Campus Partners For Community Urban Redevelopment Inc. and Subsidiaries

Consolidated Financial Statements for the Years Ended June 30, 2005 and 2004 (Restated), Supplemental Information for the Year Ended June 30, 2005, and Independent Auditors' Report

Auditor of State
Betty Montgomery

Board of Trustees
Campus Partners for Community Urban Redevelopment Inc. and Subsidiaries
2080 Blankenship
901 Woody Hayes Drive
Columbus, Ohio 43210-4016

We have reviewed the Independent Auditor's Report of the Campus Partners for Community Urban Redevelopment Inc. and Subsidiaries, Franklin County, prepared by Deloitte & Touche LLP for the audit period July 1, 2004 through June 30, 2005. 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 Inc. and Subsidiaries is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 19, 2006

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CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Campus Partners For Community Urban
Redevelopment Inc:

We have audited the accompanying consolidated statements of net assets of Campus Partners For Community Urban Redevelopment Inc. and its subsidiaries ("Campus Partners," a component Unit of The Ohio State University) as of June 30, 2005 and 2004, and the related consolidated statements of revenues, expenses, and changes in net assets, and of cash flows for the years then ended. These consolidated 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 consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, 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, 2005 and 2004, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 9 to the financial statements, the accompanying 2004 financial statements have been restated.

The Management's Discussion and Analysis on pages 3–6 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 the basic 2005 consolidated financial statements of Campus Partners, taken as a whole. The supplemental information on pages 23–24 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. Such supplemental information has been subjected to the auditing procedures applied in our audit of the basic 2005 consolidated financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic 2005 consolidated financial statements as a whole.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 20, 2005, on our consideration of Campus Partners' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Deloitte + Touche LLP

December 20, 2005

The following Management's Discussion and Analysis ("MD&A") of Campus Partners For Community Urban Redevelopment Inc.'s and its subsidiaries ("Campus Partners") financial performance provides an introduction to the consolidated financial statements for the fiscal year ended June 30, 2005. 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 BASIC 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, 2005. 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.

As discussed in Note 9 to the financial statements, Campus Partners has restated its previously issued 2004 financial statements to reflect the capitalization of accrued construction costs. The accompanying Management's Discussion Analysis gives effect to the restatement.

FINANCIAL POSITION

The following represents Campus Partners' financial position as of June 30, 2005, 2004 and 2003:

	2005	2004 (As Restated, See Note 9)	2003
Assets:			
Current assets	$ 7,996,068	$ 4,578,977	$ 2,513,210
Net property and equipment	34,628,150	25,103,781	27,606,671
Deferred loan costs	310,767		
Total assets	$ 42,934,985	$ 29,682,758	$ 30,119,881
Liabilities:			
Current liabilities	$ 16,246,260	$ 4,635,370	$ 5,677,917
Long term liabilities	20,820,069	18,963,203	
Total liabilities	37,066,329	23,598,573	5,677,917
Net Assets:			
Invested in capital assets—net of related debt	11,452,859	4,191,222	24,009,546
Net assets restricted	1,755,529		
Net assets unrestricted	(7,339,732)	1,892,963	432,418
Total net assets and liabilities	$ 42,934,985	$ 29,682,758	$ 30,119,881

At June 30, 2005 Campus Partners' assets exceeded liabilities by approximately $5.9 million. The largest portion of Campus Partners' net assets ($7.7 million at June 30, 2005) 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 assets in order to further its primary mission of helping to revitalize the neighborhoods surrounding The Ohio State University ("University"). During 2005, Campus Partners' net property and equipment increased $9.5 million due primarily to the construction of the retail portion of South Campus Gateway, a major mixed use project adjacent to the University. Additionally, current liabilities increased due to the $8.4 million of the current portion of the current loan payable and a $3.5 million increase in accounts payable due to timing of construction and activity in construction draws at June 30, 2005 as compared to June 30, 2004. Finally, long-term liabilities increased due to a combination of entering into a ground lease with The Ohio State University ($4.2 million at June 30, 2005) and to additional funds borrowed for development of the retail portion of South Campus Gateway Center.

At June 30, 2004 Campus Partners' assets exceed liabilities by approximately $6.1 million. During 2004, Campus Partners' net property and equipment decreased $2.5 million due to the $20.5 million transfer of land to the University acquired to develop South Campus Gateway and disposals offset by $18 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. Finally, the transfer of land back to the University was the primary cause for the decrease in net assets in fiscal year 2004.

