Campus Partners for Community Urban Redevelopment and Subsidiaries

(A component unit of The Ohio State University)

Consolidated Statement of Net Position

June 30, 2016

and Report of Independent Auditors

Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Accountants* agreed upon procedures of the Campus Partners for Community Urban Redevelopment and Subsidiaries, Franklin County, prepared by PricewaterhouseCoopers LLP, for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Campus Partners for Community Urban Redevelopment and Subsidiaries is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

January 4, 2017

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Campus Partners for Community Urban Redevelopment and Subsidiaries
(A Component Unit of The Ohio State University)
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Report of Independent Auditors

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

We have audited the accompanying consolidated statement of net position of Campus Partners for Community Urban Redevelopment and Subsidiaries ("Campus Partners"), a component unit of The Ohio State University as of June 30, 2016.

Management's Responsibility for the Consolidated Statement of Net Position

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

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated statement of net position based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated statement of net position is free from material misstatement.

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

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Opinion

In our opinion, the accompanying consolidated statement of net position presents fairly, in all material respects, the financial position of Campus Partners for Community Urban Redevelopment and Subsidiaries as of June 30, 2016 in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

December 23, 2016

Campus Partners for Community Urban Redevelopment and Subsidiaries
(A Component Unit of The Ohio State University)
Consolidated Statement of Net Position
As of June 30, 2016

Assets	
Current Assets	
Cash	$ 6,235,524
Restricted cash	98,005
Accounts receivable - net of allowances for doubtful accounts of $293,161	1,315,139
Grants receivable	395,071
Notes receivable - current portion	82,601
Inventory and prepaid expenses	162,407
Total Current Assets	8,288,747
Noncurrent Assets	
Notes receivable	2,697,005
Money held in escrow	360,000
Capital assets, net	91,652,642
Unamortized leasing costs, net	413,355
Total Noncurrent Assets	95,123,002
Total Assets	$ 103,411,749
Liabilities and Net Position	
Current Liabilities	
Accounts payable	$ 3,900,381
Accrued expenses	2,937,538
Current portion of loans payable to university	1,116,775
Current portion of loans payable	82,601
Advance from university	913,194
Unearned income - current portion	1,350,371
Rent and construction deposits	180,490
Total Current Liabilities	10,481,350
Noncurrent Liabilities	
Loans payable to university	66,874,017
Loans payable	1,897,005
Unearned income - noncurrent portion	21,324,714
Total Noncurrent Liabilities	90,095,736
Total Liabilities	100,577,086
Net Position	
Net investment in capital assets	22,748,656
Unrestricted	(19,913,993)
Total Net Position	2,834,663
Total Liabilities and Net Position	$ 103,411,749

The accompanying notes are an integral part of this consolidated financial statement

Note 1 - Description of Organization and Summary of Significant Accounting Policies

Organization

Campus Partners for Community Urban Redevelopment and Subsidiaries (“Campus Partners”) is a component unit of The Ohio State University (the “university”). The financial activity of Campus Partners is discretely presented in the consolidated financial statements of the university. The cost of the operations of Campus Partners is funded primarily by rental operations and subsidies from the university, whereby Campus Partners directs the revitalization of the area immediately adjacent to the university’s main campus in Columbus, Ohio. Campus Partners was incorporated on January 12, 1995.

Basis of Presentation

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

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

- An organization is fiscally dependent on the primary government and provides specific financial benefits to, or imposes specific financial burdens on, the primary government.

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

- **South Campus Gateway, LLC** – Campus Partners is the single member of this LLC, which has general property management responsibilities for the retail and office space in the Gateway development.

- **Campus Partners for Affordable Housing, LLC** – Campus Partners is the single member of this LLC, which operates Campus Partners and participates in revitalization initiatives in the Weinland Park neighborhood.

- **The Gateway Theatre LLC** – Campus Partners is the single member of this LLC, which operates the Gateway Film Center.

- **Redstone Realty, LLC** – Campus Partners is the single member of this LLC, which was created to participate in redevelopment activities adjacent to the university’s Columbus campus.

