

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

(A component unit of The Ohio State University)

**Basic Financial Statements**

As of and for the Years Ended June 30, 2022 and 2021  
(With Independent Auditors' Report Thereon)



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Directors  
OSU Campus Partners Community Urban Redevelopment and Subsidiaries  
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We have reviewed the *Independent Auditor's Report* of the OSU Campus Partners Community Urban Redevelopment and Subsidiaries, Franklin County, prepared by KPMG LLP, for the audit period July 1, 2021 through June 30, 2022. 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 OSU Campus Partners 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  
May 10, 2023

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

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## Independent Auditor's Report

The Board of Directors of  
Campus Partners for Community Urban Redevelopment:

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Campus Partners for Community Urban Redevelopment and Subsidiaries ("Campus Partners"), a component unit of The Ohio State University, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Campus Partners' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Campus Partners as of June 30, 2022, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Campus Partners and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Emphasis of Matter*

As discussed in note 1 to the financial statements, in 2022, Campus Partners adopted Governmental Accounting Standards Board Statement No. 87, *Leases* (GASB 87). Our opinion is not modified with respect to this matter.

#### *Other Matters*

The financial statements of Campus Partners as of and for the year ended June 30, 2021 were audited by other auditors, who expressed an unmodified opinion on those statements on December 20, 2021.

As part of our audit of the 2022 financial statements, we also audited the adjustments described in Note 1 that were applied to restate the 2021 financial statements for the adoption of GASB 87 in 2022. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2021 financial statements of Campus Partners other than with respect to the adjustments, and, accordingly, we do not express an opinion or any other form of assurance on the 2021 financial statements as a whole.



### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Campus Partners' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Campus Partners' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



*Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic 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 financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 financial statements, and other knowledge we obtained during our audit of the basic 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 May 2, 2023 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. 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 Campus Partners' 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.

**KPMG LLP**

Columbus, Ohio  
May 2, 2023



# 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, 2022

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, 2022, with comparative information for the years ended June 30, 2021 and June 30, 2020.

### 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. Campus Partners is governed by a seven-member board.

The basic 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. The Gateway Film Center was part of Campus Partners until June 16, 2022. On June 16, 2022 The Gateway Film Center became an independent 501(c)3.
- **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 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, 2022

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 **Statement of Net Position** is Campus Partners' balance sheet. It reflects the total assets, liabilities and net position of Campus Partners as of June 30, 2022, with comparative information as of June 30, 2021. 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, the development at University Square, 1800 Zollinger, an outpatient medical facility leased to the Wexner Medical Center, 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 **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, 2022, with comparative information for the year ended June 30, 2021, and includes required subtotals for net operating income (loss) and net income (loss) before capital contributions. Lease income, tenant recovery revenue and other revenues arising from exchange transactions are shown as operating revenues.

The **Statement of Cash Flows** details how cash has increased (or decreased) during the year ended June 30, 2022, with comparative information for the year ended June 30, 2021. 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 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, 2022**

## **Financial Highlights**

The global outbreak of COVID-19, a new strain of coronavirus that can result in severe respiratory disease, was first detected in December of 2019 and subsequently spread across six continents impacting many countries, including the United States. The COVID-19 outbreak has altered the behavior of businesses and people in a manner that has had and is expected to continue to have effects on global and local economies, including the State of Ohio. COVID-19 disrupted key university operations and resulted in significant declines in tuition, housing and dining and athletics revenues. In response to the COVID-19 outbreak, the university instituted a series of cost controls, including a hiring pause and business-only essential spending.

After two unprecedented years managing the COVID-19 pandemic, the university's financial position remains strong, driven by the post-pandemic rebound. Fall, spring, and summer semesters were characterized by a return to near-normal university operations and a full college experience for university students. Campus Partners was affected in two ways. There were some projects at University Square that were delayed during the pandemic. These projects were restarted and expect to finish during fiscal year 2023. At South Campus Gateway, many tenants deferred rent payments. These tenants have resumed normal rent payments during fiscal year 2022.

For Fiscal Year 2022, total net position for Campus Partners increased \$0.6 million, reflecting increases in rental income, tenant recovery revenue and Gateway theatre sales. These increases were offset partially by higher operating expenses and the spin-off of the Gateway Film Center. Work continued throughout 2022 on the 15<sup>th</sup> Avenue + High Street redevelopment project. Project expenditures totaled \$20.7 million and were funded by \$25.6 million in loans from the university.

During Fiscal Year 2022, Campus Partners adopted GASB 87 for Fiscal Year 2021 and 2022. The cumulative effect of adopting GASB Statement No. 87 was a \$1.3 million decrease in the Campus Partners net position as of July 1, 2020. The accompanying financial statements and MD&A information for the year ended June 30, 2021 have been restated to reflect the new accounting standard. MD&A information for the year ended June 30, 2020 has not been restated.

The following sections provide additional details on Campus Partners' Fiscal Year 2022 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, 2022

## Summary Statements of Net Position

Summary Statements of Net Position			
	2022	2021	2020
Cash and restricted cash	\$ 4,092,718	\$ 5,773,910	\$ 8,463,719
Accounts, grants and notes receivable	6,738,170	5,885,616	2,538,685
Inventory and prepaid expenses	62,438	129,749	84,032
Total current assets	<u>10,893,326</u>	<u>11,789,275</u>	<u>11,086,436</u>
Notes receivable	800,000	800,000	800,000
Capital assets, net	210,824,113	194,459,404	139,605,472
Unamortized leasing costs, net	-	-	654,432
Lease Receivables	45,273,463	68,326,013	-
Total noncurrent assets	<u>256,897,576</u>	<u>263,585,417</u>	<u>141,059,904</u>
Total assets	<u>\$ 267,790,902</u>	<u>\$ 275,374,692</u>	<u>\$ 152,146,340</u>
Accounts payable and accrued expenses	\$ 5,849,497	\$ 11,303,359	\$ 10,642,699
Loans payable to university -- current portion	1,293,595	1,293,595	1,296,595
Unearned income -- current portion	215,424	609,812	1,470,145
Other current liabilities	126,688	146,427	108,684
Total current liabilities	<u>7,485,204</u>	<u>13,353,193</u>	<u>13,518,123</u>
Loans payable to university	169,910,076	145,593,043	107,737,421
Other loans payable	-	437,083	507,200
Unearned income -- noncurrent portion	-	-	37,440,076
Total noncurrent liabilities	<u>169,910,076</u>	<u>146,030,126</u>	<u>145,684,697</u>
Total liabilities	<u>177,395,280</u>	<u>159,383,319</u>	<u>159,202,820</u>
Deferred inflows of resources	98,221,189	124,418,978	-
Total Deferred Inflows of resources	<u>98,221,189</u>	<u>124,418,978</u>	<u>-</u>
Net investment in capital assets	36,415,929	38,970,884	23,092,208
Unrestricted	<u>(44,241,496)</u>	<u>(47,398,489)</u>	<u>(30,145,688)</u>
Total net position	<u>(7,825,567)</u>	<u>(8,427,605)</u>	<u>(7,053,480)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 267,790,902</u>	<u>\$ 275,374,692</u>	<u>\$ 152,149,340</u>

Total Campus Partners **cash and restricted cash** decreased \$1.7 million, to \$4.1 million at June 30, 2022, primarily due to spending on the University Square redevelopment project, most of which was offset by inflows related to university loans. Amounts shown as restricted cash consist of tenant security deposits, which are released from restriction upon expiration of the tenant leases. The 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 accounts receivable from tenants at South Campus Gateway, interest receivable, and the current portion of leases

# 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, 2022

receivable-- increased \$0.9 million, to \$6.7 million at June 30, 2022, reflecting increases in accounts receivable from tenants at South Campus Gateway and Redstone and an increase in the current portion of leases receivable. The increase was offset by an increase in the total reserve for bad debt by \$0.4 million due to uncertainty about collection of accrued interest and some tenants at South Campus Gateway and Redstone. The reserve was \$0.95 million and \$0.55 million at June 30, 2022 and 2021, respectively.

