SINGLE AUDIT REPORT

Bowling Green State University
Years Ended June 30, 2013 and 2012
With Report of Independent Auditors

Ernst & Young LLP

Dave Yost • Auditor of State

Board of Trustees
Bowling Green State University
907 Administration Building
Bowling Green, Ohio 43403

We have reviewed the *Report of Independent Auditors* of the Bowling Green State University, Wood County, prepared by Ernst & Young LLP, for the audit period July 1, 2012 through June 30, 2013. 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 Bowling Green State University is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

December 13, 2013

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Bowling Green State University

Single Audit Report

Years Ended June 30, 2013 and 2012

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Bowling Green State University

Single Audit Report (continued)

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Report of Independent Auditors

Management, Audit Committee, and Board of Directors

Report on the Financial Statements

We have audited the accompanying financial statements of Bowling Green State University, a component unit of the State of Ohio, and its aggregate discretely presented component units as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Bowling Green State University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Bowling Green State University and its aggregate discretely presented component units, as of June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 4–14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which 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 auditing standards generally accepted in the United States, 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.

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Bowling Green State University's basic financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of expenditures of federal awards has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated October 11, 2013 on our consideration of the Bowling Green State University's 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 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* in considering Bowling Green State University's internal control over financial reporting and compliance.

Ernst + Young LLP

October 11, 2013

Overview of the Financial Statements and Financial Analysis

This section of the Bowling Green State University (University) annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal years ended June 30, 2013, 2012 and 2011. This discussion provides an overview of the University's financial activities and should be read in conjunction with the accompanying financial statements and footnotes.

Using the Annual Financial Statement

This annual report consists of financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statements prescribed by GASB Statement No. 35 (the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows) present financial information in a form similar to that used by corporations. They are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

Under the provision of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the Bowling Green State University Foundation, Inc. (the Foundation) and Centennial Falcon Properties, Inc. and Subsidiaries (the Corporation) have been determined to be component units of the University. Accordingly, the Foundation and the Corporation are discretely presented in the University's financial statements. The Foundation and the Corporation are excluded from Management's Discussion and Analysis. Complete financial statements for the Foundation can be obtained from the Assistant Vice President for Advancement Services/Controller at Mileti Alumni Center, Bowling Green, Ohio 43403. Complete financial statements for the Corporation can be obtained from the Vice President, 230 McFall Center, Bowling Green, Ohio 43403.

The Statement of Net Position includes all assets and liabilities. Over time, an increase or decrease in net position (the difference between assets and liabilities) is one indicator of the improvement or erosion of the University's financial health when considered with non-financial facts such as enrollment levels and the condition of facilities.

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. A public university's dependency on state aid and gifts typically results in operating deficits because the financial reporting model classifies state appropriations and gifts as nonoperating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, non-capital financing, capital financing and related investing activities, and helps measure the ability of the institution to meet financial obligations as they mature.

Noteworthy Financial Activity

The University continues its long term planning initiatives to improve capital facilities and related infrastructure. Following the issuance of long-term debt during fiscal year 2010 (2010 Series A and B), the University successfully completed a performing arts facility (The Wolfe Center for the Arts), a replacement convocation center (the Stroh Center), a number of major residence hall renovations and major infrastructure projects.

As approved by the University's Board of Trustees during fiscal year 2012, the University began a significant planning phase of capital renewal within the academic core of campus, including renovations in four of the campus' oldest, historical classroom buildings. These projects, as well as various other smaller projects and renovations have begun, and the work is slated to occur over the course of the next five to seven years.

The University's financial position, as a whole, improved during the fiscal year ended June 30, 2013 as compared to the previous year; key contributing factors are identified below:

- The University's total net position increased over the prior year by $11.7 million. Total current assets increased by $1.8 million overall, and is primarily attributable to an increase in investments of $9.8 million due to favorable market value performance in 2013, offset by a decrease in cash of $6.9 million due to the 2013 retroactive salary and benefits payments in accordance with the new faculty union contract ($3.6 million), and an increase in 2013 health insurance claims paid ($2.8 million). An additional offset was a decrease in inventory of $1.7 million due to a planned reduction. Total non-current assets increased in total by $4.3 million; contributing factors include: a decrease of $14.3 million in restricted investments attributable to the drawdown of bond proceeds for construction projects, offset by an increase of $19.1 million in net capital assets relating to various construction projects including the Stroh Center, Falcon Landing renovations, Learning Commons (Library) renovations, roofing projects, various residential hall improvements, and infrastructure projects including south tunnel renovations and HCT roadways.

- Total liabilities decreased by $5.6 million from the prior year. Long-term debt and other obligations decreased in total by $6.1 million. The decrease in payments on long term debt of $11.6 million is offset by an increase of $5.5 million representing the long-term balance on a new capital lease for digital telecommunication equipment. Total current liabilities remained fairly consistent with prior year.

- The University's total net position is $487.6 million, compared to the prior year of $475.9 million, for an increase of $11.7 million. The overall increase is primarily attributable to investments in capital assets. Of the total net assets, $332.0 million is invested in either capital assets or is restricted. Of the remaining $155.6 million in unrestricted net assets, $109.6 million has been designated or allocated for specific academic, research and support purposes, reserves, and quasi-endowments.

- Total operating revenue increased by $3.9 million and is primarily attributed to student tuition and fees, whereby a 2.5% tuition rate increase in the fall of 2012 is the contributing factor. Total operating expenses increased by $9.0 million. The increase is primarily attributable to increases in salaries and benefits, in addition to faculty union contract retroactive salary increases. Increases in maintenance and repairs for both operations and maintenance of plant and auxiliary enterprises also contribute to the increases in total operating expenses.

- Non-operating revenues increased by $1.5 million over the prior year due to the following:

  – Reduction in state appropriations of $3.3 million.

  – Reduction in non-exchange grants and contracts of $3.3 million primarily due to funding reductions in Pell grant funds.

– Increase in net investment income of $9.1 million over the prior year due to the overall investment market appreciation of $8.5 million in 2013, and a $605 thousand recovery of the previous write-down of its investment in the Westridge Capital Management Fund.

– Total other changes in net position decreased by $1.1 million due to a reduction in State capital appropriations in 2013 of $3.7 million, offset by an increase of $2.6 million increase in restricted support for the Physical Sciences building capital project.

Bowling Green State University
Condensed Statement of Net Position
as of June 30, 2013, 2012 and 2011 (in thousands)

	2013	2012	2011
Assets			
Current assets	$ 216,663	$ 214,850	$ 216,749
Non-current assets:			
Capital assets	412,787	393,711	381,342
Other	30,783	45,548	50,222
Total non-current assets	443,570	439,259	431,564
Total assets	660,233	654,109	648,313
Liabilities			
Current liabilities	51,213	50,669	50,795
Non-current liabilities	121,438	127,555	137,983
Total liabilities	172,651	178,224	188,778
Net position			
Invested in capital assets, net of related debt	311,293	300,564	288,510
Restricted, expendable	20,716	23,030	1,558
Unrestricted	155,573	152,291	169,467
Total net position	$ 487,582	$ 475,885	$ 459,535

2013 versus 2012:

At June 30, 2013, total University assets were $660.2 million, compared to $654.1 million at June 30, 2012. The University's largest asset is its investment in capital assets of $412.8 million at June 30, 2013 compared to $393.7 million at June 30, 2012.

In fiscal year 2013, the University's current assets of $216.7 million were sufficient to cover current liabilities of $51.4 million (current ratio of 4.2). In fiscal year 2012, the University's current assets of $214.9 million were sufficient to cover current liabilities of $50.7 million (current ratio of 4.2). Cash balances reflected a total decrease of $6.9 million in 2013 over the prior year balance and is primarily attributable to the 2013 retroactive salary and benefits payments in accordance with the new faculty union contract ($3.6 million), and an increase in 2013 health insurance claims paid ($2.8 million). At June 30, 2013, University investments were $188.1 million, or 28.5% of total assets, and increased by $9.8 million in 2013 primarily due to market appreciation. Capital assets (net of depreciation) of $412.8 million represent 62.5% of the University's total assets.

University liabilities totaled $172.7 million at June 30, 2013, 26.1% of total assets and $5.6 million less than the prior year. Total current liabilities remained relatively comparable to the prior year. Long-term debt and other obligations decreased overall by $6.1 million in 2013 attributable to annual principal payments on outstanding debt of $11.6 million, offset by $5.5 million in long-term debt for a new capital equipment lease entered into in 2013.