- **Medstone Realty, LLC** – Campus Partners is the single member of this LLC, which was created to facilitate development of medical facilities for the OSU Wexner Medical Center.

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

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

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

- **Net investment in capital assets:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- **Unrestricted:** Amounts which are not subject to externally-imposed stipulations.

Cash
Campus Partners' financial instruments that are exposed to concentrations of credit risk consist of cash. Cash is on deposit with three banking institutions.

At June 30, 2016, the carrying amount of Campus Partners' cash and restricted cash is $6,333,529 as compared to bank balances of $6,763,513. The differences in carrying amount and bank balances are caused by outstanding checks, deposits in transit and petty cash. Of the bank balances, $1,040,061 is covered by federal deposit insurance and $5,723,452 is uncollateralized as defined by the GASB. However, to mitigate any risk of loss, Campus Partners maintains its cash in three large financial institutions; consequently, management believes it is not exposed to any specific concentration of credit risk in relation to cash.

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

Accounts Receivable
Accounts receivable consists of straight-line rent receivables, trade receivables, amounts held in escrow, interest receivable and tenant expense recovery receivables. Receivables are reported at their gross value when earned as the underlying exchange transaction occurs. Gross receivables are reduced by the estimated portion deemed uncollectible. This estimate is based on collection history, industry trends, and current information regarding creditworthiness of the debtors. When continued collection activity results in receipts of amounts previously written off, recovery income is recognized for the amount collected.

Campus Partners, as a lessor, has retained substantially all of the risks and benefits of ownership and accounts for its leases as operating leases. Certain tenant leases provide for increases in minimum rental payments and for occupancy in periods where no rent is due. Campus Partners recognizes such rental revenue monthly on a straight-line basis over the contractual term of the leases. The expected straight-line rental income in excess of rents currently due under such lease agreements is recorded as an unbilled rent receivable. As of June 30, 2016, such receivables (included in accounts receivable) were $321,232. Certain operating leases contain contingent rent provisions under which tenants are required to pay, as additional rent, a percentage of their sales in excess of a specified amount. Campus Partners defers recognition of contingent rental revenue until those specified sales targets are met and notification is received from the tenant.

The accounts receivable balance includes $467,601 of accrued interest. The primary amount of this balance is from interest on one note. Management does not believe the related interest receivable will be fully collected and has reserved $185,083 in the allowance for doubtful accounts for this portion of the receivable balance.

The accounts receivable balance includes $350,000 of money held in escrow. The escrow was returned to Campus Partners on July 7, 2016.

Grants Receivable

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

Notes Receivable

Loans are stated in the amount of unpaid principal, reduced by unearned loan fees and the allowance for loan losses, when management believes the collectability of the principal is unlikely.

Capital Assets

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

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

Certain operating leases contain tenant improvement allowances under which Campus Partners contributes money towards the construction of leasehold improvements within the tenant’s demised space. Typically, the operating lease requires the tenant to use the allowance to construct real property which is retained by Campus Partners at the end of the tenant’s contractual lease term. Tenant improvements are depreciated over the lesser of the estimated life of the improvement or the life of the lease. Interest is capitalized during the development period and amortized over the estimated life of the building, once construction is complete.

Capital assets are reviewed on a regular basis for potential impairments.

Unamortized Leasing Costs
Unamortized leasing costs consist principally of lease origination costs. Lease origination costs consist of commissions paid to third parties and other direct costs related to leasing activities. These costs are amortized on a straight-line basis over the terms of the respective lease agreement. As of June 30, 2016, accumulated amortization totaled $620,137.

Unearned Income
Unearned income primarily consists of advance payments for an outpatient medical facility operated by the OSU Wexner Medical Center. These amounts will be recognized as rental income over the 20-year term of the lease.

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

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

Management Estimates
The preparation of financial statements in conformity with accounting principles, generally accepted in the United States of America, requires the use of management estimates, primarily related to collectability of accounts and notes receivable. Actual results could differ from those estimates.

