Campus Partners for Community Urban Redevelopment and Subsidiaries

(A component unit of The Ohio State University)

Consolidated Financial Statements
as of June 30, 2017 and for the year then ended
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 Auditors* of the Campus Partners for Community Urban Redevelopment and Subsidiaries, Franklin County, prepared by PricewaterhouseCoopers LLP, for the audit period July 1, 2016 through June 30, 2017. 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
Auditor of State

January 4, 2018

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CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES
(A component unit of The Ohio State University)

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Report of Independent Auditors

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

We have audited the accompanying consolidated financial statements of Campus Partners for Community Urban Redevelopment and Subsidiaries ("Campus Partners"), a component unit of The Ohio State University, appearing on pages 12 to 29, which comprise the consolidated statements of net position as of June 30, 2017 and 2016, and the related consolidated statement of revenue, expenses, and other changes in net position and of cash flows for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Campus Partners' basic consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Campus Partners as of June 30, 2017 and 2016, and the changes in net position and cash flows for the year ended June 30, 2017 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The accompanying management's discussion and analysis on pages 3 through 11 is required by accounting principles generally accepted in the United States of America to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated December 20, 2017 on our consideration of Campus Partners' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended June 30, 2017. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Campus Partners' internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

December 20, 2017

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

About Campus Partners

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

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

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

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

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

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

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

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

About the Financial Statements

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

The **Consolidated Statement of Net Position** is Campus Partners' balance sheet. It reflects the total assets, liabilities and net position (equity) of Campus Partners as of June 30, 2017, with comparative information as of June 30, 2016. Liabilities due within one year, and assets available to pay those liabilities, are classified as current. Other assets and liabilities are classified as non-current. Capital assets -- which consist primarily of the Gateway retail space on North High Street, related tenant improvements, properties held for redevelopment and construction in progress -- are shown net of accumulated depreciation. Net position is grouped in the following categories:

- Net investment in capital assets
- Unrestricted

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

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

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

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

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

Financial Highlights

Total net position for Campus Partners decreased $13.3 million in Fiscal Year 2017, primarily due to repayment of an $8.9 million grant to the university's Wexner Medical Center. During 2017, Campus Partners completed construction of a $24.8 million outpatient medical facility at 1800 Zollinger Road, which has been leased to the Wexner Medical Center, and sold an office building at 700 Ackerman Road to the university for $8.8 million. In addition, Campus Partners began work on infrastructure for the 15th & High redevelopment project and received loans of $9 million from the university and $150,000 from University Residences OSU Central LLC (Edwards) to fund the project. Project expenditures for 2017 totaled $5.7 million.

The following sections provide additional details on Campus Partners' 2017 financial results and a look ahead at significant economic conditions that are expected to affect the organization in the future.

Statements of Net Position

	2017	2016
Cash and restricted cash	$ 7,349,011	$ 6,333,529
Accounts, grants and notes receivable	1,646,968	1,792,811
Inventory and prepaid expenses	106,399	162,407
Total current assets	9,102,378	8,288,747
Notes receivable	2,612,739	2,697,005
Money held in escrow	-	360,000
Capital assets, net	88,260,489	91,652,642
Unamortized leasing costs, net	478,279	413,355
Total noncurrent assets	91,351,507	95,123,002
Total assets	$ 100,453,885	$ 103,411,749
Accounts payable and accrued expenses	$ 5,704,286	$ 6,837,919
Current portion of loans payable to university	1,293,595	1,116,775
Advance from university	903,923	913,194
Unearned income -- current portion	1,348,182	1,350,371
Other current liabilities	209,604	263,091
Total current liabilities	9,459,590	10,481,350
Loans payable to university	75,696,984	66,874,017
Other loans payable	1,962,318	1,897,005
Unearned income -- noncurrent portion	23,797,640	21,324,714
Total noncurrent liabilities	101,456,942	90,095,736
Total liabilities	110,916,532	100,577,086
Net investment in capital assets	10,215,987	22,748,656
Unrestricted	(20,678,634)	(19,913,993)
Total net position	(10,462,647)	2,834,663
Total liabilities and net position	$ 100,453,885	$ 103,411,749