The following represents Campus Partners' summary of changes in net assets for the fiscal years ended June 30, 2005, 2004 and 2003:

	2005	2004	2003
Operating revenues	$ 1,212,939	$ 1,182,553	$ 1,232,635
Operating expenses	6,517,603	2,281,951	1,705,040
Net operating loss	(5,304,664)	(1,099,398)	(472,405)
Non-operating revenues	2,125,110	671,966	712,121
Capital contributions/(distributions)	2,964,025	(17,930,347)	(574,215)
Change in net assets	(215,529)	(18,357,779)	(334,499)
Net assets—beginning of year	6,084,185	24,441,964	24,776,463
Net assets—end of year	$ 5,868,656	$ 6,084,185	$ 24,441,964

Campus Partners' $1.2 million of operating revenues for the years ended June 30, 2005, 2004, and 2003 result from rental and lease/license income from real estate holdings.

Campus Partners' major operating expenses for the year ended June 30, 2005 included ground lease rent (66%). 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 ground lease rent, salaries and wages, depreciation, and real estate expenses, which were partially offset by a reduction in printing costs and professional fees. 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 fiscal year 2004. 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 for fiscal year 2005 were generated primarily from The Ohio State University subsidies for construction and administrative support. For the year ended June 30, 2004 non-operating revenues were primarily obtained from funds contributed by the University to subsidize administrative costs. In fiscal years 2005 and 2004, there were capital distributions of $48.2 million and $20.4 million, respectively, that related to the transfer of ownership to the University of the capital assets acquired to develop the South Campus Gateway Center.

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. Additionally, in fiscal year 2005, there was $48.2 million of debt forgiven by the University relating to the capital assets that were transferred to the University during the year. 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 years 2005 or 2004. The grant distributions for fiscal years 2005 and 2004 are 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, 2005, Campus Partners continued construction of the buildings comprising the South Campus Gateway development. The core and shell portion of the project was completed in Autumn 2005.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF NET ASSETS AS OF JUNE 30, 2005 AND 2004

	2005	2004 (As Restated, See—Note 9)
ASSETS		
CURRENT ASSETS:		
Cash	$ 1,670,133	$ 3,501,813
Accounts receivable, net of uncollectible allowance of $0 in 2005 and 2004	4,270,496	96,293
Grants receivable	2,047,646	961,610
Prepaid expenses	7,793	19,261
Total current assets	7,996,068	4,578,977
CAPITAL ASSETS—Net of accumulated depreciation	34,628,150	25,103,781
DEFERRED LOAN COSTS	310,767	
TOTAL	$ 42,934,985	$ 29,682,758
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of loan payable	$ 8,377,746	$ -
Accounts payable	7,514,085	4,016,047
Grants payable	115,172	468,332
Accrued liabilities	139,132	123,053
Rent deposits	100,125	27,938
Total current liabilities	16,246,260	4,635,370
LONG-TERM LIABILITIES:		
Ground lease payable	4,160,979	
Loans payable	16,659,090	9,782,222
Bonds payable		9,180,981
Total long-term liabilities	20,820,069	18,963,203
Total liabilities	37,066,329	23,598,573
NET ASSETS:		
Invested in capital assets—net of related debt	11,452,859	4,191,222
Restricted	1,755,529	
Unrestricted	(7,339,732)	1,892,963
Total net assets	5,868,656	6,084,185
TOTAL	$ 42,934,985	$ 29,682,758

