

Campus Partners For Community Urban Redevelopment and Subsidiaries

Consolidated Financial Statements as of and
for the Years Ended June 30, 2010 and 2009,
Supplemental Information as of and for the
Year Ended June 30, 2010, and
Independent Auditors' Report



Mary Taylor, CPA
Auditor of State

Board of Trustees
Campus Partners for Community Urban Redevelopment and Subsidiaries
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Columbus, Ohio 43210-4016

We have reviewed the *Independent Auditors' Report* of the Campus Partners for Community Urban Redevelopment and Subsidiaries, Franklin County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 13 2010

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CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statements of net assets of Campus Partners For Community Urban Redevelopment and Subsidiaries ("Campus Partners"), a component unit of The Ohio State University, and its discretely presented component unit as of June 30, 2010 and 2009, and the related consolidated statements of revenues, expenses, and changes in net assets and of cash flows, where applicable, for the years then ended. These consolidated financial statements are the responsibility of Campus Partners' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Campus Partners' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the respective financial position of Campus Partners and its discretely presented component unit as of June 30, 2010 and 2009, and changes in their net assets and their cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the consolidated financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of Campus Partners' management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information, and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on Campus Partners' 2010 consolidated financial statements taken as a whole. The consolidating schedules on pages 26 through 27 are presented for the purpose of additional analysis of the 2010 consolidated financial statements, rather than to present the financial position, results of operations, and cash flows of the individual entities, and are not a required part of the consolidated financial statements. These schedules are the responsibility of Campus Partners' management. Such supplemental information has been subjected to the auditing procedures applied in our audit of the 2010 consolidated financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic 2010 consolidated financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2010, on our consideration of internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte + Touche LLP

November 8, 2010

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

The following Management's Discussion and Analysis (MD&A) of Campus Partners For Community Urban Redevelopment and Subsidiaries ("Campus Partners") financial performance provides an introduction to the consolidated financial statements for the fiscal year ended June 30, 2010, with comparative data for fiscal year 2009 and fiscal year 2008. We encourage readers to consider information presented here in conjunction with Campus Partners' consolidated financial statements. This MD&A focuses on the operations of Campus Partners and not its discretely presented component unit, University District Community Development Entity, LLC (UDCDE). Information pertaining to the discretely presented component unit is located in Note 7 to the financial statements. Responsibility for the completeness and fairness of this information rests with Campus Partners' management.

Overview of the Basic Consolidated Financial Statements

Campus Partners' consolidated financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB). Campus Partners is structured as a not-for-profit community development corporation with revenues recognized when earned and expenses recognized when incurred. Assets are capitalized and are depreciated over their useful lives. See the notes to the consolidated financial statements for a summary of Campus Partners' significant accounting policies.

Following this MD&A are the consolidated financial statements of Campus Partners, together with the notes, which are essential to a full understanding of the data contained in the consolidated financial statements. Campus Partners' consolidated financial statements are designed to provide readers with a broad overview of Campus Partners' finances.

The consolidated statements of net assets present information on all Campus Partners' assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of Campus Partners' financial position.

The consolidated statements of revenues, expenses, and changes in net assets present information that illustrates Campus Partners' net asset changes during each fiscal year end. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

The consolidated statements of cash flows relate to the flows of cash and cash equivalents. Consequently, only transactions that affect Campus Partners' cash accounts are recorded in this statement. A reconciliation of cash flows is provided at the bottom of the statement of cash flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

While Campus Partners' finances are complex due to our real estate holdings, development projects and multiple sources of funds, the organization's fiscal picture is solid. Campus Partners is current on its financial obligations and Campus Partners' cash provided by operating activities for fiscal year 2010 and 2009 was positive. Campus Partners net asset deficiency of \$(15.8) million as of June 30, 2010 warrants additional explanation as follows:

- As a non-profit redevelopment corporation, Campus Partners is charged with purchasing under-performing real estate properties and holding them for future redevelopment to benefit the University District neighborhoods. Campus Partners has purchased residential properties immediately south of Gateway for eventual redevelopment. Many of these properties were dilapidated and have been demolished, thus ultimately resulting in a \$4.0 million impairment of assets.
- Campus Partners also is carrying \$7.6 million in current debt until The Ohio State University completes approval of Campus Partners' new five-year business plan. Campus Partners' management believes that once the business plan is approved, Campus Partners' liabilities will be reduced by that amount and the \$7.6 million of debt will be reclassified as a capital contribution from the Ohio State University.

Financial Position

The following represents Campus Partners' financial position as of June 30, 2010, 2009, and 2008:

	2010	2009	2008
Assets:			
Current assets	\$ 3,871,799	\$ 2,823,669	\$ 5,026,266
Net capital assets	49,717,788	51,757,571	50,782,094
Deferred loan costs and other assets	<u>1,809,033</u>	<u>1,680,789</u>	<u>941,453</u>
Total	<u>\$ 55,398,620</u>	<u>\$ 56,262,029</u>	<u>\$ 56,749,813</u>
Liabilities:			
Current liabilities	\$ 25,164,399	\$ 15,070,695	\$ 11,461,774
Long-term liabilities	<u>46,020,042</u>	<u>55,208,219</u>	<u>58,658,904</u>
Total liabilities	<u>\$ 71,184,441</u>	<u>\$ 70,278,914</u>	<u>\$ 70,120,678</u>
Net (deficiency in) assets:			
Invested in capital assets — net of related debt	\$ (16,595,592)	\$ (13,077,300)	\$ (10,744,614)
Restricted	4,340		
Unrestricted	<u>805,431</u>	<u>(939,585)</u>	<u>(2,626,251)</u>
Total net (deficiency in) assets	<u>(15,785,821)</u>	<u>(14,016,885)</u>	<u>(13,370,865)</u>
Total	<u>\$ 55,398,620</u>	<u>\$ 56,262,029</u>	<u>\$ 56,749,813</u>

During 2010, Campus Partners' net capital assets decreased \$2.0 million due to property demolitions in the Real Estate III portfolio and the disposal of assets relating to retail tenant improvements at South Campus Gateway. Current assets increased \$1.0 million, primarily due to a \$1.9 million increase in cash. Campus Partners' current liabilities increased by \$10.1 million during 2010 primarily as a result of debt of \$10.3 million being reclassified from long-term to current. Long-term liabilities decreased by \$9.2 million during 2010 due to the same reclassification of long term debt to current and a \$0.2 million reduction in the ground lease payable. Note 5 includes more information regarding Campus Partners' financing arrangements.

During 2010, Campus Partners' net deficit increased by \$1.8 million due to a net operating loss of \$0.7 million and a net expense from other non-operating revenues and expenses of \$1.5 million as described in the summary of changes in net assets for fiscal year ended June 30, 2010.

During 2009, Campus Partners' net capital assets increased \$975,000 due to the purchase of assets relating to retail tenant improvements at South Campus Gateway and property additions to the Real Estate III portfolio. Current assets decreased \$2.2 million, primarily due to a decrease in cash of \$1.6 million. Additionally, grants receivable decreased \$348,000, primarily due to reimbursements received from the City of Columbus (the "City") for the Columbus Coated Fabrics (CCF) site project. The additional \$252,000 mostly represents an increase to the allowance of doubtful accounts. Campus Partners' current liabilities increased by \$3.6 million during 2009 primarily as a result of certain debt being classified as current. Long-term liabilities decreased by \$3.5 million during 2009 due to a reduction in the ground lease payable in the amount of \$3.5 million. During 2009, Campus Partners' net deficit increased by \$650,000 due to a net operating loss of \$2.6 million and interest expense and other nonoperating income of \$2 million, as described in the summary of changes in net assets for fiscal year ended June 30, 2009.