**Grant receivable** decreased by \$623,000 to \$0 at June 30, 2022. The decrease is due to The Gateway Film Center being awarded the Shuttered Venue Operating Grant (SVOG) during year ended June 30, 2021. However, the funding was not received until July 2022. The Film Center was the primary recipient of grants for Campus Partners.

**Notes receivable**, consists of one note receivable from a property development company. During Fiscal Year 2022, there was no activity on the note.

**Capital assets**, net, increased \$16.4 million, to \$210.8 million at June 30, 2022. Capital additions for the University Square redevelopment project totaled \$20.7 million in 2022. During the year ended June 30, 2022 there was significant spending on University Square South building, which remained in construction in process as of June 30, 2022. The Infrastructure improvement project also remained in construction in process as of June 30, 2022. During the year ended June 30, 2021, two buildings moved from construction in process to in-service. Those buildings were the WOSU building and the University Square North building. Campus Partners' estimated future capital commitments, based on contracts and purchase orders, total approximately \$18.9 million at June 30, 2022.

**Lease Receivables** decreased \$22.2 million to \$49.7 million at June 30, 2022. The decrease is primarily due to the amendment of the lease for the largest tenant in the University Square North building. The lease amendment changed the lease from a gross lease to a triple net lease. This will allow Campus Partners to collect more total cash from the tenant.

**Accounts payable and accrued expenses** decreased \$5.5 million, to \$5.8 million at June 30, 2022. The decrease reflects a decrease in outstanding and accrued invoices related to capital expenditures of \$5.4 million.

**Loans payable to the university** increased \$24.3 million, to \$171.2 million at June 30, 2022. The increase reflects loan draws related to the University Square Redevelopment project, which totaled \$25.6 million in 2022. These loan draws were partially offset by \$1.3 million in principal payments on the OSU Retail loan.

**Other loans payable** decreased \$437,000 to \$0 at June 30, 2022. The balance at June 30, 2021 was for loans owed by The Gateway Film Center. The decrease was due to forgiveness of loans and spin off of The Gateway Film Center.

**Deferred Inflows – Leases** decreased \$26.2 million to \$98.2 million. The decrease is primarily due to the amendment of the lease for the largest tenant in the University Square North building.

# 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, 2022

**Total net position** increased by \$0.6 million, to (\$7.8) million at June 30, 2022. The change was principally due to an increase in rental revenue and tenant recovery revenue during Fiscal Year 2022.

### Statements of Revenues, Expenses and Changes in Net Position

Summary Statements of Revenues, Expenses and Other Changes in Net Position			
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues:			
Lease income	\$ 6,812,790	\$ 4,599,530	\$ 4,957,333
Tenant recovery revenue	3,629,594	2,472,813	2,505,198
Gateway theatre sales	1,351,677	221,982	1,839,856
Other operating income	<u>312,723</u>	<u>915,250</u>	<u>209,581</u>
Total operating revenues	12,106,784	8,209,575	9,511,968
Operating Expenses:			
Property operating and maintenance	3,510,647	1,888,491	2,153,577
Real estate taxes	2,263,186	2,386,439	1,668,921
Professional services	694,898	834,294	1,772,379
Salaries and wages	1,589,351	931,041	1,276,690
Gateway theatre film, food and beverage	588,233	128,093	871,718
Selling, general and administrative	896,048	595,713	711,460
Depreciation and amortization	<u>5,381,067</u>	<u>3,881,248</u>	<u>3,028,464</u>
Total operating expenses	14,923,430	10,645,319	11,483,209
Net operating loss	(2,816,646)	(2,435,744)	(1,971,241)
Non-operating revenues (expenses):			
Interest Income	2,112,797	934,025	174,675
Grants and contributions	1,474,511	1,346,111	358,192
Interest expense	(8)	(8)	(78,238)
Other non-operating revenue (expense)	<u>254</u>	<u>(227,450)</u>	<u>242,604</u>
Net non-operating revenue	3,587,554	2,052,678	697,233
Income (loss) before other changes in net position	770,908	(383,066)	(1,274,008)
Other changes in net position- Special items:			
Forgiveness of debt	265,761	277,760	-
Spin Off of Gateway Film Center	<u>(434,631)</u>	<u>-</u>	<u>-</u>
Total Other Changes in Net Position	(168,870)	277,760	-
Increase (decrease) in net position	602,038	(105,306)	(1,274,008)
Net position -- beginning of year			
Beginning of year, as previously reported	(8,427,605)	(7,053,480)	(5,779,472)
Cumulative effect of accounting change	<u>-</u>	<u>(1,268,819)</u>	<u>-</u>
	(8,427,605)	(8,322,299)	(5,779,472)
Net position -- end of year	<u>\$ (7,825,567)</u>	<u>\$ (8,427,605)</u>	<u>\$ (7,053,480)</u>

# 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, 2022

**Lease income** -- which includes income from leases at South Campus Gateway and Redstone as well as other properties held by Medstone -- increased \$2.2 million, to \$6.8 million in Fiscal Year 2022. The increase relates primarily to an increase in lease income at Redstone with University Square North and WOSU going into service. Both buildings went into service during the final quarter of Fiscal Year 2021. Therefore, Fiscal Year 2022 was the first year both buildings were in service for the full year. The lease income at Redstone increased from \$0.6 million in fiscal year 2021 to \$2.3 million in fiscal year 2022.

**Tenant recovery revenue** increased \$1.2 million, to \$3.6 million in Fiscal Year 2022. The increase was due to the additional income from Redstone due to the first full year of operations for WOSU and University Square North.

**Other operating income**, which includes Tax Increment Financing (TIF) income, lease termination fees, and other miscellaneous income, decreased \$0.6 million, to \$0.3 million in Fiscal Year 2022. The decrease relates primarily to income from South Campus Gateway.

**Property operating and maintenance expenses** increased \$1.6 million, to \$3.5 million in Fiscal Year 2022. The increase was due to the opening of the University Square Development. Fiscal Year 2022 was the first full year of operating for both the WOSU and University Square North building.

**Real estate taxes** decreased \$0.1 million, to \$2.3 million in Fiscal Year 2022, reflecting a decrease in real estate taxes paid by Redstone and The Gateway.

**Professional services** expenses decreased by \$0.1 million to \$0.7 million in Fiscal Year 2022, due to lower spending on professional fees related to the University Square development.

**Salaries and wages** increased by \$0.7 million, to \$1.6 million in Fiscal Year 2022.

**Gateway theatre film, food and beverage expenses** increased by \$0.5 million to \$0.6 million in Fiscal Year 2022. The increases were due to the Gateway Theatre being open for the full year compared to fiscal year 2021 when it was closed for eight months due to Covid-19.

**Depreciation and amortization expense** increased \$1.5 million, to \$5.4 million in Fiscal Year 2022, due to WOSU and University Square North going into service for the full year.

**Interest Income** increased \$1.2 million, to \$2.1 million in Fiscal Year 2022 due to an increase in the interest income related to leases as part of the implementation of GASB 87.