Total Campus Partners **cash and restricted cash** increased $1 million, to $7.3 million at June 30, 2017, primarily due to cash from operations offset by capital spending, most of which was financed by university loans. Amounts shown as restricted cash consist of tenant security deposits, which are released from restriction upon expiration of the tenant leases. The Consolidated Statement of Cash Flows, which is discussed in more detail below, provides additional information on sources and uses of Campus Partners' cash.

Accounts receivable, net of allowances -- which consist primarily of straight-line rent receivables, accounts receivable from tenants at South Campus Gateway, and accounts receivable from Gateway Film Center customers -- decreased $148,000, to $1.2 million at June 30, 2017, reflecting decreases in accounts receivable from tenants at South Campus Gateway. **Notes receivable**, which consists of notes receivable from property development companies were relatively stable in 2017, decreasing $83,000, to $2.7 million at June 30, 2017.

Capital assets, net of accumulated depreciation, decreased $3.4 million, to $88.3 million at June 30, 2017. Capital additions for the 15^{th} & High redevelopment project, which totaled $5.7 million in 2017, were offset by the sale of the 700 Ackerman building ($8.8 million) and current depreciation expense ($3.2 million). The most significant project completed in 2017 was a $24.8 million outpatient medical facility at 1800 Zollinger Road. Campus Partners' estimated future capital commitments, based on contracts and purchase orders, total approximately $7.1 million at June 30, 2017.

Accounts payable and accrued expenses decreased $1.1 million, to $5.7 million at June 30, 2017, primarily due to a reduction in outstanding invoices related to capital expenditures.

Unearned income increased $2.5 million, to $25.1 million at June 30, 2017, primarily due to $3.3 million in prepayments of rent for 1800 Zollinger Road by the Wexner Medical Center, offset by $1 million recognized as rental income during the first year of the lease. The total prepaid rent will be recognized as rental income over the 25-year term of the lease, which includes a 5-year bargain renewal option.

Loans payable to the university increased $9 million, to $77 million at June 30, 2017. During 2017, Campus Partners made four draws of loan funds for the 15^{th} & High redevelopment project, totaling $9 million. An additional draw of $759,000 for real estate acquisitions was offset by principal payments of $710,000.

Statement of Revenues, Expenses and Other Changes in Net Position

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

	2017	2016 (unaudited)
Operating Revenues:		
Rental income	$ 6,859,477	$ 4,745,300
Recovery of operating expenses	2,518,655	1,849,648
Gateway theatre sales, net	2,717,119	2,598,084
Other operating income	418,845	392,175
Total operating revenues	12,514,096	9,585,207
Operating Expenses:		
Property operating and maintenance	2,883,948	1,978,343
Impairment and demolition expense	1,888,672	-
Real estate taxes	1,822,143	994,037
Professional services	1,553,018	2,428,746
Salaries and wages	1,321,408	1,240,306
Gateway theatre film, food and beverage	1,190,162	1,086,689
Selling, general and administrative	1,184,749	3,147,104
Depreciation and amortization	3,465,244	2,623,551
Total operating expenses	15,309,344	13,498,776
Net operating loss	(2,795,248)	(3,913,569)
Non-operating revenues (expenses):		
Grants and contributions from university	-	11,880,000
Repayment of grant from university	(8,850,000)	-
Interest expense	(1,154,194)	(1,214,678)
Other non-operating revenue (expense)	(497,868)	(342,707)
Net non-operating revenue (expense)	(10,502,062)	10,322,615
Income (loss) before other changes in net position	(13,297,310)	6,409,046
Other changes in net position:		
Forgiveness of debt by university	-	3,789,200
Increase (decrease) in net position	(13,297,310)	10,198,246
Net position -- beginning of year	2,834,663	(7,363,583)
Net position -- end of year	$ (10,462,647)	$ 2,834,663

