

**Campus Partners for Community Urban
Redevelopment and Subsidiaries**

(A component unit of The Ohio State University)

Consolidated Financial Statements

As of and for the Years Ended June 30, 2019 and 2018
and Report of Independent Auditors

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Directors
Campus Partners for Community Urban Redevelopment and Subsidiaries
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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, 2018 through June 30, 2019. 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.

A handwritten signature in black ink that reads 'Keith Faber'.

Keith Faber
Auditor of State
Columbus, Ohio

November 19, 2019

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

TABLE OF CONTENTS

	Page(s)
Report of Independent Auditors	1-2
Management's Discussion and Analysis.....	3-11
Consolidated Financial Statements	
Consolidated Statements of Net Position as of June 30, 2019 and 2018	12
Consolidated Statements of Revenues, Expenses and Other Changes in Net Position for the years ended June 30, 2019 and 2018	13
Consolidated Statements of Cash Flows for the years ended June 30, 2019 and 2018.....	14-15
Notes to Consolidated Financial Statements	16-30
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 <i>Government Auditing Standards</i>	31-32

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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, which comprise the consolidated statements of net position as of June 30, 2019 and 2018, and the related consolidated statements of revenues, expenses, and other changes in net position and of cash flows for the years then ended, and the related notes to the consolidated financial statements, which collectively comprise Campus Partners’ basic consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

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

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



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Campus Partners for Community Urban Redevelopment and Subsidiaries as of June 30, 2019 and 2018, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

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 October 31, 2019 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, 2019. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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

October 31, 2019

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019, with comparative information for the years ended June 30, 2018 and June 30, 2017. 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 Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by Statement No. 61, *The Financial Reporting Entity: Omnibus*. Campus Partners' component units and the reasons for their inclusion in the financial statements are described below:

- **South Campus Gateway, LLC** – Campus Partners is the single member of this LLC, which has general property management responsibilities for the retail and office space in the Gateway development.
- **Campus Partners for Affordable Housing, LLC** – Campus Partners is the single member of this LLC, which operates Campus Partners and participates in revitalization initiatives in the Weinland Park neighborhood.
- **The Gateway Theatre LLC** – Campus Partners is the single member of this LLC, which operates the Gateway Film Center.
- **Redstone Realty, LLC** – Campus Partners is the single member of this LLC, which was created to participate in redevelopment activities adjacent to the university's Columbus campus, primarily at 15th & High presently.
- **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.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

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 Consolidated Statement of Net Position, a Consolidated Statement of Revenues, Expenses and Other Changes in Net Position, a Consolidated 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, 2019, with comparative information as of June 30, 2018. 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, 1800 Zollinger, an outpatient medical facility leased to the Wexner Medical Center, 15th & High properties for redevelopment and construction in process, and related tenant improvements -- 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, 2019, with comparative information for the year ended June 30, 2018, 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, 2019, with comparative information for the year ended June 30, 2018. It breaks out the sources and uses of Campus Partners' cash and restricted 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.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2019

Financial Highlights

Total net position for Campus Partners increased \$4.7 million in Fiscal Year 2019. During 2019, Campus Partners continued construction of the 15th & High redevelopment project. During the year Campus Partners received loans of \$11.1 million from the university and a \$2 million grant from the City of Columbus to fund the project. In addition, under an amended cooperation agreement University Residences OSU Central LLC (Edwards) forgave an outstanding \$2 million loan and provided additional grant funding of \$1.3 million to be spent on infrastructure improvements related to the redevelopment project. Project expenditures for 2019 totaled \$10.3 million.

The following sections provide additional details on Campus Partners' 2019 financial results and a look ahead at significant economic conditions that are expected to affect the organization in the future.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2019

Summary Statement of Net Position

Summary Statement of Net Position			
	2019	2018	2017
Cash and restricted cash	\$ 3,395,063	\$ 2,442,953	\$ 7,349,011
Accounts, grants and notes receivable	4,475,213	1,651,157	1,646,968
Inventory and prepaid expenses	125,158	104,619	106,399
Total current assets	<u>7,995,434</u>	<u>4,198,729</u>	<u>9,102,378</u>
Notes receivable	2,460,953	2,548,000	2,612,739
Money held in escrow	-	750,000	-
Capital assets, net	105,504,872	94,086,354	88,260,489
Unamortized leasing costs, net	651,157	514,597	478,279
Total noncurrent assets	<u>108,616,982</u>	<u>97,898,951</u>	<u>91,351,507</u>
Total assets	<u>\$ 116,612,416</u>	<u>\$ 102,097,680</u>	<u>\$ 100,453,885</u>
Accounts payable and accrued expenses	\$ 3,998,550	\$ 3,035,832	\$ 7,171,099
Loans payable to university -- current portion	1,293,595	1,293,595	1,293,595
Advance from university	-	899,761	903,923
Unearned income -- current portion	1,325,326	1,283,191	1,348,182
Other current liabilities	200,897	211,881	209,604
Total current liabilities	<u>6,818,368</u>	<u>6,724,260</u>	<u>10,926,403</u>
Loans payable to university	89,308,458	79,547,053	75,696,984
Other loans payable	1,660,954	3,398,000	1,962,318
Unearned income -- noncurrent portion	24,604,108	22,929,828	23,797,640
Total noncurrent liabilities	<u>115,573,520</u>	<u>105,874,881</u>	<u>101,456,942</u>
Total liabilities	<u>122,391,888</u>	<u>112,599,141</u>	<u>112,383,345</u>
Net investment in capital assets	12,993,476	9,454,078	6,723,757
Unrestricted	<u>(18,772,948)</u>	<u>(19,955,539)</u>	<u>(18,653,217)</u>
Total net position	<u>(5,779,472)</u>	<u>(10,501,461)</u>	<u>(11,929,460)</u>
Total liabilities and net position	<u>\$ 116,612,416</u>	<u>\$ 102,097,680</u>	<u>\$ 100,453,885</u>

