Campus Partners for Community Urban Redevelopment

Consolidated Financial Statements for
The Years Ended June 30, 2004 and 2003,
Supplemental Information for the Year
Ended June 30, 2004 and
Independent Auditors' Report

Auditor of State
Betty Montgomery

Board of Trustees
Campus Partners for Community Urban Redevelopment

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, 2003 through June 30, 2004. 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

February 11, 2005

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CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statements of net assets of Campus Partners for Community Urban Redevelopment and its subdivisions ("Campus Partners," a component Unit of the Ohio State University) as of June 30, 2004 and 2003, and the related consolidated statements of revenues, expenses and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of Campus Partners' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Campus Partners as of June 30, 2004 and 2003, and their changes in net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2-4 is not a required part of the 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 2004 basic consolidated financial statements. The supplemental information on pages 19-20 is presented for the purpose of additional analysis and is not part of the basic consolidated financial statements. This supplementary information is the responsibility of Campus Partners' management. The supplemental information has been subjected to the auditing procedures applied by us in the audit of the consolidated financial statements, and, in our opinion, is fairly stated in all material respects in relation to the 2004 consolidated financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2004, on our consideration of internal control over financial reporting and our tests of its compliance and other matters. 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 23, 2004

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2004 AND 2003

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 consolidated financial statements for the fiscal year ended June 30, 2004. Management has prepared this discussion and we encourage you to read it in conjunction with the consolidated financial statements and notes appearing in this report.

OVERVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

Campus Partners' 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 consolidated financial statements for a summary of Campus Partners' significant accounting policies.

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

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

The *Consolidated Statements of Revenues, Expenses, and Changes in Net Assets* present information that shows how Campus Partners' net assets changed during the fiscal year ended June 30, 2004. 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 as of June 30, 2004, 2003 and 2002:

	2004	2003	2002
Assets:			
Current assets	$ 4,578,977	$ 2,513,210	$ 900,346
Net property and equipment	22,220,427	27,606,671	24,448,728
Total assets	$ 26,799,404	$ 30,119,881	$ 25,349,074
Liabilities:			
Current liabilities	$ 1,752,016	$ 5,677,917	$ 572,611
Long term liabilities	18,963,203		
Total liabilities	20,715,219	5,677,917	572,611
Net Assets:			
Invested in capital assets—net of related debt	4,191,222	24,009,546	24,448,728
Net assets unrestricted	1,892,963	432,418	327,735
Total net assets and liabilities	$ 26,799,404	$ 30,119,881	$ 25,349,074

At June 30, 2004 Campus Partners' assets exceeded liabilities by approximately $6.1 million. The largest portion of Campus Partners' net assets ($4.2 million at June 30, 2004) represents its investment in capital assets net of the related debt incurred for the construction of South Campus Gateway. 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. During 2004, Campus Partners' net property and equipment decreased $5.4 million due to the $20.4 million transfer of land to The Ohio State University (the "University") acquired to develop a major mixed use project adjacent to the University offset by $15 million of property additions related to the construction of the South Campus Gateway Center. Additionally, long term liabilities increased $18.9 million due to funds borrowed for development of the South Campus Gateway Center.

The following represents Campus Partners' summary of changes in net assets for the fiscal years ended June 30, 2004, 2003 and 2002:

	2004	2003	2002
Operating revenues	$ 1,182,553	$ 1,232,635	$ 1,161,305
Operating expenses	2,281,701	1,705,040	1,272,262
Net operating loss	(1,099,148)	(472,405)	(110,957)
Non operating revenues	671,716	712,121	662,546
Capital contributions/(distributions)	(17,930,347)	(574,215)	4,589,633
Change in net assets	(18,357,779)	(334,499)	5,141,222
Net assets—beginning of year	24,441,964	24,776,463	19,635,241
Net assets—end of year	$ 6,084,185	$ 24,441,964	$ 24,776,463

Campus Partners' $1.2 million of operating revenues for the year ended June 30, 2004 came from rental and lease/license income from real estate holdings.