Total net position increased by $11.7 million to $487.6 million in 2013 and is overall attributable to the ongoing investment in capital assets. Unrestricted net assets total $155.6 million in 2013 of which $109.6 million was designated or allocated for specific ongoing academic, research and support purposes, reserves, and quasi-endowments.

2012 versus 2011:

At June 30, 2012, total University assets were $654.1 million, compared to $648.3 million at June 30, 2011. The University's largest asset is its investment in capital assets of $393.7 million at June 30, 2012 compared to $381.3 million at June 30, 2011.

In fiscal year 2012, the University's current assets of $214.9 million were sufficient to cover current liabilities of $50.7 million (current ratio of 4.2). In fiscal year 2011, the University's current assets of $216.7 million were sufficient to cover current liabilities of $50.8 million (current ratio of 4.3). Cash balances reflected a total increase of $3.7 million in 2012 compared to a decrease of $11.4 million in 2011. The 2012 increase is attributable to fluctuations in normal business operations at a point in time. Related to the 2011 increase, approximately $8.0 million of the increase was due to the investment strategy of utilizing a greater rate of return through service credits in the operating cash accounts in 2011 versus money market holdings in the investment accounts as in the prior year. Other differences (increase of $3.4 million) were due to the timing differences in the year-end cutoff for accounts payable accruals compared to the prior year. At June 30, 2012, University investments were $178.3 million, or 27.3% of total assets, and decreased by $4.4 million in 2012 due primarily to market depreciation. Capital assets (net of depreciation) of $393.7 million represent 60.2% of the University's total assets.

University liabilities totaled $178.2 million at June 30, 2012, 27.2% of total assets and $10.5 million less than the prior year. Total current liabilities remain relatively comparable between 2012 and 2011. Long-term debt and other obligations decreased overall by $10.4 million in 2012 due to the annual principal payments on outstanding debt.

Total net position increased by $16.3 million to $475.9 million in 2012 and is overall attributable to the ongoing investment in capital assets. Unrestricted net assets totaled $152.3 million in 2012 of which $111.7 million was designated or allocated for specific ongoing academic, research and support purposes, reserves, and quasi-endowments.

Bowling Green State University
Condensed Statement of Revenues, Expenses and Changes in Net Assets
as of June 30, 2013, 2012 and 2011 (in thousands)

	2013	2012	2011
Operating revenues:			
Student tuition and fees	$ 148,142	$ 144,086	$ 138,649
Auxiliary enterprises	74,147	73,044	72,508
Grants and contracts	15,862	16,418	16,172
Sales and service	3,490	4,041	4,778
Other operating revenues	3,824	3,938	6,840
Total operating revenues	245,465	241,527	238,947
Operating expenses:			
Educational and general	273,071	266,073	271,038
Auxiliary enterprises	74,715	71,902	72,168
Other expenses	4,436	5,269	1,096
Total operating expenses	352,222	343,244	344,302
Operating loss	(106,757)	(101,717)	(105,355)
Non-operating revenues (expenses):			
State appropriations	71,545	74,833	77,598
Other non-operating revenues and expenses	37,642	32,851	82,127
Total non-operating revenues	109,187	107,684	159,725
Income before other changes	2,430	5,967	54,370
Capital appropriations, grants and gifts	9,267	10,383	16,905
Change in net assets	11,697	16,350	71,275
Net assets at the beginning of the year	475,885	459,535	388,260
Net assets at the end of year	$ 487,582	$ 475,885	$ 459,535

2013 versus 2012:

The most significant sources of operating revenues for the University are tuition and fees of $148.1 million, an increase of $4.1 million, or 2.8% over 2012. During 2013, the University had a 2.5% rate increase for undergraduate tuition and general fees, and experienced slight decreases in both undergraduate and graduation level enrollments. Another significant source, Auxiliary Enterprises, had revenue of $74.1 million in 2013 and reflects an increase over the prior year of $1.1 million and is primarily attributable to increases in Athletic revenues from additional game guarantees compared to the prior year.

Total operating expenditures of $352.2 million increased overall by $9.0 million, or 2.6% over 2012. Education and General expenses consisting of instruction, research, public services, academic support, student services and institutional support comprise the majority of the total operating expense increase and primarily results from increases in salaries and benefits including retroactive salary increases resulting from the new faculty union contract. Increases in maintenance and repairs for both operations and maintenance of plant and auxiliary enterprises contribute to the increases in total operating expenses.

State appropriations, the most significant source of non-operating revenue, totaled $71.5 million in the current year, reflecting a decrease of $3.3 million, or 4.4% over 2012, the direct result of state subsidy reductions. A reduction in non-exchange grants and contracts of $3.3 million was experienced in 2013 primarily due to funding reductions in Pell grant funds. Overall investment market appreciation in 2013 resulted in an increase in related investment income during the year of $9.1 million. During 2013, the University realized an investment income recovery of $605 thousand from the previous write-down in 2009 of its investment in the Westridge Capital Management Fund. In 2011, a $12.0 million recovery was received. Recovery of the remaining $1.6 million is uncertain at this time.

2012 versus 2011:

The most significant sources of operating revenues for the University are tuition and fees of $144.1 million, an increase of $5.4 million, or 3.9% over 2011. Auxiliary Enterprises remained comparable between 2012 and 2011. During 2012, the University had a 3.5% rate increase for undergraduate tuition and general fees, and slight undergraduate enrollment increases. Graduate tuition was down during the year due to lower graduate enrollments, offset by the associate scholarships and fee waiver expenses.

Total operating expenditures of $343.2 million decreased overall by $1.1 million, or 0.4% in 2012. Education and General expenses consisting of instruction, research, public services, academic support, student services and institutional support reflect an overall decrease in operating expenses of $2.9 million and is the result of reductions in salaries and benefits, printing costs, supplies, minor equipment and consulting expenses. The decreases in Education and General expenses are offset by increases in operations, maintenance of plant and other expenses.

State appropriations, the most significant non-operating revenue, totaled $74.8 million in 2012, reflecting a decrease of $2.8 million, or 3.6% over 2011. A reduction in non-exchange grants and contracts of $4.5 million was experienced in 2012 due to funding reductions in Pell grant funds ($2.4 million), Academic Competitive Grants ($1.3 million), and Ohio College Opportunity Grant ($600 thousand). Net investment income reflected a decrease in 2012 over 2011 of $18.7 million. Of this decrease, $6.4 million is related to overall investment market depreciation, and $12.3 million is due to the University recovery in 2011 of a previous write-down of its investment in the Westridge Capital Management Fund.

Capital Assets and Debt Administration

At June 30, 2013, the University had $412.8 million of capital assets, net of accumulated depreciation of $355.4 million, compared to $393.7 million of net capital assets for the prior fiscal year. The charges for depreciation and amortization included in the Statement of Revenues, Expenses, and Changes in Net Position were $25.3 million for 2013 and $25.7 million for 2012. Detailed information about the University's capital assets is presented in the Notes to the Financial Statements.

During 2012, the University issued $21,515,000 General Receipts Refunding Bonds, Series 2012, with an interest rate of 1.92% over the scheduled redemption period ending June 1, 2019. The proceeds partially advance refunded $8,635,000 of the General Receipt Bonds, Series 2003 and $10,855,000 of the General Receipt Bonds, Series 2004, for a total advanced refund of $19,490,000. The proceeds were deposited into an irrevocable trust fund with an escrow agent to provide future debt service payments on the General Receipts Refunding Bonds, Series 2012. As a result, the refunded portion of the General Receipts Refunding Bonds, Series 2012 is considered to be defeased in substance and the liability for the 2003 and 2004 bonds has been removed from the balance sheet. The balance of debt issuance defeased in prior years that was outstanding as of June 30, 2012 was $8,090,000.

In 2010, the University issued approximately $77.4 million in new debt for the purpose of constructing a replacement convocation center, replacing, renovating or refreshing several residence halls, installation of the University's first significant energy conservation systems, parking lot renovations, and a number of other smaller facility renovations such as roofs and mechanical system upgrades. Construction continued on these various projects during 2011, 2012 and 2013, with a number of major projects being completed in 2012 and 2013, and several others nearing completion.

Economic Factors That Will Affect the Future

The University's ability to successfully fulfill its mission and execute its strategic plan is directly influenced by enrollment, legislative restrictions on tuition, changes in state support, and the cost of employee compensation, health care, and utilities.

The economic position of the University is closely tied to the economic condition of the state, as all state universities in Ohio receive state financial support for both operations and capital improvements through appropriations by the legislature. These appropriations contribute substantially to the successful maintenance and operation of the University. The economic outlook for the state of Ohio has generally trended positive over the course of the past year with improvements in the State's unemployment rates exceeding the improvement in the national unemployment rates.