Rental income -- which includes income from leases at South Campus Gateway as well as other properties held by Medstone and Redstone -- increased $2.1 million, to $6.9 million in 2017. The increase relates primarily to first-year recognition of rental income for 1800 Zollinger Road and rental income from 700 Ackerman. **Recovery of operating expenses** increased $669,000, to $2.5 million in 2017, reflecting an increase in recoveries of common area maintenance expenses billed to tenants at the South Campus Gateway. Sales of tickets, food and beverages at the **Gateway Theatre** were relatively stable, increasing $119,000, to $2.7 million in 2017.

Property operating and maintenance expenses increased $900,000, to $2.9 million in 2017. The increase is primarily due to operating expenses at 700 Ackerman. **Impairment and demolition expense** increased $1.9 million. The increase is primarily due to demolition of properties on High Street. **Real estate taxes** increased $828,000, to $1.8 million in 2017, reflecting an increase in property value for many properties held by Redstone and real estate taxes for the Medstone properties. The increase in real estate taxes was offset by a $876,000 decrease in **professional services** expenses, which totaled $1.6 million in 2017. **Selling, general and administrative expenses** decreased $2 million, to $1.2 million in 2017, primarily due to a decrease in rent expense. **Depreciation and amortization expense** increased $842,000, to $3.5 million in 2017, primarily due to first-year recognition of depreciation associated with the 1800 Zollinger Road property.

Total non-operating revenue (expense) swung from a net revenue of $10.5 million in 2016 to a net expense of $10.5 million in 2017. The bulk of the change relates to transactions with the university, including $11.9 million of **grants and contributions from the university** in 2016 and an $8.9 million **return of grant funds to the university** in 2017.

Statement of Cash Flows

Summary Statement of Cash Flows

	2017	2016 (unaudited)
Net cash provided by operating activities	$ 4,869,270	$ 17,769,458
Net cash provided (used) by noncapital financing activities	(724,787)	307,754
Proceeds from notes payable and university loans	9,859,786	15,060,200
Proceeds from sale of capital assets	9,171,877	3,719,511
Capital grant from university	-	8,850,000
Repayment of grant from university	(8,850,000)	-
Payments for purchase or construction of capital assets	(11,209,745)	(38,196,101)
Principal and interest payments on university loans	(1,835,428)	(7,555,706)
Deferred leasing costs	(304,514)	(204,522)
Net cash provided by investing activities	39,023	90,928
Net increase (decrease) in cash and restricted cash	$ 1,015,482	$ (158,478)

Campus Partners cash and cash equivalents increased $1 million during 2017. Net cash flows from operating activities decreased $12.9 million, to $4.9 million, primarily reflecting 2016 receipts of prepaid rent from the Wexner Medical Center. Net cash flows from noncapital financing activities swung from a net inflow of $308,000 to a net outflow of $725,000, primarily due to the remittance of net income on 700 Ackerman to the Wexner Medical Center in 2017. Net cash used by capital financing activities decreased $15.2 million, to $3.2 million in 2017, reflecting lower levels of capital expenditures (down $27.0 million) and a reduction in principal and interest payments on university loans (down $5.7 million), which were partially offset by the 2017 repayment of the $8.9 million grant that Campus Partners received from the university in 2016.

Economic Factors That Will Affect the Future

South Campus Gateway is responsible for about 50% of the revenue at Campus Partners. The revenue at South Campus Gateway is reliant on the rental income of its tenants. Due to the increased interest in the campus area, and specifically in the area near South Campus Gateway, the rents at South Campus Gateway are expected to remain strong. This will allow Campus Partners to meet the debt obligations and help fund redevelopment of the campus area.