The Campus Partners' major operating expenses for the year ended June 30, 2004 included professional service fees (42.6%), and salaries and related benefits (24.7%). No other operating expense categories represented more than 10% of total operating expenses in the current year. The increase in operating expenses was primarily the result of increases in professional service fees, printing costs and public relations costs, offset by a reduction in real estate taxes.

Non-operating revenues were primarily obtained from funds contributed by the University in the form of an operating subsidy. Capital distributions of $20.4 million relate to the transfer of ownership to the University during the fiscal year of the land acquired to develop a major, mixed-use project adjacent to the University. The transfer of land back to the University was the primary cause for the current year decrease in net assets.

Capital contributions consist of funds provided by the State of Ohio, the City of Columbus and the United States Department of Housing and Urban Development (HUD). State and City funds relate to construction of the South Campus Gateway project, while HUD funds relate to the restructuring of the Community Properties Inc. Section 8 housing portfolio. The return of cash to the OSU Endowment Fund in fiscal year 2003 was a distribution of surplus cash from real estate investment activity; no such funds were returned during fiscal year 2004. The grant distributions 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 and a pass-through of a portion of the HUD grant to Community Properties Inc.

SIGNIFICANT EVENTS

During the fiscal year ended June 30, 2004, Campus Partners began construction of the buildings comprising the South Campus Gateway development. The project is scheduled for completion in Autumn, 2005.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT

CONSOLIDATED STATEMENTS OF NET ASSETS JUNE 30, 2004 AND 2003

ASSETS	2004	2003
CURRENT ASSETS:		
Cash	$ 3,501,813	$ 423,711
Accounts receivable	96,293	94,460
Grants receivable	961,610	1,898,499
Prepaid expenses	19,261	4,540
Deposits		92,000
Total current assets	4,578,977	2,513,210
CAPITAL ASSETS—Net of accumulated depreciation	22,220,427	27,606,671
TOTAL ASSETS	$26,799,404	$30,119,881

LIABILITIES AND NET ASSETS	2004	2003
CURRENT LIABILITIES:		
Accounts payable	$ 1,132,693	$ 554,696
Grants payable	468,332	1,310,395
Accrued liabilities	123,053	196,526
Rent deposits	27,938	19,175
Loans payable		3,597,125
Total current liabilities	1,752,016	5,677,917
LONG-TERM LIABILITIES:		
Loans payable	9,782,222	
Bonds payable	9,180,981	
Total long-term liabilities	18,963,203	
TOTAL LIABILITIES	20,715,219	5,677,917
NET ASSETS:		
Invested in capital assets—net of related debt	4,191,222	24,009,546
Unrestricted	1,892,963	432,418
Total net assets	6,084,185	24,441,964
TOTAL LIABILITIES AND NET ASSETS	$26,799,404	$30,119,881

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, 2004 AND 2003

	2004	2003
OPERATING REVENUES:		
Barnes & Noble income	$ 925,331	$ 1,004,784
Rental income	257,222	227,851
Total operating revenues	1,182,553	1,232,635
OPERATING EXPENSES:		
Professional services	971,284	465,859
Salaries and wages	404,220	370,114
Payroll taxes and benefits	159,537	146,562
Real estate taxes	154,935	265,635
Depreciation expense	125,900	115,375
Printing	77,797	10,728
Utilities	74,580	82,113
Real estate expenses	69,456	68,082
Public relations	52,134	2,147
Insurance	32,027	20,561
University Community Business Association	30,000	30,000
Miscellaneous	47,957	54,101
Repairs	27,812	36,376
Bad debt expense	25,807	
Travel and conferences	18,965	25,661
Office supplies and expense	5,588	8,144
Postage and delivery	3,702	3,582
Total operating expenses	2,281,701	1,705,040
OPERATING LOSS	(1,099,148)	(472,405)
NON OPERATING REVENUES (EXPENSES):		
Operating subsidy received from The Ohio State University	650,000	650,000
Miscellaneous income	11,628	2,838
Interest income	10,338	15,321
Gain/(loss) on sale of assets	(250)	43,962
Total non operating revenues (expenses)	671,716	712,121
INCOME/(LOSS) BEFORE CAPITAL CONTRIBUTIONS/DISTRIBUTIONS	(427,432)	239,716
CAPITAL CONTRIBUTIONS/DISTRIBUTIONS:		
Grant income	8,729,008	2,267,401
The Ohio State University endowment capital funding		
Return of The Ohio State University endowment funds		(1,200,000)
Grant disbursement	(6,241,990)	(1,641,616)
Transfer of land to The Ohio State University	(20,417,365)	
Total capital contributions	(17,930,347)	(574,215)
CHANGE IN NET ASSETS	(18,357,779)	(334,499)
NET ASSETS—Beginning of year	24,441,964	24,776,463
NET ASSETS—End of year	$ 6,084,185	$ 24,441,964