In October 2011, the University's Board of Trustees approved the planning, programming and schematic design work supporting an upcoming $200 million reinvestment in core academic buildings on the Bowling Green campus. Extensive space planning and programming is underway and some initial interior classroom renovations have already been completed. Larger, complete building renovation projects will be phased over the next five to seven years with initial interior space demolitions beginning in calendar year 2014. Ohio's next capital bill (FY15-16) will be considered in early calendar 2014 and is expected to provide additional resources to assist in funding this large scale renovation effort.

The University continues to identify ways to improve undergraduate student retention and success. Beginning fall 2014, new freshman will be grouped into smaller cohort groups and enrolled together in a series of linked courses during the fall and spring semester. Simultaneously, immersive and connected educational experiences will be provided in their residence halls.

Bowling Green State University

Statements of Net Position

	June 30	
	2013	**2012**
Assets		
Current assets:		
Cash	**$ 10,203,957**	$ 17,143,299
Investments	**188,088,007**	178,312,972
Accounts receivable, net	**12,925,553**	12,099,934
Inventories	**1,978,891**	3,703,925
Notes receivable	**1,406,421**	1,223,104
Prepaid and other assets	**2,060,040**	2,367,357
Total current assets	**216,662,869**	214,850,591
Noncurrent assets:		
Restricted investments	**22,909,938**	37,247,566
Cash surrender value of life insurance and annuities	**414,164**	411,300
Notes receivable	**7,458,547**	7,889,415
Capital assets, net	**412,787,467**	393,711,067
Total noncurrent assets	**443,570,116**	439,259,348
Total assets	**660,232,985**	654,109,939
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	**19,779,192**	23,420,623
Unearned revenue	**11,681,204**	9,657,741
Deposits	**1,263,241**	569,228
Current portion of long-term debt and other obligations	**18,489,226**	17,021,783
Total current liabilities	**51,212,863**	50,669,375
Noncurrent liabilities:		
Long-term debt and other obligations	**121,437,772**	127,555,291
Total liabilities	**172,650,635**	178,224,666
Net position		
Invested in capital assets, net of related debt	**311,292,666**	300,564,247
Restricted for expendable:		
Loans	**1,843,377**	1,493,900
Capital projects	**18,873,046**	21,535,822
Unrestricted	**155,573,261**	152,291,304
Total net position	**$ 487,582,350**	$ 475,885,273

See accompanying notes.

Bowling Green State University

Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30	
	2013	**2012**
Revenues		
Operating revenues:		
Student tuition and fees (net of scholarship allowances of $60,690,597 for 2013 and $63,179,368 for 2012)	**$ 148,142,241**	$ 144,085,852
Federal grants and contracts	**8,173,333**	8,126,747
State grants and contracts	**1,572,328**	2,022,916
Local grants and contracts	**358,394**	233,025
Nongovernmental grants and contracts	**5,757,294**	6,034,751
Sales and services of educational departments	**3,489,877**	4,041,205
Auxiliary enterprises (net of scholarship allowances of $2,381,323 for 2013 and $2,493,842 for 2012)	**74,147,444**	73,044,270
Other operating revenues	**3,823,873**	3,938,055
Total operating revenues	**245,464,784**	241,526,821
Expenses		
Operating expenses:		
Educational and general		
Instruction	**125,472,730**	122,181,237
Research	**7,747,942**	7,049,041
Public services	**4,893,910**	5,355,030
Academic support	**27,313,882**	24,421,416
Student services	**16,712,483**	16,356,230
Institutional support	**26,375,438**	26,571,232
Operations and maintenance of plant	**20,105,987**	17,420,459
Depreciation and amortization	**25,307,583**	25,701,564
Student aid	**19,141,252**	21,016,208
Auxiliary enterprises	**74,714,579**	71,902,210
Other expenses	**4,435,948**	5,269,399
Total operating expenses	**352,221,734**	343,244,026
Operating loss	**(106,756,950)**	(101,717,205)
Nonoperating revenues (expenses):		
State appropriations	**71,544,942**	74,832,924
Non-exchange grants and contracts	**29,915,475**	33,192,366
Investment income, net	**11,351,198**	2,854,653
Investment income, recovery	**605,458**	–
Interest on capital asset-related debt	**(3,372,917)**	(1,901,298)
In-kind support – Centennial Falcon Properties, Inc.	**(856,800)**	(1,294,582)
Net nonoperating revenues	**109,187,356**	107,684,063
Income before other changes	**2,430,406**	5,966,858
Other changes:		
Capital appropriations	**4,770,401**	8,457,786
Capital grants and gifts	**4,496,270**	1,937,118
Capital contribution to Centennial Falcon Properties, Inc. and subsidiaries	**–**	(11,865)
Total other changes	**9,266,671**	10,383,039
Change in net position	**11,697,077**	16,349,897
Net position		
Net position at the beginning of year	**475,885,273**	459,535,376
Net position at the end of year	**$ 487,582,350**	$ 475,885,273

See accompanying notes.

Bowling Green State University

Statements of Cash Flows

	Year Ended June 30	
	2013	**2012**
Operating activities		
Tuition and fees	**$ 149,736,728**	$ 149,115,707
Research grants and contracts	**15,955,096**	15,865,806
Payments to vendors for supplies and services	**(97,209,742)**	(96,144,273)
Payments to employees and benefits	**(212,083,733)**	(202,886,532)
Payments for scholarships and fellowships	**(19,141,252)**	(21,016,208)
Student loans granted, net of repayments	**142,655**	(565,464)
Agency payments to Centennial Falcon Properties, Inc.	**(8,375,398)**	(8,002,850)
Auxiliary enterprises	**82,157,391**	80,623,386
Sales and services of educational departments	**3,489,877**	4,041,205
Other receipts	**4,116,996**	1,450,238
Net cash used in operating activities	**(81,211,382)**	(77,518,985)
Noncapital financing activities		
State appropriations	**71,544,942**	74,832,924
Direct lending receipts	**138,370,335**	142,985,050
Direct lending disbursements	**(137,925,160)**	(143,034,591)
Grants received for other than capital purposes	**29,915,475**	33,192,366
In-kind support – Centennial Falcon Properties	**(856,800)**	(1,294,582)
Net cash provided by noncapital financing activities	**101,048,792**	106,681,167
Capital financing activities		
Capital appropriations	**4,770,401**	8,457,786
Capital grants received	**4,496,270**	1,937,118
Purchases of capital assets	**(42,800,261)**	(34,917,533)
Principal paid on long-term debt	**(11,554,041)**	(29,345,000)
Interest paid on long-term debt	**(4,780,395)**	(5,006,170)
Capital contribution to Centennial Falcon Properties, Inc. and subsidiaries	**–**	(11,865)
Proceeds from capital debt	**6,595,039**	20,994,390
Net cash used in capital financing activities	**(43,272,987)**	(37,891,274)
Investing activities		
Proceeds from sales and maturities of investments	**60,770,620**	85,426,629
Purchase of investments	**(49,998,383)**	(77,710,070)
Investment income	**5,723,998**	4,711,021
Net cash provided by investing activities	**16,496,235**	12,427,580
Net (decrease) increase in cash	**(6,939,342)**	3,698,488
Cash at beginning of year	**17,143,299**	13,444,811
Cash at end of year	**$ 10,203,957**	$ 17,143,299

Bowling Green State University

Statements of Cash Flows (continued)

	Year Ended June 30	
	2013	**2012**
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	**$ (106,756,950)**	$ (101,717,205)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	**25,307,583**	25,701,564
Amortization of bond premium	**(233,031)**	(1,737,421)
Changes in assets and liabilities:		
Accounts receivable, net	**(835,574)**	2,987,881
Inventories	**1,725,034**	(922,640)
Other assets	**307,316**	(781,396)
Accounts payable and accrued liabilities	**(3,609,704)**	(46,661)
Unearned revenue	**2,023,463**	(704,050)
Deposits held for others	**248,838**	(162,862)
Compensated absences	**364,092**	353,352
Loans to students	**247,551**	(489,547)
Net cash used in operating activities	**$ (81,211,382)**	$ (77,518,985)

See accompanying notes.