**Grants and Contributions** increased \$0.1 million to \$1.5 million in Fiscal Year 2022. The increase was due to activity at the Gateway Film Center, primarily related to grants for venues that suffered due to Covid-19.

# 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, 2022

**Forgiveness of Debt** included forgiveness of the second round of Payroll Protection Program (PPP) which was slightly lower than the first round. The Gateway Theatre was the recipient of PPP loans and forgiveness in Fiscal Year 2021 and 2022.

## Statements of Cash Flows

Summary Statements of Cash Flows			
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net cash (used in) provided by operating activities	\$ (4,966,626)	\$ (3,510,060)	\$ 15,079,364
Net cash provided by non-capital financing activities	2,068,303	680,346	487,156
Proceeds from notes payable and university loans	25,610,621	39,149,212	19,722,557
Proceeds from sale of capital assets	-	-	298,674
Proceeds from capital grants	-	-	2,000,000
Payments for purchase or construction of capital assets	(26,936,099)	(57,240,126)	(31,387,070)
Principal and interest payments on university loans	(1,293,588)	(1,293,588)	(1,293,595)
Receipts from leases	2,554,352	18,941,917	-
Receipts from interest	1,752,988	582,490	-
Deferred leasing costs	-	-	(160,596)
Net cash provided by (used in) investing activities	<u>(471,143)</u>	<u>-</u>	<u>322,166</u>
Net (decrease) increase in cash	<u>\$ (1,681,192)</u>	<u>\$ (2,689,809)</u>	<u>\$ 5,068,656</u>

**Net cash used in operating activities** decreased \$1.5 million in Fiscal Year 2022. The decrease was due primarily to an increase in payments to employees and payments to vendors. Payments to vendors increased due to University Square being active throughout the whole year compared to three months in Fiscal Year 2021. In addition, payments to employees increased due to The Gateway Theatre being open throughout Fiscal Year 2022 versus a periods of closure during fiscal year 2021.

**Net cash provided by noncapital financing activities** increased \$1.4 million, in Fiscal Year 2022, due to an increase in noncapital grants received by the Gateway Theatre.

**Net cash provided by capital financing activities** increased \$1.6 million in 2022, primarily due to proceeds from university loans of \$25.6 million all for the University Square redevelopment project. Additionally, a decline in the purchase of capital assets of \$30.3 million in Fiscal year 2022. Offsetting the gain was a decline of \$16.4 million in receipts from leases. Campus Partners did not receive any prepaid rent from WOSU during fiscal year 2022 versus receiving \$16.1 million in Fiscal Year 2021.

## Economic Factors That Will Affect the Future

South Campus Gateway is responsible for about 45% of the revenue at Campus Partners. The revenue at South Campus Gateway is reliant on the rental income of its tenants. Interest in the space continues to be strong.



## **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, 2022**

Redstone incurred an additional \$25.6 million in debt for the University Square redevelopment project in the current year, bringing the total debt related to the University Square project to \$138.9 million as of June 30, 2022. During Fiscal Year 2023, Campus Partners expects to begin paying back debt with proceeds from four projects at University Square: Infrastructure, University Square North, University Square South and the Event Center in University Square North. The debt for the Infrastructure project is expected to be repaid with proceeds from the High Street TIF. The debt for the buildings is expected to be repaid using future rental income from university and retail tenants. Construction continues on the site infrastructure project. University Square North and WOSU buildings went into service in April and May 2021. University Square South is expected to be completed in January 2023.

# CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

## STATEMENTS OF NET POSITION

AS OF JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 3,966,030	\$ 5,660,751
Restricted Cash	126,688	113,159
Accounts receivable - net of allowances for doubtful accounts of \$624,296 and \$509,491	2,319,139	1,659,306
Lease receivables- current portion	4,419,031	3,603,072
Grants receivable	-	623,238
Inventory and prepaid expenses	62,438	129,749
Total Current Assets	<u>10,893,326</u>	<u>11,789,275</u>
Noncurrent Assets:		
Notes receivable	800,000	800,000
Capital assets, net	210,824,113	194,459,404
Lease receivables	45,273,463	68,326,013
Total Noncurrent Assets	<u>256,897,576</u>	<u>263,585,417</u>
<b>Total Assets</b>	<u>\$ 267,790,902</u>	<u>\$ 275,374,692</u>
<b>LIABILITIES AND NET POSITION</b>		
Current Liabilities:		
Accounts payable	\$ 3,262,537	\$ 4,759,634
Accrued expenses	2,586,960	6,543,725
Loans payable to university -- current portion	1,293,595	1,293,595
Loans payable -- current portion	-	33,268
Unearned income - current portion	215,424	609,812
Rent and constructon deposits	126,688	113,159
Total Current Liabilities	<u>7,485,204</u>	<u>13,353,193</u>
Noncurrent Liabilities:		
Loans payable to university	169,910,076	145,593,043
Loans payable	-	437,083
Total Noncurrent Liabilities	<u>169,910,076</u>	<u>146,030,126</u>
<b>Total Liabilities</b>	<u>177,395,280</u>	<u>159,383,319</u>
<b>Deferred Inflows of Resources</b>		
Deferred Inflows - Leases	98,221,189	124,418,978
Total Deferred Inflows of Resources	<u>98,221,189</u>	<u>124,418,978</u>
Net Position:		
Net investment in capital assets	36,415,929	38,970,884
Unrestricted	(44,241,496)	(47,398,489)
Total Net Position	<u>(7,825,567)</u>	<u>(8,427,605)</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 267,790,902</u>	<u>\$ 275,374,692</u>

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

# CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
<b>Operating Revenues</b>		
Lease income	\$ 6,812,790	\$ 4,599,530
Tenant recovery revenue	3,629,594	2,472,813
Gateway theatre sales	1,351,677	221,982
Other operating income	312,723	915,250
Total Operating Revenues	<u>12,106,784</u>	<u>8,209,575</u>
<b>Operating Expenses</b>		
Property operating and maintenance	3,510,647	1,888,491
Real estate taxes	2,263,186	2,386,439
Professional services	694,898	834,294
Salaries and wages	1,589,351	931,041
Gateway theatre film, food and beverage	588,233	128,093
Selling, general and administrative	896,048	595,713
Depreciation and amortization	5,381,067	3,881,248
Total Operating Expenses	<u>14,923,430</u>	<u>10,645,319</u>
Net Operating Loss	<u>(2,816,646)</u>	<u>(2,435,744)</u>
<b>Non-Operating Revenues (Expenses):</b>		
Interest income	2,112,797	934,025
Non-capital grant income	1,474,511	1,346,111
Non-capital grant expense	254	(227,450)
Interest expense	(8)	(8)
Total Non-Operating Revenue	<u>3,587,554</u>	<u>2,052,678</u>
Income (Loss) before other changes in net position	<u>770,908</u>	<u>(383,066)</u>
<b>Other changes in net position- Special items:</b>		
Forgiveness of debt	265,761	277,760
Spin Off of Gateway Film Center	(434,631)	-
Total Other Changes in Net Position	<u>(168,870)</u>	<u>277,760</u>
Increase (decrease) in net position	602,038	(105,306)
<b>Net Position - Beginning of Year</b>		
Beginning of year, as previously reported	(8,427,605)	(7,053,480)
Cumulative effect of accounting change	-	(1,268,819)
Beginning of year, as restated	<u>(8,427,605)</u>	<u>(8,322,299)</u>
<b>Net Position - End of Year</b>	<u>\$ (7,825,567)</u>	<u>\$ (8,427,605)</u>
<i>The accompanying notes are an integral part of these financial statements.</i>		

# CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities:</b>		
Receipts from tenants	\$ 3,505,812	\$ 3,822,585
Receipts from Gateway theatre	1,363,414	255,604
Payments to employees	(1,604,370)	(924,754)
Payments to vendors for supplies and services	(8,231,482)	(6,663,495)
Net cash used in operating activities	<u>(4,966,626)</u>	<u>(3,510,060)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Principal payments on non-capital notes payable	(29,700)	(24,850)
Cash received on non-capital notes payable	-	265,761
Cash received non-capital grants	2,097,749	666,885
Cash paid non-capital grants	254	(227,450)
Net cash provided by noncapital financing activities	<u>2,068,303</u>	<u>680,346</u>
<b>Cash Flows from Capital Financing Activities:</b>		
Proceeds from university loans	25,610,621	39,149,212
Principal payments on university loans	(1,293,588)	(1,293,588)
Payments for purchase or construction of capital assets	(26,936,099)	(57,240,126)
Receipts of principal from leases	2,554,352	18,941,917
Receipts of interest from leases	1,752,988	582,490
Net cash provided by capital financing activities	<u>1,688,274</u>	<u>139,905</u>
<b>Cash Flows from Investing Activities:</b>		
Spin Off of Gateway Film Center	(471,143)	-
Net cash used in investing activities	<u>(471,143)</u>	<u>-</u>
Net decrease in Cash and restricted cash	(1,681,192)	(2,689,809)
Cash and restricted cash - Beginning of Year	<u>5,773,910</u>	<u>8,463,719</u>
Cash and restricted cash - End of Year	<u>\$ 4,092,718</u>	<u>\$ 5,773,910</u>
<i>The accompanying notes are an integral part of these financial statements.</i>		

# CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>Reconciliation of Net Operating Loss to Cash Used in Operations:</b>		
Net operating loss	\$ (2,816,646)	\$ (2,435,744)
Adjustments to reconcile net operating loss to cash used in operations:		
Amortization of Deferred Inflows	\$ (6,812,790)	\$ (4,599,530)
Depreciation and amortization expense	5,381,067	3,881,248
Bad debt expense	387,703	223,565
Changes in assets and liabilities:		
Accounts receivable	(431,612)	(369,882)
Inventory and prepaid expenses	67,311	(45,718)
Accounts payable	(53,366)	(595,040)
Accrued expenses	(307,435)	120,591
Rent and construction deposits	13,529	4,475
Unearned Income	<u>(394,388)</u>	<u>305,975</u>
Net cash used in operating activities	<u>\$ (4,966,626)</u>	<u>\$ (3,510,060)</u>
<b>Non Cash Transactions:</b>		
Construction in Process in Accounts Payable and Accrued Expenses	\$ 3,204,514	\$ 8,601,882
Forgiveness of Debt	\$ 265,761	\$ 277,760
<i>The accompanying notes are an integral part of these financial statements.</i>		

## CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

### NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

#### 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 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 financial statements include Campus Partners and its component units – legally separate organizations for which Campus Partners is financially accountable. 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, or;
- The primary government is financially accountable for an organization if its holding of a of a majority equity interest in that organization not meet the definition of an investment.

Campus Partners’ blended 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.

# CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

The governing body of these component units is substantively the same as the governing body of Campus Partners and there is a financial benefit/burden relationship between Campus Partners and 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.

### Disposal of Operations

On June 16, 2022 Campus Partners transferred the assets and liabilities of The Gateway Theatre LLC ("the Theatre") to The Gateway Theatre Foundation for the purpose of operating as a separate non-profit foundation. As a result of the transfer, Campus Partners recognized a loss of \$434,631 on the disposal of the Theatre as a special item in the statement of revenues, expenses, and other changes in net position. Summary financial information up to the transfer date is provided in note 6 to the financial statements.

### Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), as prescribed by Governmental Accounting Standards Board (GASB). Campus Partners is presented as a special purpose government only engaged in business-type activities (BTA) on the accrual basis of accounting. 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, outstanding principal balances of debt, and accounts payable and accrued expenses attributable to the acquisition, construction or improvement of those assets.
- **Restricted:** Net resources that are legally restricted by external parties or by law through constitutional provisions or enabling legislation. Campus Partners did not have any restricted net position as of June 30, 2022 or 2021.
- **Unrestricted:** Amounts which are not subject to externally-imposed stipulations.

Campus Partners first applies resources in restricted net position when an expense or outlay is incurred for purposes for which resources in both restricted and unrestricted net position are available.

### Cash

At June 30, 2022, the carrying amount of Campus Partners' cash and restricted cash is \$4,092,718 as compared to bank balances of \$4,316,127. The differences in carrying amount and bank balances are caused by outstanding checks, deposits in transit and petty cash. Of the bank balances, \$750,897 is covered by federal deposit insurance and \$3,565,230 is uninsured and uncollateralized as defined by the GASB.

At June 30, 2021, the carrying amount of Campus Partners' cash and restricted cash is \$5,773,910 as compared to bank balances of \$5,979,466. The differences in carrying amount and bank balances are caused by outstanding checks, deposits in transit and petty cash. Of the

## **CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES**

(A component unit of The Ohio State University)

### **NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2022 AND 2021**

bank balances, \$1,000,897 is covered by federal deposit insurance and \$4,978,569 is uninsured and 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.

#### **Accounts Receivable, Net of Allowances**

Accounts receivable consists of receivables related to lessee utilities and real estate taxes, accrued interest for notes 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 in receipts of amounts previously written off, recovery income is recognized for the amount collected.

The accounts receivable balances include accrued interest of \$998,130 and \$894,217 at June 30, 2022 and 2021, respectively. These amounts relate 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 \$598,180 and \$484,216 at June 30, 2022 and 2021.

#### **Leases Receivable**

At lease commencement, Campus Partners initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. These balances totaled \$49,692,494 and \$71,929,085 at June 30, 2022 and 2021, respectively. Additional information on lease-related revenues and future minimum rents is provided in Note 3.

Certain leases contain contingent variable lease payments 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 lease revenue until those specified sales targets are met and notification is received from the tenant. Campus Partners recognizes variable lease revenues in Other Operating Income on the statement of Revenue, Expenses, and Changes in Net Position. Variable lease revenue was \$74,559 and \$20,206 as of June 30, 2022 and 2021, respectively.

#### **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 reported at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives:



## CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

### NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

<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 removes the asset cost and related accumulated depreciation from the appropriate accounts and reflects any gain or loss in current operations upon sale or retirements. Campus Partners applies a capitalization threshold of \$5,000 for movable furniture, fixtures, vehicles and equipment. Campus Partners has no capitalization threshold policy for buildings/leasehold improvements or software. Expenditures for maintenance, repairs or renewals, which neither materially add to the value of the property nor appreciably extend its useful life are charged to expense as incurred.

Certain operating leases contain tenant improvement allowances under which Campus Partners contributes money towards the construction of leasehold improvements within the tenant's 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 estimated life of the improvement.

#### **Deferred Inflows - Leases**

Deferred inflows of resources related to leases are measured at the amount of the initial measurement of the lease receivable, plus any payments received at or before commencement of the lease term that relate to future periods and are amortized on a straight-line basis over the lease term as Lease Income.

#### **Rent and Construction Deposits**

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

#### **Classification of Revenues and Expenses**

Campus Partners defines operating activities, for purposes of reporting in the Statement of Revenues, Expenses and Changes in Net Position, as those revenues that generally result from exchange transactions such as payments received related to leases and payments made for goods and services received. All other activity is shown as non-operating.