Total Campus Partners **cash and restricted cash** increased \$952,000, to \$3.4 million at June 30, 2019, primarily due to university loans, most of which was offset by spending on the 15th & High redevelopment project. 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 and restricted cash.

Accounts receivable, net of allowances -- which consist primarily of straight-line rent receivables, accounts receivable from tenants, and accrued interest on notes receivable increased \$823,000, to \$2.4 million at June 30, 2019, reflecting increases in accounts receivable from tenants at Medstone and Redstone.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2019

As part of the 15th & High redevelopment project, the City of Columbus agreed to reimburse Campus Partners up to \$2 million for sewer and roadway improvements. These improvements were completed in 2019, resulting in a \$2 million **grant receivable** at June 30, 2019.

Notes receivable, which consists of notes receivable from property development companies, were relatively stable in 2019, decreasing \$86,000, to \$2.5 million at June 30, 2019.

Capital assets, net of accumulated depreciation, increased \$11.4 million, to \$105.5 million at June 30, 2019. Capital additions for the 15th & High redevelopment project totaled \$10.3 million in 2019. Campus Partners' estimated future capital commitments, based on contracts and purchase orders, total approximately \$17.5 million at June 30, 2019.

Accounts payable and accrued expenses increased \$963,000, to \$4.0 million at June 30, 2019, primarily due to an increase in outstanding invoices related to capital expenditures.

Advances from the university decreased \$900,000, to \$0 at June 30, 2019, reflecting the application of the proceeds of the sale of a Weinland Park property, related operating costs incurred by Campus Partners, and the recognition of grant income for the remaining balance of the advance.

Unearned income increased \$1.7 million, to \$25.9 million at June 30, 2019, due to \$2.7 million of prepaid rent from WOSU Public Media for the lease of the new WOSU building at 14th Avenue and Pearl. The increase was partially offset by the recognition of rental income for the OSU Wexner Medical Center facility at 1800 Zollinger Road. The total prepaid rent for the medical facility will be recognized as rental income over the 25-year term of the lease.

Loans payable to the university increased \$9.8 million, to \$90.6 million at June 30, 2019. During 2019, Campus Partners made three draws of loan funds for the 15th & High redevelopment project, totaling \$11.1 million. Campus Partners made \$1.3 million in principal payments on the OSU Retail loan. The retail loan was converted to a principle only loan starting in 2018.

Other loans payable decreased \$1.7 million, to \$1.7 million at June 30 2019, primarily due to the \$2 million loan forgiven under the amended cooperation agreement with Edwards.

Total net position increased by \$4.7 million, to negative \$5.8 million at June 30, 2019. The reason for the change was primarily due to two other changes in net position. \$2 million of debt was forgiven and \$3.25 million of capital grants was received during the year. These changes are explained further below.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2019