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

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

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

CONSOLIDATED STATEMENTS OF NET POSITION

AS OF JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Current Assets:		
Cash	$ 7,224,103	$ 6,235,524
Restricted Cash	124,908	98,005
Accounts receivable - net of allowances for doubtful accounts of $338,003 and $293,160	1,167,631	1,315,139
Grants receivable	395,071	395,071
Notes receivable - current portion	84,266	82,601
Inventory and prepaid expenses	106,399	162,407
Total Current Assets	9,102,378	8,288,747
Noncurrent Assets:		
Notes receivable	2,612,739	2,697,005
Money held in escrow	-	360,000
Capital assets, net	88,260,489	91,652,642
Unamortized leasing costs, net	478,279	413,355
Total Noncurrent Assets	91,351,507	95,123,002
Total Assets	$ 100,453,885	$ 103,411,749
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accounts payable	$ 2,289,350	$ 3,900,381
Accrued expenses	3,414,936	2,937,538
Current portion of loans payable to university	1,293,595	1,116,775
Current portion of loans payable	84,687	82,601
Advance from university	903,923	913,194
Unearned income - current portion	1,348,182	1,350,371
Rent and constructon deposits	124,917	180,490
Total Current Liabilities	9,459,590	10,481,350
Noncurrent Liabilities:		
Loans payable to university	75,696,984	66,874,017
Loans payable	1,962,318	1,897,005
Unearned income - noncurrent portion	23,797,640	21,324,714
Total Noncurrent Liabilities	101,456,942	90,095,736
Total Liabilities	110,916,532	100,577,086
Net Position:		
Net investment in capital assets	10,215,987	22,748,656
Unrestricted	(20,678,634)	(19,913,993)
Total Net Position	(10,462,647)	2,834,663
Total Liabilities and Net Position	$ 100,453,885	$ 103,411,749

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

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES
(A component unit of The Ohio State University)
CONSOLIDATED STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

		2017
Operating Revenues		
Rental income	$	6,859,477
Recovery of operating expenses		2,518,655
Gateway theatre sales		2,717,119
Other operating income		418,845
Total Operating Revenues		12,514,096
Operating Expenses		
Property operating and maintenance		2,883,948
Impairment and demolition expense		1,888,672
Real estate taxes		1,822,143
Professional services		1,553,018
Salaries and wages		1,321,408
Gateway theatre film, food and beverage		1,190,162
Selling, general and administrative		1,184,749
Depreciation and amortization		3,465,244
Total Operating Expenses		15,309,344
Net Operating Loss		(2,795,248)
Non-Operating Revenues (Expenses):		
Non-capital grants income		103,886
Interest income		103,475
Gain on sale of assets		435,511
Non-capital grant expense		(1,140,740)
Interest expense		(1,154,194)
Repayment of grants from university		(8,850,000)
Total Non-Operating Revenue (Expense)		(10,502,062)
Decrease in Net Position		(13,297,310)
Net Position - Beginning of Year		2,834,663
Net Position - End of Year	$	(10,462,647)

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

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

		2017
Cash Flows from Operating Activities:		
Receipts from tenants	$	12,456,815
Receipts from Gateway theatre		2,684,405
Payments to employees		(1,334,779)
Payments to vendors for supplies and services		(8,937,171)
Net cash provided by operating activities		4,869,270
Cash Flows from Noncapital Financing Activities:		
Cash paid non-capital grants to university		(913,108)
Cash received money held in escrow		360,000
Principal payments on non-capital notes payable		(91,872)
Cash received on non-capital notes receivable		82,601
Interest payments on non-capital notes payable		(38,664)
Cash received non-capital grants		103,887
Cash paid non-capital grants		(227,631)
Net cash used by noncapital financing activities		(724,787)
Cash Flows from Capital Financing Activities:		
Proceeds from university loans		9,709,786
Proceeds from notes payable		150,000
Principal payments on university loans		(710,000)
Payments for purchase or construction of capital assets		(11,209,745)
Proceeds from sale of capital assets		9,171,877
Repayment of grants from university		(8,850,000)
Deferred leasing costs		(304,514)
Interest payments on university loans		(1,125,428)
Net cash used by capital financing activities		(3,168,024)
Cash Flows from Investing Activities:		
Interest income		39,023
Net cash provided by investing activities		39,023
Net Increase in Cash and restricted cash		1,015,482
Cash and restricted cash - Beginning of Year		6,333,529
Cash and restricted cash - End of Year	$	7,349,011