The following represents Campus Partners' summary of changes in net assets for the fiscal years ended June 30, 2010, 2009, and 2008:

	2010	2009	2008
Operating revenues	\$ 11,728,766	\$ 11,746,494	\$ 12,099,037
Operating expenses	<u>12,427,896</u>	<u>14,374,566</u>	<u>14,082,911</u>
Net operating loss	(699,130)	(2,628,072)	(1,983,874)
Nonoperating expenses	(1,460,788)	(1,056,251)	(2,648,655)
Capital contributions (distributions)	390,982	(57,182)	174,447
Extraordinary Items	<u> </u>	<u>3,095,485</u>	<u> </u>
Change in net assets	(1,768,936)	(646,020)	(4,458,082)
Net deficiency — beginning of year	<u>(14,016,885)</u>	<u>(13,370,865)</u>	<u>(8,912,783)</u>
Net deficiency — end of year	<u>\$ (15,785,821)</u>	<u>\$ (14,016,885)</u>	<u>\$ (13,370,865)</u>

Campus Partners' \$11.7 million of operating revenues for the year ended June 30, 2010, resulted primarily from retail and residential rental income generated from real estate holdings at the South Campus Gateway mixed use development. The rental rates and occupancy levels were steady in fiscal year 2010.

Campus Partners' major operating expenses for the year ended June 30, 2010, included ground lease rent (26.5%), salaries and wages (14.8%), and depreciation and amortization (16.1%). No other operating expense categories represented more than 10% of the total operating expenses in the current year. The decrease in operating expenses is attributable primarily to the decrease in ground lease expense of \$1.1 million, a decrease in bad debt expense of \$0.7 million and a decrease in salaries and wages of \$0.1 million.

Nonoperating expenses for fiscal year 2010 primarily related to interest expense of \$2.5 million. This cost was partially offset by \$1.35 million of operational funding support received from the University.

During 2009, Campus Partners' \$11.7 million of operating revenues for the year ended June 30, 2009, resulted primarily from retail and residential rental income generated from real estate holdings in South Campus Gateway, LLC (South Campus Gateway). The increase over 2008 is a result of increased occupancy of the retail, residential, and office properties.

Campus Partners' major operating expenses for the year ended June 30, 2009, included ground lease rent (30.4%), salaries and wages (13.5%), and depreciation and amortization (13.8%). No other operating expense categories represented more than 10% of the total operating expenses in the current year. The increase in operating expenses is attributable primarily to the increased activity at South Campus Gateway, an increase in real estate tax, and an increase in bad debt expense.

Nonoperating expenses for fiscal year 2009 primarily related to interest expense of \$2.6 million offset by fee income of \$800,000 with Weinland Park Development, LLC in exchange for the assignment of the right to purchase the Columbus Coated Fabrics site from the City of Columbus.

Additionally, the ground lease was amended during fiscal 2009 and ground rent was reduced by the University during fiscal 2009 in the amount of \$3 million, as reflected as an extraordinary item in the Statement of Revenues, Expenses, and Change in Net Assets.

The statements of cash flows present detailed information about the major sources and uses of cash and the resultant change in Campus Partners' cash position under the direct method. The four categories of presentation and their respective amounts for fiscal years 2010, 2009, and 2008 are as follows:

	2010	2009	2008
Net cash provided by (used in) operating activities	\$ 1,563,700	\$ 459,579	\$ (1,428,799)
Net cash provided by (used in) investing activities	248,945	(24,288,923)	(5,253,788)
Net cash provided by (used in) capital financing activities	(1,242,948)	20,968,961	4,028,140
Net cash provided by noncapital financing activities	1,378,435	1,278,732	655,548

During fiscal 2010 net cash provided by operating activities increased by approximately \$1.1 million due to a decrease in cash paid to suppliers of approximately \$1.4 million. Net cash provided by investing activities increased by approximately \$24.5 million due to a reduction of cash used in last year's Holiday Inn purchase for approximately \$20 million and in the reduction of purchases of property, plant and equipment of approximately \$3.0 million due to less property acquisition activity. Net cash used in capital financing activities decreased by approximately \$22.2 million because of last year's cash received from The Ohio State University of approximately \$20 million in relation to the purchase of the Holiday Inn.

During fiscal 2009 net cash used by operating activities decreased by approximately \$1.9 million due to an increase of cash received from tenants of approximately \$1 million, a decrease in cash paid to suppliers of approximately \$550,000, and a decrease in cash paid to employees of approximately \$350,000. Net cash used by investing activities increased by approximately \$19 million due to the purchase of the Holiday Inn for approximately \$20 million, an increase in cash paid for The Ohio State University tenant space for approximately \$1.3 million, offset by a reduction in the purchases of property, plant and equipment of approximately \$1.4 million, and an increase in cash received from The Ohio State University for tenant space for approximately \$700,000. Net cash provided by capital financing activities increased by approximately \$16.9 million because of cash received from The Ohio State University of approximately \$20 million in relation to the purchase of property and cash received from the Weinland Park Project of \$800,000, offset by a reduction of cash received from grants of approximately \$1.2 million, a reduction in grant disbursements of approximately \$950,000, a reduction in borrowings of \$2.5 million, and a decrease in notes receivable of approximately \$1.1 million.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF NET ASSETS AS OF JUNE 30, 2010 AND 2009

	2010		2009	
	Primary	UDCDE	Primary	UDCDE
ASSETS				
CURRENT ASSETS:				
Cash	\$ 2,395,257	\$ 797,282	\$ 447,125	\$ 563,581
Accounts receivable — net of allowance of doubtful accounts for \$110,000 in 2010 and \$423,000 in 2009	1,424,402	40,689	2,330,396	41,095
Notes receivable — current portion	20,000	249,136	20,000	229,901
Other assets	32,140		26,148	
Total current assets	3,871,799	1,087,107	2,823,669	834,577
CAPITAL ASSETS — Net of accumulated depreciation	49,717,788		51,757,571	
NOTES RECEIVABLE — Net of current portion	1,151,502		913,333	
NOTES RECEIVABLE FROM CAMPUS PARTNERS		32,500,712		32,749,848
INVESTMENT IN UDCDE	140,841		140,841	
DEFERRED LOAN AND LEASE COSTS — Net	516,690		626,615	
TOTAL	\$ 55,398,620	\$33,587,819	\$ 56,262,029	\$33,584,425
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Bank overdraft	\$ -	\$ -	\$ 38,316	\$ -
Current portion of loan payable	22,981,689		12,654,259	
Accounts payable	329,820		202,039	
Accrued liabilities	1,183,477		1,638,420	
Unearned tenant income	248,481		146,309	
Tenant deposits	420,932		391,352	
Total current liabilities	25,164,399	-	15,070,695	-
LONG-TERM LIABILITIES:				
Ground lease payable to related party	2,688,351		2,902,607	
Loans payable	10,830,979		19,555,764	
Loans payable to UDCDE	32,500,712		32,749,848	
Total long-term liabilities	46,020,042	-	55,208,219	-
Total liabilities	71,184,441	-	70,278,914	-
NET (DEFICIENCY IN) ASSETS:				
Invested in capital assets — net of related debt	(16,595,592)		(13,077,300)	
Restricted	4,340			
Unrestricted	805,431	33,587,819	(939,585)	33,584,425
Total net (deficiency in) assets	(15,785,821)	33,587,819	(14,016,885)	33,584,425
TOTAL	\$ 55,398,620	\$33,587,819	\$ 56,262,029	\$33,584,425