Statement of Revenues, Expenses and Other Changes in Net Position

Summary Statement of Revenues, Expenses and Other Changes in Net Position			
	2019	2018	2017
Operating Revenues:			
Rental income	\$ 4,660,039	\$ 5,210,865	\$ 6,859,477
Recovery of operating expenses	2,692,828	2,341,641	2,518,655
Gateway theatre sales, net	2,588,146	3,295,341	2,717,119
Other operating income	915,630	423,940	418,845
Total operating revenues	<u>10,856,643</u>	<u>11,271,787</u>	<u>12,514,096</u>
Operating Expenses:			
Property operating and maintenance	2,156,128	2,369,079	2,883,948
Impairment and demolition expense	-	-	1,888,672
Real estate taxes	2,115,971	1,302,281	1,822,143
Professional services	1,317,691	1,048,386	3,019,831
Salaries and wages	1,581,505	1,422,729	1,321,408
Gateway theatre film, food and beverage	1,125,048	1,475,130	1,190,162
Selling, general and administrative	685,260	706,216	1,184,749
Depreciation and amortization	3,091,442	3,247,317	3,465,244
Total operating expenses	<u>12,073,045</u>	<u>11,571,138</u>	<u>16,776,157</u>
Net operating loss	(1,216,402)	(299,351)	(4,262,061)
Non-operating revenues (expenses):			
Grants and contributions from university	-	1,856,620	-
Grants and contributions	540,338	-	-
Repayment of grant from university	-	-	(8,850,000)
Interest expense	(137,975)	(169,007)	(1,154,194)
Other non-operating revenue (expense)	286,028	39,737	(497,868)
Net non-operating revenue (expense)	<u>688,391</u>	<u>1,727,350</u>	<u>(10,502,062)</u>
Income (loss) before other changes in net position	(528,011)	1,427,999	(14,764,123)
Other changes in net position:			
Forgiveness of debt	2,000,000	-	-
Capital grant income	3,250,000	-	-
Increase (decrease) in net position	4,721,989	1,427,999	(14,764,123)
Net position -- beginning of year	<u>(10,501,461)</u>	<u>(11,929,460)</u>	<u>2,834,663</u>
Net position -- end of year	<u>\$ (5,779,472)</u>	<u>\$ (10,501,461)</u>	<u>\$ (11,929,460)</u>

Rental income -- which includes income from leases at South Campus Gateway as well as other properties held by Medstone and Redstone -- decreased \$551,000, to \$4.7 million in 2019. The decrease relates primarily to a decline in rental income at South Campus Gateway due to vacancies in the retail spaces.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2019

Recovery of operating expenses increased \$351,000, to \$2.7 million in 2019, reflecting an increase in recoveries of real estate tax at Medstone. Sales of tickets, food and beverages at the **Gateway Theatre**, decreased \$707,000, to \$2.6 million in 2019 due to lower attendance at the film center. The decline in attendance was due to the popularity of movie selection in 2019.

Other operating income, which includes Tax Increment Financing (TIF) income, lease termination fees and other miscellaneous income, increased \$492,000, to \$916,000 in 2019. The increase was due to the receipt of the first TIF income payment from the 15th & High TIF.

Property operating and maintenance expenses decreased \$213,000, to \$2.2 million in 2019. The decrease is primarily due to a reduction in expenses at South Campus Gateway. **Real estate taxes** increased \$814,000, to \$2.1 million in 2019, reflecting an increase in real estate taxes paid by Medstone. **Professional services** expenses increased by \$269,000 to \$1.3 million in 2019, due to spending on professional fees related to the 15th & High development.

Gateway theatre film, food and beverage expenses decreased by \$350,000 to \$1.1 million in 2019, reflecting the decrease in Gateway theatre ticket sales.

Depreciation and amortization expense decreased \$156,000, to \$3.1 million in 2019, primarily due properties being demolished or sold.

Total non-operating revenue decreased \$1 million to \$688,000 in 2019, primarily due to a decrease in non-capital grants.

In 2019, Campus Partners recognized other changes in net position totaling \$5.3 million. Under the amended cooperation agreement with Edwards, Campus Partners recognized **forgiveness of debt** of \$2 million and a \$1.3 million **capital grant** to fund infrastructure improvements at 15th & High. In addition, the City of Columbus provided a \$2 million capital grant for sewer and roadway improvements.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

Statement of Cash Flows

Summary Statement of Cash Flows			
	2019	2018	2017
Net cash provided (used) by operating activities	\$ 3,114,875	\$ (179,782)	\$ 4,869,270
Net cash provided (used) by non-capital financing activities	44,940	1,970,112	(724,787)
Proceeds from notes payable and university loans	11,405,000	6,643,664	9,859,786
Proceeds from sale of capital assets	570,676	33,965	9,171,877
Proceeds from capital grants	1,250,000		
Repayment of grant from university	-	-	(8,850,000)
Payment into Escrow	-	(750,000)	-
Payments for purchase or construction of capital assets	(13,402,080)	(11,209,507)	(11,209,745)
Principal and interest payments on university loans	(1,293,595)	(1,293,595)	(1,835,428)
Repayment of advance from university	(466,179)	-	-
Deferred leasing costs	(307,564)	(158,039)	(304,514)
Net cash provided by investing activities	<u>36,037</u>	<u>37,124</u>	<u>39,023</u>
Net increase (decrease) in cash	<u>\$ 952,110</u>	<u>\$ (4,906,058)</u>	<u>\$ 1,015,482</u>

Net cash provided by operating activities increased \$3.3 million in 2019. The increase was due primarily to \$2.2 million received from WOSU for prepaid rent. Campus Partners also had a \$1.7 million reduction in payments to vendors in 2019.

Net cash provided by noncapital financing activities decreased \$1.9 million in 2019, reflecting decreases in cash received for non-capital grants.