#### **Income Taxes**

Campus Partners is exempt from income taxes under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code, except for taxes on income determined to be unrelated business tax income. Campus Partners assesses uncertain tax positions and has determined there were no such positions that have a material effect on the financial statements.

#### **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, the

## **CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES**

(A component unit of The Ohio State University)

### **NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2022 AND 2021**

collectability of accounts and notes receivable, and the discount rate used to calculate lease receivables. Actual results could differ from those estimates.

#### **Newly Issued Accounting Pronouncements**

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement addresses P3s and APAs and amends current guidance in GASB 60, *Accounting and Financial Reporting for Service Concession Arrangements*. In general, the Statement applies the right-of-use model set forth in GASB 87 to P3 arrangements and provides accounting and disclosure guidance for both transferors and operators of governmental assets. The Statement is effective for periods beginning after June 15, 2022 (FY2023).

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment to GASB Statement No. 62*. This Statement requires that changes in accounting principles and error corrections be reported retroactively by restating prior periods, changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Statement also provides guidance on related note disclosures and addresses corrections to required supplementary information and supplementary information. The Statement is effective for fiscal years beginning after June 15, 2023 (FY2024).

Campus Partners management is currently assessing the impact that implementation of GASB Statements No. 94, and 100 will have on Campus Partners' financial statements.

#### **Restatement for GASB 87**

In fiscal year 2022, Campus Partners implemented GASB 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 record an intangible right-of-use asset and corresponding lease liability. Lessors 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. The adoption of GASB 87 resulted in a \$1,268,819 decrease in Campus Partners' net position as of July 1, 2020. The effects of adopting Statement No. 87 in Campus Partners' financial statements for the year ended June 30, 2021 were as follows:

# CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

	As previously reported	Statement No. 87	As Restated
<b><i>Statement of Net Position</i></b>			
Accounts Receivable - net of allowances for doubtful account: \$	2,542,256	\$ (882,950)	\$ 1,659,306
Lease Receivables - current portion	-	3,603,072	3,603,072
Total current assets	9,069,154	2,720,121	11,789,275
Unamortized leasing costs, net	665,482	(665,482)	-
Lease receivables - noncurrent portion	-	68,326,013	68,326,013
Total noncurrent assets	195,924,886	67,660,531	263,585,417
Total assets	204,994,040	70,380,653	275,374,693
Unearned income - current portion	2,749,963	(2,140,151)	609,812
Total current liabilities	15,493,344	(2,140,151)	13,353,193
Unearned income - noncurrent portion	51,372,785	(51,372,785)	-
Total noncurrent liabilities	197,402,911	(51,372,785)	146,030,126
Total liabilities	212,896,255	(53,512,936)	159,383,319
Deferred inflows - leases	-	124,418,978	124,418,978
Unrestricted net position	(46,873,099)	(525,390)	(47,398,489)
Total net position	(7,902,215)	(525,390)	(8,427,605)
Total liabilities, deferred inflows of resources, and net position	204,994,040	70,380,653	275,374,693

# CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

	As previously reported	Statement No. 87	As Restated
<b><i>Statement of Revenues, Expenses, and Other Changes in Net Position</i></b>			
Rental Income	\$ 5,128,980	\$ (529,450)	\$ 4,599,530
Other operating income	456,345	458,905	915,250
Total Operating Revenues	8,280,120	(70,545)	8,209,575
Property operating and maintenance	1,877,441	11,050	1,888,491
Total operating expenses	10,634,269	11,050	10,645,319
Net operating loss	(2,354,149)	(81,595)	(2,435,744)
Interest Income	109,001	825,024	934,025
Total Non-operating revenue	1,227,654	825,024	2,052,678
Income (loss) before other changes in net position	(1,126,495)	743,429	(383,066)
Increase (decrease) in net position	(848,735)	743,429	(105,306)
Net position - beginning of year	(7,053,480)	(1,268,819)	(8,322,299)
Net position - end of year	(7,902,215)	(525,390)	(8,427,605)

	As previously reported	Statement No. 87	As Restated
<b><i>Statement of Cash Flows</i></b>			
Receipts from tenants	\$ 23,346,992	\$ (19,524,407)	\$ 3,822,585
Payments to vendors for supplies and services	(6,332,959)	(330,536)	(6,663,495)
Net cash used in operating activities	16,344,883	(19,854,943)	(3,510,060)
Receipts from leases	-	18,941,917	18,941,917
Receipts from interest	-	582,490	582,490
Deferred leasing costs	(330,535)	330,535	-
Net cash provided by capital financing activities	(19,715,038)	19,854,343	139,305
Net operating loss	(2,354,149)	(81,595)	(2,435,744)
Amortization of deferred inflows	-	(4,599,530)	(4,599,530)
Unearned income	15,212,523	(14,906,548)	305,975
Net cash used in operating activities	16,344,883	(19,854,943)	(3,510,060)

## NOTE 2 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 is summarized as follows:

# CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 27,346,962	-	-	-	\$ 27,346,962
Construction in progress	47,140,551	19,253,608	-	(1,746,130)	64,648,029
Total non-depreciable assets	74,487,513	19,253,608	-	(1,746,130)	91,994,991
Capital assets being depreciated:					
Improvements other than buildings	10,441,892	869,943	1,004,089	-	10,307,746
Buildings and fixed equipment	137,015,491	1,503,293	-	1,746,130	140,264,914
Moveable equipment, furniture and software	2,332,098	513,558	1,811,172	-	1,034,484
Total depreciable assets	149,789,481	2,886,794	2,815,261	1,746,130	151,607,144
Less: Accumulated depreciation for					
Improvements other than buildings	7,096,260	740,911	1,003,978	-	6,833,193
Buildings and fixed equipment	21,030,212	4,352,019	-	-	25,382,231
Moveable equipment, furniture and software	1,691,118	288,137	1,416,657	-	562,598
Total accumulated depreciation	29,817,590	5,381,067	2,420,635	-	32,778,022
Total Depreciable assets, net	119,971,891	(2,494,273)	394,626	1,746,130	118,829,122
Capital assets, net	\$ 194,459,404	\$ 16,759,335	\$ 394,626	\$ -	\$ 210,824,113

Capital asset activity for the year ended June 30, 2021 is summarized as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 27,346,962	-	-	-	\$ 27,346,962
Construction in progress	59,742,395	53,828,803	-	(66,430,647)	47,140,551
Total non-depreciable assets	87,089,357	53,828,803	-	(66,430,647)	74,487,513
Capital assets being depreciated:					
Improvements other than buildings	9,825,840	616,052	-	-	10,441,892
Buildings and fixed equipment	66,633,493	3,951,351	-	66,430,647	137,015,491
Moveable equipment, furniture and software	2,305,403	26,695	-	-	2,332,098
Total depreciable assets	78,764,736	4,594,098	-	66,430,647	149,789,481
Less: Accumulated depreciation for					
Improvements other than buildings	5,917,535	1,178,725	-	-	7,096,260
Buildings and fixed equipment	18,781,306	2,248,906	-	-	21,030,212
Moveable equipment, furniture and software	1,549,780	141,338	-	-	1,691,118
Total accumulated depreciation	26,248,621	3,568,969	-	-	29,817,590
Total Depreciable assets, net	52,516,115	1,025,129	-	66,430,647	119,971,891
Capital assets, net	\$ 139,605,472	\$ 54,853,932	\$ -	\$ -	\$ 194,459,404