See notes to consolidated financial statements.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010		2009	
	Primary	UDCDE	Primary	UDCDE
OPERATING REVENUES:				
Rental income	\$ 7,658,322	\$ -	\$ 7,710,234	\$ -
Recovery of operating expenses	1,717,372		1,838,797	
Parking income	1,333,876		1,151,614	
Other income	409,830		440,419	
Gateway Theater sales less cost of goods sold of \$497,475 in 2010 and \$536,741 in 2009	609,366		605,430	
Investment income		1,866,327		1,884,108
Total operating revenues	<u>11,728,766</u>	<u>1,866,327</u>	<u>11,746,494</u>	<u>1,884,108</u>
OPERATING EXPENSES:				
Professional services	704,110		581,826	
Salaries and wages	1,840,125		1,943,930	
Ground lease expense	3,293,004		4,369,481	
Real estate taxes	1,218,270		1,150,085	
Depreciation and amortization expense	2,005,393		1,986,931	
Utilities	861,326		847,944	
Cleaning	409,672		372,720	
Security	704,551		708,540	
Repairs and maintenance	758,857		917,985	
Public relations	255,503		320,254	
Bad debt expense	97,603		808,192	
Miscellaneous	201,403	1,503	239,997	257
Office supplies and expense	78,079		126,681	
Total operating expenses	<u>12,427,896</u>	<u>1,503</u>	<u>14,374,566</u>	<u>257</u>
OPERATING (LOSS) INCOME	<u>(699,130)</u>	<u>1,864,824</u>	<u>(2,628,072)</u>	<u>1,883,851</u>
NONOPERATING REVENUES (EXPENSES):				
Operating subsidy received from The Ohio State University	1,350,000		650,000	
The Ohio State University tenant space revenue	600,000		1,543,822	
The Ohio State University tenant space expense	(707,283)		(1,543,822)	
Fee income from The Ohio State University			600,000	
Miscellaneous income	28,435		828,732	
Impairment and demolition expense	(326,042)		(635,328)	
Interest income	53,059		63,697	
Interest expense	(2,458,957)		(2,563,352)	
Total nonoperating expenses	<u>(1,460,788)</u>	<u>-</u>	<u>(1,056,251)</u>	<u>-</u>
(DECREASE) INCREASE IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS (DISTRIBUTIONS)	<u>(2,159,918)</u>	<u>1,864,824</u>	<u>(3,684,323)</u>	<u>1,883,851</u>
CAPITAL CONTRIBUTIONS (DISTRIBUTIONS):				
Grant income	616,576		60,000	
Grant disbursements	(88,955)		(60,000)	
Transfer of assets to The Ohio State University	(136,639)		(57,182)	
Extraordinary item — forgiveness of ground lease payable to The Ohio State University			3,095,485	
Capital distributions from UDCDE		(1,861,430)		(1,641,693)
Capital contributions (distributions) — net	<u>390,982</u>	<u>(1,861,430)</u>	<u>3,038,303</u>	<u>(1,641,693)</u>
(DECREASE) INCREASE IN NET ASSETS	<u>(1,768,936)</u>	<u>3,394</u>	<u>(646,020)</u>	<u>242,158</u>
NET (DEFICIENCY IN) ASSETS — Beginning of year	<u>(14,016,885)</u>	<u>33,584,425</u>	<u>(13,370,865)</u>	<u>33,342,267</u>
NET (DEFICIENCY IN) ASSETS — End of year	<u>\$(15,785,821)</u>	<u>\$33,587,819</u>	<u>\$(14,016,885)</u>	<u>\$33,584,425</u>

See notes to consolidated financial statements.

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from tenants	\$ 11,434,714	\$ 11,585,803
Cash received from Gateway Theater	609,366	605,430
Cash paid to employees	(2,036,951)	(1,838,318)
Cash paid to suppliers	<u>(8,443,429)</u>	<u>(9,893,336)</u>
Net cash provided by operating activities	<u>1,563,700</u>	<u>459,579</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(406,792)	(3,380,809)
Purchase of Holiday Inn		(20,080,280)
Interest received on cash	31,877	84,880
Payment of deferred leasing costs	(52,530)	(129,040)
Cash received from The Ohio State University tenant space income	1,383,673	760,148
Cash paid for The Ohio State University tenant space expense	<u>(707,283)</u>	<u>(1,543,822)</u>
Net cash provided by (used in) investing activities	<u>248,945</u>	<u>(24,288,923)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Cash received from grants	616,576	408,006
Cash received (paid) on grant disbursements	(342,784)	(60,000)
Cash received from loans	1,786,519	3,276,808
Debt repayment	(1,002,647)	(624,215)
Cash paid for interest	(1,889,727)	(1,908,158)
Cash received from The Ohio State University for Holiday Inn		20,080,280
Cash received (paid) for note receivable	(238,169)	(780,000)
Cash received from Weinland Park Project		800,000
Increase (decrease) in overdraft payable	(38,316)	(73,843)
Other	<u>(134,400)</u>	<u>(149,917)</u>
Net cash provided by (used in) capital financing activities	<u>(1,242,948)</u>	<u>20,968,961</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received as an operating subsidy from The Ohio State University	1,350,000	650,000
Cash received from fee income from The Ohio State University		600,000
Cash received from miscellaneous nonoperating income	<u>28,435</u>	<u>28,732</u>
Cash provided by noncapital financing activities	<u>1,378,435</u>	<u>1,278,732</u>
NET INCREASE (DECREASE) IN CASH	1,948,132	(1,581,651)
CASH — Beginning of year	<u>447,125</u>	<u>2,028,776</u>
CASH — End of year	<u>\$ 2,395,257</u>	<u>\$ 447,125</u>

(Continued)

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	\$ (699,130)	\$ (2,628,072)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	2,005,393	1,986,931
Bad debt expense	97,603	808,192
(Increase) decrease in assets:		
Accounts receivable	183,561	558,545
Other assets	(4,404)	7,316
(Decrease) increase in liabilities:		
Accounts payable	127,781	(69,612)
Ground lease payable	(214,256)	(219,985)
Unearned tenant income	102,171	(164,820)
Tenant deposits	29,581	51,014
Accrued liabilities	<u>(64,600)</u>	<u>130,070</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 1,563,700</u>	 <u>\$ 459,579</u>
SUPPLEMENTAL DISCLOSURES — Noncash activity:		
Property purchases in accounts payable and accrued liabilities	<u>\$ 25,966</u>	<u>\$ 209,331</u>
Transfer of capital assets to The Ohio State University	<u>\$ 136,639</u>	<u>\$ 57,182</u>
Forgiveness of debt due to The Ohio State University	<u>\$ -</u>	<u>\$ 3,095,489</u>
Interest incurred and added to debt	<u>\$ 569,637</u>	<u>\$ 655,539</u>
Ground rent paid by accrued bond interest	<u>\$ -</u>	<u>\$ 439,044</u>

See notes to consolidated financial statements.

(Concluded)

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

1. 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 blended within the consolidated financial statements of the University. The cost of the operations of Campus Partners is funded primarily by rental operations and subsidies from the University, whereby Campus Partners directs the revitalization of the area immediately adjacent to the University’s main campus in Columbus, Ohio. Campus Partners was incorporated on January 12, 1995.

Reporting Entity — The accompanying consolidated financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the consolidated financial statements include all the organizations, activities, and functions for which Campus Partners, the reporting entity, is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit’s board and either (1) Campus Partners’ ability to impose its will over the component unit or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the reporting entity. On this basis, the reporting entity of Campus Partners includes the following component units:

- South Campus Gateway was created for the purpose of incurring costs related to the construction of residential, office, retail, and parking structures in the Gateway Project. During fiscal years 2007 and 2006, the title to the capital assets related to the residential, office, and parking portions of the project was transferred to the University. Pursuant to GASB Statement No. 14, Campus Partners is financially accountable for South Campus Gateway in that Campus Partners continues to own the remaining assets of South Campus Gateway. South Campus Gateway imposes a financial burden on Campus Partners through financing provided for the Gateway project. The ability of Campus Partners to impose its will on South Campus Gateway is manifest in that Campus Partners has the ability to dissolve the entity at any time.
- The Gateway Area Revitalization Initiative (GARI) was created to purchase land for the development of South Campus Gateway LLC (South Campus Gateway), an area immediately adjacent to the main campus of the University (the “Gateway Project”). Campus Partners is financially accountable for GARI in that the majority of the trustees of GARI must be trustees of Campus Partners. Therefore, the ability of Campus Partners to impose its will on GARI is manifest in that Campus Partners has the ability to dissolve the entity at any time. In fiscal year 2004, the title to the land was transferred to the University.
- The Gateway Theater, LLC (“Gateway Theater”) was created on June 21, 2005, for the purpose of operating the cinema at South Campus Gateway. GARI is the sole member of the Gateway Theater. The ability of Campus Partners to impose its will on the Gateway Theater is manifest in that the majority of the trustees of GARI must be trustees of Campus Partners.