See notes to consolidated financial statements.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
OPERATING REVENUES:		
Barnes & Noble rental income	$ 875,097	$ 925,331
Other rental income	337,842	257,222
Total operating revenues	1,212,939	1,182,553
OPERATING EXPENSES:		
Professional services	553,436	971,284
Salaries and wages	455,677	404,220
Payroll taxes and benefits	174,744	159,537
Ground lease expense	4,160,979	
Real estate taxes	167,188	154,935
Depreciation expense	248,507	125,900
Printing	3,854	77,797
Utilities	84,554	74,580
Real estate expenses	222,820	69,456
Public relations	15,306	52,134
Insurance	55,662	32,027
University Community Business Association	30,000	30,000
Miscellaneous	55,542	47,957
Repairs	22,745	27,812
Bad debt expense	61,682	25,807
Travel and conferences	8,431	18,965
Office supplies and expense	3,777	5,588
Postage and delivery	2,408	3,702
Loss on Contract	190,291	250
Total operating expenses	6,517,603	2,281,951
OPERATING LOSS	(5,304,664)	(1,099,398)
NON-OPERATING REVENUES (EXPENSES):		
Operating subsidy received from The Ohio State University	650,000	650,000
OSU tenant space income	2,937,275	
OSU tenant space expense	(2,948,076)	
Miscellaneous income	64,447	11,628
Interest income—net	1,421,464	10,338
Total non-operating revenues	2,125,110	671,966
(DECREASE) IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS/DISTRIBUTIONS	(3,179,554)	(427,432)
CAPITAL CONTRIBUTIONS/DISTRIBUTIONS:		
Grant income	3,759,693	8,729,008
Grant disbursements	(795,668)	(6,241,990)
Transfer of assets to The Ohio State University	(48,162,109)	(20,417,365)
Forgiveness of loan and bond payable due to The Ohio State University	48,162,109	
Total capital contributions/(distributions)	2,964,025	(17,930,347)
DECREASE IN NET ASSETS	(215,529)	(18,357,779)
NET ASSETS—Beginning of year	6,084,185	24,441,964
NET ASSETS—End of year	$ 5,868,656	$ 6,084,185

See notes to financial consolidated statements.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004 (As Restated, see Note 9)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from tenants	$ 455,253	$ 195,869
Cash received from Barnes & Noble	875,097	984,851
Cash paid to employees	(628,032)	(562,632)
Cash paid to suppliers	(2,147,324)	(1,002,881)
Net cash used in operating activities	(1,445,006)	(384,793)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(53,840,122)	(15,156,993)
Interest received on cash and investments	25,094	10,388
Cash paid from grants	(353,160)	(563,057)
Net cash used in investing activities	(54,168,188)	(15,709,662)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Cash received from grants	2,673,657	9,665,897
Cash paid on restructuring grant	(2,935,231)	(6,520,996)
Cash received from loans	57,964,893	27,611,592
Debt repayment	(4,324,892)	(12,245,514)
Payment of deferred loan fees	(310,767)	
Net cash provided by capital financing activities	53,067,660	18,510,979
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received as an operating subsidy from The Ohio State University	650,000	650,000
Cash received from miscellaneous non-operating income	63,854	11,628
Net cash provided by noncapital financing activities	713,854	661,628
NET (DECREASE) INCREASE IN CASH	(1,831,680)	3,078,152
BEGINNING CASH BALANCE	3,501,813	423,711
ENDING CASH BALANCE	$ 1,670,133	$ 3,501,863

(Continued)

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004 (As Restated, see Note 9)
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Net operating loss	$ (5,304,664)	$ (1,099,148)
Adjustments to reconcile operating loss to net cash used in operations:		
Depreciation	248,507	125,900
Loss on contract	190,291	
(Increase) decrease in assets:		
Accounts receivable	45,221	(1,833)
Prepaid expenses	11,468	(14,721)
Deposits		92,000
Increase (decrease) in liabilities:		
Accounts payable	(885,062)	576,594
Ground Lease Payable	4,160,979	
Rent deposits	72,187	8,763
Accrued liabilities	16,067	(72,348)
NET CASH USED IN OPERATING ACTIVITIES	$ (1,445,006)	$ (384,793)
SUPPLEMENTAL DISCLOSURES—Noncash activity:		
Property purchases in accounts payable	$ 7,268,107	$ 2,885,007
Transfer of capital assets to The Ohio State University	$ 48,162,109	$ 20,417,365
Forgiveness of debt due to The Ohio State University	$ 48,162,109	
Interest capitalized to debt	$ 595,741	

See notes to consolidated financial statements. (Concluded)

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—Campus Partners For Community Urban Redevelopment Inc. and subsidiaries ("Campus Partners") is a component unit of The Ohio State University (the "University"). The financial activity of Campus Partners is blended within the consolidated financial statements of the University. The cost of the 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. Campus Partners is financially accountable for GARI in that the majority of the trustees of GARI must be trustees of Campus Partners. Therefore, the ability of Campus Partners to impose its will on GARI is manifest in that Campus Partners has the ability to dissolve the entity at any time. In fiscal year 2004, the title to the land was transferred to the University.