Newly Issued Accounting Pronouncements
In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. Statement 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. These criteria were formerly based on SEC regulations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015 (FY2016), except for the provisions in paragraphs 18, 19, 23–26, and 40, which are effective for reporting periods beginning after December 15, 2015 (FY2017).

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. This standard expands the blending criteria in Statement 14 to require blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The standard is effective for financial statements for fiscal years beginning after June 15, 2016 (FY2017).

Campus Partners management is currently assessing the impact that implementation of GASB Statements 79 and 80 will have on Campus Partners' financial statements.

Note 2 - Capital Assets

Capital assets at June 30, 2016 consist of the following:

Capital assets not being depreciated	
Land	$ 21,222,137
Construction in progress	24,847,903
Total non-depreciable assets	46,070,040
Capital assets being depreciated	
Improvements other than buildings	8,139,997
Buildings and fixed equipment	53,450,008
Moveable equipment, furniture and software	1,456,718
Total	63,046,723
Less: Accumulated depreciation	17,464,121
Total depreciable assets, net	45,582,602
Capital assets, net	$ 91,652,642

Note 3 - Operating Leases For Retail

Rental property is being leased to parties under various operating lease agreements for lease terms ranging from 1 to 20 years. Annual future minimum rents due to be received under non-cancellable operating leases in effect at June 30, 2016 are as follows:

Years ending June 30	
2017	$ 5,441,508
2018	4,948,791
2019	3,202,272
2020	3,052,993
2021	2,543,114
2022-2026	7,841,405
2027-2031	228,721
Total	$ 27,258,804

Note 4 - Long-Term Debt

Campus Partners has loans with the university and the Columbus Foundation. The university has issued loans to Campus Partners through Memorandums of Understanding ("MOUs") which document the principal, interest charges and repayment terms as well as any other conditions or covenants. The Columbus Foundation issued a loan to Campus Partners with the terms of the loan defined in a promissory note.

In October 2013, Campus Partners entered into the Retail Note with the university, the proceeds of which were used to fund property acquisitions in the South Campus Gateway. Under the terms of the original

Retail Note, total principal was $39,611,154, the note bears interest at 4.5% per annum, and the note has a ten year term, with a final balloon principal payment due in April 2023. Campus Partners and the university agreed to amend the Retail Note in October 2014 and again in October 2015. Under the terms of the amended Retail Note, Campus Partners will make interest only payments to the university through June 2016 at an interest rate of 2.9% per annum. Beginning in July 2017, the interest rate increases to 4.5% per annum, and principal payments resume. The term of the amended Retail Note is unchanged.

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

In December 2014, Campus Partners entered into the Real Estate IV Note with the university. Subsequently, from February 2015 through March 2016, Campus Partners and the university have entered into 14 MOUs as addendums to the Real Estate IV Note, whereby Campus Partners has borrowed a total of $17,286,550 from the university. Campus Partners utilized the proceeds from each individual borrowing to finance a property acquisition and related acquisition expenses. As with the Real Estate Note, the repayment terms of the Real Estate IV Note are linked to the subsequent sale or lease of the properties acquired with the note proceeds. Any net proceeds from a sale or lease of the associated properties is required to first be used to repay the note. The Real Estate IV Note does not bear any contractual interest. The total outstanding principal balance at June 30, 2016 was $16,160,200.

In April 2014, Campus Partners entered into a note with the Columbus Foundation. The proceeds of which were used to help fund housing improvements on 11th Avenue in the University District. Under the terms of the note, the original principal was $2,000,000, and bears interest at 2% per annum, and the note has a 20 year term. Campus Partners will make quarterly payments of $30,394. The final payment will be made on January 1, 2036.