- University District Community Development Entity, LLC (UDCDE) was created for the purpose of submitting an application for an allocation of New Markets Tax Credits from the U.S. Treasury Department. Funds generated from investors in UDCDE were used to provide debt financing for the retail portion of South Campus Gateway. In August 2005, UDCDE amended its operating agreement and admitted SCG Investment Fund LLC as a 99.72% member, and Campus Partners reduced its ownership from 100% to 0.28%. UDCDE is a discretely presented component unit because UDCDE is considered fiscally dependent on Campus Partners through voting rights, but does not provide services entirely or almost entirely to Campus Partners.

Basis of Presentation — The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Campus Partners' significant accounting policies are described below.

Basis of Accounting — The consolidated financial statements have been prepared on an accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund.

Revenue from charges for services is reported as operating revenue. Transactions, which are capital, financing, and investment-related, are reported as nonoperating revenues. Expenses from employee wages and benefits, purchases of services, material and supplies, and other miscellaneous expenses are reported as operating expenses. Grants and contracts determined to be exchange transactions are recognized as revenue when the exchange occurs. Grants and contracts determined to be non-exchange transactions are recognized as revenue when all eligibility requirements are met. Grants for the acquisition and construction of land, property, and certain types of equipment are reported in the consolidated statements of revenues, expenses, and changes in net assets, after nonoperating revenues and expenses.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Enterprise Fund Accounting*, Campus Partners follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Boards (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. Campus Partners has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

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

At June 30, 2010, the carrying amounts of Campus Partners' deposits with financial institutions totaled \$2,395,257 compared to bank balances of \$2,932,661. At June 30, 2009, the carrying amounts of Campus Partners' deposits with financial institutions totaled \$408,809 compared to bank balances of \$731,025. Outstanding checks and deposits in transit cause the differences in the carrying amounts and bank balances. Based upon criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase and Reverse Repurchase Agreements)*, \$250,000 of the bank balance in each legal entity was covered by deposit insurance provided by the Federal Deposit Insurance Corporation (FDIC). In fiscal years 2010 and 2009, \$1,608,231 and \$0, respectively, was uncollateralized as defined by GASB. However, to mitigate any risk of loss, Campus Partners maintains its cash in four large financial institutions; consequently, management believes it is not exposed to any specific concentration of credit risk in relation to cash.

Accounts Receivable — Receivables are reported at their gross value when earned as the underlying exchange transaction occurs, and reduced by the estimated portion deemed uncollectible. This estimate is based on collection history, industry trends, and current information regarding credit worthiness of the debtors. When continued collection activity results in receipts of amounts previously written off, revenue is recognized for the amount collected.

Unbilled Deferred Rent Receivable and Rental Income — Campus Partners, as a lessor, has retained substantially all of the risks and benefits of ownership and accounts for its leases as operating leases. Certain tenant leases provide for increases in minimum rental payments and for occupancy in periods where no rent is due. Campus Partners recognizes such rental revenue monthly on a straight-line basis over the terms of the leases. The expected straight-line rental income in excess of rents currently due under such lease agreements is recorded as unbilled deferred rent receivable. As of June 30, 2010 and 2009, such receivables (included in accounts receivable) were \$606,596 and \$557,549, respectively.

Concentration of Credit Risk — For the years ended June 30, 2010 and 2009, Campus Partners had rental revenue generated from one tenant, which represented greater than 10% of Campus Partners' revenue. Revenue from this tenant was \$1 million for years ended June 30, 2010 and 2009, which represents 13.1% and 13.0% of Campus Partners' revenue, respectively.

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

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

Capital Assets — Capital assets with a unit cost of greater than \$500 are recorded at cost on the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. Buildings are depreciated over 27.5 to 39 years, and personal property over five to seven years.

Tenant improvements are amortized over the lesser of the estimated life of the improvement or the life of the lease. Interest is capitalized during the development period and amortized over the estimated life of the building, once construction is complete. During fiscal years 2010 and 2009, Campus Partners incurred interest totaling \$2,458,957 and \$2,563,352, respectively, of which no interest was capitalized in fiscal 2010 and 2009.

During fiscal 2010 and 2009, Campus Partners recorded an impairment charge on recent property acquisitions of \$326,042 and \$635,328 respectively, which is reflected as impairment and demolition expense in the accompanying Consolidated Statement of Revenues, Expenses, and Changes in Net Assets.

Deferred Loan and Lease Costs — Deferred costs consist principally of leasing costs and financing fees. Leasing costs consist of commissions paid to third parties and other direct costs related to leasing activities. These costs are amortized on a straight-line basis over the terms of the respective agreements. As of June 30, 2010 and 2009, accumulated amortization totaled \$612,159 and \$485,198, respectively.

Grants Payable — Grants payable represent funds due to vendors under grants from the City and the state of Ohio, as well as certain funds due subrecipients.

Unearned Tenant Income and Tenant Deposits — Unearned tenant income consists of prepaid rent, which is recognized in the period it is earned. Tenant deposits are refundable at the end of the lease.

Ground Leases Payable — Campus Partners, as a lessee, does not receive the substantial risks and benefits of ownership, and accounts for the ground lease as an operating lease. Rental expense is recognized over the term of the lease on a straight-line basis. The expected straight-line rental expense in excess of rents due currently under the lease represents unbilled ground lease payable. As of June 30, 2010 and 2009, such payables were \$2,688,351 and \$2,902,607, respectively.

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

2. RELATED-PARTY TRANSACTIONS

In fiscal years 2010 and 2009, the University provided \$1,350,000 and \$650,000 respectively, in operational subsidies to Campus Partners.

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

The agreement expires 15 years from August 1, 2005, the date the parking garage was completed and placed into service. GARI reserves the right to terminate the agreement prior to the expiration date provided the University is given a one-year notice prior to the effective date of termination. In the event the agreement is terminated prior to the original expiration date, GARI will be required to reimburse the University in accordance with terms defined in the agreement. As of June 30, 2010 and 2009, the agreement remained in effect.

During fiscal year 2010 and 2009, there were \$136,639 and \$57,182 of nonretail development and building construction costs transferred to the University, respectively. During fiscal year 2007, title to \$3.7 million of South Campus Gateway nonretail predevelopment, development, and building construction costs were transferred to the University and subsequently subleased under the terms of the

Ground Lease Agreement dated June 30, 2004. A corresponding \$3.7 million of related debt was forgiven by the University in accordance with a Memorandum of Agreement dated January 20, 2004, between Campus Partners and the University. The subleased assets consist of both land and building and will remain the property of the University at ground lease expiration. Accordingly, the lease has been classified as an operating lease.

During fiscal year 2006, Campus Partners entered into three leases whereby Campus Partners leases office space to the University, which has been subleased under the Ground Lease Agreement. The leased space is part of the University Improvements, as defined under the ground lease, which were funded by the University and constructed by Campus Partners, and transferred to the University upon completion. At the end of the ground lease term, title to the office space will remain with the University. Lease income from the University under these leases totaled \$1,372,592 and \$1,183,472 for 2010 and 2009, respectively, and is included in rental income.

Campus Partners' operating division salaries, wages, and other compensation are paid directly to the employees by the University. Campus Partners reimburses the University based on the percentage of employees' time allocated to Campus Partners. During fiscal years 2010 and 2009, Campus Partners incurred \$459,559 and \$492,902, respectively, of which \$103,869 and \$256,000 were accrued at June 30, 2010 and 2009, respectively.