### NOTE 3 –LEASES

Campus Partners is lessor for various noncancellable leases of real estate. Lease-related revenues recognized for the years ended June 30, 2022 and 2021 are as follows:

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	2022	2021
Lease revenue	\$ 6,812,790	\$ 4,599,530
Interest revenue	2,008,834	825,024
Other lease-related inflows	-	-
	\$ 8,821,624	\$ 5,424,554

Annual future minimum rents due to be received under non-cancellable leases at June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 3,527,209	\$ 2,072,813	\$ 5,600,022
2024	3,519,414	1,950,973	5,470,386
2025	3,301,826	1,828,622	5,130,448
2026	2,268,673	1,724,100	3,992,773
2027	1,791,550	1,644,259	3,435,809
2028-2032	6,404,741	7,272,965	13,677,707
2033-2037	3,380,964	6,252,489	9,633,452
2038-2042	5,705,869	5,187,490	10,893,359
2043-2047	8,855,133	3,476,442	12,331,575
2048-2052	10,045,292	976,858	11,022,150
	\$ 48,800,672	\$ 32,387,009	\$ 81,187,681

Lease receivables current include \$891,822 of past due fixed lease payments owed by the tenants to Campus Partners.

#### NOTE 4 – LONG-TERM DEBT

##### University Loans:

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 Small Business Administration and Columbus Finance Fund issued loans to Campus Partners in prior years with the terms defined in the promissory notes. Campus Partners owes \$0 on loans to the Small Business Administration and Columbus Finance Fund at June 30, 2022.

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

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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, 2022 was \$32,339,871.

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, 2022 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, 2022 was \$21,363,651.

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. Through June 30, 2022, Campus Partners has made draws totaling \$24,252,603. The loan does not bear interest and repayment terms have not been set. The total outstanding principal balance at June 30, 2022 was \$24,252,603.

During 2019, the university entered into three Memorandum of Understandings to issue debt to Campus Partners for the University Square Development. The total of the loans from these three Memorandum of Understanding as of June 30, 2022 is \$6,795,000. The loans do not bear interest and repayment terms have not been set. The total outstanding principal balance at June 30, 2022 was \$6,795,000.

In September 2019, the university entered into a Memorandum of Understanding to issue debt not to exceed \$45,500,000 for the construction of University Square North at University Square. This loan will be used to fund the construction of Building A. The total loan from this Memorandum of Understanding as of June 30, 2022 is \$42,063,733. The loan will bear interest at 5.25% for 30 years and repayment terms have not been set. The total outstanding principal balance at June 30, 2022 was \$42,063,733.

In September 2019, the university entered into a Memorandum of Understanding to issue debt not to exceed \$44,260,000 for the construction of University Square South at University Square. This loan will be used to fund the construction of Building B1. The total loan from this Memorandum of Understanding as of June 30, 2022 is \$31,050,975. The loan will bear interest

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at 5.25% for 30 years and repayment terms have not been set. The total outstanding principal balance at June 30, 2022 was \$31,050,975.

In April 2022, the university entered into a Memorandum of Understanding to issue debt not to exceed \$7,800,000 for the construction of the Event Center in University Square North at University Square. The total loan from this Memorandum of Understanding as of June 30, 2022 is \$315,092. The loan will bear interest at 4.00% for 20 years. Interest payments on this loan will begin in January 2023 and principal payments will begin in July 2023. The total outstanding principal balance at June 30, 2022 was \$315,092.

#### Other Loans:

In addition to university loans, Campus Partners has loans from private and governmental sources, as summarized below. These loans were either forgiven or removed due to the spin off of The Gateway Theatre.

In April 2021, The Gateway Theatre received a loan of \$265,761 under the Payroll Protection Program. This loan was forgiven in October 2021 under the terms of the Payroll Protection Program. The forgiveness was recognized as a gain on debt forgiveness on the income statement

In June 2020, The Gateway Theatre received a loan of \$160,000 from the Small Business Administration under the Economic Injury Disaster Loan program. This loan has a term of 30 years at a 2.75% interest rate. When the spin off of The Gateway Theatre occurred in June 2022, this loan became the responsibility of the The Gateway Theatre.

In May 2020, The Gateway Theatre received a loan of \$59,400 from the Columbus Finance Fund. This loan has a 24 month term at 0% interest rate. When the spin off of The Gateway Theatre occurred in June 2022, this loan became the responsibility of the The Gateway Theatre.

Debt activity for the year ended June 30, 2022 is as follows:

Debt Name	Beginning						Ending Balance	Current portion
	Balance	Additions	Repayments	Forgiven	Spin Off			
OSU Loan- Retail	\$ 33,633,466	\$ -	\$ 1,293,595	\$ -	\$ -	\$ 32,339,871	\$ 1,293,595	
OSU Loan- Real Estate	13,022,746	-	-	-	-	13,022,746	-	
OSU Loan- Real Estate IV	21,363,651	-	-	-	-	21,363,651	-	
15th & High Infrastructure	23,526,949	725,653	-	-	-	24,252,602	-	
OSU Loan- 15th & High Development	6,795,000	-	-	-	-	6,795,000	-	
OSU Loan- University Square North	36,548,852	5,514,881	-	-	-	42,063,733	-	
OSU Loan- University Square South	11,995,974	19,055,001	-	-	-	31,050,975	-	
OSU Loan- Event Center	-	315,092	-	-	-	315,092	-	
PPP Loan	275,801	-	-	265,761	10,040	-	-	
EIDL Loan	150,000	-	-	-	150,000	-	-	
Finance Fund Loan	44,550	-	29,700	-	14,850	-	-	
Total Debt	\$ 147,356,989	\$ 25,610,626	\$ 1,323,295	\$ 265,761	\$ 174,890	\$ 171,203,670	\$ 1,293,595	

Debt activity for the year ended June 30, 2021 is as follows:



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Debt Name	Beginning				Ending Balance	Current portion
	Balance	Additions	Repayments	Forgiven		
OSU Loan- Retail	\$ 34,927,061	\$ -	\$ 1,293,595	\$ -	\$ 33,633,466	\$ 1,293,595
OSU Loan- Real Estate	13,022,746	-	-	-	13,022,746	-
OSU Loan- Real Estate IV	21,363,651	-	-	-	21,363,651	-
15th & High Infrastructure	17,950,000	5,576,949	-	-	23,526,949	-
OSU Loan- 15th & High Development	6,795,000	-	-	-	6,795,000	-
OSU Loan- University Square North	9,842,613	26,706,239	-	-	36,548,852	-
OSU Loan- University Square South	5,129,945	6,866,029	-	-	11,995,974	-
PPP Loan	287,800	265,761	-	277,760	275,801	-
EIDL Loan	160,000	-	10,000	-	150,000	3,568
Finance Fund Loan	59,400	-	14,850	-	44,550	29,700
Total Debt	\$ 109,538,216	\$ 39,414,978	\$ 1,318,445	\$ 277,760	\$ 147,356,989	\$ 1,326,863

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
2023	1,293,595	156,000	1,449,595
2024	1,553,523	307,269	1,860,792
2025	1,564,113	296,679	1,860,792
2026	1,575,135	285,658	1,860,792
2027	1,586,605	274,187	1,860,792
2028-2032	8,122,120	1,246,597	9,368,717
2033-2037	8,487,681	895,346	9,383,027
2038-2042	8,934,029	466,471	9,400,500
2043-2047	7,023,071	45,931	7,069,002
Total	\$ 40,139,873	\$ 3,974,139	\$ 44,114,011

University and other loans not included in the table above include \$131,063,798 of loans that do not yet have set contractual payment terms, but are expected and intended to be paid back to the University or other debtors as contractual payment terms are agreed by Campus Partners and debtors.