South Campus Gateway, LLC ("SCG") 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. During fiscal year 2005, the title to the capital assets related to the residential, office, and parking portions of the project were transferred to the University. Pursuant to GASB Statement No. 14, Campus Partners is financially accountable for SCG in that Campus Partners continues to own all the assets of SCG. SCG imposes a financial burden on Campus Partners through financing provided by the University for the Gateway project. The ability of Campus Partners to impose its will on SCG is manifest in that Campus Partners has the ability to dissolve the entity at any time.

Campus Partners Parking Authority, LLC ("CPPA") 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 CPPA in that CPPA may impose a financial burden on Campus Partners through debt incurred for the construction of the parking garage. The ability of Campus Partners to impose its will on CPPA is manifest in that Campus Partners has the ability to dissolve the entity at any time.

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

The Gateway Theater, LLC was created on June 21, 2005, for the purpose of operating the cinema at South Campus Gateway. GARI is the sole member of The Gateway Theater, LLC. The ability of Campus Partners to impose its will on The Gateway Theater, LLC is manifest in that the majority of the trustees of GARI (the sole member) must be trustees of Campus Partners. As of June 30, 2005, there was no activity.

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 statements 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. Campus Partners has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

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

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 represent 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. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. Buildings and improvements that are completed are depreciated over 27.5 to 39 years and personal property is depreciated over five to seven years. Property is recorded at cost less accumulated depreciation.

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 2005 and 2004, Campus Partners incurred interest totaling $595,741 and $179,910, respectively, of which $307,491 and $179,910 was capitalized in fiscal years 2005 and 2004, respectively.

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, 2005 and 2004, this liability was $49,373 and $46,984, respectively.

Restricted Net Assets—Restricted net assets consists primarily of accrued interest receivable due from the University which is restricted for the construction costs related to SCG. This interest is earned from the unused portion of the University bonds used to pay the construction costs for the Gateway project at the University rate.

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. Campus Partners, as a lessee, does not receive the substantial risk and benefits of ownership and also accounts for the ground lease as an operating lease. Rental income and expense are 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 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 Other Postemployment Benefit ("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.

In June 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. This statement establishes standards for accounting and financial reporting for termination benefits provided by employees including early retirement incentives, severance benefits, and other termination-related benefits. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2005.

Campus Partners' has not yet determined the impact that implementation of GASB Statement Nos. 42, 43, 45, and 47 will have on its consolidated 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, 2005 and 2004, a total of $170,000 remains available to Campus Partners under this appropriation.

In fiscal years 2005 and 2004, The Ohio State University provided $650,000 in operational subsidies to Campus Partners.

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

The agreement expires 15 years from August 1, 2005, the date the parking garage was completed and placed into service. GARI reserves the right to terminate the agreement prior to the expiration date provided the University is given 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.

During fiscal year 2005, $48.2 million of predevelopment costs, building, development costs, and the corresponding $48.2 million of related debt was forgiven by the University in accordance with the Ground Lease Agreement dated June 30, 2004 (see Note 5 on operating leases). In fiscal year 2004, $20.4 million of land acquired for South Campus Gateway transferred ownership to the University.

3. CASH

At June 30, 2005, the carrying amount of Campus Partners' deposits with financial institutions was $1,670,133 and the bank balance was $3,795,902. 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 $3,695,902 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, 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, $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.

4. CAPITAL ASSETS

Capital asset activities for the years ended June 30, 2005 and 2004, are as follows:

	June 30, 2004 (Restated)	Additions	Disposals	Transfers	June 30, 2005
Land	$ 2,616,400	$ 14,011	$ -	$ -	$ 2,630,411
Depreciable assets:					
Buildings	6,163,737	91,124			6,254,861
Equipment	67,373	8,782	(23,948)		52,207
Total depreciable assets	6,231,110	99,906	(23,948)	-	6,307,068
Construction in progress	16,715,451	57,821,068	-	(48,162,109)	26,374,410
Total capital assets	25,562,961	57,934,985	(23,948)	(48,162,109)	35,311,889
Less accumulated depreciation for:					
Buildings	(375,290)	(242,039)			(617,329)
Equipment	(83,890)	(6,468)	23,948		(66,410)
Total accumulated depreciation	(459,180)	(248,507)	23,948	-	(683,739)
Net capital assets	$ 25,103,781	$ 57,686,478	$ -	$ (48,162,109)	$ 34,628,150

	June 30, 2003	Additions (Restated)	Disposals	Transfers	June 30, 2004 (Restated)
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	13,801,989			16,715,451
Total capital assets	27,933,790	18,182,529	(135,993)	(20,417,365)	25,562,961
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	$ 18,056,629	$ (142,154)	$ (20,417,365)	$ 25,103,781

As discussed in Note 9, subsequent to the issuance of Campus Partner's 2004 financial statements, Campus Partner's management determined that certain costs related to construction in progress had not been accrued for. The amount reported for 2004 additions to construction in progress has been restated to reflect the $2,883,354 of additional construction in progress costs.