3. CAPITAL ASSETS

Capital asset activities for the years ended June 30, 2010 and 2009, are as follows:

	June 30, 2009	Additions	Disposals	Transfers	June 30, 2010
Land	<u>\$ 4,029,311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,029,311</u>
Depreciable assets:					
Buildings and improvements	54,126,677	38,767	(355,286)		53,810,158
Equipment	<u>389,728</u>	<u>73,774</u>	<u>(39,838)</u>		<u>423,664</u>
Total depreciable assets	<u>54,516,406</u>	<u>112,541</u>	<u>(395,124)</u>	<u>-</u>	<u>54,233,823</u>
Total capital assets	<u>58,545,717</u>	<u>112,541</u>	<u>(395,124)</u>	<u>-</u>	<u>58,263,134</u>
Less accumulated depreciation and amortization for:					
Buildings and improvements	(6,519,847)	(1,771,010)	61,718		(8,229,139)
Equipment	<u>(268,299)</u>	<u>(85,222)</u>	<u>37,314</u>		<u>(316,207)</u>
Total accumulated depreciation and amortization	<u>(6,788,146)</u>	<u>(1,856,232)</u>	<u>99,032</u>	<u>-</u>	<u>(8,545,346)</u>
Net capital assets	<u>\$ 51,757,571</u>	<u>\$ (1,743,691)</u>	<u>\$ (296,092)</u>	<u>\$ -</u>	<u>\$ 49,717,788</u>

	June 30, 2008	Additions	Disposals	Transfers	June 30, 2009
Land	<u>\$ 3,509,511</u>	<u>\$ 519,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,029,311</u>
Depreciable assets:					
Buildings and improvements	51,962,452	2,781,407	(559,999)	(57,182)	54,126,677
Equipment	<u>294,485</u>	<u>95,243</u>	<u>-</u>	<u>-</u>	<u>389,728</u>
Total depreciable assets	<u>52,256,937</u>	<u>2,876,650</u>	<u>(559,999)</u>	<u>(57,182)</u>	<u>54,516,406</u>
Total capital assets	<u>55,766,448</u>	<u>3,396,450</u>	<u>(559,999)</u>	<u>(57,182)</u>	<u>58,545,717</u>
Less accumulated depreciation and amortization for:					
Buildings and improvements	(4,800,512)	(1,762,129)	42,794		(6,519,847)
Equipment	<u>(183,841)</u>	<u>(84,458)</u>	<u>-</u>	<u>-</u>	<u>(268,299)</u>
Total accumulated depreciation and amortization	<u>(4,984,353)</u>	<u>(1,846,587)</u>	<u>42,794</u>	<u>-</u>	<u>(6,788,146)</u>
Net capital assets	<u>\$ 50,782,094</u>	<u>\$ 1,549,863</u>	<u>\$ (517,205)</u>	<u>\$ (57,182)</u>	<u>\$ 51,757,571</u>

4. OPERATING LEASES

At June 30, 2010, rental property is being leased to parties under various operating lease agreements for lease terms ranging from 1 to 20 years. Minimum future rental income for all retail operating leases in effect at June 30, 2010, and the new leases entered into subsequent to year-end are as follows:

2011	\$ 4,391,292
2012	4,288,187
2013	4,278,658
2014	4,289,317
2015	4,300,894
2016–2020	13,647,694
2021–2025	10,634,125
2026–2030	<u>218,296</u>
Total	<u>\$46,048,463</u>

Effective June 30, 2004, Campus Partners entered into a 40-year operating ground lease with the University for the South Campus Gateway land and University improvements, as defined in the lease. Payments, which are over a 30-year period, began on October 1, 2006, and are calculated based on the total value of nonretail assets transferred to the University. The interest rate used to calculate monthly payments is a blend of fixed and variable rates based on the University's 2003 B and C General Receipt Bond Issues (4.61% at June 30, 2010 and 2009).

As of June 30, 2010, the total minimum lease payments due under the lease, including the amendments are:

Years Ending June 30	
2011	\$ 6,997,019
2012	4,898,247
2013	4,898,247
2014	4,898,247
2015	4,898,247
2016–2020	24,491,236
2021–2025	24,491,236
2026–2030	22,594,914
2031–2035	<u>14,836,586</u>
Total	<u>\$ 113,003,979</u>

The minimum lease payments shown for the year ending June 30, 2011 includes \$2.1 million of ground lease payments that are included as an accrued expense to Campus Partners in year ending June 30, 2010.

5. LOANS PAYABLE

Loan activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Principal Additions	Repayments	Ending Balance	Current Portion
Campus Partners:					
City of Columbus Loan	\$ 125,000	\$ -	\$ -	\$ 125,000	\$ 125,000
OSU Business Plan Loan	5,776,506	1,786,519		7,563,025	7,563,025
RE III Acquisition					
Line of Credit	6,110,107	238,113	(236,251)	6,111,969	6,111,969
OSU 2005					
MOU — Sun Longs	2,177,932	86,494	(82,962)	2,181,464	2,181,464
OSU 2005					
MOU — RE II	1,070,700	42,520	(40,784)	1,072,436	1,072,436
Garland Mortgage					
Note — Sun Longs	423,856		(12,746)	411,110	13,461
South Campus Gateway:					
OSU Line of Credit	5,062,689	202,508		5,265,197	5,265,197
UDCDE Note A	22,603,256		(229,901)	22,373,355	249,137
UDCDE Note B	10,376,491			10,376,491	
ESIC \$12M Loan	<u>11,233,333</u>		<u>(400,000)</u>	<u>10,833,333</u>	<u>400,000</u>
Total debt	<u>\$ 64,959,871</u>	<u>\$ 2,356,154</u>	<u>\$(1,002,644)</u>	<u>\$ 66,313,380</u>	<u>\$ 22,981,689</u>

Loan activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Principal Additions	Repayments	Ending Balance	Current Portion
Campus Partners:					
City of Columbus Loan	\$ 125,000	\$ -	\$ -	\$ 125,000	\$ 125,000
OSU Business Plan Loan	2,704,362	3,072,144		5,776,506	5,776,506
RE III Acquisition					
Line of Credit	5,756,889	353,218		6,110,107	6,110,107
OSU 2005					
MOU — Sun Longs	2,074,062	103,870		2,177,932	
OSU 2005					
MOU — RE II	1,019,608	51,092		1,070,700	
Garland Mortgage					
Note — Sun Longs	435,921		(12,065)	423,856	12,745
South Campus Gateway:					
OSU Line of Credit	4,710,637	352,052		5,062,689	
UDCDE Note A	22,815,406		(212,150)	22,603,256	229,901
UDCDE Note B	10,376,491			10,376,491	
ESIC \$12M Loan	<u>11,633,333</u>	<u> </u>	<u>(400,000)</u>	<u>11,233,333</u>	<u>400,000</u>
Total debt	<u>\$ 61,651,709</u>	<u>\$ 3,932,377</u>	<u>\$ (624,215)</u>	<u>\$ 64,959,871</u>	<u>\$ 12,654,259</u>

During the fiscal year ended June 30, 2007, Campus Partners entered into a \$125,000 loan agreement with the City to perform due diligence for the CCF site project. The loan bears an interest rate of 0% and expires in August of 2016. Repayment is conditioned upon Campus Partners' acquiring and developing

The site in a manner that will provide funds for the repayment of the loan. If such funds are not provided as of the expiration date, Campus Partners will not be obligated to repay the loan.

During the fiscal year ended June 30, 2004, Campus Partners obtained a \$5 million real estate acquisition line of credit from the University for the purpose of purchasing real estate in the area immediately adjacent to South Campus Gateway. The note bears interest at 4% annually as of May 1, 2009 and it is capitalized to the loan in quarterly installments. Principal and any remaining unpaid interest are due on or before June 30, 2011. The amount outstanding on this line of credit (including accrued interest) was \$6,111,969 and \$6,110,107 at June 30, 2010 and 2009, respectively.

On December 21, 2005, Campus Partners entered into an MOU with the University, which redefined the terms of a November 3, 1995, resolution by the University's Board of Trustees to invest in Sun Longs and Real Estate II assets. These investment funds, which were used primarily in fiscal year 2001 to acquire the real estate assets in the Sun Longs and Real Estate II portfolios, were originally recorded on Campus Partners' consolidated financial statements as nonoperating income. Under the memorandum, approximately \$4 million of this investment was redefined as a loan payable to the University and was recorded as a capital distribution. The loan bears interest quarterly at an annual rate of 5% and is due in full on June 30, 2011. The amount due on this loan was \$3,253,900 and \$3,248,602 as of June 30, 2010 and 2009, respectively.