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

Reconciliation of Net Operating Loss to Cash Provided by Operations:		
Net operating loss	$	(2,795,248)
Adjustments to reconcile net operating loss		
to cash provided by operations:		
Depreciation and amortization expense		3,465,244
Bad debt expense		44,843
Impairment and demolition expense		1,720,159
Changes in assets and liabilities:		
Accounts receivable		102,665
Inventory and prepaid expenses		56,008
Accounts payable		170,175
Accrued expenses		(309,740)
Rent and construction deposits		(55,573)
Unearned income		2,470,737
Net cash provided by operating activities	$	4,869,270
Non Cash Transactions:		
Construction in Process in Accounts Payable and Accrued Expenses	$	3,492,230

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

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Basis of Presentation

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

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

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

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

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

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

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

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

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

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

Basis of Accounting

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

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

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

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

Cash

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

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

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

Campus Partners, as a lessor, has retained substantially all of the risks and benefits of ownership and accounts for its leases as operating leases. Certain tenant leases provide for increases in minimum rental payments and for occupancy in periods where no rent is due. Campus Partners recognizes such rental revenue monthly on a straight-line basis over the contractual term of the leases. The expected straight-line rental income in excess of rents currently due under such lease agreements is recorded as an unbilled rent receivable. These receivables totaled $263,769 and $321,232 at June 30, 2017 and 2016, respectively. Certain operating leases contain contingent rent provisions under which tenants are required to pay, as additional rent, a percentage of their sales in excess of a specified amount. Campus Partners defers recognition of contingent rental revenue until those specified sales targets are met and notification is received from the tenant.

The accounts receivable balances include accrued interest of $532,053 and $467,601 at June 30, 2017 and 2016, respectively. These amounts relate primarily to interest on one note receivable. Management does not believe the related interest receivable will be fully collected and has reserved allowances for bad debt of $185,083 at June 30, 2017 and 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.

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

Unamortized Leasing Costs

Unamortized leasing costs consist principally of lease origination costs. Lease origination costs consist of commissions paid to third parties and other direct costs related to leasing activities. These costs are amortized on a straight-line basis over the terms of the respective lease agreement. Accumulated amortization totaled $859,972 and $620,137 at June 30, 2017 and 2016, respectively.

Unearned Income

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

Rent and Construction Deposits

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

Operating Revenues and Revenue Recognition

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

Income Taxes

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

Management Estimates

The preparation of financial statements in conformity with accounting principles, generally accepted in the United States of America, requires the use of management estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures during the reported period. The most significant estimates and assumptions relate to the valuation of capital assets, including the assessment of impairments and depreciable lives, and the collectability of accounts and notes receivable. Actual results could differ from those estimates.

Newly Issued Accounting Pronouncements

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This standard addresses a variety of practice issues identified during implementation and application of certain GASB Statements. It provides guidance on blending of component units (confirming limited applicability of blended presentation for BTAs), accounting for goodwill acquired prior to the issuance of GASB 69, accounting for real estate held for investment by insurance entities, clarification of circumstances in which money-market investments may be valued at amortized cost, and various technical fixes related to the implementation of the new OPEB standards. This standard is effective for periods beginning after June 15, 2017.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This standard provides guidance on in-substance defeasance of debt, in which a government uses its existing resources (not the proceeds of refunding debt) to establish an irrevocable trust for the sole purpose of extinguishing debt. The accounting, reporting and disclosures for defeasance transactions, including reporting of gains and losses, generally will be consistent, regardless of the source of the funds used to defease the debt. This standard is effective for periods beginning after June 15, 2017.

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

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

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

Campus Partners management is currently assessing the impact that implementation of GASB Statements 83, 84, 85, 86, and 87 will have on Campus Partners' financial statements.