See notes to financial statements.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from tenants	$ 195,869	$ 216,810
Cash received from Barnes & Noble	984,851	863,951
Cash paid to employees	(562,632)	(511,947)
Cash paid to suppliers	(1,002,881)	(1,141,505)
Net cash used in operating activities	(384,793)	(572,691)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(15,156,993)	(3,354,629)
Proceeds from the sale of property		500,000
Interest received on cash and investments	10,338	15,321
Cash paid from grants	(563,057)	(1,806,112)
Cash received from grants		1,310,395
Return of The Ohio State University endowment funds		(1,200,000)
Net cash used in investing activities	(15,709,712)	(4,535,025)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Cash received from grants	9,665,897	2,267,401
Cash paid on restructuring grant	(6,520,996)	(1,641,616)
Cash received from loans	27,611,592	4,463,656
Debt repayment	(12,245,514)	(946,531)
Net cash provided by capital financing activities	18,510,979	4,142,910
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Cash received as an operating subsidy from The Ohio State University	650,000	650,000
Cash received from miscellaneous non operating income	11,628	2,838
Net cash provided by non-capital financing activities	661,628	652,838
NET INCREASE/(DECREASE) IN CASH	3,078,102	(311,968)
BEGINNING CASH BALANCE	423,711	735,679
ENDING CASH BALANCE	$ 3,501,813	$ 423,711

(Continued)

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Net operating loss	$ (1,099,148)	$ (472,405)
Adjustments to reconcile operating loss to net cash used in operations:		
Depreciation	125,900	115,375
Gain/(loss) on sale of property	250	(43,962)
(Increase) decrease in assets:		
Accounts receivable	(1,833)	(70,561)
Prepaid expenses	(14,721)	(66,798)
Deposits	92,000	
Increase (decrease) in liabilities:		
Accounts payable	576,344	(33,652)
Rent deposits	8,763	(64,065)
Accrued liabilities	(72,348)	63,377
NET CASH USED IN OPERATING ACTIVITIES	$ (384,793)	$ (572,691)
SUPPLEMENTAL DISCLOSURE—Noncash activity—		
Property purchases in accounts payable	$ 1,653	$ 330,567
Transfer of land to The Ohio State University	$ 20,417,365	$

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 ("the University"). The financial activity of Campus Partners is blended within the consolidated financial statements of the University. The cost of the administrative operations of Campus Partners is funded primarily by subsidies from the University, whereby Campus Partners directs the revitalization of the area immediately adjacent to the University's Main Campus in Columbus, Ohio. Campus Partners was incorporated on January 12, 1995

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

South Campus Gateway, LLC (previously known as 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 the University. Pursuant to GASB Statement No. 14, Campus Partners is financially accountable for South Campus Gateway in that Campus Partners continues to own all the assets of South Campus Gateway. South Campus Gateway imposes a financial burden on Campus Partners through a line of credit provided by the University for construction of the office, retail, residential and parking space. The ability of Campus Partners to impose its will on South Campus Gateway is manifest in that Campus Partners has the ability to dissolve the entity at any time.

Campus Partners 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 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 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 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. Grants and contracts determined to be exchange transactions are recognized as revenue when the exchange occurs. Grants and contracts determined to be non-exchange transactions are recognized as revenue when all eligibility requirements are met. Grants for the acquisition and construction of land, property and certain types of equipment are reported in the consolidated 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.