Net cash used by capital financing activities decreased \$4.5 million in 2019, primarily due to a \$5.9 million increase in loan proceeds received from the university. This increase was partially offset by a \$2.2 million increase in capital expenditures for the 15th & High redevelopment project.

Economic Factors That Will Affect the Future

South Campus Gateway is responsible for about 53% 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.

Redstone incurred an additional \$11.1 million in debt for the infrastructure of this project in the current year, bringing the total debt related to the 15th & High project to \$54.4 million as of June 30, 2019. \$40.4 million of this debt is expected to be repaid using future rental income from

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019**

tenants of three mixed-use buildings that are planned to be built at 15th & High, but have not started construction as of June 30, 2019. As a result, it is important for Campus Partners to secure tenants to fully occupy all of the new buildings. The office space will be filled by university tenants, while the retail space is expected to be filled with third-party tenants.

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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets:		
Cash	\$ 3,281,428	\$ 2,323,192
Restricted Cash	113,635	119,761
Accounts receivable - net of allowances for doubtful accounts of \$224,489 and \$285,744	2,387,954	1,565,193
Grants receivable	2,000,000	-
Notes receivable - current portion	87,259	85,964
Inventory and prepaid expenses	125,158	104,619
Total Current Assets	<u>7,995,434</u>	<u>4,198,729</u>
Noncurrent Assets:		
Notes receivable	2,460,953	2,548,000
Money held in escrow	-	750,000
Capital assets, net	105,504,872	94,086,354
Unamortized leasing costs, net	651,157	514,597
Total Noncurrent Assets	<u>108,616,982</u>	<u>97,898,951</u>
Total Assets	<u>\$ 116,612,416</u>	<u>\$ 102,097,680</u>
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accounts payable	\$ 1,956,711	\$ 833,541
Accrued expenses	2,041,839	2,202,291
Loans payable to university -- current portion	1,293,595	1,293,595
Loans payable -- current portion	87,259	85,964
Advance from university	-	899,761
Unearned income - current portion	1,325,326	1,283,191
Rent and construction deposits	113,638	125,917
Total Current Liabilities	<u>6,818,368</u>	<u>6,724,260</u>
Noncurrent Liabilities:		
Loans payable to university	89,308,458	79,547,053
Loans payable	1,660,954	3,398,000
Unearned income - noncurrent portion	24,604,108	22,929,828
Total Noncurrent Liabilities	<u>115,573,520</u>	<u>105,874,881</u>
Total Liabilities	<u>122,391,888</u>	<u>112,599,141</u>
Net Position:		
Net investment in capital assets	12,993,476	9,454,078
Unrestricted	(18,772,948)	(19,955,539)
Total Net Position	<u>(5,779,472)</u>	<u>(10,501,461)</u>
Total Liabilities and Net Position	<u>\$ 116,612,416</u>	<u>\$ 102,097,680</u>

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

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND OTHER CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Operating Revenues		
Rental income	\$ 4,660,039	\$ 5,210,865
Recovery of operating expenses	2,692,828	2,341,641
Gateway theatre sales	2,588,146	3,295,341
Other operating income	915,630	423,940
Total Operating Revenues	<u>10,856,643</u>	<u>11,271,787</u>
Operating Expenses		
Property operating and maintenance	2,156,128	2,369,079
Real estate taxes	2,115,971	1,302,281
Professional services	1,317,691	1,048,386
Salaries and wages	1,581,505	1,422,729
Gateway theatre film, food and beverage	1,125,048	1,475,130
Selling, general and administrative	685,260	706,216
Depreciation and amortization	3,091,442	3,247,317
Total Operating Expenses	<u>12,073,045</u>	<u>11,571,138</u>
Net Operating Loss	<u>(1,216,402)</u>	<u>(299,351)</u>
Non-Operating Revenues (Expenses):		
Interest income	221,727	253,770
Gain on sale of assets	99,445	33,965
Non-capital grant income	540,338	1,856,620
Non-capital grant expense	(35,144)	(247,998)
Interest expense	(137,975)	(169,007)
Total Non-Operating Revenue	<u>688,391</u>	<u>1,727,350</u>
Income (loss) before other changes in net position	<u>(528,011)</u>	<u>1,427,999</u>
Other changes in net position:		
Forgiveness of debt	2,000,000	-
Capital grant income	3,250,000	-
Increase in net position	4,721,989	1,427,999
Net Position - Beginning of Year	<u>(10,501,461)</u>	<u>(11,929,460)</u>
Net Position - End of Year	<u>\$ (5,779,472)</u>	<u>\$ (10,501,461)</u>