South Campus Gateway obtained a \$35 million construction line of credit from the University for the purpose of funding construction-related expenditures for residential, office, retail, and parking structures in the area immediately adjacent to the main campus of the University during the fiscal year ended June 30, 2004. This line of credit was reduced to \$5 million during fiscal year ended June 30, 2006. Repayment can be in the form of cash or title transfer of South Campus Gateway nonretail improvements, as defined in the ground lease agreement between the University and Campus Partners

(the “Ground Lease”). For fiscal years ended June 30, 2010 and 2009, no assets were transferred to the University. Annual interest charged on the outstanding balance is the average one-month LIBOR rate plus 1.5% (2.67% and 3.33% at June 30, 2010 and 2009, respectively) and is calculated and paid quarterly. The principal amount outstanding on this line of credit was \$5,062,069 with interest incurred of \$202,508 at June 30, 2010. The principal and interest due at June 30, 2009 was \$5,062,689. During fiscal year 2008, the expiration date was extended to December 20, 2010.

In the fiscal year ended June 30, 2004, the University issued 2003 B and C General Receipt Bond Issues for the purpose of funding a portion of the construction costs associated with the South Campus Gateway nonretail assets. On January 20, 2004, Campus Partners entered into a MOU with the University to finance a total of \$64,691,555, including \$55 million of project costs and amortized interest of \$9,340,369, plus a pro rata share of the issuance costs of \$351,186. Additionally, per the MOU with the University, Campus Partners earned interest at the University rate for any unused portion of the bonds. Interest income from the University in connection with these bonds was \$0 and \$2,729 for fiscal years ended June 30, 2010 and 2009, respectively, with \$0 in accounts receivable in 2010 and 2009. During fiscal year 2010 and 2009, \$0 and \$439,044, respectively, of bond interest receivable was reduced in exchange for ground lease payments to the University.

Under the memorandum, repayment can be in the form of cash or title transfer of South Campus Gateway nonretail improvements, as defined in the Ground Lease Agreement between the University and Campus Partners. For the fiscal years ended June 30, 2010 and 2009, assets transferred to the University in exchange for a reduction on the MOU balance totaled \$0.

During fiscal year 2006, South Campus Gateway borrowed \$33.45 million from UDCDE for the purpose of financing the retail portion of South Campus Gateway. The loan was as a result of a New Markets Tax Credit-enhanced investment in UDCDE by SCG Investment Fund (the “Investor Member”). A portion of the loan proceeds was used to repay a portion of the \$35 million construction line of credit from the University. The loans comprise Note A (principal balance of \$23,076,919) and Note B (principal balance of \$10,376,491) at June 30, 2007. Note A had monthly interest-only payments through February 22, 2007, bearing interest at 6.85%. On February 22, 2007, monthly principal and interest payments commenced, bearing interest at 7.95% through the loan’s maturity on September 22, 2012. Note B has monthly interest-only payments at 0.5% through the maturity date of September 22, 2035, at which time the entire principal balance and any accrued interest will be due. In conjunction with this loan, Campus Partners entered into a put option agreement and a purchase option agreement with the Investor Member and Fifth Third Community Development Corporation (“Fifth Third CDC”). These agreements give the Investor Member the right to require Campus Partners to purchase the interest in UDCDE from the Investor Member for \$103,410. The Investor Member and Campus Partners have the right to exercise the option upon the Investor Member’s receiving a distribution for \$24,762,500 from UDCDE sufficient for the Investor Member to pay its loan from Fifth Third CDC in full. Campus Partners is in compliance with all required financial covenants associated with this loan as of June 30, 2010.

South Campus Gateway obtained a \$12 million loan from ESIC New Markets Partners II LP (ESIC) on July 12, 2004. The purpose of the loan is to provide financing for construction of the retail portion of the South Campus Gateway project. The monthly debt service payments of \$33,333 are due commencing in August of 2007 with the remaining \$10.4 million balance due in August of 2011. The amount outstanding on the loan was \$10,833,333 and \$11,233,333 at June 30, 2010 and 2009, respectively. Annual interest charged on the outstanding balance is 0% at June 30, 2010 and 2009. Campus Partners is in compliance with all required financial covenants associated with this loan as of June 30, 2010.

During fiscal 2008, the University Board of Trustees approved an additional allocation of capital for property acquisitions for targeted Campus Partners projects. Funding of this additional capital is contingent upon Campus Partners and the University agreeing upon a Campus Partners five-year business plan and related performance measures. In order to allow Campus Partners to continue acquiring properties prior to the capital funding contingencies being met, Campus Partners and the University entered into a MOU for a \$5.7 million line of credit. The line of credit may be increased to \$10 million if additional acquisition opportunities arise, are consistent with Campus Partners strategic plan and are approved by the Campus Partners' Board of Directors. The line of credit will be repaid with capital funding and is non-interest bearing. As of June 30, 2010, the outstanding balance on the line of credit was \$7,563,025.

During fiscal 2008, Campus Partners acquired a 100% interest in a limited liability company, Garland Properties IV, Ltd., whose sole assets are two real estate investment properties located at 28-32 and 36-38 East Fourteenth Avenue. In conjunction with this acquisition, Campus Partners entered into an arrangement whereby the seller of the limited partnership provided Campus Partners with a mortgage loan in the principal amount of \$444,546, which matures on September 10, 2013. As of June 30, 2010, the outstanding balance was \$411,110. The loan had an interest rate of 5.5% through September 9, 2008. At September 10, 2008 and going forward, the interest rate was adjusted to equal the weekly average on the United States Treasury securities, adjusted to a constant maturity of five years, as published by the Federal Reserve Board in Statistical Release H-15. The interest rate will not be adjusted lower than the initial rate of 5.5% and will not exceed 15%, except upon the occurrence of default. Based on the formula, the interest rate was 5.5% for 2010.

Repayment amounts due under the various MOUs and loan agreements are as follows:

Years Ending June 30	Future Repayment Schedule	
	Principal	Interest
2011	\$22,981,689	\$2,385,153
2012	10,712,591	1,853,260
2013	21,874,214	517,042
2014	368,395	57,651
2015		52,603
2016–2020		263,304
2021–2025		263,160
2026–2030		263,160
2031–2035		263,160
2036–2039	<u>10,376,491</u>	<u>13,258</u>
Total	<u>\$66,313,380</u>	<u>\$5,931,751</u>

6. PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

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

OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues stand-alone financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

OPERS administers three separate pension plans as described below:

The Traditional Pension Plan — a cost-sharing, multiple-employer defined benefit pension plan.

The Member-Directed Plan — a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

The Combined Plan — a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, and survivor benefits, as well as postretirement health care coverage to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, *Disclosure of Information on Postemployment Benefits Other than Pension Benefits by State and Local Governmental Employers*.

The Ohio Revised Code provides statutory authority for member and employer contributions and requires public employers to fund postretirement health care through their contributions to OPERS. For 2010, member and employer contribution rates were consistent across all three plans. The 2010 member contribution rates were 10.0% for members in state, local, and 10.1% for public safety classifications. In 2010, state employers contributed at a rate of 14.0% of covered payroll. The portion of employer contributions, for all employers, allocated to health care was 7% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. The covered payroll amounts in 2010, 2009 and 2008 were \$141,512, \$205,785 and \$325,672, respectively. The portion of Campus Partners' 2010, 2009 and 2008 contributions that were used to fund postemployment benefits was \$1,090, \$1,984 and \$3,139, respectively.

The assumptions and calculations below were based on the OPERS's latest Actuarial Review performed as of December 31, 2008. An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets, not to exceed a 12% corridor. The investment assumption rate of 2008 was 6.5%. An annual increase of 4% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4% base increase, were assumed to range from 0.50% to 6.3%, depending on age. Health care costs were assumed to increase at the projected wage inflation rate, plus an additional factor ranging from 0.5% to 3% for the next 6 years. In subsequent years (seven and beyond) health care costs were assumed to increase at 4% (projected wage inflation rate).