5. OPERATING LEASES

At June 30, 2005, rental property is being leased to parties under various operating lease agreements for lease terms ranging from 1 to 20 years. Subsequent to the end of the fiscal year, Campus Partners entered into three additional retail leases with 10-year lease terms totaling $5.9 million in future rent payments. Minimum future rental income for all retail operating leases in effect at June 30, 2005, and the new leases entered into subsequent to year end are as follows:

2006	$ 2,185,287
2007	3,193,268
2008	3,154,880
2009	3,190,825
2010	3,217,359
2011–2015	15,131,581
2016–2020	6,167,241
2021–2025	5,034,125
	$41,274,566

On June 30, 2004, SCG entered into a 40-year operating ground lease with the University for the SCG land. The minimum lease payments are below:

2006	$ 749,997
2007	4,148,151
2008	5,197,536
2009	5,197,536
2010	5,197,536
2011–2015	26,462,661
2016–2020	26,962,641
2021–2025	27,462,621
2026–2030	27,962,601
2031–2035	21,116,886
2036–2040	7,974,861
2041–2043	5,924,889
	$ 164,357,916

6. LOANS PAYABLE

Loan activity for the period ended June 30, 2005, was as follows:

	Beginning Balance	Principal Additions	Repayments	Transfers	Ending Balance	Current Portion
Campus Partners—OSU $5M Line of Credit	$ 4,197,192	$ 461,898	$ -	$ -	$ 4,659,090	$ -
South Campus Gateway:						
OSU $10M Line of Credit	60,906		(60,906)			
OSU $35M Line of Credit	5,524,124	13,947,342	(4,263,986)	(6,829,734)	8,377,746	8,377,746
OSU Memorandum of Agreement	9,180,981	32,151,394		(41,332,375)		
ESIC $12M Loan		12,000,000			12,000,000	
Total debt	$ 18,963,203	$ 58,560,634	$ (4,324,892)	$ (48,162,109)	$ 25,036,836	$ 8,377,746

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

	Beginning Balance	Principal Additions	Repayments	Transfers	Ending Balance
Campus Partners:					
Broad Street Loans	$ 80,000	$ -	$ (80,000)	$ -	$ -
OSU $5M Line of Credit		4,197,192			4,197,192
South Campus Gateway:					
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
OSU Memorandum of Agreement		9,180,981			9,180,981
Total debt	$ 3,597,125	$ 27,611,592	$ (12,245,514)	$ -	$ 18,963,203

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, Campus Partners obtained a $5 million Real Estate Acquisition line of credit from the University for the purpose of purchasing real estate in the area immediately adjacent to 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 May 1, 2009. The amount outstanding on this line of credit was $4,659,090 and $4,197,192 at June 30, 2005 and 2004, respectively.

SCG has a pre-construction line of credit from the University which was increased during fiscal year 2004 from $5 million to $10 million. The purpose of the line of credit was to fund construction related expenditures 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% (4.8401% and 2.73% at June 30, 2005 and 2004, respectively). At June 30, 2005 and 2004, the outstanding balance on this line of credit was $0 and $60,906, respectively. The line of credit was retired during the fiscal year ended June 30, 2005.

SCG additionally 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 during the fiscal year ended June 30, 2004. Annual interest charged on the outstanding balance will be the average one-month LIBOR rate plus 1.5% (4.8401% and 2.73% at June 30, 2005 and 2004, respectively). Interest is to be calculated and paid quarterly. Repayment is due on December 20, 2005. The amount outstanding on this line of credit was $8,377,746 and $5,524,124 at June 30, 2005 and 2004, respectively.

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 the 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 a 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 2003B and C General Receipt Bond Issues. The effective borrowing rate on this memorandum of agreement at June 30, 2005, was 4.61%. Of the $64,691,555 available from the University under the memorandum, $0 and 9,180,981 was outstanding at June 30, 2005 and 2004, respectively.