NOTE 2 – CAPITAL ASSETS

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

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

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

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, 2017 are as follows:

Years Ending June 30	
2018	$ 3,583,054
2019	3,353,139
2020	3,127,337
2021	2,555,045
2022	2,111,459
2023-2027	6,415,575
Total	$ 21,145,609

NOTE 4 – LONG-TERM DEBT

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

In October 2013, Campus Partners entered into the Retail Note with the university, the proceeds of which were used to fund property acquisitions in the South Campus Gateway. Under the terms of the original Retail Note, total principal was $39,611,154, the note bears interest at 4.5% per annum, and the note has a ten year term, with a final balloon principal payment due in April 2023. Campus Partners and the university agreed to amend the Retail Note in October 2014, October 2015 and again in March 2017. During fiscal year 2017, Campus Partners made interest only payments to the university at an interest rate of 2.9% per annum. Under the terms of the March 2017 amended Retail Note, beginning in July 2017 Campus Partners will make principal only payments of $1,293,595 per annum and the note will not bear interest. The term of note will be 30 years, maturing in June 2047.

In August 2013, Campus Partners entered into the Real Estate Note with the university, the proceeds of which were used to fund multiple property acquisitions in the campus area. Under the terms of the Real Estate Note, total principal was $19,866,144, and the note does not bear any contractual interest. Campus Partners is required to make payments on the note when the properties associated with the note are sold or leased. Any net proceeds from a sale or lease of the associated properties is required to first be used to repay the note. In May 2016, the university forgave $3,789,200 of the Real Estate note for losses on related property sales and exchanges. The total outstanding principal balance at June 30, 2017 was $13,022,746.

In December 2014, Campus Partners entered into the Real Estate IV Note with the university. Subsequently, from February 2015 through December 2016, Campus Partners and the university have entered into 17 MOUs as addendums to the Real Estate IV Note, whereby Campus Partners has borrowed a total of $18,046,336 from the university. Campus Partners utilized the proceeds from each individual borrowing to finance a property acquisition and related acquisition expenses. As with the Real Estate Note, the repayment terms of the Real Estate IV Note are linked to the subsequent sale or lease of the properties acquired with the note proceeds. Any net proceeds from a sale or lease of the associated propertied is required to first be used to repay the note. The Real Estate IV Note does not bear any contractual interest. The total outstanding principal balance at June 30, 2017 was $16,209,987.

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. This note will mature in April 2021.

In August 2015, Campus Partners entered into a cooperation agreement with Edwards. As part of the agreement, Edwards agreed to lend up to $2,000,000 to Campus Partners to offset a portion of the costs to be incurred by Campus Partners in performing certain infrastructure improvements. The $2,000,000 will be paid to Campus Partners in four payments, contingent on completion of various phases of the project. Campus Partners received the first payment of $150,000 in March 2017. The principal will be repaid by Campus Partners using Tax Increment Financing and does not bear interest.

In February 2016, the university entered into Memorandum of Understanding to issue loans not to exceed $30,000,000 to Campus Partners to finance the redevelopment of properties adjacent to the university's main campus at 15th Ave and High Street. Through June 30, 2017, Campus Partners has made draws totaling $8,950,000. The loan does not bear interest and repayment terms have not been set.

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

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

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

Years Ending June 30	Principal	Interest	Total
2018	$ 1,378,282	$ 36,889	$ 1,415,171
2019	1,379,988	35,183	1,415,171
2020	1,381,729	33,443	1,415,172
2021	2,931,387	26,475	2,957,862
2022	1,293,595	-	1,293,595
2023-2027	6,467,974	-	6,467,974
2028-2032	6,467,974	-	6,467,974
2033-2037	6,467,974	-	6,467,974
2038-2042	6,467,974	-	6,467,974
2043-2047	6,467,974	-	6,467,974
Total	$ 40,704,851	$ 131,990	$ 40,836,841