The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statements of Financial Position

	June 30	
	2013	**2012**
Assets		
Current assets:		
Cash	**$ 656,907**	$ 822,589
Contributions receivable, net of allowance for uncollectible contributions *(Note 2)*	**4,517,408**	5,537,103
Total current assets	**5,174,315**	6,359,692
Investments *(Notes 1 and 3)* :		
Corporate bond funds	**40,202,457**	41,391,355
Mutual funds	**48,414,407**	42,429,171
Alternative investments	**23,091,502**	18,255,665
Corporate stocks	**7,525,186**	6,683,402
Money market funds	**1,338,094**	1,500,734
Total investments	**120,571,646**	110,260,327
Prepaid and other assets	**214,104**	289,105
Long-term contributions receivable, net of allowance for uncollectible contributions *(Note 2)*	**4,011,739**	5,274,697
Cash value of life insurance *(Note 4)*	**1,400,328**	1,484,704
Total assets	**$ 131,372,132**	$ 123,668,525
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 354,864**	$ 331,354
Total current liabilities	**354,864**	331,354
Annuities payable *(Note 1)*	**1,677,591**	1,769,014
Total liabilities	**2,032,455**	2,100,368
Net assets *(Notes 1, 6, 7, and 8)* :		
Unrestricted	**3,543,745**	1,721,052
Temporarily restricted	**47,035,461**	42,529,153
Permanently restricted	**78,760,471**	77,317,952
Total net assets	**129,339,677**	121,568,157
Total liabilities and net assets	**$ 131,372,132**	$ 123,668,525

See accompanying notes.

The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenue, and gains				
Contributions and gifts (net) *(Note 2)*	**$ 401,604**	**$ 5,409,935**	**$ 758,985**	**$ 6,570,524**
Interest and dividends	**442,567**	**2,168,531**	**–**	**2,611,098**
Net realized and unrealized gains (losses) *(Note 3)*	**1,351,543**	**6,409,284**	**–**	**7,760,827**
Other revenue *(Note 8)*	**1,450,215**	**(497,377)**	**96,518**	**1,049,356**
Transfers *(Note 7)*	**–**	**(587,016)**	**587,016**	**–**
Net assets released from restriction *(Note 6)*	**8,397,049**	**(8,397,049)**	**–**	**–**
Total support, revenue, and gains	**12,042,978**	**4,506,308**	**1,442,519**	**17,991,805**
Expenses				
Program services	**8,556,259**	**–**	**–**	**8,556,259**
Fund-raising	**925,525**	**–**	**–**	**925,525**
Operating	**738,501**	**–**	**–**	**738,501**
Total expenses	**10,220,285**	**–**	**–**	**10,220,285**
Change in net assets	**1,822,693**	**4,506,308**	**1,442,519**	**7,771,520**
Net assets at beginning of year	**1,721,052**	**42,529,153**	**77,317,952**	**121,568,157**
Net assets at end of year *(Note 8)*	**$ 3,543,745**	**$ 47,035,461**	**$ 78,760,471**	**$129,339,677**

See accompanying notes.

The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenue, and gains				
Contributions and gifts (net) *(Note 2)*	$ 504,183	$ 7,614,567	$ 2,226,104	$ 10,344,854
Interest and dividends	429,933	1,927,627	–	2,357,560
Net realized and unrealized gains (losses) *(Note 3)*	383,598	(1,829,855)	–	(1,446,257)
Other revenue *(Note 8)*	1,385,662	(54,857)	49,585	1,380,390
Transfers *(Note 7)*	–	(619,671)	619,671	–
Net assets released from restriction *(Note 6)*	9,450,118	(9,450,118)	–	–
Total support, revenue, and gains	12,153,494	(2,412,307)	2,895,360	12,636,547
Expenses				
Program services	9,728,682	–	–	9,728,682
Fund-raising	1,181,802	–	–	1,181,802
Operating	844,615	–	–	844,615
Total expenses	11,755,099	–	–	11,755,099
Change in net assets	398,395	(2,412,307)	2,895,360	881,448
Net assets at beginning of year	1,322,657	44,941,460	74,422,592	120,686,709
Net assets at end of year *(Note 8)*	$ 1,721,052	$ 42,529,153	$ 77,317,952	$121,568,157

See accompanying notes.

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Financial Position

	June 30 2013		June 30 2012	
Assets				
Current assets:				
Cash and cash equivalents	**$**	**1,377,170**	$	1,146,574
Funds held by trustee – current portion		**985,776**		872,376
Other receivable, net of allowance for doubtful accounts of $4,402 in 2013 and $3,562 in 2012		**43,564**		35,954
Prepaid expense		**18,456**		14,175
Total current assets		**2,424,966**		2,069,079
Other assets:				
Funds held by trustee – net of current portion		**12,499,703**		10,902,760
Capital assets, net		**85,149,975**		89,021,720
Bond issuance and discount costs, net of accumulated amortization of $376,179 in 2013 and $252,848 in 2012		**2,608,204**		2,731,535
Total other assets		**100,257,882**		102,656,015
Total assets	**$**	**102,682,848**	$	104,725,094
Liabilities and net assets				
Short-term liabilities:				
Accounts payable	**$**	**18,162**	$	24,767
Payroll liabilities		**19,050**		16,049
Unearned income		**42,559**		24,291
Accrued interest payable		**390,776**		392,376
Accrued expenses		**124,113**		119,025
Accrued construction costs payable		**163,860**		72,366
Bonds and construction payable – current portion		**1,451,800**		1,336,800
Total short-term liabilities		**2,210,320**		1,985,674
Long-term liabilities:				
Bonds payable – net of current portion		**80,215,000**		80,810,000
Construction funding payable – net of current portion		**14,745,389**		15,602,189
Total long-term liabilities		**94,960,389**		96,412,189
Total liabilities		**97,170,709**		98,397,863
Net assets:				
Unrestricted		**3,512,139**		4,327,231
Temporarily restricted		**2,000,000**		2,000,000
Total net assets		**5,512,139**		6,327,231
Total liabilities and net assets	**$**	**102,682,848**	$	104,725,094

See accompanying notes.

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statement of Activities

Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Operating revenue	**$ 8,333,056**	**$ –**	**$ 8,333,056**
Total revenues	**8,333,056**	**–**	**8,333,056**
Expenses:			
Payroll, benefits, and taxes	**508,473**	**–**	**508,473**
Management fees	**245,212**	**–**	**245,212**
Operating and administrative	**99,253**	**–**	**99,253**
Interior unit expenses	**58,863**	**–**	**58,863**
Insurance	**66,896**	**–**	**66,896**
Common area expenses	**44,929**	**–**	**44,929**
Building maintenance	**41,463**	**–**	**41,463**
Professional fees	**17,052**	**–**	**17,052**
Bad debt expense	**12,050**	**–**	**12,050**
Marketing and advertising	**9,342**	**–**	**9,342**
Ground expenses	**6,995**	**–**	**6,995**
Trust administrative fees	**3,339**	**–**	**3,339**
Depreciation and amortization	**2,995,752**	**–**	**2,995,752**
Total operating expenses	**4,109,619**	**–**	**4,109,619**
Operating income	**4,223,437**	**–**	**4,223,437**
Nonoperating revenue (expense):			
Investment income	**1,514**	**–**	**1,514**
In-kind support from Bowling Green State University	**856,800**	**–**	**856,800**
Interest on capital asset-related debt	**(4,706,913)**	**–**	**(4,706,913)**
Depreciation expense	**(1,189,930)**	**–**	**(1,189,930)**
Net nonoperating loss	**(5,038,529)**	**–**	**(5,038,529)**
Other changes:			
Capital contributions from Bowling Green State University	**–**	**–**	**–**
Total other changes	**–**	**–**	**–**
Change in net assets	**(815,092)**	**–**	**(815,092)**
Net assets:			
Net assets at the beginning of year	**4,327,231**	**2,000,000**	**6,327,231**
Net assets at the end of year	**$ 3,512,139**	**$ 2,000,000**	**$ 5,512,139**

See accompanying notes.