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

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Receipts from tenants	\$ 9,376,700	\$ 6,813,149
Receipts from Gateway theatre	2,556,390	3,345,920
Payments to employees	(1,581,648)	(1,434,927)
Payments to vendors for supplies and services	(7,236,567)	(8,903,924)
Net cash provided (used) by operating activities	<u>3,114,875</u>	<u>(179,782)</u>
Cash Flows from Noncapital Financing Activities:		
Principal payments on non-capital notes payable	(85,750)	(68,481)
Cash received on non-capital notes receivable	85,750	63,041
Interest payments on non-capital notes payable	(36,040)	(28,141)
Cash received non-capital grants	116,124	2,251,691
Cash paid non-capital grants	(35,144)	(247,998)
Net cash provided by noncapital financing activities	<u>44,940</u>	<u>1,970,112</u>
Cash Flows from Capital Financing Activities:		
Proceeds from university loans	11,055,000	5,143,664
Proceeds from notes payable	350,000	1,500,000
Cash received capital grants	1,250,000	-
Principal payments on university loans	(1,293,595)	(1,293,595)
Payment into escrow	-	(750,000)
Payments for purchase or construction of capital assets	(13,402,080)	(11,209,507)
Proceeds from sale of capital assets	570,676	33,965
Repayment of advance from university	(466,179)	-
Deferred leasing costs	(307,564)	(158,039)
Net cash used by capital financing activities	<u>(2,243,742)</u>	<u>(6,733,512)</u>
Cash Flows from Investing Activities:		
Interest income	36,037	37,124
Net cash provided by investing activities	<u>36,037</u>	<u>37,124</u>
Net Increase (decrease) in Cash and restricted cash	952,110	(4,906,058)
Cash and restricted cash - Beginning of Year	<u>2,442,953</u>	<u>7,349,011</u>
Cash and restricted cash - End of Year	<u>\$ 3,395,063</u>	<u>\$ 2,442,953</u>

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Reconciliation of Net Operating Loss to Cash Provided by Operations:		
Net operating loss	\$ (1,216,402)	\$ (299,351)
Adjustments to reconcile net operating loss to cash provided by operations:		
Depreciation and amortization expense	3,091,442	3,247,317
Bad debt expense	3,806	52,260
Changes in assets and liabilities:		
Accounts receivable	(631,497)	(233,174)
Inventory and prepaid expenses	(20,538)	1,780
Accounts payable	(119,426)	(487,650)
Accrued expenses	303,354	(1,529,161)
Rent and construction deposits	(12,279)	1,000
Unearned income	1,716,415	(932,803)
Net cash provided (used) by operating activities	<u>\$ 3,114,875</u>	<u>\$ (179,782)</u>
Non Cash Transactions:		
Construction in Process in Accounts Payable and Accrued Expenses	\$ 1,909,341	\$ 1,241,868
Forgiveness of Debt	\$ 2,000,000	\$ -
<i>The accompanying notes are an integral part of these consolidated financial statements.</i>		

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2019 AND 2018

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, primarily at 15th & High presently.
- **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.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2019 AND 2018

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 accounts payable, accrued expenses and 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, 2019, the carrying amount of Campus Partners' cash and restricted cash is \$3,395,063 as compared to bank balances of \$3,569,262. The differences in carrying amount and bank balances are caused by outstanding checks, deposits in transit and petty cash. Of the bank balances, \$826,493 is covered by federal deposit insurance and \$2,742,769 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.

At June 30, 2018, the carrying amount of Campus Partners' cash and restricted cash is \$2,442,953 as compared to bank balances of \$2,693,700. The differences in carrying amount and bank balances are caused by outstanding checks, deposits in transit and petty cash. Of the bank balances, \$741,769 is covered by federal deposit insurance and \$1,951,931 is uncollateralized as defined by the GASB.

Restricted Cash

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

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2019 AND 2018

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 \$218,004 and \$291,751 at June 30, 2019 and 2018, 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 \$943,770 and \$748,699 at June 30, 2019 and 2018, 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, 2019 and 2018.

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:

<u>Type of Asset</u>	<u>Estimated Useful Life</u>
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

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2019 AND 2018

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. Unamortized leasing costs, net totaled \$651,157 and \$514,597 at June 30, 2019 and 2018, respectively.

Unearned Income

Unearned income primarily consists of advance payments for an outpatient medical facility operated by the OSU Wexner Medical Center and a building for WOSU Public Media that is under construction. The advance payments from the OSU Wexner Medical Center are being recognized as rental income over the 25-year term of the lease, which includes a 5-year bargain renewal option. The advance payments for the WOSU building will be recognized as rental income over the 30-year term of the lease.

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. Other operating income includes Tax Incremental Financing (TIF) reimbursement income which is recognized on a cash-basis as received.

Income Taxes

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

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2019 AND 2018

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 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 (FY2020).

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 (FY2021).

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This standard requires that interest cost incurred during the period of construction be recognized as an expense in the period in which the cost is incurred. These costs will no longer be included in the historical costs of capital assets. The standard is effective for periods beginning after December 15, 2019 (FY2021) and will be applied on a prospective basis.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. This standard establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. The standard is effective for periods beginning after December 15, 2018 (FY2020).

