381,289	33,881	1,415,170
2021	2,953,899	295,305	3,249,204
2022	1,293,595	-	1,293,595
2023	1,293,595	-	1,293,595
2024-2028	6,467,974	-	6,467,974
2029-2033	6,467,974	-	6,467,974
2034-2038	6,467,974	-	6,467,974
2039-2043	6,467,974	-	6,467,974
2043-2048	5,174,382	-	5,174,382
Total	$ 39,348,215	$ 364,799	$ 39,713,014

NOTE 5 – RELATED PARTY TRANSACTIONS

One June 26, 2012, Campus Partners has entered into the 5th amendment to the ground lease with the university for the South Campus Gateway land. The 5th amendment allows for the land to be ground leased for $1 a year until December 31, 2043. Campus Partners manages the common area at the South Campus Gateway. The common areas are used and the expense is billed back to the office and residential areas of the South Campus Gateway, both of which are managed by the university. As a result, Campus Partners bills the university for its portion of the maintenance. In addition, Campus Partners leases retail space to the university. Accounts receivable due from university tenants at June 30, 2018 and 2017 were $39 and $117,667, respectively. Accounts payable due to university tenants at June 30, 2018 and 2017 were $42,310 and $233,072, respectively. Rental income from university tenants at the South Campus Gateway for the years ended June 30, 2018 and 2017 were $506,601 and $462,164, respectively. Recovery of operating expenses from these university tenants for the years ended June 30, 2018 and 2017 were $1,499,122 and $1,044,927, respectively. University employees support the day-to-day operations and provide managerial oversight to Campus Partners. The value of these services constitutes additional in-kind income to Campus Partners but is not reported in Campus Partners' financial statements.

In June 2014, the university advanced Campus Partners $1,130,000. The advance was used to purchase two properties to support community redevelopment in the Weinland Park district. The advance is to be repaid by any future income associated with these properties, or alternatively is reduced by any operating costs incurred related to owning the properties. In October 2015, one of the properties was sold and the proceeds were paid to the university to be applied against the advance. The remaining unpaid balances of the advance, which are recorded as an advance from the university on the consolidated statement of net position, were $899,761 and $903,923 at June 30, 2018 and 2017, respectively.

In April 2015, the OSU Wexner Medical Center ("the Medical Center") granted $5,000,000 to Campus Partners to fund the purchase of land to be used for the construction of a new outpatient medical facility ("the facility"). In October 2015, the Medical Center entered into a 20-year lease agreement, with an additional 5-year bargain renewal option, with Campus Partners related to the occupancy of the facility. Per the terms of the lease, $20,867,000 of the scheduled rent payments were used by Campus Partners towards the construction of the facility. The building went into service on July 14, 2016. Campus Partners recorded the grant and lease prepayments as unearned income on the consolidated statement of net position. Campus Partners recorded rental income on this property of $1,035,847 and $1,034,680 for the years ending June 30, 2018 and 2017, respectively.

In 2018, Campus Partners began work on a building on behalf of WOSU Public Media, a public telecommunications entity operated by the university. As of June 30, 2018 Campus Partners has $137,000 in construction in progress related to the WOSU building.

NOTE 6 – COMBINING INFORMATION FOR COMPONENT UNITS

As indicated in the Basis of Presentation in Note 1, Campus Partners consolidates several component units in a blended presentation. Condensed combining financial information for the year ended June 30, 2018 is presented below.

	South Campus Gateway LLC	Campus Partners for Affordable Housing LLC	The Gateway Theatre LLC	Redstone Realty LLC	Medstone Realty LLC
Condensed statements of net position:					
Current assets	1,564,883	2,153,989	50,733	423,139	5,985
Capital assets, net	33,011,754	485,830	565,301	35,707,664	24,315,805
Other assets	514,597	2,548,000	-	750,000	-
Total assets	35,091,234	5,187,819	616,034	36,880,803	24,321,790
Current liabilities	1,033,104	390,844	453,820	1,611,455	1,041,682
Noncurrent liabilities	-	1,748,000	-	1,650,000	22,929,828
Amounts payable to the university	37,514,250	899,761	-	43,326,397	-
Total liabilities	38,547,354	3,038,605	453,820	46,587,852	23,971,510
Net investment in capital assets	(4,502,498)	(413,930)	565,301	(9,268,732)	24,315,805
Unrestricted	1,046,378	2,563,144	(403,087)	(438,317)	(23,965,525)
Total net position	(3,456,120)	2,149,214	162,214	(9,707,049)	350,280
Total liabilities and net position	35,091,234	5,187,819	616,034	36,880,803	24,321,790