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statement of Activities

Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Operating revenue	$ 8,018,075	$ –	$ 8,018,075
Total revenues	8,018,075	–	8,018,075
Expenses:			
Payroll, benefits, and taxes	410,284	–	410,284
Management fees	236,999	–	236,999
Operating and administrative	88,674	–	88,674
Interior unit expenses	47,417	–	47,417
Insurance	40,120	–	40,120
Common area expenses	25,273	–	25,273
Building maintenance	21,424	–	21,424
Professional fees	16,346	–	16,346
Trust administrative fees	6,808	–	6,808
Marketing and advertising	7,354	–	7,354
Ground expenses	7,919	–	7,919
Bad debt expense	3,562	–	3,562
Depreciation and amortization	2,610,113	–	2,610,113
Total operating expenses	3,522,293	–	3,522,293
Operating income	4,495,782	–	4,495,782
Nonoperating revenue (expense):			
Investment income	23,160	–	23,160
In-kind support from Bowling Green State University	1,294,582	–	1,294,582
Interest on capital asset-related debt	(4,324,237)	–	(4,324,237)
Depreciation expense	(1,356,686)	–	(1,356,686)
Net nonoperating loss	(4,363,181)	–	(4,363,181)
Other changes:			
Capital contributions from Bowling Green State University	11,865	–	11,865
Total other changes	11,865	–	11,865
Change in net assets	144,466	–	144,466
Net assets:			
Net assets at the beginning of year	4,182,765	2,000,000	6,182,765
Net assets at the end of year	$ 4,327,231	$ 2,000,000	$ 6,327,231

See accompanying notes.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies

Nature of Operations

Bowling Green State University is an instrumentality of the state of Ohio that serves the state, national, and international communities by providing its students with opportunities in learning, leadership, and research by providing expert faculty, premier facilities, and modern resources.

Reporting Entity

Bowling Green State University (the University), founded in 1910, is a component unit of the state of Ohio as established by the General Assembly of the State of Ohio under Chapter 3341 of the Revised Code of the State of Ohio. The University offers degrees at the undergraduate, master's, and doctoral levels.

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include those activities and functions over which the University is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the University's ability to impose its will over the component unit or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the University.

Financial Statement Presentation

The accompanying financial statements consist of the University, Bowling Green State University Foundation, Inc. and subsidiary (collectively, the Foundation), and Centennial Falcon Properties, Inc. and subsidiaries (collectively, the Corporation). GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, requires the University to reflect the Foundation and the Corporation as discretely presented component units in the financial statements based on the significance of their respective relationships with the University. The Foundation and the Corporation are private nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards that have been codified in Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's or Corporation's financial information in the University's financial reporting entity for these differences.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

The Foundation is a legally separate, tax-exempt component unit of the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The 36-member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing and amount of receipts from the Foundation, the majority of resources or income the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

During the years ended June 30, 2013 and 2012, the Foundation distributed $5,758,751 and $5,856,253, respectively, to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Assistant Vice President for Advancement Services/Controller at Mileti Alumni Center, Bowling Green, Ohio 43403.

The Corporation is a legal, separate component unit of the University formed in 2010 as a nonprofit corporation under the laws of the state of Ohio and determined by the Internal Revenue Service to be exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. The Corporation was organized for the benefit of the University for various purposes, including acquiring, developing, and maintaining property to be used for University purposes. The University contributed $0 and $11,865 to the Corporation during the years ended June 30, 2013 and 2012, respectively. Complete financial statements for the Corporation can be obtained from the Vice President, McFall Center, Bowling Green, Ohio 43403.

CFP I LLC (CFP I) is a nonprofit single member limited liability company formed in 2010 under the laws of the state of Ohio. The Corporation organized CFP I specifically to develop, own, and manage certain housing for students of the University. The Corporation is the sole member of CFP I. On June 9, 2010, the city of Bowling Green, Ohio, issued $81,610,000 Student Housing Revenue Bonds (Series 2010 Bonds) and loaned the proceeds of the Series 2010 Bonds to CFP I for the purpose of providing funds to finance the cost of acquiring, constructing, furnishing, and equipping a 1,318-bed, two-building student housing facility (the Series 2010 Project). Interest rates range from 3.0% to 6.0% over the scheduled redemption period of December 1, 2011 to June 1, 2045.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

On May 3, 2010, CFP I entered into a Development Agreement with Capstone Development Corporation (the Developer) for the design, construction, and equipping of the Series 2010 Project to serve as residential housing for students at the University. The Developer completed the Series 2010 Project for occupancy in August 2011. In addition, CFP I and the University entered into a Management Agreement with Capstone On-Campus Management, LLC to manage, operate, and maintain the Series 2010 Project. This Management Agreement was effective July 1, 2011.

The Series 2010 Project was completed, and a permanent occupancy permit was granted August 1, 2011. The two-building housing facilities, Falcon Heights and Centennial Hall, were opened August 19, 2011.

The Corporation is also the sole member of CFP II LLC (CFP II). CFP II is a nonprofit single-member limited liability company formed in 2010 under the laws of the state of Ohio. On January 31, 2011, CFP II entered into a Project Agreement with Compass Group USA Inc., Chartwells Division (Chartwells). Chartwells was engaged to design, finance, construct, and equip a full-service dining facility on the main campus of the University, known as The Oaks dining facility (The Oaks). The Oaks replaced the existing McDonald Hall dining facility.

Pursuant to an Amended and Restated Food Service Agreement, dated June 25, 2010 (the Management Agreement), by and between Chartwells and the University, Chartwells has provided funds for The Oaks in the amount of $10,350,000. The Corporation has provided funds of approximately $23,000 and CFP II has provided funds of approximately $1,125,000.

The Corporation is also the sole member of CFP III LLC (CFP III). CFP III is a nonprofit single-member limited liability company formed in 2010 under the laws of the state of Ohio. On May 12, 2011, CFP III entered into a Development Agreement with Capstone Development for the design, construction, and equipping of a full-service dining facility on the main campus of the University, known as Carillon Place dining facility (Carillon). Carillon replaced the existing Commons dining facility.

On March 31, 2011, CFP III entered into a funding agreement with the manager of The Oaks, Chartwells. Pursuant to an Amended and Restated Food Service Agreement dated June 25, 2010 (the Management Agreement), by and between Chartwells and the University, Chartwells has provided funds for the Project in the amount of $6,062,000. The Corporation provided funds of approximately $707,000, and CFP III has provided funds of approximately $1,973,000.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Chartwells funded a total of $1,588,000 of minor construction upgrades and modernization of food service venues intended to be actively managed by Chartwells under contract and located in the University's student union, Kreischer, Founders and McDonald, on behalf of the Corporation. The necessary funding associated with these upgrades and associated debt repayment is contained in the Amended Food Service Management Agreement by and between Chartwells and the University.

Because the proceeds of the Series 2010 Bonds can be used only for the Series 2010 Project, the Chartwells funding for the Oaks and Carillon and minor construction upgrades can be used only for those specific projects, and the projects are for the exclusive benefit of the University. The Corporation is considered a component unit of the University and is discretely presented in the University's financial statements.

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant interfund transactions have been eliminated.

The University follows all applicable GASB pronouncements. In addition, the University has the option to apply all FASB pronouncements that have been subsequently codified in ASC topics issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected not to apply FASB pronouncements issued after the applicable date.

New Pronouncements

In 2013, The University adopted GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 63, *Net Position and Deferred Inflows/Outflows*. The requirements of the Statements are effective for financial statements for periods beginning after June 15, 2012, and December 15, 2011, respectively.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

GASB Statement No. 61 established improved financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity,* and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The adoption of GASB No. 61 did not have an effect on the University's financial statements.

GASB Statement No. 63 provides guidance on how to present deferred inflows and outflows in financial statements. The adoption of GASB Statement No. 63 did not have an effect on the University's financial position or results of operations. The presentation of the "Statement of Net Assets" and the "Statement of Revenues, Expenses, and Changes in Net Assets" was modified to the "Statement of Net Position" and the "Statement of Revenues, Expenses and Changes in Net Position" in accordance with the standards.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes standards for the reclassification of certain items currently reported as assets and liabilities to be reported as deferred outflows of resources and deferred inflows of resources. Statement No. 65 is effective for fiscal periods beginning after December 15, 2012, and therefore will be adopted in the next fiscal year.

Cash and Cash Equivalents

The University considers funds immediately available to be cash and cash equivalents. Cash and cash equivalents totaled $10,203,957 and $17,143,299 at June 30, 2013 and 2012, respectively.

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Inventories

Inventories are stated at the lower of average cost or market (net realizable value).

Investments

All investments are stated at fair value in accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments in publicly traded securities are stated at fair value as established by major securities markets. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position.

Limited partnerships, hedge funds, and collective equity funds are also included in investments and are not necessarily readily marketable. The components of the individual investments within these funds are not readily determinable. The estimated fair value is based on valuations provided by external investment managers. The valuation is based on independent appraisals and estimates that represent the net asset value of shares held by the University or based on periodic financial information (including annual audited financial statements) obtained from the funds. The University believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because these investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may significantly differ from the value that would have been used had a ready market for such investments existed.

Short-Term Investments

Short-term investments include highly liquid and short duration assets (maturities less than 90 days). These assets can be withdrawn on demand.