NOTE 5 – RELATED PARTY TRANSACTIONS

One June 26, 2012, Campus Partners has entered into the 5th amendment to the ground lease with the university for the South Campus Gateway land. The 5th amendment allows for the land to be ground leased for $1 a year until December 31, 2043. Campus Partners manages the common area at the South Campus Gateway. The common areas are used and the expense is billed back to the office and residential areas of the South Campus Gateway, both of which are managed by the university. As a result, Campus Partners bills the university for its portion of the maintenance. In addition, Campus Partners leases retail space to the university. Accounts receivable due from university tenants for the years ended June 30, 2017 and June 30, 2016 were $117,667 and $62,410, respectively. Accounts payable due to university tenants for the years ended June 30, 2017 and June 30, 2016 were $233,072 and $140,632, respectively. Rental income and recovery of operating expenses for university tenants for the year ended June 30, 2017 were $462,164 and $1,044,927, respectively. University employees support the day-to-day operations and provide managerial oversight to Campus Partners. The value of these services constitutes additional in-kind income to Campus Partners but is not reported in Campus Partners' financial statements.

In June 2014, the university advanced Campus Partners $1,130,000. The advance was used to purchase two properties to support community redevelopment in the Weinland Park district. The advance is to be repaid by any future income associated with these properties, or alternatively is reduced by any operating costs incurred related to owning the properties. In October 2015, one of the properties was sold and the proceeds were paid to the university to be applied against the advance. At June 30, 2017, the remaining unpaid balance of the advance is $903,923, 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 an additional 5-year bargain renewal option, with Campus Partners related to the occupancy of the facility. Per the terms of the lease, $20,867,000 of the scheduled rent payments were used by Campus Partners towards the construction of the facility. The building went into service on July 14, 2016. Campus Partners recorded the grant and lease prepayments as unearned income on the consolidated statement of net position. During 2017, Campus Partners recorded $1,034,680 of rental income on this property.

In April 2016, the Medical Center provided a $8,850,000 grant contract to Campus Partners. The grant was used to acquire an office building in June 2016, which was occupied by university and non-university tenants. Rental income and recovery of operating expenses for university tenants for the year ended June 30, 2017 were $1,283,828 and $200,570, respectively. 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. Total net income transferred to the Medical Center for the year ending June 30, 2017 was $913,108, which has been recorded as non-capital grant expense.

In March 2017, Campus Partners sold the property to the Medical Center for $8,850,000, resulting in a gain on the sale of $158,041 which has been recorded in non-operating revenue. Following the sale, Campus Partners repaid the original grant of $8,850,000 to the Medical Center. This repayment has been recorded in non-operating expenses.

NOTE 6 – COMBINING INFORMATION FOR COMPONENT UNITS

As indicated in the Basis of Presentation in Note 1, Campus Partners consolidates several component units in a blended presentation. Condensed combining financial information for the year ended June 30, 2017 is presented below.

	South Campus Gateway LLC	Campus Partners for Affordable Housing LLC	The Gateway Theatre LLC	Redstone Realty LLC	Medstone Realty LLC
Condensed statements of net position:					
Current assets	1,344,371	1,649,366	90,086	5,215,742	802,813
Capital assets, net	33,962,168	536,293	320,785	28,558,708	24,882,535
Other assets	478,281	2,612,737	-	-	-
Total assets	35,784,820	4,798,396	410,871	33,774,450	25,685,348
Current liabilities	1,145,793	339,651	428,044	3,543,302	1,805,282
Noncurrent liabilities	-	1,812,739	-	150,000	23,797,219
Amounts payable to the university	38,807,846	903,923	-	38,182,733	-
Total liabilities	39,953,639	3,056,313	428,044	41,876,035	25,602,501
Net investment in capital assets	(4,845,677)	(367,631)	320,785	(9,774,025)	24,882,535
Unrestricted	676,858	2,109,714	(337,958)	1,672,440	(24,799,688)
Total net position	(4,168,819)	1,742,083	(17,173)	(8,101,585)	82,847
Total liabilities and net position	35,784,820	4,798,396	410,871	33,774,450	25,685,348