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard clarifies the definition of a conduit debt obligation, establishes the third-party obligor's responsibility for the liability and modifies disclosure requirements for these arrangements. The standard is effective for periods beginning after December 15, 2020 (FY2022).

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2019 AND 2018

Campus Partners management is currently assessing the impact that implementation of GASB Statements No. 84, 87, 89, 90 and 91 will have on Campus Partners' financial statements.

Reclassification

To conform with the current year presentation, certain prior year balances related to accounts payable and accrued expenses for capital expenditures totaling \$1,241,868 have been reclassified from unrestricted net position to net investment in capital assets net position. The total net position has not changed from amounts previously reported.

NOTE 2 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 23,640,057	\$ 3,740,405	\$ 33,500	\$ 27,346,962
Construction in progress	13,659,146	10,375,250	271,228	23,763,168
Total non-depreciable assets	37,299,203	14,115,655	304,728	51,110,130
Capital assets being depreciated:				
Improvements other than buildings	8,823,598	632,146	591,071	8,864,673
Buildings and fixed equipment	67,219,152	-	585,659	66,633,493
Moveable equipment, furniture and software	1,999,864	354,628	80,430	2,274,062
Total	78,042,614	986,774	1,257,160	77,772,228
Less: Accumulated depreciation	21,255,463	2,914,672	792,649	23,377,486
Total depreciable assets, net	56,787,151	(1,927,898)	464,511	54,394,742
Capital assets, net	\$ 94,086,354	\$ 12,187,757	\$ 769,239	\$ 105,504,872

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

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

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2019 AND 2018

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. Future minimum rents include rents of \$26.3 million from WOSU, a related party tenant, all of which will be prepaid prior to lease commencement based on the terms of the lease during fiscal years 2020 and 2021. Annual future minimum rents due to be received under non-cancellable operating leases in effect at June 30, 2019 are as follows:

Years Ending June 30	
2020	23,782,466
2021	9,834,950
2022	2,732,127
2023	2,507,709
2024	2,386,913
2025-2029	5,700,475
2030-2034	244,955
Total	<u>\$ 47,189,595</u>

NOTE 4 – LONG-TERM DEBT

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

In October 2013, Campus Partners entered into the Retail Note with the university, the proceeds of which were used to fund property acquisitions in the South Campus Gateway. Under the terms of the original Retail Note, total principal was \$39,611,154, the note bears interest at 4.5% per annum, and the note has a ten year term, with a final balloon principal payment due in April 2023. Campus Partners and the university agreed to amend the Retail Note in October 2014, October 2015 and again in March 2017. Under the terms of the March 2017 amended Retail Note, beginning in July 2017 Campus Partners will make principal only payments of \$1,293,595 per annum and the note will not bear interest. The term of note will be 30 years, maturing in June 2047. The total outstanding principal balance at June 30, 2019 was \$36,220,656.

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

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2019 AND 2018

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, 2019 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 19 MOUs as addendums to the Real Estate IV Note, whereby Campus Partners has borrowed a total of \$21,363,651 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, 2019 was \$21,363,651.

In April 2014, Campus Partners entered into a note with the Columbus Foundation. The proceeds of which were used to help fund housing improvements on 11th Avenue in the University District. Under the terms of the note, the original principal was \$2,000,000, and bears interest at 2% per annum. This note will mature in April 2021. The total outstanding principal balance at June 30, 2019 was \$1,748,213.

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 was to be paid to Campus Partners in four payments, contingent on completion of various phases of the project. Campus Partners received the first payment of \$150,000 in March 2017. In July 2017 Campus Partners received \$500,000. In March 2018 Campus Partners received \$1,000,000. The total balance outstanding at June 30, 2018 was \$1,650,000. In July 2018, Campus Partners received the final \$350,000 outlined in the agreement. In October 2018 Edwards and Campus Partners amended the agreement and Edwards agreed to forgive the \$2,000,000 note payable from Campus Partners. The resulting gain is reported as Other Changes in Net Position. In addition to the forgiveness of debt, Edwards gave Campus Partners a \$1,250,000 capital grant to help pay for infrastructure improvements.

In February 2016, the university entered into a 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. This loan will be focused on the infrastructure at 15th & High. Through June 30, 2019, Campus Partners has made draws totaling \$13,950,000. The loan does not bear interest and repayment terms have not been set. The total outstanding principal balance at June 30, 2019 was \$13,950,000.