Restricted Investments

Restricted investments are assets that have been set aside for restricted purposes. Restricted investments include money markets and certificates of deposits.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a cost of $3,500 or more and an estimated useful life of greater than one year. Infrastructure and improvements other than to buildings are capitalized if the cost exceeds $100,000. Routine repairs and maintenance are charged to operating expense in the year the expense is incurred. Interest cost related to construction is not expensed, but capitalized. Capitalized interest will be depreciated when the corresponding asset is placed in service.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 20 to 30 years for infrastructure and improvements, and 5 to 12 years for equipment. Library materials are capitalized and written off over 10 years.

Unearned Revenue

Unearned revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Summer term revenue and expenditures are allocated to the appropriate accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences

University employees earn vacation and sick leave benefits based, in part, on length of service. Vacation pay is fully vested when earned. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement, or termination). Certain limitations have been placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding their limitations are forfeited. The liability and expense incurred are recorded at year-end as long-term liabilities in the statements of net position and as a component of operating expense in the statements of revenues, expenses, and changes in net position.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue and general receipts bonds and notes payable with contractual maturities greater than one year, (2) estimated amounts for accrued compensated absences that will not be paid within the next fiscal year, and (3) federal student loan deposits.

Income Tax

The University, as an instrumentality of the state of Ohio, is excluded from federal income taxes under Section 115 of the Internal Revenue Code, as amended. Certain activities of the University may be subject to taxation as unrelated business income.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Eliminations

In preparing the financial statements, the University eliminates inter-fund assets and liabilities that would otherwise be reflected twice in the statements of net position. Similarly, revenues and expenses related to internal activities are also eliminated from the statements of revenues, expenses, and changes in net position.

Reclassification

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Net Assets

The University's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted for expendable: Restricted for expendable net assets include resources that the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties for loans, capital projects, and debt service.

Unrestricted: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general obligations of the University and may be used at the discretion of the Board of Trustees to meet current expenses for any purpose. These resources also include auxiliary enterprises that are substantially self-supporting activities that provide services for students, faculty, and staff.

Temporarily restricted: Temporarily restricted net assets contain donor-imposed restrictions that permit the University to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the University.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Permanently restricted: Permanently restricted net assets represent contributions received whereby the donors have stipulated that the corpus is to be maintained permanently but permit the University to use or expend part or all of the income for either specified or unspecified purposes. The unexpended income from these donated assets is classified as temporarily restricted net assets.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense toward restricted resources, and then toward unrestricted resources.

Revenues

The University has classified its revenues as either operating or nonoperating according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of agency payments; and (3) most federal, state, and local grants and contracts.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of non-exchange transactions that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, such as state appropriations and investment income.

Auxiliary Enterprises

Auxiliary activities mainly represent revenues generated from certain residence halls and dining services, intercollegiate athletics, bookstore, and various other activities that provide services to the student body, faculty, staff, and general public.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Subsequent Events

The University evaluated the effect of subsequent events through October 11, 2013, representing the date on which the financial statements were available to be issued. No recognized subsequent events were identified for recognition or disclosure in the financial statements or the accompanying notes to the financial statements.

2. Cash and Investments

Deposits

Amounts available for deposit at June 30, 2013 and 2012, are as follows:

	2013	2012
Cash (carrying amounts)	**$ 9,948,415**	$ 16,934,274
Reconciling items (net) to arrive at bank balances of deposit	**(994,286)**	(1,087,491)
Total available for deposit and investment (bank balances of deposits)	**$ 8,954,129**	$ 15,846,783

The carrying amount shown above does not include $255,542 and $209,025 held in cash funds at June 30, 2013 and 2012, respectively.

Any public depository, at the time it receives a University deposit or investment in a certificate of deposit, is required to pledge to the University as collateral eligible securities of aggregate market value that, when added to the portion of the deposit insured by the Federal Deposit Insurance Corporation, equals or exceeds the amount of University funds deposited. Of the bank balance, $500,004 and $500,018 at June 30, 2013 and 2012, respectively, was covered by federal depository insurance, and $8,454,125 and $15,346,765 at June 30, 2013 and 2012, respectively, was collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

2. Cash and Investments (continued)

Investments

The University's investment policy authorizes the University to invest operating funds. The University has no endowment funds in the following investments:

- Obligations of the U.S. Treasury and other federal agencies and instrumentalities
- Municipal and state bonds
- State Treasury Asset Reserve (STAR Ohio)
- Certificates of deposit (domestic and foreign)
- Repurchase agreements
- Mutual funds
- Commercial paper
- Banker's acceptances
- Corporate bonds and notes
- Common and preferred stock
- Real estate
- Collateralized mortgage obligations
- Collective equity funds
- Asset-backed securities
- Private equity funds
- Hedge fund

2. Cash and Investments (continued)

The University operates with a long-term investment goal of preserving the purchasing power of the principal in a diversified portfolio.

In 2013, all common stocks, corporate bonds, money market instruments, mutual funds, and other investments are invested through a trust agreement with JP Morgan Worldwide Securities Services, which is the custodian and money manager. In 2012, JP Morgan Worldwide Securities Services was the custodian for all funds managed by external money managers. Short-term investments with Huntington Bank are secured with internally designated securities as pledged to the University.

The University invests in STAR Ohio, an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission (the SEC) as an investment company but does operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2013.

A public depository may at its option pledge a single pool of eligible securities to secure the repayment of all public monies held by the depository. The current market value of the pool of securities so pledged together with the amount covered by federal insurance must be at least equal to 105% of all public monies on deposit with the depository.

The values of investments held by the University at June 30 are as follows:

	2013	2012
Equity mutual funds	**$ 131,469,062**	$ 117,051,069
Money market funds	**31,537,095**	38,564,621
U.S. government agency obligations	**–**	17,991,348
Municipal bonds	**4,463,317**	5,706,105
Common and preferred stocks	**369,581**	251,232
STAR Ohio	**109,717**	109,636
Alternative investments:		
Collective trust funds	**24,066,125**	24,532,599
Hedge funds	**18,710,747**	10,935,576
Limited partnerships	**272,301**	418,352
Total	**$ 210,997,945**	$ 215,560,538

2. Cash and Investments (continued)

The components of net investment income at June 30 are as follows:

		2013		2012
Interest and dividends, net	$	**5,634,725**	$	4,711,021
Net appreciation (depreciation) in market value of investments		**6,321,931**		(1,856,368)
Total	**$**	**11,956,656**	$	2,854,653

Net appreciation (depreciation) in the fair value of investments includes both realized and unrealized gains and losses on investments. During the years ended June 30, 2013 and 2012, the University realized a net gain from the sale of investments of $1,565,987 and $2,713,032, respectively. The calculation of realized gains and losses is independent of the net appreciation (depreciation) in the fair value of investments held at year-end. The net appreciation (depreciation) in the fair value of investments during the years ended June 30, 2013 and 2012, was $6,321,931 and $(1,856,368), respectively. This amount includes all changes in fair value, both realized and unrealized, that occurred during the year. The unrealized appreciation (depreciation) during the years ended June 30, 2013 and 2012, was $4,755,944 and $(4,569,400), respectively.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.

2. Cash and Investments (continued)

As of June 30, 2013, the University had the following interest-bearing investments and maturities:

Investment Type	Fair Value	Less Than 1 Year	Less Than 1–5 Years	Less Than 6–10 Years	Greater Than 10 Years
U.S. government agency obligations	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**
Municipal bonds	**4,463,317**	**20,433**	**88,049**	**48,085**	**4,306,750**
STAR Ohio	**109,717**	**109,717**	**–**	**–**	**–**
Total	**$ 4,573,034**	**$ 130,150**	**$ 88,049**	**$ 48,085**	**$ 4,306,750**

As of June 30, 2012, the University had the following interest-bearing investments and maturities:

Investment Type	Fair Value	Less Than 1 Year	Less Than 1–5 Years	Less Than 6–10 Years	Greater Than 10 Years
U.S. government agency obligations	$ 17,991,348	$ 17,991,348	$ –	$ –	$ –
Municipal bonds	5,706,105	19,838	85,484	71,083	5,529,700
STAR Ohio	109,636	109,636	–	–	–
Total	$ 23,807,089	$ 18,120,822	$ 85,484	$ 71,083	$ 5,529,700

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality information, as commonly expressed in terms of the credit ratings issued by the nationally recognized statistical rating organizations such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings, provides a current depiction of potential variable cash flows and credit risk.