### 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. Lease receivables due from university tenants as of June 30, 2022 and 2021 were \$2,853,257 and \$3,275,929, respectively. Accounts payable due to university tenants for the years ended June 30, 2022 and 2021 were \$41,225 and \$49,418, respectively. Total lease revenue and interest income recognized for university tenants at the South Campus Gateway for the years ended June 30, 2022 and 2021 were \$598,380 and \$613,425, respectively. Recovery of operating expenses from these university tenants for the years ended June 30, 2022 and 2021 were \$1,280,885 and \$1,199,471 respectively. University employees support the day-to-day

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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. During 2019 Campus Partners and WOSU entered into a lease for WOSU to occupy a building owned by Campus Partners. During Fiscal Year 2020, the lease was revised. Per the terms of the revised lease WOSU paid a total of \$32,719,957 in prepaid rent to Campus Partners to fund the construction of the building. Total deferred inflows for the WOSU building are \$31,424,237 and \$32,514,095 as of June 30, 2022 and 2021, respectively. This building was placed in service in April 2021. Lease revenue recognized for the years ended June 30, 2022 and 2021 was \$1,093,800 and \$206,607, respectively.

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. Total deferred inflows for this building are \$19,811,786 and \$20,849,958 as of June 30, 2022 and 2021, respectively. Campus Partners recognized rental income on this property of \$1,041,671 and \$1,041,677 for the year ending June 30, 2022 and the year ending June 30, 2021, respectively. Recovery of operating expense recognized from this property was \$579,600 for both of the years ending June 30, 2022 and 2021.

Campus Partners and the university entered into a 30-year lease agreement for offices to be occupied by the Office of University Advancement at University Square North. The lease commenced in June 2021. Campus Partners recorded total lease revenue and interest income of \$2,211,961 and \$402,822 for the years ended June 30, 2022 and 2021, respectively. Lease receivables under this agreement totaled \$30,097,522 and \$54,462,143 as of June 30, 2022 and 2021, respectively. Deferred inflows under this agreement totaled \$28,985,938 and \$54,297,516 as of June 30, 2022 and 2021, respectively. During fiscal year 2022, this lease was amended dating back to the commencement date. The amendment lowered the base rent owed by the university.

#### **NOTE 6 – CONDENSED 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 financial information for the year ended June 30, 2022 is presented below.

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	Campus				
	Partners for				
	South Campus Gateway LLC	Affordable Housing LLC	The Gateway Theatre LLC	Redstone Realty LLC	Medstone Realty LLC
<b>Condensed statements of net position:</b>					
Current assets	\$ 1,560,250	\$ 1,883,474	\$ -	\$ 6,858,725	\$ 590,877
Capital assets, net	27,719,495	-	-	162,069,860	21,034,758
Other assets	14,502,204	800,000	-	30,771,259	-
Total assets	43,781,949	2,683,474	-	199,699,844	21,625,635
Current liabilities	2,277,165	127,180	-	4,490,659	590,200
Amounts payable to the university	31,046,277	-	-	138,863,799	-
Total liabilities	33,323,442	127,180	-	143,354,458	590,200
Deferred Inflows of resources	13,910,650	-	-	64,505,752	19,804,787
Net investment in capital assets	(8,129,199)	-	-	23,506,959	21,038,169
Unrestricted	4,677,056	2,556,294	-	(31,667,325)	(19,807,521)
Total net position	(3,452,143)	2,556,294	-	(8,160,366)	1,230,648
Total liabilities, deferred inflows of resources and net position	\$ 43,781,949	\$ 2,683,474	\$ -	\$ 199,699,844	\$ 21,625,635

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	Campus				
	Partners for				
	South Campus Gateway LLC	Affordable Housing LLC	The Gateway Theatre LLC	Redstone Realty LLC	Medstone Realty LLC
<b>Condensed statements of revenues, expenses</b>					
<b>and changes in net position:</b>					
Operating revenues:					
Rental income	\$ 3,462,660	\$ -	\$ -	\$ 2,308,459	\$ 1,041,671
Tenant recovery revenue	1,789,434	-	-	1,260,560	579,600
Other operating	(141,470)	754,882	896,676	157,725	(3,413)
Total operating revenues	5,110,624	754,882	896,676	3,726,744	1,617,858
Operating expenses, excluding depreciation	3,749,299	435,162	2,636,879	2,141,427	579,596
Depreciation and amortization expense	1,704,669	-	130,901	2,726,089	819,408
Total operating expenses	5,453,968	435,162	2,767,780	4,867,516	1,399,004
Net operating income (loss)	(343,344)	319,720	(1,871,104)	(1,140,772)	218,854
Non-operating revenues and expenses:					
Interest income	572,342	103,963	-	1,436,492	-
Interest expense	-	-	(8)	-	-
Other non-operating revenue (expense)	143,989	(150,000)	1,480,776	-	-
Net non-operating revenue (expense)	716,331	(46,037)	1,480,768	1,436,492	-
Other Changes in Net Position					
Forgiveness of Debt	-	-	265,761	-	-
Spin Off of Film Center	-	-	(434,631)	-	-
Change in net position	372,987	273,683	(559,206)	295,720	218,854
Increase (decrease) in net position	372,987	273,683	(559,206)	295,720	218,854
Beginning net position	(3,825,130)	2,282,611	559,206	(8,456,086)	1,011,794
Ending net position	\$ (3,452,143)	\$ 2,556,294	\$ -	\$ (8,160,366)	\$ 1,230,648

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	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	\$ (2,630,949)	\$ 269,682	\$ (1,698,993)	\$ (906,365)	\$ -
Noncapital financing activities	-	254	2,068,049	-	-
Capital and related financing activities	2,588,991	-	(379,514)	(521,204)	-
Investing activities	-	-	(471,145)	-	-
Net increase (decrease) in cash	(41,958)	269,936	(481,603)	(1,427,569)	-
Beginning cash and restricted cash	1,042,869	992,084	481,603	3,256,457	897
Ending cash and restricted cash	\$ 1,000,911	\$ 1,262,020	\$ -	\$ 1,828,888	\$ 897

Condensed financial information for the year ended June 30, 2021 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	\$ 1,290,472	\$ 1,703,845	\$ 1,151,920	\$ 7,052,158	\$ 590,880
Capital assets, net	29,257,891	-	368,237	142,975,702	21,857,574
Other assets	17,211,651	800,000	-	51,114,362	-
Total assets	47,760,014	2,503,845	1,520,157	201,142,222	22,448,454
Current liabilities	2,484,362	221,234	523,868	9,533,528	590,201
Noncurrent liabilities	-	-	437,083	-	-
Amounts payable to the university	32,339,872	-	-	113,253,171	-
Total liabilities	34,824,234	221,234	960,951	122,786,699	590,201
Deferred Inflows of Resources	16,760,908	-	-	86,811,611	20,846,459
Net investment in capital assets	(4,375,576)	-	368,237	21,120,648	21,857,575
Unrestricted	550,448	2,282,611	190,969	(29,576,736)	(20,845,781)
Total net position	(3,825,128)	2,282,611	559,206	(8,456,088)	1,011,794
Total liabilities, Deferred Inflows of resources and net position	47,760,014	2,503,845	1,520,157	201,142,222	22,448,454