SCG obtained a $12 million loan from ESIC New Markets Partners II LP (“ESIC”) on July 12, 2004. The purpose of the loan is to provide financing for construction of the retail portion of the SCG Project. The monthly debt service payments of $33,333 are due commencing August 2007 with the remaining $10,400,000 balance due August 2011. The amount outstanding on the loan was $12,000,000 at June 30, 2005. Annual interest charged on the outstanding balance is 0% at June 30, 2005. In addition, Campus Partners is in compliance with all required financial covenants associated with this loan.

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

	5-Year Repayment Schedule	
	Principal	**Interest**
2006	$ 8,377,746	$ 470,558
2007		279,545
2008	400,000	279,545
2009	5,059,090	93,182
2010	400,000	
2011–2015	10,800,000	
	$ 25,036,836	$ 1,122,830

Subsequent to June 30, 2005, on August 22, 2005, Campus Partners closed on a $33.25 million loan from UDCDE to SCG for the purpose of providing financing for the retail portion of SCG. The proceeds loaned from UDCDE to SCG came from a New Markets Tax Credit-enhanced investment in UDCDE by Fifth Third Community Development Corporation. At the time of its investment in UDCDE, Fifth Third Community Development Corporation was admitted to UDCDE as a member with a 99.72% interest. Campus Partners remains as the managing member with a 0.28% ownership interest. The loan is for a seven-year term at an initial effective rate of 4.88%, increasing to 6.2% in February 2007. The loan proceeds were used to partially retire the $35 million construction line of credit from the University.

7. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

All Campus Partner employees are required to participate in either the statewide Ohio Public Employees Retirement System (“OPERS”) or an Alternative Retirement Plan (“ARP”).

The OPERS 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 statute per Chapter 145 of the Ohio Revise Code. In fiscal 2005 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 $60,651, $53,802, and $49,262 in 2005, 2004, and 2003, 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 OPEB as described in GASB Statement No. 12 *Disclosure of Information on Postemployment Benefits Other Than 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 2005 employer contribution rate for state employers was 13.31% of covered payroll; 4% 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’ 2005 and 2004 contributions that were used to fund postemployment benefits was $2,770 and $2,690, respectively. The Ohio Revised Code 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 OPERS’ 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 unfunded 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%. An annual increase of 4% 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% base increase, were assumed to range from 0.50% to 6.3%, depending on age. Benefit payments were assumed to increase by 3% of the original retirement benefit per year after retirement. Health care costs were assumed to increase at the projected wage inflation rate from 5% to 10% for the next seven years. In subsequent years, (eight and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

OPEB are advance-funded on an actuarially determined basis. As of December 31, 2003, the actuarial value of the OPERS’ net assets available for OPEB was $10.5 billion. The number of active contributing participants was 369,885. The actuarially accrued liability and the unfunded actuarial liability, based on the actuarial cost method used, were $26.9 billion and $18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (“HCPP”) with an effective date of January 1, 2007. The HCPP restructures OPERS’ health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

ARP is a defined contribution pension plan. Full-time administrative and professional staff may choose enrollment in ARP in lieu of OPERS. ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits, or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant’s choice of investment options.

8. COMMITMENTS AND CONTINGENCIES

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

9. RESTATEMENT

Subsequent to the issuance of Campus Partners' 2004 consolidated financial statements, Campus Partners' management determined that its previously issued 2004 consolidated financial statements did not properly reflect the capitalization and accrual of certain construction costs totaling $2,883,354. Accordingly, previously reported amounts for construction in progress and accounts payable as of June 30, 2004, were increased by $2,883,354.

Following is a summary of the effects of the restatement on Campus Partners' previously issued 2004 consolidated financial statements:

	As Previously Reported 2004	As Restated 2004
Construction in progress	$ 13,832,097	$ 16,715,451
Capital assets—net of accumulated depreciation	22,220,427	25,103,781
Total assets	26,799,404	29,682,758
Accounts payable	1,132,693	4,016,047