Accounts Receivable—Receivables are reported at their gross value when earned as the underlying exchange transaction occurs, and 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.

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

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 to 7 years using the straight-line method.

Interest is capitalized during the development period and amortized over the estimated life of the building as the buildings are completed and occupied. During fiscal year 2004, Campus Partners incurred interest totaling $179,910, all of which was capitalized.

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 grants from the City of Columbus, Ohio and the State of Ohio, as well as certain funds due sub-recipients.

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, 2004 and 2003, this liability was $46,984 and $43,645, 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* which amends GASB Statement No. 3,*Deposits with Financial Institutions, Investments (including Reverse Repurchase Agreements), and Reverse Repurchase*

Agreements and addresses additional risks to which governments are exposed. Under GASB No. 40, state and local governments are required to disclose information covering four principal areas:

- Investment credit risk disclosures, including credit quality information issued by rating agencies
- Interest rate disclosures that include investment maturity information, such as weighted average maturities or specification of identification of securities
- Interest rate sensitivity for investments that are highly sensitive to changes in interest rates (example, inverse floaters, enhanced variable rate investments and certain asset backed securities; and
- Foreign exchange exposures that would indicate the foreign investment's denomination

The GASB No. 40 provisions are effective for financial statements for periods beginning after June 15, 2004.

In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for impairment of capital assets. The provisions of this statement are effective for periods beginning after December 31, 2004.

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefits Other than Pension Plans.* The standards in this statement apply for trust funds included in financial reports of plan sponsors or employers, as well as for the standalone financial reports of OPEB plans or the public employee retirement systems, or other third parties, that administer them. The provisions of this statement are effective for periods beginning after December 31, 2005.

In June 2004, GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. This statement established standards for the measurement, recognition and display of OPEB expense/expenditures and related liabilities/(assets), note disclosures, and, if applicable, required supplementary information in the financial reports of the state and local governmental employers. This statement is effective for periods beginning after December 15, 2006.

Campus Partners' has not yet determined the impact that implementation of GASB Statements 40, 42, 43 and 45 will have on its financial statements.

2. RELATED PARTY TRANSACTIONS

On November 3, 1995, The Ohio State University Board of Trustees appropriated $3,000,000 for various Campus Partners initiatives. As of June 30, 2004 and 2003, a total of $170,000 respectively, remains available to Campus Partners under this appropriation.

In fiscal year 2004 and 2003, 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 was returned to the University in fiscal year 2003.

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

3. CASH

At June 30, 2004, the carrying amount of Campus Partners' deposits with financial institutions was $3,501,813 and the bank balance was $5,312,828. 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 $5,212,828 was uncollateralized as defined by GASB. However, to mitigate any risk of loss, Campus Partners maintains its cash in a large financial institution, consequently management believes it is not exposed to any specific concentration of credit risk in relation to 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.

4. CAPITAL ASSETS

Capital asset activities for the year ended June 30, 2004 were as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	$ 22,334,560	$ 699,205	$ (20,417,365)	$ 2,616,400
Depreciable assets:				
Buildings	2,619,755	3,677,007	(133,025)	6,163,737
Equipment	66,013	4,328	(2,968)	67,373
Total depreciable assets	2,685,768	3,681,335	(135,993)	6,231,110
Construction in Progress	2,913,462	10,918,635		13,832,097
Total capital assets	27,933,790	15,299,175	(20,553,358)	22,679,607
Less accumulated depreciation for:				
Buildings	(276,907)	(94,840)	(3,543)	(375,290)
Equipment	(50,212)	(31,060)	(2,618)	(83,890)
Total accumulated depreciation	(327,119)	(125,900)	(6,161)	(459,180)
Net capital assets	$ 27,606,671	$ 15,173,275	$ (20,559,519)	$ 22,220,427

5. OPERATING LEASE

At June 30, 2004, 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, 2004 is as follows:

2005	$ 1,071,844
2006	60,851
2007	31,500
2008	31,500
2009	31,500
2010-2014	157,500
2015-2020	157,500
2021-2026	65,625
	$ 1,607,820

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 in fiscal year 2003.