During 2019, the university entered into three Memorandum of Understandings to issue debt to Campus Partners for the 15th & High Development. This loan will be used for new construction of buildings at 15th & High. The total of the loans from these three Memorandum of Understanding as of June 30, 2019 is \$6,045,000. The loans do not bear interest and repayment terms have not been set. The total outstanding principal balance at June 30, 2019 was \$6,045,000.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2019 AND 2018

Debt activity for the year ended June 30, 2019 is as follows:

Debt Name	Beginning Balance	Additions	Repayments	Forgiven	Ending Balance	Current portion
OSU Loan- Retail	\$ 37,514,251	\$ -	\$ 1,293,595	\$ -	\$ 36,220,656	\$ 1,293,595
OSU Loan- Real Estate	13,022,746	-	-	-	13,022,746	-
OSU Loan- Real Estate IV	18,353,651	3,010,000	-	-	21,363,651	-
15th & High Infrastructure	11,950,000	2,000,000	-	-	13,950,000	-
OSU Loan- 15th & High Development		6,045,000	-	-	6,045,000	-
Columbus Foundation	1,833,964	-	85,751	-	1,748,213	87,259
Edwards Note	1,650,000	350,000	-	2,000,000	-	-
Total Debt	\$ 84,324,612	\$ 11,405,000	\$ 1,379,346	\$ 2,000,000	\$ 92,350,266	\$ 1,380,854

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

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

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
2020	1,380,854	33,881	1,414,735
2021	2,954,548	295,305	3,249,853
2022	1,293,593	-	1,293,593
2023	1,293,593	-	1,293,593
2024	1,293,593	-	1,293,593
2025-2029	6,467,974	-	6,467,974
2030-2034	6,467,974	-	6,467,974
2035-2039	6,467,974	-	6,467,974
2040-2044	6,467,974	-	6,467,974
2045-2049	3,880,785	-	3,880,785
Total	\$ 37,968,862	\$ 329,186	\$ 38,298,048

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 5 – RELATED PARTY TRANSACTIONS

On 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, 2019 and 2018 were \$9,978 and \$39, respectively. Accounts payable due to university tenants for the years ended June 30, 2019 and 2018 were \$95,767 and \$42,310, respectively. Rental income from university tenants at the South Campus Gateway for the years ended June 30, 2019 and 2018 were \$599,676 and \$506,601, respectively. Recovery of operating expenses from these university tenants for the years ended June 30, 2019 and 2018 were \$1,285,921 and \$1,499,122, 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 2018, Campus Partners began work on a building which will be occupied by WOSU, a related party. Terms of the lease between Campus Partners and WOSU were finalized during fiscal year 2019 and WOSU will commence rent in fiscal year 2021, when the building is expected to be ready for occupancy. Per the terms of the lease, WOSU will pay a total of \$29,000,000 during fiscal years 2019 through 2021. As of June 30, 2019, WOSU had paid a total of \$2,248,139 of prepaid rent to Campus Partners. As of June 30, 2019, Campus Partners has \$790,969 in construction in progress related to the WOSU building.

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. In April 2019, the other property was sold, and the proceeds and related operating costs incurred by Campus Partners were applied against the advance, reducing the outstanding balance to \$434,000. Per the terms of the agreement, the remaining balance after the sale of the two properties was forgiven and recognized as grant income to Campus Partners, reducing the June 30, 2019 balance to \$0.

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

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2019 AND 2018

Campus Partners recognized rental income on this property of \$1,041,681 and \$1,035,847 for the years ending June 30, 2019 and 2018, respectively. Recovery of operating expenses recognized from this property was \$579,619 and \$0 for the years ending June 30, 2019 and 2018, respectively.

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, 2019 is presented below.

	Campus Partners for				
	South Campus Gateway LLC	Affordable Housing LLC	The Gateway Theatre LLC	Redstone Realty LLC	Medstone Realty LLC
Condensed statements of net position:					
Current assets	1,357,997	2,235,237	126,648	3,970,835	304,717
Capital assets, net	31,788,542	13,612	506,355	49,699,970	23,496,393
Other assets	651,157	2,460,953	-	-	-
Total assets	<u>33,797,696</u>	<u>4,709,802</u>	<u>633,003</u>	<u>53,670,805</u>	<u>23,801,110</u>
Current liabilities	887,103	452,735	622,762	2,213,947	1,348,223
Noncurrent liabilities	-	1,660,954	-	2,715,961	21,888,147
Amounts payable to the university	36,220,657	-	-	54,381,399	-
Total liabilities	<u>37,107,760</u>	<u>2,113,689</u>	<u>622,762</u>	<u>59,311,307</u>	<u>23,236,370</u>
Net investment in capital assets	(4,432,115)	13,614	506,355	(6,590,770)	23,496,392
Unrestricted	1,122,051	2,582,499	(496,114)	950,268	(22,931,652)
Total net position	<u>(3,310,064)</u>	<u>2,596,113</u>	<u>10,241</u>	<u>(5,640,502)</u>	<u>564,740</u>
Total liabilities and net position	<u>33,797,696</u>	<u>4,709,802</u>	<u>633,003</u>	<u>53,670,805</u>	<u>23,801,110</u>