* * * * * *

SUPPLEMENTAL INFORMATION

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT INC. AND SUBSIDIARIES

CONSOLIDATING SCHEDULE—STATEMENT OF NET ASSETS INFORMATION
AS OF JUNE 30, 2005

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	$ 52,852	$1,532,262	$ 320	$ 15,215	$ 1,600,649	$ 2,063	$ 44,848	$19,117	$ 3,456	$ 1,670,133	$ -	$ 1,670,133
Accounts receivable	157	27,393	(3,621)	(9,137)	14,792		4,255,704			4,270,496		4,270,496
Grants receivable	292,117				292,117	1,755,529				2,047,646		2,047,646
Prepaid expenses	2,981	4,812			7,793					7,793		7,793
Interdivision/company receivable	42,000	910,998			952,998					952,998	(952,998)	-
Total current assets	390,107	2,475,465	(3,301)	6,078	2,868,349	1,757,592	4,300,552	19,117	3,456	8,949,066	(952,998)	7,996,068
CAPITAL ASSETS—Net of accumulated depreciation	16,144	3,311,339	753,311	4,173,028	8,253,822		26,374,328			34,628,150		34,628,150
DEFERRED LOAN FEES							310,767			310,767		310,767
TOTAL	$ 406,251	$5,786,804	$ 750,010	$4,179,106	$11,122,171	$1,757,592	$30,985,647	$19,117	$ 3,456	$43,887,983	$(952,998)	$42,934,985
CURRENT LIABILITIES:												
Current portion of loan payable	$ -	$ -	$ -	$ -	$ -	$ -	$ 8,377,746	$ -	$ -	$ 8,377,746	$ -	$ 8,377,746
Accounts payable	12,183	1,771		5,703	19,657	219,528	7,268,107	5,039	1,754	7,514,085		7,514,085
Grant payable	115,172				115,172					115,172		115,172
Accrued liabilities	49,385	57,922	5,768	26,057	139,132					139,132		139,132
Rent deposits		11,550		28,260	39,810		60,315			100,125		100,125
Interdivision/company payable	730,736		100,262		830,998	80,000	1,000	1,000	40,000	952,998	(952,998)	-
Total current liabilities	907,476	71,243	106,030	60,020	1,144,769	299,528	15,707,168	6,039	41,754	17,199,258	(952,998)	16,246,260
LONG-TERM LIABILITIES:												
Ground lease payable							4,160,979			4,160,979		4,160,979
Loans payable				4,659,089	4,659,089		12,000,001			16,659,090		16,659,090
Bonds payable												
Total long-term liabilities	-	-	-	4,659,089	4,659,089	-	16,160,980	-	-	20,820,069	-	20,820,069
NET ASSETS (DEFICIENCY IN):												
Invested in capital assets—net of related debt	193,089	3,311,340	753,311	(486,061)	3,771,679		7,681,180			11,452,859		11,452,859
Restricted						1,755,529				1,755,529		1,755,529
Unrestricted	(694,314)	2,404,221	(109,331)	(53,942)	1,546,634	(297,465)	(8,563,681)	13,078	(38,298)	(7,339,732)		(7,339,732)
Total net assets (deficiency in)	(501,225)	5,715,561	643,980	(540,003)	5,318,313	1,458,064	(882,501)	13,078	(38,298)	5,868,656		5,868,656
TOTAL	$ 406,251	$5,786,804	$ 750,010	$4,179,106	$11,122,171	$1,757,592	$30,985,647	$19,117	$ 3,456	$43,887,983	$(952,998)	$42,934,985

See note to supplemental consolidating schedules.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT INC. AND SUBSIDIARIES

CONSOLIDATING SCHEDULE—STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS INFORMATION
FOR THE YEAR ENDED JUNE 30, 2005