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 during the fiscal year ended June 30, 2004.

During the fiscal year ended June 30, 2004, South Campus Gateway Development obtained a $5 million Real Estate Acquisition line of credit from the University for the purpose of purchasing real estate in the area immediately adjacent to the South Campus Gateway Development. Annual interest charged on the outstanding balance will be 6%. Interest is to be calculated and paid quarterly. Repayment is due on or before March 31, 2009. The amount outstanding on this line of credit at June 30, 2004 was $4,197,192.

Campus Partners' limit on its pre-construction line of credit from the University was increased during fiscal year 2004 from $5 million to $10 million. The purpose of the line of credit was to fund construction related expenses for the residential, office, retail and parking components of the South Campus Gateway development prior to permanent financing being obtained for the project. Annual interest charged on the outstanding balance is calculated at the average one month LIBOR rate plus 1.5% (2.73% at June 30, 2004). At June 30, 2004 and 2003, the outstanding balance on this line of credit was $60,906 and $3,517,125, respectively. Subsequent to year end, the line of credit was retired.

During the fiscal year ended June 30, 2004, Campus Partners obtained a $35 million construction line of credit from the 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 the University. Annual interest charged on the outstanding balance will be the average one month LIBOR rate plus 1.5% (2.73% at June 30, 2004). Interest is to be calculated and paid quarterly. Repayment is due on December 20, 2005. The amount outstanding on this line of credit at June 30, 2004 was $5,524,124.

In the fiscal year ended June 30, 2004, the University issued University 2003B and C General Receipt Bonds for the purpose of paying the construction costs associated with Campus Partners South Campus Gateway project. On January 20, 2004, Campus Partners entered into a memorandum of understanding with the University to finance a total of $64,691,555, including $55,000,000 of project costs and amortized interest of $9,340,369 plus a pro-rata share of the issuance costs of $351,186.

Under the memorandum of agreement, Campus Partners' repayment terms are over 30 year period with repayments beginning effective October 1, 2006. Monthly debt service payments are calculated based on the total amount financed, including the issuance costs. Additionally, per the memorandum of understanding with the University, the construction funds will earn interest at the University rate and will be available to Campus Partners. The interest rate used to calculate monthly payments is a blend of fixed and variable rates based on the University's 2003 B and C General Receipt Bond Issues. The effective borrowing rate on this memorandum of agreement at June 30, 2004 was 4.61%. Of the $64,691,555 available from the University under the memorandum, $9,180,981 was outstanding at June 30, 2004.

Repayment terms under the memorandum of agreement with the University are as follows:

	5 Year Repay Schedule	
	Principal	Interest
2005	$ -	$ -
2006		
2007	926,301	2,221,856
2008	1,285,049	2,912,495
2009	1,344,652	2,852,892
2010-2014	7,721,271	13,266,449
2015-2019	9,699,397	11,288,323
2020-2024	12,198,086	8,789,634
2025-2029	15,357,586	5,630,134
2030-2034	16,159,213	1,680,349
	$ 64,691,555	$ 48,642,132

Loan activity for the period ended June 30, 2004 was as follows:

	Beginning Balance	Additions	Repayments	Ending Balance
Operating Division				
Broad Street Loans	$ 80,000	$ -	$ (80,000)	$ -
South Campus Gateway				
OSU Memorandum of Agreement		9,180,981		9,180,981
OSU $10M Line of Credit	3,517,125	8,709,295	(12,165,514)	60,906
OSU $35M Line of Credit		5,524,124		5,524,124
Real Estate III				
OSU $5M Line of Credit		4,197,192		4,197,192
Total debt	$ 3,597,125	$ 27,611,592	$ (12,245,514)	$ 18,963,203

8. 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 2004 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%.