OPEB are advance-funded on an actuarially determined basis. As of December 31, 2008, the actuarial value of the OPERS's net assets available for OPEB was \$10.7 billion. The Traditional Pension and Combined Plans had 357,584 active contributing participants as of December 31, 2009. The number of contributing participants for both plans used in the actuarial valuation as of December 31, 2008, was 356,388. Based on the actuarial cost method used, the actuarial valuation as of December 31, 2008, reported the actuarial accrued liability and the unfunded actuarial liability for OPEB at \$29.6 billion and \$18.9 billion, respectively.

The Health Care Preservation Plan adopted by the OPERS Retirement Board on September 9, 2004, is effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2008 and 2007, which will allow additional funds to be allocated to the health plan.

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

7. UNIVERSITY DISTRICT COMMUNITY DEVELOPMENT ENTITY, LLC

Campus Partners formed UDCDE, an Ohio Limited Liability Company on June 19, 2002, and entered into its initial operating agreement (the "Operating Agreement") on that date. On August 22, 2005, under UDCDE's Second Amended and Restated Operating Agreement, SCG Investment Fund LLC, an Ohio Limited Liability Company, was admitted as an Investor Member.

Throughout Note 7 to the consolidated financial statements, italicized words or phrases represent defined terms under the New Markets Tax Credit (NMTC) Program or Section 45D of the Internal Revenue Code of 1986, as amended.

UDCDE has been certified by the U.S. Treasury's Community Development Financial Institutions Fund (CDFI Fund) as a *Community Development Entity (CDE)*. As a CDE, UDCDE's primary purpose is serving or providing investment capital for *low-income communities*. UDCDE was organized as a *subsidiary* for the purposes of receiving a suballocation of NMTCs from its managing member, Campus Partners, an *Allocatee* under the NMTC Program.

Campus Partners owns a 0.2840634% managing member interest in UDCDE. Campus Partners applied for and received a first-round allocation of NMTCs sufficient to support \$35 million of *qualified equity investments*. During the period June 19, 2002 (inception) to June 30, 2006, Campus Partners made a suballocation of its NMTC allocation to UDCDE for \$35 million.

Pursuant to the Operating Agreement, the Investor Member is required to provide initial capital contributions to UDCDE totaling \$35,103,410. As of June 30, 2010 and 2009, the Investor Member's capital contributions totaled \$35,103,410. Of these capital contributions, \$35 million has been designated as *qualified equity investments*, qualifying the Investor Member to claim NMTCs on its investment.

Pursuant to the Operating Agreement, Campus Partners is required to provide capital contributions to the UDCDE totaling \$100,000. As of June 30, 2010 and 2009, Campus Partners' capital contributions totaled \$140,841.

Pursuant to the Operating Agreement, income, losses, and cash flows are allocated to the members in proportion to their membership interests.

Concentration of Credit Risk — UDCDE deposits its cash in one financial institution. At times, deposits may exceed federally insured limits. UDCDE has not experienced any losses in such accounts.

Economic Concentration — At June 30, 2010, UDCDE has loans receivable with South Campus Gateway totaling \$32,749,846 (Note A and Note B in the principal amounts of \$22,373,355 and \$10,376,491, respectively) or 99.99% of total retail assets managed by South Campus Gateway. Future operations could be affected by changes in the economic conditions of those entities or their parent companies. Terms of these notes are disclosed in Note 5.

New Markets Tax Credit — During 2002, Campus Partners was awarded \$35 million of NMTC allocation authority by the CDFI Fund under the NMTC Program and entered into an allocation agreement with the CDFI Fund. UDCDE has entered into an allocation agreement with the CDFI Fund as a *subsidiary allocatee*, of Campus Partners. As a *subsidiary allocatee*, UDCDE has been allocated \$35 million. The NMTCs allow individual and corporate taxpayers to receive a credit against federal income taxes in exchange for making *qualified equity investments* in UDCDE. For the period from June 10, 2002 (inception) to June 30, 2006, capital contributions of \$35 million were designated as *qualified equity investments*.

In order to qualify for these credits, UDCDE must comply with various federal requirements. These requirements include, but are not limited to, making *qualified low-income community investments* within one year of receiving the *qualified equity investments*. If *qualified equity investment* funds are not continuously invested in *qualified low-income community investments*, the members risk recapture of previously taken tax credits, plus penalties and interest thereon.

UDCDE's allocation agreement places restrictions on UDCDE's operations, including, but not limited to, the specific geographic area of *low-income communities* UDCDE must serve. Pursuant to UDCDE's allocation agreement, *qualified low-income community investments* can take the form of investment in or loans to *qualified active low-income community businesses* locally.

NMTCs are issued over seven years at a rate of 5% of the *qualified equity investments* for years one through three and 6% for years four through seven. As a result of its *qualified equity investments*, the Investor Member was eligible to claim \$1,750,000 of NMTCs for the period from June 19, 2002 (inception) to June 30, 2008.

Future NMTC amounts as a result of *qualified equity investments* are expected to be as follows:

Years Ending June 30	
2011	<u>\$2,100,000</u>
Total	<u>\$2,100,000</u>

8. CONTINGENCIES

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

9. SUBSEQUENT EVENTS

Campus Partners has performed an evaluation of subsequent events through November 8, 2010, the date this report was issued, and concluded that there were no subsequent events which warranted disclosure herein.

* * * * *

SUPPLEMENTAL INFORMATION

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

CONSOLIDATING SCHEDULE — STATEMENT OF NET ASSETS INFORMATION AS OF JUNE 30, 2010

	Operating Division	Longs/Sun Division	Real Estate II and III Division	Campus Partners SCG	Total Campus Partners	Gateway Area Revitalize Initiative	South Campus Gateway	The Gateway Theatre	Subtotal	Eliminations	Consolidated Total
ASSETS											
CURRENT ASSETS:											
Cash	\$ 831,527	\$ 8,660	\$ 5,591	\$ 871,793	\$ 1,717,571	\$ 2,267	\$ 631,895	\$ 43,524	\$ 2,395,257	\$ -	\$ 2,395,257
Accounts receivable	91,104	158,599	5,478	111,679	366,860		1,020,019	37,523	1,424,402		1,424,402
Notes receivable							20,000		20,000		20,000
Other assets	1,166	5,151	7,727	430	14,474		275	17,391	32,140		32,140
Total current assets	923,797	172,410	18,796	983,902	2,098,905	2,267	1,672,189	98,438	3,871,799	-	3,871,799
CAPITAL ASSETS — Net of accumulated depreciation	77,180	5,214,730	5,161,347	40,151,881	50,605,138			6,197	50,611,335	(893,547)	49,717,788
NOTES RECEIVABLE — Net of current portion	1,058,169				1,058,169		93,333		1,151,502		1,151,502
INVESTMENT IN UDCDE	140,841				140,841				140,841		140,841
DEFERRED LOAN AND LEASE COSTS — Net				469,212	469,212		47,478		516,690		516,690
TOTAL	\$2,199,987	\$ 5,387,140	\$ 5,180,143	\$41,604,995	\$ 54,372,265	\$ 2,267	\$ 1,813,000	\$ 104,635	\$ 56,292,167	\$(893,547)	\$55,398,620
LIABILITIES AND NET ASSETS											
CURRENT LIABILITIES:											
Current portion of loan payable	\$7,688,025	\$ 2,194,928	\$ 7,184,403	\$ -	\$ 17,067,356	\$ -	\$ 5,914,333	\$ -	\$ 22,981,689	\$ -	\$22,981,689
Accounts payable		219	116,141	12,583	128,943		83,168	117,709	329,820		329,820
Grants payable	4,340				4,340				4,340		4,340
Accrued liabilities	255,425	95,338	78,285	144,890	573,938	1,554	602,567	1,078	1,179,137		1,179,137
Unearned tenant income				152,261	152,261		87,443	8,777	248,481		248,481
Tenant deposits		30,620	65,434	242,451	338,505		82,427		420,932		420,932
Total current liabilities	7,947,790	2,321,105	7,444,263	552,185	18,265,343	1,554	6,769,938	127,564	25,164,399	-	25,164,399
LONG-TERM LIABILITIES:											
Ground lease payable				2,688,351	2,688,351				2,688,351		2,688,351
Loans payable		397,646			397,646		10,433,333		10,830,979		10,830,979
Loans payable to UDCDE							32,500,712		32,500,712		32,500,712
Total long-term liabilities	-	397,646	-	2,688,351	3,085,997	-	42,934,045	-	46,020,042	-	46,020,042
Total liabilities	7,947,790	2,718,751	7,444,263	3,240,536	21,351,340	1,554	49,703,983	127,564	71,184,441	-	71,184,441
NET (DEFICIENCY IN) ASSETS:											
Invested in capital assets — net of related debt	(7,610,845)	2,622,156	(2,023,056)	40,151,881	33,140,136		(48,848,378)	6,197	(15,702,045)	(893,547)	(16,595,592)
Restricted	4,340				4,340				4,340		4,340
Unrestricted	1,858,702	46,233	(241,064)	(1,787,422)	(123,551)	713	957,395	(29,126)	805,431		805,431
Total net (deficiency in) assets	(5,747,803)	2,668,389	(2,264,120)	38,364,459	33,020,925	713	(47,890,983)	(22,929)	(14,892,274)	(893,547)	(15,785,821)
TOTAL	\$2,199,987	\$ 5,387,140	\$ 5,180,143	\$41,604,995	\$ 54,372,265	\$ 2,267	\$ 1,813,000	\$ 104,635	\$ 56,292,167	\$(893,547)	\$55,398,620