	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	Total	Eliminations	Consolidated Total
OPERATING REVENUES:												
Barnes & Noble rental income	$ -	$ 875,097	$ -	$ -	$ 875,097	$ -	$ -	$ -	$ -	$ 875,097	$ -	$ 875,097
Other rental income		159,443	3,069	174,170	336,682		1,160			337,842		337,842
Total operating revenues	-	1,034,540	3,069	174,170	1,211,779	-	1,160	-	-	1,212,939	-	1,212,939
OPERATING EXPENSES:												
Professional services	232,707	674		27,914	261,295		290,025		2,116	553,436		553,436
Salaries and wages	455,677				455,677					455,677		455,677
Payroll taxes and benefits	174,744				174,744					174,744		174,744
Ground lease expense							4,160,979			4,160,979		4,160,979
Real estate taxes		107,856	8,427	50,735	167,018		170			167,188		167,188
Depreciation expense	6,468	99,163	1,596	141,280	248,507					248,507		248,507
Printing	3,804	48		2	3,854					3,854		3,854
Utilities	7,142	59,334			66,476		18,078			84,554		84,554
Real estate expenses		62,404	3,920	140,581	206,905		15,915			222,820		222,820
Public relations	15,306				15,306					15,306		15,306
Insurance	3,238	15,349	380	22,983	41,950	13,700	12			55,662		55,662
University Community Business Association	30,000				30,000					30,000		30,000
Miscellaneous	2,920		144		3,064	193	52,046	71	168	55,542		55,542
Repairs	2,230	19,889			22,119		626			22,745		22,745
Bad debt expense	370,896	8,629	3,677	41,026	424,228		8,350			432,578	(370,896)	61,682
Travel and conferences	8,338				8,338				93	8,431		8,431
Office supplies and expense	3,773			4	3,777					3,777		3,777
Postage and delivery	2,389			15	2,404		4			2,408		2,408
Loss on contract							190,291			190,291		190,291
Total operating expenses	1,319,632	373,346	18,144	424,540	2,135,662	13,893	4,736,496	71	2,377	6,888,499	(370,896)	6,517,603
OPERATING INCOME (LOSS)	(1,319,632)	661,194	(15,075)	(250,370)	(923,883)	(13,893)	(4,735,336)	(71)	(2,377)	(5,675,560)	370,896	(5,304,664)
NON-OPERATING REVENUES (EXPENSES):												
Operating subsidy received from The Ohio State University	650,000				650,000					650,000		650,000
OSU tenant space income							2,937,275			2,937,275		2,937,275
OSU tenant space expense							(2,948,076)			(2,948,076)		(2,948,076)
Miscellaneous income	37,357	55			37,412	379,291		18,640		435,343	(370,896)	64,447
Interest income—net	1,949	23,145		(288,250)	(263,156)		1,684,607		13	1,421,464		1,421,464
Total non-operating revenues (expenses)	689,306	23,200		(288,250)	424,256	379,291	1,673,806	18,640	13	2,496,006	(370,896)	2,125,110
INCREASE (DECREASE) IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS/DISTRIBUTIONS	(630,326)	684,394	(15,075)	(538,620)	(499,627)	365,398	(3,061,530)	18,569	(2,364)	(3,179,554)	-	(3,179,554)
CAPITAL CONTRIBUTIONS/DISTRIBUTIONS:												
Grant income	364,456				364,456	1,996,549	1,398,688	1,398,688		5,158,381	(1,398,688)	3,759,693
Grant disbursement	(248,846)				(248,846)	(541,783)		(1,403,727)		(2,194,356)	1,398,688	(795,668)
Transfer of assets to The Ohio State University							(48,162,109)			(48,162,109)		(48,162,109)
Forgiveness of loan and bond payable due to The Ohio State University							48,162,109			48,162,109		48,162,109
Total capital contributions/(distributions)	115,610	-	-	-	115,610	1,454,766	1,398,688	(5,039)	-	2,964,025	-	2,964,025
CHANGES IN NET ASSETS	(514,716)	684,394	(15,075)	(538,620)	(384,017)	1,820,164	(1,662,842)	13,530	(2,364)	(215,529)		(215,529)
NET ASSETS—Beginning of year	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
NET ASSETS (DEFICIENCY IN)—End of year	$ (501,225)	$ 5,715,561	$ 643,980	$ (540,003)	$ 5,318,313	$ 1,458,064	$ (882,501)	$ 13,078	$ (38,298)	$ 5,868,656	$ -	$ 5,868,656

See note to supplemental consolidating schedules.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT INC. AND SUBSIDIARIES

NOTE TO SUPPLEMENTAL CONSOLIDATING SCHEDULES AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

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

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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*

To the Board of Trustees of
Campus Partners For Community Urban Redevelopment Inc.
Columbus, Ohio

We have audited the consolidated financial statements of Campus Partners For Community Urban Redevelopment Inc. and its subsidiaries ("Campus Partners"), as of and for the year ended June 30, 2005, and have issued our report thereon dated December 20, 2005. 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 the Campus Partner's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 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.

Compliance and Other Matters

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

We noted certain matters that we have reported to management of the Campus Partners in a separate letter dated December 20, 2005.

This report is intended solely for the information and use of the Board of Trustees, management of Campus Partners, federal awarding agencies, state funding agencies, pass-through entities, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte + Touche LLP

December 20, 2005

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 9, 2006