Total required employer contributions billed to Campus Partners were approximately $53,802, $49,262 and $45,063 in 2004, 2003 and 2002, 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 2004 employer contribution rate for state employers was 13.31% of covered payroll; 5.0% 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' 2004 and 2003 contributions that were used to fund post-employment benefits was $2,690 and $2,463, respectively. The ORC provides the statutory authority requiring public 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 Actuarial Review performed as of December 31, 2003. 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 2003 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, 2002, the actuarial value of the Retirement System's net assets available for OPEB was $10.0 billion. The number of active contributing participants was 364,881,041. The actuarially accrued liability and the unfunded actuarial liability, based on the actuarial cost method used, were $18.7 billion and $8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The plan is available to employees hired after December 31, 2003 who have prior service credit accumulated toward health care coverage. The will incorporate a cafeteria approach, in which the benefit recipient chooses coverage options best meeting his or her requirements, and benefits are earned on a graded scale from 10 to thirty years (as opposed to the 10 year vesting requirement for the existing post retirement health care benefit plan). OPERS is now considering extending the "Choices" plan to all active members and benefit recipients, but the decision has not been finalized as of June 30, 2004.

* * * * * *

SUPPLEMENTAL INFORMATION

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT

CONSOLIDATING SCHEDULE—STATEMENT OF NET ASSETS INFORMATION
JUNE 30, 2004

Description	Operating Division	Long's/Sun Division	Real Estate II Division	Real Estate III Division	Total Campus Partners	Gateway Revitalization Initiative	South Campus Gateway, LLC	Campus Partners Parking Authority, LLC	University District Community Development	Subtotal	Eliminations	Consolidated Total
CURRENT ASSETS:												
Cash	$ 206,329	$ 976,868	$ 464	$ 19,243	$ 1,202,904	$ 2,211	$ 2,289,066	$ 547	$ 7,085	$ 3,501,813	$ -	$ 3,501,813
Accounts receivable	85	74,975	(1,966)	12,399	85,493		10,800			96,293		96,293
Grants receivable	6,549				6,549	463,018		492,043		961,610		961,610
Prepaid expenses	764	4,797			5,561	13,700				19,261		19,261
Interdivision/company receivable	423,896	637,852			1,061,748		500,393	1		1,562,142	(1,562,142)	
Total current assets	637,623	1,694,492	(1,502)	31,642	2,362,255	478,929	2,800,259	492,591	7,085	6,141,119	(1,562,142)	4,578,977
CAPITAL ASSETS—Net of accumulated depreciation	13,832	3,410,501	754,908	4,209,173	8,388,414		13,832,013			22,220,427		22,220,427
TOTAL ASSETS	$ 651,455	$5,104,993	$753,406	$ 4,240,815	$10,750,669	$ 478,929	$ 16,632,272	$ 492,591	$ 7,085	$28,361,546	$(1,562,142)	$26,799,404
CURRENT LIABILITIES:												
Accounts payable	$ 34,761	$ 9,994	$ -	$ -	$ 44,755		$ 1,084,919	$ -	$ 3,019	$ 1,132,693	$ -	$ 1,132,693
Grant payable	6,549				6,549	461,783				468,332		468,332
Accrued liabilities	46,984	49,482	4,599	21,988	123,053					123,053		123,053
Rent deposits		14,350	1,570	12,018	27,938					27,938		27,938
Interdivision/company payable	549,670		88,182	11,000	648,852	379,246	1,001	493,043	40,000	1,562,142	(1,562,142)	
Total current liabilities	637,964	73,826	94,351	45,006	851,147	841,029	1,085,920	493,043	43,019	3,314,158	(1,562,142)	1,752,016
Long-term Liabilities												
Loans payable				4,197,192	4,197,192		5,585,030			9,782,222		9,782,222
Bonds payable							9,180,981			9,180,981		9,180,981
Total long term liabilities	-	-	-	4,197,192	4,197,192		14,766,011			18,963,203	-	18,963,203
NET ASSETS (DEFICIENCY IN):												
Invested in capital assets—net of related debt	13,832	3,410,501	754,908	11,981	4,191,222					4,191,222		4,191,222
Unrestricted	(341)	1,620,666	(95,853)	(13,364)	1,511,108	(362,100)	780,341	(452)	(35,934)	1,892,963		1,892,963
Total net assets (deficiency in)	13,491	5,031,167	659,055	(1,383)	5,702,330	(362,100)	780,341	(452)	(35,934)	6,084,185		6,084,185
TOTAL LIABILITES AND NET ASSETS	$ 651,455	$5,104,993	$753,406	$ 4,240,815	$10,750,669	$ 478,929	$ 16,632,272	$ 492,591	$ 7,085	$28,361,546	$(1,562,142)	$26,799,404