	South Campus Gateway LLC	Campus Partners for Affordable Housing LLC	The Gateway Theatre LLC	Redstone Realty LLC	Medstone Realty LLC
Condensed statements of revenues, expenses and changes in net position:					
Operating revenues:					
Rental income	3,911,772	-	-	501,268	2,446,437
Recovery of operating expense	2,315,846	-	-	-	202,809
Other operating	166,040	221,616	2,717,119	-	31,189
Total operating revenues	6,393,658	221,616	2,717,119	501,268	2,680,435
Operating expenses, excluding depreciation	3,833,533	687,268	3,085,104	3,581,793	656,402
Depreciation expense	2,063,236	39,414	107,865	278,241	976,488
Total operating expenses	5,896,769	726,682	3,192,969	3,860,034	1,632,890
Net operating income (loss)	496,889	(505,066)	(475,850)	(3,358,766)	1,047,545
Non-operating revenues and expenses:					
Interest income	-	103,117	-	358	-
Interest expense	(1,125,427)	(28,767)	-	-	-
Other non-operating revenue (expense)	(407,198)	181,084	347,176	160,745	(9,733,150)
Net non-operating revenue (expense)	(1,532,625)	255,434	347,176	161,103	(9,733,150)
Change in net position	(1,035,736)	(249,632)	(128,674)	(3,197,663)	(8,685,605)
Beginning net position	(3,133,083)	1,991,715	111,501	(4,903,922)	8,768,452
Ending net position	(4,168,819)	1,742,083	(17,173)	(8,101,585)	82,847

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

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- IMPAIRMENT OF ASSETS

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

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Capital Commitments
As of June 30, 2017, Campus Partners is committed to future contractual obligations for capital expenditures related to the 15th & High redevelopment project of approximately $7,113,770.

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

Concentration of Credit Risk
For the year ended June 30, 2017, Campus Partners had rental income generated from two tenants, which represented greater than 10% of Campus Partners' rental income. For the year ended June 30, 2017, rental income from these two tenants was $1,154,774 and $1,034,680, respectively and represented 16.8% and 15.1% of rental income, respectively.

NOTE 9 – SUBSEQUENT EVENTS

On August 25, 2017, the university entered into a Memorandum of Understanding (MOU) with Campus Partners to provide $1,500,000 in grant funds and a $1,000,000 internal loan related to the 15th & High redevelopment project. The grant funds are intended to cover property assemblage and planning services and future tenant improvement costs associated with the project. $1,000,000 of the grant funds was disbursed to Campus Partners September 7, 2017; the remainder will be disbursed over the next 12 months. The internal loan is intended to fund schematic design fees for the buildings to be constructed at 15th & High. The loan funds will be provided in tranches, based on Campus Partners' requests for funding. Repayment terms for the internal loan will be determined in a separate MOU.

On October 9, 2017, Campus Partners entered into an agreement to purchase a real estate parcel on 14th Avenue. The purchase agreement required Campus Partners to make an earnest money deposit of $750,000. The deposit was made on October 13, 2017. Campus Partners has applied for and been granted an additional loan from the university of $3,760,000 to fund the acquisition of the property. Repayment of the loan is required when the property associated with this loan is either sold or leased.

On November 24, 2017, Campus Partners received a $3,000,000 loan from the university. The loan was received by Campus Partners to continue to finance the redevelopment of properties adjacent to the university's main campus at 15th Avenue and High Street. The loan was part of the Memorandum of Understanding entered into in February 2016.

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Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Campus Partners for Community Urban Redevelopment and Subsidiaries ("Campus Partners"), a component unit of The Ohio State University, appearing on pages 12 to 29, which comprise the consolidated statement of net position as of June 30, 2017, and the related consolidated statement of revenue, expense, and other changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

PricewaterhouseCoopers LLP

December 20, 2017

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 16, 2018