	South Campus Gateway LLC	Campus Partners for Affordable Housing LLC	The Gateway Theatre LLC	Redstone Realty LLC	Medstone Realty LLC
Condensed statements of revenues, expenses and changes in net position:					
Operating revenues:					
Rental income	3,897,245	-	-	277,773	1,035,847
Recovery of operating expense	2,341,641	-	-	-	-
Other operating	(474)	425,981	3,293,774	-	-
Total operating revenues	6,238,412	425,981	3,293,774	277,773	1,035,847
Operating expenses, excluding depreciation	3,489,891	118,233	3,168,500	1,598,197	(51,000)
Depreciation expense	2,035,822	56,323	107,508	228,250	819,414
Total operating expenses	5,525,713	174,556	3,276,008	1,826,447	768,414
Net operating income (loss)	712,699	251,425	17,766	(1,548,674)	267,433
Non-operating revenues and expenses:					
Interest income	-	253,747	-	23	-
Interest expense	-	(169,007)	-	-	-
Other non-operating revenue (expense)	-	70,966	161,621	1,410,000	-
Net non-operating revenue (expense)	-	155,706	161,621	1,410,023	-
Change in net position	712,699	407,131	179,387	(138,651)	267,433
Beginning net position	(4,168,819)	1,742,083	(17,173)	(9,568,398)	82,847
Ending net position	(3,456,120)	2,149,214	162,214	(9,707,049)	350,280

	South Campus Gateway LLC	Campus Partners for Affordable Housing LLC	The Gateway Theatre LLC	Redstone Realty LLC	Medstone Realty LLC
Condensed statements of cash flows:					
Net cash provided (used) by:					
Operating activities	2,706,641	223,588	172,419	(3,504,996)	222,566
Noncapital financing activities	-	398,491	161,621	1,410,000	-
Capital and related financing activities	(2,415,320)	30,701	(359,524)	(2,969,975)	(1,019,394)
Investing activities	-	37,124	-	-	-
Net increase (decrease) in cash	291,321	689,904	(25,484)	(5,064,971)	(796,828)
Beginning cash and restricted cash	734,730	665,086	11,768	5,134,614	802,813
Ending cash and restricted cash	1,026,051	1,354,990	(13,716)	69,643	5,985

Condensed combining financial information for the year ended June 30, 2017 is presented below:

	South Campus Gateway LLC	Campus Partners for Affordable Housing LLC	The Gateway Theatre LLC	Redstone Realty LLC	Medstone Realty LLC
Condensed statements of net position:					
Current assets	1,344,371	1,649,366	90,086	5,215,742	802,813
Capital assets, net	33,962,168	536,293	320,785	28,558,708	24,882,535
Other assets	478,281	2,612,737	-	-	-
Total assets	35,784,820	4,798,396	410,871	33,774,450	25,685,348
Current liabilities	1,145,793	339,651	428,044	5,010,115	1,805,282
Noncurrent liabilities	-	1,812,739	-	150,000	23,797,219
Amounts payable to the university	38,807,846	903,923	-	38,182,733	-
Total liabilities	39,953,639	3,056,313	428,044	43,342,848	25,602,501
Net investment in capital assets	(4,845,677)	(367,631)	320,785	(9,774,025)	24,882,535
Unrestricted	676,858	2,109,714	(337,958)	205,627	(24,799,688)
Total net position	(4,168,819)	1,742,083	(17,173)	(9,568,398)	82,847
Total liabilities and net position	35,784,820	4,798,396	410,871	33,774,450	25,685,348

	South Campus Gateway LLC	Campus Partners for Affordable Housing LLC	The Gateway Theatre LLC	Redstone Realty LLC	Medstone Realty LLC
Condensed statements of revenues, expenses and changes in net position:					
Operating revenues:					
Rental income	3,911,772	-	-	501,268	2,446,437
Recovery of operating expense	2,315,846	-	-	-	202,809
Other operating	166,040	221,616	2,717,119	-	31,189
Total operating revenues	6,393,658	221,616	2,717,119	501,268	2,680,435
Operating expenses, excluding depreciation	3,833,533	687,268	3,085,104	5,048,606	656,402
Depreciation expense	2,063,236	39,414	107,865	278,241	976,488
Total operating expenses	5,896,769	726,682	3,192,969	5,326,847	1,632,890
Net operating income (loss)	496,889	(505,066)	(475,850)	(4,825,579)	1,047,545
Non-operating revenues and expenses:					
Interest income	-	103,117	-	358	-
Interest expense	(1,125,427)	(28,767)	-	-	-
Other non-operating revenue (expense)	(407,198)	181,084	347,176	160,745	(9,733,150)
Net non-operating revenue (expense)	(1,532,625)	255,434	347,176	161,103	(9,733,150)
Change in net position	(1,035,736)	(249,632)	(128,674)	(4,664,476)	(8,685,605)
Beginning net position	(3,133,083)	1,991,715	111,501	(4,903,922)	8,768,452
Ending net position	(4,168,819)	1,742,083	(17,173)	(9,568,398)	82,847