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT

CONSOLIDATING SCHEDULE—STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS INFORMATION
YEAR ENDED JUNE 30, 2004

	Operating Division	Long's/Sun Division	Real Estate II Division	Real Estate III Division	Total Campus Partners	Gateway Area Revitalization Initiative	South Campus Gateway, LLC	Campus Partners Parking Authority, LLC	University District Community Development Entity, LLC	Consolidated Total
OPERATING REVENUES:										
Barnes & Noble income	$ -	$ 925,331	$ -	$ -	$ 925,331	$ -	$ -	$ -	$ -	$ 925,331
Rental income		229,681	920	26,621	257,222					257,222
Total operating revenues	-	1,155,012	920	26,621	1,182,553	-	-	-	-	1,182,553
OPERATING EXPENSES:										
Professional services	111,637	6,386			118,023		846,863		6,398	971,284
Salaries and wages	404,220				404,220					404,220
Payroll taxes and benefits	159,537				159,537					159,537
Real estate taxes		74,685	9,248	6,072	90,005		65,171	(241)		154,935
Depreciation expense	6,297	98,362	6,388	14,853	125,900					125,900
Printing	2,982			41	3,023		74,774			77,797
Utilities	8,878	62,296			71,174	3,406				74,580
Real estate expenses		55,114	8,593	5,739	69,446			10		69,456
Public relations	16,033				16,033		36,101			52,134
Insurance	360	16,123		1,254	17,737	13,895	395			32,027
University Community Business Association	30,000				30,000					30,000
Miscellaneous	4,432	374	18,747	30	23,583	15	24,086	119	154	47,957
Repairs	5,734	19,774			25,508		2,113	191		27,812
Bad debt expense	17,037		8,770		25,807					25,807
Travel and conferences	11,662				11,662		7,303			18,965
Office supplies and expense	5,159				5,159		429			5,588
Postage and delivery	2,648			15	2,663		1,039			3,702
Total operating expenses	786,616	333,114	51,746	28,004	1,199,480	17,316	1,058,274	79	6,552	2,281,701
OPERATING INCOME (LOSS)	(786,616)	821,898	(50,826)	(1,383)	(16,927)	(17,316)	(1,058,274)	(79)	(6,552)	(1,099,148)
NON OPERATING REVENUES (EXPENSES):										
Operating subsidy received from The Ohio State University	650,000				650,000					650,000
Miscellaneous income	115	713			828		10,800			11,628
Interest income	3,678	6,659			10,337				1	10,338
Loss on the sale of assets			(250)		(250)					(250)
Total non operating revenues (expenses)	653,793	7,372	(250)	-	660,915		10,800		1	671,716
INCOME/(LOSS) BEFORE CAPITAL CONTRIBUTIONS/DISTRIBUTIONS	(132,823)	829,270	(51,076)	(1,383)	643,988	(17,316)	(1,047,474)	(79)	(6,551)	(427,432)
Grant income	122,700				122,700	3,592,535	2,504,324	2,509,449		8,729,008
Return of The Ohio State University endowment funds										
Grant disbursement	(150,264)				(150,264)	(3,587,402)		(2,504,324)		(6,241,990)
Transfer of land to The Ohio State University						(19,889,016)		(528,349)		(20,417,365)
Total capital contributions (distributions)	(27,564)				(27,564)	(19,883,883)	2,504,324	(523,224)		(17,930,347)
CHANGE IN NET ASSETS—										
Change in net assets	(160,387)	829,270	(51,076)	(1,383)	616,424	(19,901,199)	1,456,850	(523,303)	(6,551)	(18,357,779)
NET ASSETS—Beginning of year	173,878	4,201,897	710,131		5,085,906	19,539,099	(676,509)	522,851	(29,383)	24,441,964
NET ASSETS (DEFICIENCY IN)—End of year	$ 13,491	$ 5,031,167	$ 659,055	$ (1,383)	$ 5,702,330	$ (362,100)	$ 780,341	$ (452)	$ (35,934)	$ 6,084,185