Long-term debt at June 30, 2016 consists of the following:

	Total	Current Portion
OSU Loan - Retail	$ 38,807,846	$ 766,775
OSU Loan - Real Estate	13,022,746	-
OSU Loan - Real Estate IV	16,160,200	350,000
Columbus Foundation	1,979,606	82,601
Total Debt	$ 69,970,398	$ 1,199,376

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

Years Ending June 30	Principal	Interest	Total Payment
2017	$ 1,199,376	$ 1,769,642	$ 2,969,018
2018	886,266	1,732,752	2,619,018
2019	924,808	1,694,210	2,619,018
2020	965,076	1,653,942	2,619,018
2021	2,556,767	1,614,245	4,171,012
2022-2026	34,605,158	3,031,147	37,636,305
Total	$ 41,137,451	$ 11,495,938	$ 52,633,389

Note 5 - Related Party Transactions

Campus Partners manages the common area at the South Campus Gateway. The common areas are used and the expense is billed back to the office and residential areas of the South Campus Gateway, both of which are managed by the university. As a result, Campus Partners bills the university for its portion of the maintenance. In addition, Campus Partners leases retail space to the university. University employees support the day-to-day operations and provide managerial oversight to Campus Partners. Included in accounts receivable and accounts payable are $62,41 and $140,632, respectively, due from/to the university.

In June 2014, the university advanced Campus Partners $1,130,000. The advance was used to purchase two properties to support community redevelopment in the Weinland Park district. The advance is to be repaid by any future income associated with these properties, or alternatively is reduced by any operating costs incurred related to owning the properties. In October 2015, one of the properties was sold and the proceeds were paid to the university to be applied against the advance. At June 30, 2016, the remaining unpaid balance of the advance is $913,194, which is recorded as advance from university on the consolidated statement of net position.

In April 2015, the OSU Wexner Medical Center (“the Medical Center”) granted $5,000,000 to Campus Partners to fund the purchase of land to be used for the construction of a new outpatient medical facility (“the facility”). In October 2015, the Medical Center entered into a 20 year lease agreement with Campus Partners related to the occupancy of the facility. In accordance with the terms of the lease, $17,572,000 of the scheduled rent payments were prepaid before the lease commencement date, and were used by Campus Partners towards the construction of the facility. The anticipated completion date of the facility and subsequent lease commencement is July 2016. Campus Partners has recorded the grant and lease prepayments as unearned income on the consolidated statement of net position.

In April 2016, the Medical Center provided a $8,850,000 grant to Campus Partners. The grant was used to acquire an office building in June 2016, which is occupied by university and non-university tenants. Under the terms of the grant agreement, during the five year period following the acquisition, Campus Partners will maintain the property and transfer to the Medical Center the net income derived from the property’s operations on a quarterly basis.

Note 6 - Combining Information For Component Units

As indicated in the Basis of Presentation in Note 1, Campus Partners consolidates several component units in a blended presentation. A condensed combining statement of net position as of June 30, 2016 is presented below.

	South Campus Gateway LLC	Campus Partners for Affordable Housing LLC	The Gateway Theatre LLC	Redstone Realty LLC	Medstone Realty LLC
Condensed statements of net position					
Current assets	$ 1,337,126	$ 1,657,021	$ 78,097	$ 933,711	$ 4,370,292
Capital assets, net	34,925,854	752,681	358,036	23,981,492	31,634,579
Other assets	413,355	2,697,005	-	360,000	-
Total assets	$ 36,676,335	$ 5,106,707	$ 436,133	$ 25,275,203	$ 36,004,871
Current liabilities	$ 1,001,572	$ 304,793	$ 324,632	$ 996,179	$ 5,911,705
Noncurrent liabilities	-	1,897,005	-	-	21,324,714
Amounts payable to the university	38,807,846	913,194	-	29,182,946	-
Total liabilities	39,809,418	3,114,992	324,632	30,179,125	27,236,419
Net investment in capital assets	(3,881,992)	(160,513)	358,036	(5,201,454)	31,634,579
Unrestricted	748,909	2,152,228	(246,535)	297,532	(22,866,127)
Total net position	(3,133,083)	1,991,715	111,501	(4,903,922)	8,768,452
Total liabilities and net position	$ 36,676,335	$ 5,106,707	$ 436,133	$ 25,275,203	$ 36,004,871

Note 7 - Subsequent Events

In February 2016, the university entered into Memorandum of Understanding to issue loans totaling $30,000,000 to Campus Partners to finance the redevelopment of properties adjacent to the university's main campus at 15th Ave and High Street. Campus Partners has taken two draws on this loan during 2017. In July 2016, Campus Partners made a $750,000 draw. In October 2016, Campus Partners made a $1,100,000 draw.