	South Campus Gateway LLC	Campus Partners for Affordable Housing LLC	The Gateway Theatre LLC	Redstone Realty LLC	Medstone Realty LLC
Condensed statements of cash flows:					
Net cash provided (used) by:					
Operating activities	$ 2,396,458	$ (232,191)	$ 36,317	$ 1,554,342	$ 1,114,344
Noncapital financing activities	-	(191,730)	20,051	360,000	(913,108)
Capital and related financing activities	(2,378,929)	278,624	(70,162)	2,742,978	(3,740,535)
Investing activities	-	39,023	-	-	-
Net increase (decrease) in cash	17,529	(106,274)	(13,794)	4,657,320	(3,539,299)
Beginning cash and cash equivalents	717,201	771,360	25,562	477,294	4,342,112
Ending cash and cash equivalents	$ 734,730	$ 665,086	$ 11,768	$ 5,134,614	$ 802,813

NOTE 7- IMPAIRMENT OF ASSETS

During fiscal year 2017, Campus Partners determined that the estimated undiscounted cash flows associated with its 1521 N. Fourth St. property were no longer expected to be greater than the net book value of the property. Accordingly, Campus Partners wrote down the investment in this property to fair value and recorded an impairment charge of $178,325. The impairment charge is included in impairment and demolition expense on the consolidated statement of revenues, expenses and other changes in net position.

During fiscal year 2018, no impairment expenses were recognized.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Capital Commitments
As of June 30, 2018, Campus Partners is committed to future contractual obligations for capital expenditures related to the 15th & High redevelopment project of approximately $1.4 million.

Litigation
Campus Partners is a party to certain legal proceedings that arise in the ordinary course of business. Campus Partners records a liability when a loss is considered probable and the amount can be reasonably estimated. Management does not expect there to be consequences from these proceedings that would have a material adverse impact on Campus Partners' financial statements.

Concentration of Credit Risk
For the year ended June 30, 2018, 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, 2018, rental income from these two tenants was $1,082,369 and $1,035,847, respectively and represented 20.8% and 19.9% of rental income, respectively.

NOTE 9 – SUBSEQUENT EVENTS

On October 9, 2017, Campus Partners entered into an agreement to purchase a real estate parcel on 14^{th} Avenue. The purchase agreement required Campus Partners to make an earnest money deposit of $750,000. The deposit was made on October 13, 2017. Campus Partners has applied for and been granted an additional loan from the university of $3,760,000 to fund the acquisition of the property. On August 7, 2018, Campus Partners received the remaining $3,010,000 from this MOU from the university. On August 10, 2018 Campus Partners purchased the property.

On July 5, 2018, Campus Partners received a $2,000,000 loan from the university. The loan was received by Campus Partners to continue to finance the redevelopment of properties adjacent to the university's main campus at 15^{th} Avenue and High Street. The loan was part of the Memorandum of Understanding entered into in February 2016.

On October 31, 2018, Campus Partners received a $2,810,000 loan from the university. The loan was received by Campus Partners to fund 15^{th} and High enabling projects, such as demolition, utility relocations and site prep. The loan was part of a Memorandum of Understanding entered into in August 2018.

On October 31, 2018, Campus Partners received a $2,485,000 loan from the university. The loan was received by Campus Partners to fund 15^{th} and High buildings design and pre-construction. The loan was part of a Memorandum of Understanding entered into in August 2018.

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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:

We have audited, 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, the consolidated financial statements of Campus Partners for Community Urban Redevelopment and Subsidiaries ("Campus Partners"), a component unit of The Ohio State University, appearing on pages 12 to 31, which comprise the consolidated statement of net position as of June 30, 2018, and the related consolidated statements of revenues, expenses, and other changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 17, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

PricewaterhouseCoopers LLP

December 17, 2018

OHIO AUDITOR OF STATE
KEITH FABER

THE OHIO STATE UNIVERSITY 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
JANUARY 17, 2019