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	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	\$ 2,975,197	\$ -	\$ -	\$ 582,656	\$ 1,041,677
Tenant recovery revenue	1,893,213	-	-	-	579,600
Other operating	535,708	(209,341)	677,338	133,527	-
Total operating revenues	5,404,118	(209,341)	677,338	716,183	1,621,277
Operating expenses, excluding depreciation					
Depreciation expense	3,052,004	428,256	1,261,658	1,445,556	576,597
Total operating expenses	2,631,883	-	78,724	351,233	819,408
	5,683,887	428,256	1,340,382	1,796,789	1,396,005
Net operating income (loss)	(279,769)	(637,597)	(663,044)	(1,080,606)	225,272
Non-operating revenues and expenses:					
Interest income	582,490	109,001	-	242,534	-
Interest expense	-	-	(8)	-	-
Other non-operating revenue (expense)	-	(91,857)	1,210,518	-	-
Net non-operating revenue (expense)	582,490	17,144	1,210,510	242,534	-
Other Changes in Net Position					
Forgiveness of Debt	-	-	277,760	-	-
Total Other Changes in Net Position	-	-	277,760	-	-
Increase (decrease) in net position	302,721	(620,453)	825,226	(838,072)	225,272
Beginning net position	(4,127,849)	2,903,064	(266,020)	(7,618,016)	786,522
Ending net position	(3,825,128)	2,282,611	559,206	(8,456,088)	1,011,794

	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	\$ 1,817,303	\$ (340,819)	\$ (536,761)	\$ (4,449,783)	\$ -
Noncapital financing activities	-	(91,855)	772,202	(1)	-
Capital and related financing activities	(2,118,933)	-	14,317	2,244,521	-
Investing activities	-	-	-	-	-
Net increase (decrease) in cash	(301,630)	(432,674)	249,758	(2,205,263)	-
Beginning cash and restricted cash	1,344,500	1,424,758	231,844	5,461,720	897
Ending cash and restricted cash	1,042,870	992,084	481,602	3,256,457	897

## CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

(A component unit of The Ohio State University)

### NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

#### NOTE 7 – COMMITMENTS AND CONTINGENCIES

##### *Capital Commitments*

As of June 30, 2022, Campus Partners is committed to future contractual obligations for capital expenditures related to the University Square redevelopment project of approximately \$18.9 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*

For the year ended June 30, 2022, Campus Partners had rental income generated from four tenants, which represented greater than 10% of Campus Partners' rental income.

Tenant	2022 Lease Revenue	% of Total Rent- 2022	2021 Rental Revenue	% of Total Rent- 2021	Related Party
OSU Office of Advancement	\$ 999,515	14.7%	\$ 83,292	1.8%	Yes
Barnes & Noble	\$ 997,833	14.6%	\$ 997,833	21.7%	No
Wexner Medical Center	\$ 1,041,671	15.3%	\$ 1,041,677	22.6%	Yes *
WOSU	\$ 1,089,857	16.0%	\$ 205,862	4.5%	Yes *

\* Rent is fully prepaid



KPMG LLP  
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**Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

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 financial statements of Campus Partners for Community Urban Redevelopment and subsidiaries (“Campus Partners”), a component unit of The Ohio State University, which comprise the statement of net position as of June 30, 2022, and the related 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 financial statements, and have issued our report thereon May 2, 2023.

**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”) as a basis for designing 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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of financial statement findings as items 2022-001 and 2022-002 that we consider to be material weaknesses.

**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 financial statements. 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*.

### **Campus Partners' Responses to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Campus Partners' responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Campus Partners' responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

### **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.

**KPMG LLP**

Columbus, Ohio  
May 2, 2023

# Campus Partners for Community Urban Redevelopment and subsidiaries

## Schedule of Financial Statement Findings

Year ended June 30, 2022

### **Finding 2022-001: Lease Component Inputs**

#### ***Criteria***

Governmental Accounting Standards Board Statement No. 87 (GASB 87), *Leases*, paragraph 93 requires entities to recognize and measure leased assets and liabilities for lessors and lessees using the facts and circumstances that existed at the beginning of the earliest period restated and disclose the nature of the restatement and its effect. GASB 87 paragraph 40 requires entities to recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term based on inputs within the lease documents.

#### ***Conditions Found***

During our testing of the Campus Partners' adoption of GASB 87, we identified that management had applied incorrect inputs to ten leases, which resulting in calculation errors to and subsequent correction of lease receivable, deferred inflows of resources and lease revenue/interest income. We noted that management's process for adopting the new leasing standard did not include the proper review control over the lease calculations. Management's review did not operate at a level of precision to detect incorrect inputs to the lease software at the Campus Partners' discrete component level, thereby causing the output of these leases to be incorrect as of the date of adoption and as of June 30, 2022. Management's process was not designed effectively and resulted in \$334,506 increase in the lease receivable and a \$197,095 increase in deferred inflows from resources - leases on the statement of net position as of June 30, 2022, as well as a \$137,411 increase in lease income/interest income on the statement of changes of net position as of and for the year ended June 30, 2022. Management corrected these misstatements in the 2022 statements of net position and changes in net position.

#### ***Cause***

Campus Partners did not have an appropriately designed management review control to verify the inputs used in the lease calculations supporting the adoption of GASB 87 and the continuing accounting requirements.

#### ***Effect or potential effect***

Incorrect inputs to leases relating to the transition to GASB 87 as well as leases entered into after the transition date could cause a material misstatement in lease assets and liabilities as a lessee and lessor on the statements of net position, changes in net position and disclosures as prescribed in GASB 87.

#### ***Recommendation***

Campus Partners should strengthen its management review controls around leases and lease populations to ensure the appropriate recognition and measurement of leases on the statements of net position, changes in net position and disclosures.

#### ***Views of Campus Partners' Officials***

We will review and enhance our control processes for reviewing leases and lease inputs to the lease software to include a higher level of precision in order to verify that lease outputs from the software at the Campus Partners' discrete component level are accurate.

**Finding 2022-002: Review of Ending Property Accounts Receivable balances**

***Criteria***

GASB 87 paragraph 47 requires that subsequent payments from lessees to lessors should be first allocated to any accrued interest receivable and then to the lease receivable to relieve the lease receivable from the statement of net position.

***Conditions Found***

During our testing of property accounts receivable and confirmation of property accounts receivable (pre GASB 87), we identified a specific account receivable balance that was not accurate. We noted that management's process did not include a review control to reconcile ending property accounts receivable balances to individual lease level information. Management's process was not designed effectively and resulted in a \$381,737 decrease in the lease receivable and a \$381,737 decrease to accrued expenses to reverse the entry. Management corrected the misstatement in the 2022 statement of net position.

***Cause***

Campus Partners did not have the appropriate control process in place to reconcile individual property accounts receivable balances to the monthly amounts in the lease documents in order to verify that the amount of accounts receivable property was accurate.

***Effect or potential effect***

Incorrect accounts receivable property balances and the lack of review of those balances could cause a material misstatement to occur in the statements of net position and changes in net position.

***Recommendation***

Campus Partners should strengthen its policies and review controls around accounts receivable and lease receivables to ensure the appropriate recognition and measurement of accounts receivable and lease receivables on the statements of net position.

***Views of Campus Partners' Officials***

We will review and enhance our control processes for reviewing accounts receivable and lease receivables to ensure the accuracy of accounts receivable and lease receivables on the statements of net position.

# OHIO AUDITOR OF STATE KEITH FABER



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

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 5/23/2023**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)