See Independent Auditor's Report

CAMPUS PARTNERS FOR COMMUNITY URBAN REDEVELOPMENT AND SUBSIDIARIES

CONSOLIDATING SCHEDULE — STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS INFORMATION FOR THE YEAR ENDED JUNE 30, 2010

	Operating Division	Longs/Sun Division	Real Estate II and III Division	Campus Partners SCG	Total Campus Partners	Gateway Revitalize Initiative	South Campus Gateway	The Gateway Theatre	Subtotal	Eliminations	Consolidated Total
OPERATING REVENUES:											
Rental income	\$ -	\$ 414,824	\$ 481,625	\$ 3,707,437	\$ 4,603,886	\$ -	\$ 3,341,021	\$ -	\$ 7,944,907	\$ (286,585)	\$ 7,658,322
Recovery of operating expenses				708,354	708,354		1,298,918		2,007,272	(289,900)	1,717,372
Parking income				1,333,876	1,333,876				1,333,876		1,333,876
Other operating income				61,031	61,031		290,886	\$ 57,913	409,830		409,830
Ground rent income				1,284,271	1,284,271				1,284,271	(1,284,271)	
Theater sales — net								609,366	609,366		609,366
Total operating revenues	-	414,824	481,625	7,094,969	7,991,418	-	4,930,825	667,279	13,589,522	(1,860,756)	11,728,766
OPERATING EXPENSES:											
Professional services	264,261	22,956	48,012	101,822	437,051	4,226	138,597	124,236	704,110		704,110
Salaries and wages	459,559			677,673	1,137,232		269,599	433,294	1,840,125		1,840,125
Ground lease expense				3,293,004	3,293,004		1,284,271		4,577,275	(1,284,271)	3,293,004
Real estate taxes		207,554	198,877		406,431		811,839		1,218,270		1,218,270
Depreciation and amortization expense	7,674	151,826	129,854	1,645,447	1,934,801		51,798	18,794	2,005,393		2,005,393
Utilities	9,756	64,262	31,446	593,894	699,358		58,348	103,620	861,326		861,326
Cleaning	4,585	14,567	24,525	245,619	289,296		62,893	57,483	409,672		409,672
Security	425	2,032	169	403,599	406,225		296,822	1,504	704,551		704,551
CAM charges								289,900	289,900	(289,900)	
Repairs and maintenance	3,303	41,287	112,066	424,079	580,735		116,496	61,626	758,857		758,857
Rent expense								286,585	286,585	(286,585)	
Public relations	8,029	162	4,950	9,573	22,714		128,023	104,766	255,503		255,503
Bad debt expense		53,089	17,557		70,646		26,957		97,603		97,603
Miscellaneous	30,490	26,618	3,529	63,547	124,184		19,053	58,166	201,403		201,403
Office supplies and expenses	9,331	28	761	20,078	30,198		11,364	36,517	78,079		78,079
Total operating expenses	797,413	584,381	571,746	7,478,335	9,431,875	4,226	3,276,060	1,576,491	14,288,652	(1,860,756)	12,427,896
OPERATING (LOSS) INCOME	(797,413)	(169,557)	(90,121)	(383,366)	(1,440,457)	(4,226)	1,654,765	(909,212)	(699,130)	-	(699,130)
NONOPERATING (EXPENSES) REVENUES:											
Operating subsidy received from The Ohio State University	1,350,000				1,350,000				1,350,000		1,350,000
Intercompany operating subsidy	(1,599,611)	16,666	293,288	(445,632)	(1,735,289)	1,970	899,014	834,305	600,000		600,000
The Ohio State University tenant space income				(487,000)	(487,000)		600,000		(220,283)		(707,283)
The Ohio State University tenant space expense									28,283		28,283
Miscellaneous Income	4,575	1,600	697	2,481	9,353		18,446	636	28,435		28,435
Impairment expense	(3,010)		(207,691)	(115,341)	(326,042)				(326,042)		(326,042)
Interest income	52,671	61			52,732		327		53,059		53,059
Interest expense		(109,488)	(280,634)		(390,122)		(2,068,835)		(2,458,957)		(2,458,957)
Total nonoperating (expenses) revenues	(195,375)	(91,161)	(194,340)	(1,045,492)	(1,526,368)	1,970	(771,331)	834,941	(1,460,788)	-	(1,460,788)
(DECREASE) INCREASE IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS (DISTRIBUTIONS)	(992,788)	(260,718)	(284,461)	(1,428,858)	(2,966,825)	(2,256)	883,434	(74,271)	(2,159,918)	-	(2,159,918)
CAPITAL CONTRIBUTIONS (DISTRIBUTIONS):											
Grant income	616,576				616,576				616,576		616,576
Grant disbursement	(88,955)				(88,955)				(88,955)		(88,955)
Transfer of capital assets				139,386	139,386		(139,386)				
Capital Distribution to The Ohio State University				(136,639)	(136,639)				(136,639)		(136,639)
Total capital contributions (distributions)	527,621	-	-	2,747	530,368	-	(139,386)	-	390,982	-	390,982
(DECREASE) INCREASE IN NET ASSETS	(465,167)	(260,718)	(284,461)	(1,426,111)	(2,436,457)	(2,256)	744,048	(74,271)	(1,768,936)		(1,768,936)
NET (DEFICIENCY IN) ASSETS — Beginning of year	(5,282,636)	2,929,107	(1,979,659)	39,790,570	35,457,382	2,969	(48,635,031)	51,342	(13,123,338)	(893,547)	(14,016,885)
NET (DEFICIENCY IN) ASSETS — End of year	\$ (5,747,803)	\$ 2,668,389	\$ (2,264,120)	\$ 38,364,459	\$ 33,020,925	\$ 713	\$ (47,890,983)	\$ (22,929)	\$ (14,892,274)	\$ (893,547)	\$ (15,785,821)

See Independent Auditor's Report

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

**NOTE TO SUPPLEMENTAL CONSOLIDATING SCHEDULES
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

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

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the consolidated financial statements of Campus Partners for Community Urban Redevelopment and Subsidiaries ("Campus Partners"), a component unit of The Ohio State University, and its discretely presented component unit as of and for the year ended June 30, 2010, and have issued our report thereon dated November 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Campus Partners' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Campus Partners' internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the Company's internal control over financial reporting.

A *control deficiency* 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 *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.

A *material weakness* is a deficiency, or 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Deloitte + Touche LLP

November 8, 2010

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Mary Taylor, CPA
Auditor of State

CAMPUS PARTNERS FOR COMMUNITY URBAN DEVELOPMENT AND SUBSIDIARIES

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 23, 2010**