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2019 AND 2018

	Campus Partners for				
	South Campus Gateway LLC	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	3,554,950	-	-	63,407	1,041,682
Recovery of operating expense	2,113,209	-	-	-	579,619
Other operating	83,716	80,294	2,822,502	517,264	-
Total operating revenues	5,751,875	80,294	2,822,502	580,671	1,621,301
Operating expenses, excluding depreciation					
Depreciation expense	2,087,227	17,297	101,766	65,739	819,413
Total operating expenses	5,605,817	253,364	3,076,399	1,730,624	1,406,841
Net operating income (loss)	146,058	(173,070)	(253,897)	(1,149,953)	214,460
Non-operating revenues and expenses:					
Interest income	-	221,727	-	-	-
Interest expense	-	(137,975)	-	-	-
Other non-operating revenue (expense)	(2)	536,217	101,924	(33,500)	-
Net non-operating revenue (expense)	(2)	619,969	101,924	(33,500)	-
Change in net position	146,056	446,899	(151,973)	(1,183,453)	214,460
Other changes in net position:					
Forgiveness of debt	-	-	-	2,000,000	-
Capital Grant Income	-	-	-	3,250,000	-
Increase (decrease) in net position	146,056	446,899	(151,973)	4,066,547	214,460
Beginning net position	(3,456,120)	2,149,214	162,214	(9,707,049)	350,280
Ending net position	(3,310,064)	2,596,113	10,241	(5,640,502)	564,740

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2019 AND 2018

	Campus Partners for				
	South Campus	Affordable	The Gateway	Redstone	Medstone
	Gateway LLC	Housing LLC	Theatre LLC	Realty LLC	Realty LLC
Condensed statements of cash flows:					
Net cash provided (used) by:					
Operating activities	2,127,867	(275,773)	18,374	1,244,182	225
Noncapital financing activities	-	(206,984)	251,924	-	-
Capital and related financing activities	(2,266,498)	91,631	(34,470)	(34,405)	-
Investing activities	-	36,037	-	-	-
Net increase (decrease) in cash	(138,631)	(355,089)	235,828	1,209,777	225
Beginning cash and restricted cash	1,026,051	1,354,990	(13,716)	69,643	5,985
Ending cash and restricted cash	887,420	999,901	222,112	1,279,420	6,210

Condensed combining financial information for the year ended June 30, 2018 is presented below.

	Campus Partners for				
	South Campus	Affordable	The Gateway	Redstone	Medstone
	Gateway LLC	Housing LLC	Theatre LLC	Realty LLC	Realty LLC
Condensed statements of net position:					
Current assets	1,564,883	2,153,989	50,733	423,139	5,985
Capital assets, net	33,011,754	485,830	565,301	35,707,664	24,315,805
Other assets	514,597	2,548,000	-	750,000	-
Total assets	35,091,234	5,187,819	616,034	36,880,803	24,321,790
Current liabilities	1,033,104	390,844	453,820	1,611,455	1,041,682
Noncurrent liabilities	-	1,748,000	-	1,650,000	22,929,828
Amounts payable to the university	37,514,250	899,761	-	43,326,397	-
Total liabilities	38,547,354	3,038,605	453,820	46,587,852	23,971,510
Net investment in capital assets	(4,502,498)	(413,930)	565,301	(10,510,600)	24,315,805
Unrestricted	1,046,378	2,563,144	(403,087)	803,551	(23,965,525)
Total net position	(3,456,120)	2,149,214	162,214	(9,707,049)	350,280
Total liabilities and net position	35,091,234	5,187,819	616,034	36,880,803	24,321,790

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2019 AND 2018

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

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2019 AND 2018

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

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Capital Commitments

As of June 30, 2019, Campus Partners is committed to future contractual obligations for capital expenditures related to the 15th & High redevelopment project of approximately \$17.5 million.

Litigation

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

Concentration of Credit Risk

Rental income from two tenants was \$2,124,045 and \$2,118,216 and represented 45.6% and 40.7% of total rental income for the years ended June 30, 2019 and 2018, respectively. One of these tenants is a related party.

NOTE 8 – SUBSEQUENT EVENTS

On July 24, 2019, Campus Partners received a \$4,000,000 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.

On August 13, 2019, Campus Partners received \$2,000,000 from the City of Columbus. The payment was received to pay for a portion of the infrastructure work at 15th & High. The \$2,000,000 was recorded as a grant receivable as of June 30, 2019.



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, which comprise the consolidated statement of net position as of June 30, 2019, and the related consolidated statements of revenues, expenses, and other changes in net position and of cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 31, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Campus Partners' consolidated 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 consolidated 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

October 31, 2019

OHIO AUDITOR OF STATE KEITH FABER



**THE OHIO STATE UNIVERSITY CAMPUS PARTNERS FOR COMMUNITY URBAN
REDEVELOPMENT**

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 5, 2019**