In December 2016, the university loaned Campus Partners $759,786. The loan covered three MOU's and was an addition to the Real Estate IV loan.

In December, Campus Partners swapped a property for three properties. The property that was swapped was recently built by Campus Partners. The cost of the construction was $3,455,259. The entire cost at June 30, 2016 was in construction in process.

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Report of Independent Accountants

To The Ohio State University, and
Campus Partners for Community Urban Redevelopment and Subsidiaries:

We have performed the procedures enumerated in Exhibit 1, which were agreed to by Campus Partners for Community Urban Redevelopment and Subsidiaries ("Campus Partners") and the administration of The Ohio State University (the "University") (collectively, the "Specified Parties"), solely to assist you in evaluating the appropriateness of certain accounting records maintained by Campus Partners for the year ended June 30, 2016. Campus Partners' management is responsible for the completeness and accuracy of the underlying accounting records related to these activities. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Exhibit 1 either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the appropriateness of accounting records of Campus Partners. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Specified Parties, and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

December 15, 2016

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Exhibit 1

Rent Roll

1. We obtained the following reports from Campus Partners management: South Campus Gateway, LLC Retail monthly cash rent roll, MRI rent roll and the annual straight-line rent roll summary.

2. We recalculated the subtotals and totals within the above referenced rent rolls and rent roll summary for mathematical accuracy. No exceptions were noted.

3. We agreed the subtotals for Monthly Base Rent, Percentage Rent Income, Monthly Expense Recovery, Monthly Real Estate Tax Recovery, and Promotional Exp Reimb, per the monthly cash rent roll, to the Campus Partners June 30, 2016 general ledger. No exceptions were noted.

4. We performed the following for the 10 leases listed in Attachment 2:

    a. We obtained the tenant's lease folder, which includes the tenant's original executed lease agreement and any subsequent modifications / amendments. No exceptions were noted.

    b. We observed whether or not the monthly cash rent roll specifies charges for operating expense recoveries, real estate tax expense recoveries, promotional expense reimbursement, and percentage rent income. If the monthly cash rent roll specified such charges, we performed the following:

        i. Inspected the tenant's lease folder and confirmed (i.e., yes/no) whether or not the lease permits the recovery. No exceptions were noted as a result of performing this procedure.

        ii. Agreed the monthly charges for operating expense recoveries, real estate tax expense recoveries, and promotional expense reimbursement per the monthly cash rent roll to the MRI rent roll. No exceptions were noted.

    c. For lease selections that contain base rent steps during the lease term, as identified within the lease folder, we performed the following:

        i. Compared and agreed the "rent commencement date", "lease expiration date," and "suite square footage" as identified in the tenant's lease folder to the annual straight-line rent roll summary. No exceptions were noted other than as identified below:

            1. Rent commencement date –

                a. Lease Selection #4 – The tenant lease folder stipulates a rent commencement date of 9/7/2015, while the annual straight-line rent roll summary stipulates a rent commencement date of 9/15/2015.

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b. Lease Selection #10 – We were unable to obtain support within the tenant lease folder to validate the rent commencement date of 12/1/2011 as stipulated in the annual straight-line rent roll summary. As a result, we were unable to perform this procedure for this selection.

2. Lease expiration date –

a. Lease Selection #10 – The lease agreement defines the lease expiration date as the last day of the 120th full calendar month after the rent commencement date. As described above, we were unable to obtain support within the tenant lease folder to validate the rent commencement date; therefore we could not determine the exact lease expiration date based on the information contained within the tenant lease folder. As a result, we were unable to perform this procedure for this selection.

ii. Compared and agreed the monthly 2016 base rent per the annual straight-line rent roll summary to the tenant's lease folder. When comparing current year base rent, we considered current year base rent steps, as applicable. No exceptions were noted other than as identified below:

1. Lease Selection #4 – The tenant lease folder stipulates a rent commencement date of 9/7/2015, while the annual straight-line rent roll summary stipulates a rent commencement date of 9/15/2015. As a result, the tenant's pro-rated base rent amount for the month of September 2015 is $6,667 per the tenant lease folder and $4,444 per the annual straight-line rent roll summary, resulting in a difference of $2,222.

iii. Compared and agreed the next contractual rent step date and amount (i.e., base rent increase) per the annual straight-line rent roll summary to the selections lease folder. No exceptions were noted.

d. For lease selections in which base rent is flat during the lease term (i.e., no rent steps), as identified within the lease folder, we performed the following:

i. Compared and agreed the "rent commencement date", "lease expiration date," and "suite square footage" as identified in the tenant's lease folder to the annual straight-line rent roll summary. No exceptions were noted.

ii. Compared and agreed the monthly 2016 base rent, per the MRI rent roll to the tenant's lease folder. No exceptions were noted.

5. We performed the following for each of the 25 tenant monthly cash remittances listed in Attachment 3:

a. Obtained a copy of the tenant's cleared rent check and remittance statement or monthly MRI statement. No exceptions were noted.

b. Compared and agreed the check's total to the remittance statement or monthly MRI statement. No exceptions were noted.

c. Compared cash remitted for Monthly Base Rent, Percentage Rent Income, Monthly Expense Recovery, Monthly Real Estate Tax Recovery, and Promotional Exp Reimb, per the tenant's remittance statement or monthly MRI statement to the corresponding month per the monthly cash rent roll. No exceptions were noted.

Expense Testing

6. We obtained the June 30, 2016 consolidated Campus Partners trial balance.

7. We obtained the supporting subledgers for the 10 general ledger accounts listed in Attachment 4 from management and performed the following:

    a. Recalculated the totals of each selected subledger for mathematical accuracy and compared each subledger's June 30, 2016 balance to the consolidated trial balance for mathematical accuracy. No exceptions were noted.

    b. For the 25 selected transactions listed in Attachment 4 we performed the following procedures:

        i. Obtained a copy of the invoice or alternative supporting documentation for each selection.

        ii. Compared and agreed the dollar amount per the invoice or alternative supporting documentation to what is reported in the subledger. No exceptions were noted.

        iii. We obtained a copy of the cleared check settling the transaction and compared and agreed the dollar amount of the check to the invoice or alternative supporting documentation. No exceptions were noted.

        iv. Based upon inspection of the invoice or alternative supporting documentation, we confirmed whether the invoice or alternative supporting documentation was appropriately expensed (i.e., the charge should have been capitalized in accordance with U.S. GAAP and was recognized in the appropriate period). No exceptions were noted other than the following:

            1. Selection #1 related to legal services of $1,283.85 recorded by management in FY16; however the invoice indicated services were rendered in FY15.

            2. Selection #4 related to professional fees recorded by management in FY16; however the recorded expense of $1,062.50 included services which the invoice indicated related to a period spanning over FY15 and FY16. We did not perform additional procedures related to the allocation between fiscal years.

3. Selection #5 related to professional fees of $1,470.00 recorded by management in FY16; however the invoice indicated services were rendered and billed in FY15.

4. Selection #7 related to software support recorded by management in FY16; however the invoice indicated a one year service period, spanning into FY17. The portion of expense related to FY17 services should be recognized as prepaid expense as of year-end.

Third Party Real Estate Transactions

8. We obtained from management, a listing of third party real estate transactions during the fiscal year ended June 30, 2016, in excess of $250 thousand and perform the following procedures in relation to those transactions:

    a. We obtained evidence of authorization by University management. No exceptions were noted.

    b. We compared and agreed the dollar amount of recorded transaction per the accounting records to related third party agreements. No exceptions were noted.

Debt

9. We confirmed the dollar amount of debt owed by Campus Partners with The Ohio State University as of June 30, 2016. No exceptions were noted.

10. We confirmed the dollar amount of third party debt owed by Campus Partners with the third party as of June 30, 2016. No exceptions were noted.

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Dave Yost • Auditor of State

THE OHIO STATE UNIVERSITY CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 17, 2017

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