Campus Partners for Community Urban Redevelopment

Report on Federal Awards in Accordance
With OMB Circular A-133
for the Year Ended June 30, 2004

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT

TABLE OF CONTENTS

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

Federal Grantor	Federal CFDA Number	Federal Expenditures
Department of Housing and Urban Development		
Development Block Grant—Brownfield's Economic Development Initiative	14.246	$ 466,805
TOTAL FEDERAL AWARDS		$ 466,805

See accompanying notes to schedule of expenditures of federal awards.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General—The accompanying schedule of expenditures of federal awards presents the activity of all federal assistance programs of Campus Partners for Community Urban Redevelopment and its subdivisions ("Campus Partners"). Campus Partners' 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 or (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.

South Campus Gateway, LLC (previously known as 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 the Ohio State University. Pursuant to GASB Statement No. 14, Campus Partners is financially accountable for South Campus Gateway in that Campus Partners continues to own all the assets of South Campus Gateway. South Campus Gateway 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 South Campus Gateway 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 U.S. 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.

2. BASIS OF ACCOUNTING

Basis of Accounting—The accompanying schedule of expenditures of federal awards is prepared on the cash basis of accounting. Consequently, expenses are recognized when paid rather than when the obligations are incurred.

3. NONCASH FEDERAL AWARDS

During the year ended June 30, 2004, Campus Partners did not receive nonmonetary assistance.

* * * * * *

Deloitte.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board of Trustees
Campus Partners for Community Urban Redevelopment
Columbus, Ohio

We have audited the consolidated financial statements of Campus Partners for Community Urban Redevelopment and its subdivisions (the "Campus Partners"), as of and for the year ended June 30, 2004, and have issued our report thereon dated December 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Campus Partners' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud in amounts that would be material in relation to the consolidated 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. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Campus Partners in a separate letter dated December 23, 2004.

Compliance and Other Matters

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

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

Deloitte & Touche LLP

December 23, 2004

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Campus Partners for Community Urban Redevelopment
Columbus, Ohio

Compliance

We have audited the compliance of Campus Partners for Community Urban Redevelopment and its subdivisions ("Campus Partners"), with the types of compliance requirements described in the *U.S. Office of Management and Budget* ("OMB") *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. Campus Partners' major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Campus Partners' management. Our responsibility is to express an opinion on Campus Partners' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Campus Partners' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Campus Partners' compliance with those requirements.

In our opinion, Campus Partners complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Campus Partners is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Campus Partners' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Campus Partners as of and for the year ended June 30, 2004, and have issued our report thereon dated December 23, 2004. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the consolidated financial statements. This schedule is the responsibility the management of Campus Partners. Such information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the consolidated financial statements taken as a whole.

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

Deloitte + Touche LLP

December 23, 2004

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

PART I—SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report on the financial statements expressed an unqualified opinion.
2. No reportable conditions in internal controls over financial reporting were identified.
3. No instance of noncompliance considered material to the financial statements was disclosed.
4. No reportable conditions in internal control over compliance with requirements applicable to major federal awards programs were identified.
5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.
6. The audit disclosed no findings required to be reported by OMB Circular A-133.
7. The organization's major program was: Brownfield's Economic Development Initiative (CFDA #14.246).
8. Dollar threshold used to distinguish between Type A and Type B programs: $300,000.
9. The Auditee did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

PART II—FINANCIAL STATEMENT FINDINGS SECTION

No matters are reportable.

PART III—FEDERAL AWARD FINDINGS AND QUESTIONED COST SECTION

No matters are reportable.

PART IV—SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

Auditor of State
Betty Montgomery

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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 24, 2005