2. Cash and Investments (continued)

The credit ratings of the University's interest-bearing investments at June 30, 2013, are as follows:

Credit Rating (Standard & Poor's)	U.S. Government Obligations	Other Investments	Total
AAA	**$ –**	**$ 109,717**	**$ 109,717**
AA+	**–**	**–**	**–**
AA	**–**	**4,306,750**	**4,306,750**
Not rated	**–**	**156,567**	**156,567**
Total	**$ –**	**$ 4,573,034**	**$ 4,573,034**

The credit ratings of the University's interest-bearing investments at June 30, 2012, are as follows:

Credit Rating (Standard & Poor's)	U.S. Government Obligations	Other Investments	Total
AAA	$ –	$ 109,636	$ 109,636
AA+	17,991,348	–	17,991,348
AA	–	5,529,700	5,529,700
Not rated	–	176,405	176,405
Total	$ 17,991,348	$ 5,815,741	$ 23,807,089

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University facilitates several Study Abroad Programs in Austria, Spain, and France with a total cash balance of $219,563 and $204,512 at June 30, 2013 and 2012, respectively.

2. Cash and Investments (continued)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The University's investment in the State Treasurer's investment program that is not evidenced by securities that exist in physical or book entry form was $109,717 and $109,636 at June 30, 2013 and 2012, respectively. The remaining investments are uninsured and unregistered with securities held by the counterparty's trust department or agent in the University's name.

The values of investments held by the Foundation at June 30 are as follows:

	2013	**2012**
Corporate bonds funds	**$ 40,202,457**	$ 41,391,355
Mutual funds	**48,414,407**	42,429,171
Corporate stocks	**7,525,186**	6,683,402
Money market funds	**1,338,094**	1,500,734
Alternative investments:		
Fund of funds	**12,361,159**	12,288,665
Private investment	**7,390,032**	3,263,136
Real estate	**3,340,311**	2,703,864
Total	**$ 120,571,646**	$ 110,260,327

The Foundation realized a net gain from the sale of investment securities of $1,024,152 and $2,355,984 for the years ended June 30, 2013 and 2012, respectively. The net appreciation (depreciation) in the fair value of investments approximated $6,736,675 and $(3,802,241) for the years ended June 30, 2013 and 2012, respectively.

The Foundation has outstanding commitments to invest in various alternative investments at June 30, 2013 and 2012, amounting to approximately $5,700,000 and $4,700,000, respectively.

2. Cash and Investments (continued)

Foundation assets held in charitable remainder trusts principally consist of corporate stocks and corporate bonds and debentures. Unrealized gains (losses) of approximately $109,000 and $(50,000) at June 30, 2013 and 2012, respectively, and realized losses of approximately $0 and $(49,000) were recognized for the years ended June 30, 2013 and 2012, respectively.

Certain Foundation investment securities are held by independent custodial and management agents. Custodial and management fees paid approximated $121,000 and $154,000 in 2013 and 2012, respectively.

The investment value of funds held by trustee by the corporation, which consists of Series 2010 Bond proceeds and capital contributions from the University, for the benefit of the Series 2010 Project of CFP I at June 30 are as follows:

	2013	**2012**
Money market funds	**$ 13,485,479**	$ 11,775,136

3. Accounts Receivable

The composition of accounts receivable for the University at June 30 are as follows:

	2013	**2012**
Student receivable for fees, room, and board	**$ 9,527,071**	$ 9,533,387
Research and sponsored programs	**3,459,896**	3,206,521
Other	**1,538,586**	960,026
	14,525,553	13,699,934
Less allowance for doubtful accounts	**1,600,000**	1,600,000
Totals	**$ 12,925,553**	$ 12,099,934

4. Notes Receivable

Principal repayment and interest rate terms of federal and University loans vary considerably. Federal loan programs are funded principally with federal contributions to the University under the Perkins and Nursing Loan programs. All amounts recorded are believed collectible.

The University distributed $124,077,676 and $129,589,039 for student loans in 2013 and 2012, respectively, through the U.S. Department of Education federal direct lending program. These distributions and related funding sources are not included as revenues or expenses in the accompanying financial statements.

5. Capital Assets

Capital assets and accumulated depreciation and amortization of the University as of June 30, 2013, are summarized as follows:

	Beginning Balance	Additions	Retirements or Transfers	Ending Balance
Land	$ 8,434,453	$ –	$ –	$ 8,434,453
Buildings	466,900,393	9,030,946	–	475,931,339
Infrastructure	69,088,198	10,282,771	–	79,370,969
Equipment	94,510,145	4,098,825	6,165,117	92,443,853
Library materials	30,497,493	2,695,476	2,854,497	30,338,472
Construction in progress	55,416,720	25,633,752	14,735,633	66,314,839
Capital leases	–	6,316,953	–	6,316,953
Capitalized interest	7,643,665	1,365,793	–	9,009,458
Total capital assets	732,491,068	59,424,516	23,755,247	768,160,336
Less accumulated depreciation and amortization	338,780,001	25,307,583	8,714,715	355,372,869
Net capital assets	$ 393,711,067	$ 34,116,933	$ 15,040,532	$ 412,787,467

5. Capital Assets (continued)

Capital assets and accumulated depreciation and amortization of the University as of June 30, 2012, are summarized as follows:

	Beginning Balance	Additions	Retirements or Transfers	Ending Balance
Land	$ 8,436,313	$ –	$ 1,860	$ 8,434,453
Buildings	409,527,341	59,526,855	2,153,802	466,900,393
Infrastructure	65,108,697	4,148,951	169,450	69,088,198
Equipment	87,224,691	11,956,594	4,671,140	94,510,145
Library materials	30,659,012	2,616,183	2,777,703	30,497,493
Construction in progress	98,052,667	20,591,738	63,227,684	55,416,720
Capitalized interest	4,621,644	3,022,021	–	7,643,665
Total capital assets	703,630,365	101,862,341	73,001,640	732,491,068
Less accumulated depreciation and amortization	322,288,519	25,701,564	9,210,082	338,780,001
Net capital assets	$ 381,341,846	$ 76,160,777	$ 63,791,558	$ 393,711,067

Capital assets and accumulated depreciation of the Corporation as of June 30, 2013, are summarized as follows:

	Beginning Balance	Additions	Transfers	Ending Balance
Land	**$ 873,499**	**$ –**	**$ –**	**$ 873,499**
Land improvements	**1,384,056**	**–**	**–**	**1,384,056**
Building	**85,256,060**	**190,606**	**–**	**85,446,666**
Furniture	**3,763,067**	**–**	**–**	**3,763,067**
Chartwells renovation	**1,588,000**	**–**	**–**	**1,588,000**
Total capital assets	**92,864,682**	**190,606**	**–**	**93,055,288**
Less accumulated depreciation	**3,842,962**	**4,062,351**	**–**	**7,905,313**
Net capital assets	**$ 89,021,720**	**$ (3,871,745)**	**$ –**	**$ 85,149,975**

5. Capital Assets (continued)

Capital assets and accumulated depreciation of the Corporation as of June 30, 2012, are summarized as follows:

	Beginning Balance	Additions	Transfers	Ending Balance
Land	$ –	$ 873,499	$ –	$ 873,499
Land improvements	–	1,384,056	–	1,384,056
Building	–	85,256,060	–	85,256,060
Furniture	–	3,763,067	–	3,763,067
Chartwells renovation	–	1,588,000	–	1,588,000
Construction in progress	74,701,445	–	(74,701,445)	–
Total capital assets	74,701,445	92,864,682	(74,701,445)	92,864,682
Less accumulated depreciation	–	3,842,962	–	3,842,962
Net capital assets	$ 74,701,445	$ 89,021,720	$ (74,701,445)	$ 89,021,720

6. Accounts Payable and Accrued Expenses

The composition of accounts payable and accrued expenses of the University at June 30 is as follows:

	2013	2012
Accounts payable	**$ 9,948,184**	$ 13,412,365
Accrued payroll and withholdings	**7,356,555**	7,502,077
Accrued health claims	**2,000,000**	2,000,000
Accrued interest on bonds and capital lease	**474,453**	506,181
Total	**$ 19,779,192**	$ 23,420,623

7. Long-Term Debt and Other Obligations

Long-term debt and other obligations of the University for June 30, 2013, are summarized as follows:

Bonds	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
2003 General Receipts Bonds	$ 1,200,000	$ –	$ 1,200,000	$ –	$ –
2004 General Receipts Bonds	6,890,000	–	2,205,000	4,685,000	2,285,000
2005 General Receipts Bonds	19,885,000	–	4,625,000	15,260,000	4,840,000
2010 Series A Tax-Exempt	10,020,000	–	2,020,000	8,000,000	2,145,000
2010 Series B Build America	65,335,000	–	–	65,335,000	–
2012 Series A General Receipts Bond – 2003 Advance Refunding	9,270,000	–	180,000	9,090,000	1,440,000
2012 Series B General Receipts Bond – 2004 Advance Refunding	12,075,000	–	230,000	11,845,000	235,000
Deferred loss on refunding	(259,398)	–	(178,165)	(81,233)	(81,233)
Bond premium and issuance costs	344,627	–	233,031	111,596	108,385
Total bonds payable	124,760,229	–	10,514,866	114,245,363	10,972,152
Other liabilities					
Vacation pay	7,309,063	4,691,230	5,045,684	6,954,609	5,418,300
Sick leave	4,189,350	718,246	–	4,907,596	395,000
Capital lease	–	6,595,039	1,094,041	5,500,998	1,703,774
Federal student loan deposits	8,318,432	–	–	8,318,432	–
Total other liabilities	19,816,845	12,004,515	6,139,725	25,681,635	7,517,074
Total long-term liabilities	$ 144,577,074	$ 12,004,515	$ 16,654,591	$ 139,926,998	$ 18,489,226

7. Long-Term Debt and Other Obligations (continued)

Long-term debt and other obligations of the University for June 30, 2012, are summarized as follows:

Bonds	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
2003 General Receipts Bonds	$ 10,980,000	$ –	$ 9,780,000	$ 1,200,000	$ 1,200,000
2004 General Receipts Bonds	19,845,000	–	12,955,000	6,890,000	2,205,000
2005 General Receipts Bonds	24,305,000	–	4,420,000	19,885,000	4,625,000
2010 Series A Tax-Exempt	12,040,000	–	2,020,000	10,020,000	2,020,000
2010 Series B Build America	65,335,000	–	–	65,335,000	–
2012 Series A General Receipts Bond – 2003 Advance Refunding	–	9,335,000	65,000	9,270,000	180,000
2012 Series B General Receipts Bond – 2004 Advance Refunding	–	12,180,000	105,000	12,075,000	230,000
Deferred loss on refunding	–	(437,563)	(178,165)	(259,398)	178,165
Bond premium and issuance costs	2,165,095	(83,047)	1,737,421	344,627	233,031
Total bonds payable	134,670,095	20,994,390	30,904,256	124,760,229	10,871,196
Other liabilities					
Vacation pay	7,177,061	5,124,786	4,992,784	7,309,063	5,789,587
Sick leave	3,968,000	463,502	242,152	4,189,350	361,000
Federal student loan deposits	8,318,432	–	–	8,318,432	–
Total other liabilities	19,463,493	5,588,288	5,234,936	19,816,845	6,150,587
Total long-term liabilities	$ 154,133,588	$ 26,582,678	$ 36,139,192	$ 144,577,074	$ 17,021,783

7. Long-Term Debt and Other Obligations (continued)

The scheduled maturities and interest of the University's bonds for the five fiscal years subsequent to June 30, 2013, and subsequent periods thereafter are as follows:

	Principal	Interest	Total
2014	$ 10,945,000	$ 4,401,474	$ 15,346,474
2015	11,370,000	3,948,703	15,318,703
2016	12,220,000	3,433,009	15,653,009
2017	7,540,000	2,993,963	10,533,963
2018	7,490,000	2,804,634	10,294,634
2019–2023	29,255,000	10,233,511	39,488,511
2024–2028	9,460,000	7,167,256	16,627,256
2029–2033	11,035,000	4,991,209	16,026,209
2034–2038	12,600,000	2,257,658	14,857,658
2039–2043	2,300,000	105,327	2,405,327
Total	$ 114,215,000	$ 42,336,744	$ 156,551,744

The principal and interest payments of all General Receipts Bonds are collateralized by the pledge of the general receipts of the University under a master trust agreement. The master trust agreement has various restrictive covenants with which the University is in compliance.

On January 20, 2012, the University issued $21,515,000 General Receipts Refunding Bonds, Series 2012, with an interest rate of 1.92% over the scheduled redemption period ending June 1, 2019. The proceeds partially advance-refunded $8,635,000 of the General Receipt Bonds, Series 2003 and $10,855,000 of the General Receipt Bonds, Series 2004, for a total advanced refund of $19,490,000. The proceeds were deposited into an irrevocable trust fund with an escrow agent to provide future debt service payments on the General Receipts Refunding Bonds, Series 2012. As a result, the refunded portion of the General Receipts Refunding Bonds, Series 2012 is considered to be defeased in substance, and the liability for the 2003 and 2004 bonds has been removed from the statements of net position. The balance of debt issuance defeased in prior years that was outstanding as of June 30, 2013 and 2012, was $4,685,000 and $8,090,000, respectively.

7. Long-Term Debt and Other Obligations (continued)

Interest expense related to long-term debt of the University for the years ended June 30, 2013 and 2012, was $4,760,482 and $5,347,306, respectively. Of this amount, $1,365,793 and $3,022,021 was capitalized by the University at June 30, 2013 and 2012, respectively.

The University had unspent bond proceeds, which are classified as restricted investments, at June 30, 2013 and 2012, of $22,992,806 and $33,597,523, respectively.

In December 2012, the University entered into a master tax-exempt lease/purchase agreement with Key Government Finance, Inc. in the amount of $6,595,039. As of June 30, 2013, the University has $5,500,998 in a capital lease obligation which has varying maturity dates through December 2016. The master tax-exempt lease has a 0% stated interest rate and a 2.07% effective rate. Lease arrangements are being used to provide financing for digital telecommunication equipment.

Capital lease at June 30, 2013, is summarized as follows:

Capital Lease	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Master Tax-Exempt Lease/ Purchase Agreement	$ –	$ 6,595,039	$ 1,094,041	$ 5,500,998	$ 1,703,775

Future minimum lease payments under the capital lease are as follows:

Year	Total
2014	$ 1,758,676
2015	1,319,008
2016	1,319,008
2017	1,319,008
Total future minimum lease payments	5,715,700
Less amount representing interest	214,702
Total obligation under capital lease	$ 5,500,998

7. Long-Term Debt and Other Obligations (continued)

Long-term liabilities of the Corporation for June 30, 2013, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Bonds payable	**$ 81,290,000**	**$ –**	**$ 480,000**	**$ 80,810,000**	**$ 595,000**
Construction funding payable	**16,458,989**	**–**	**856,800**	**15,602,189**	**856,800**
Total long-term liabilities	**$ 97,748,989**	**$ –**	**$ 1,336,800**	**$ 96,412,189**	**$ 1,451,800**

Long-term liabilities of the Corporation for June 30, 2012, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Bonds payable	$ 81,610,000	$ –	$ 320,000	$ 81,290,000	$ 480,000
Construction funding payable	11,639,586	6,113,985	1,294,582	16,458,989	856,800
Total long-term liabilities	$ 93,249,586	$ 6,113,985	$ 1,614,582	$ 97,748,989	$ 1,336,800

The interest and scheduled maturities of the Series 2010 Bonds for the five fiscal years subsequent to June 30, 2013, and subsequent periods thereafter are as follows:

	Interest Rate	Principal	Interest	Total
2014	4.00%	$ 595,000	$ 4,689,312	$ 5,284,312
2015	4.00	710,000	4,665,513	5,375,513
2016	4.00	835,000	4,637,112	5,472,112
2017	4.25	965,000	4,603,713	5,568,713
2018	4.50	1,105,000	4,562,700	5,667,700
2019–2023	4.50–5.75	6,960,000	21,898,175	28,858,175
2024–2028	5.75	9,150,000	19,698,625	28,848,625
2029–2033	5.75–6.00	12,110,000	16,740,488	28,850,488
2034–2038	6.00	16,165,000	12,686,700	28,851,700
2039–2043	6.00	21,635,000	7,218,900	28,853,900
2044–2045	6.00	10,580,000	961,500	11,541,500
Total		$ 80,810,000	$ 102,362,738	$ 183,172,738

7. Long-Term Debt and Other Obligations (continued)

The trustee for the Series 2010 Bonds held unspent bond proceeds and capital contributions from the University of $7,052,234 plus $6,433,245 of net operating revenue and investment income for a total of $13,485,479 as of June 30, 2013, which are classified as funds held by trustee. At June 30, 2012, the trustee held unspent bond proceeds and capital contribution from the University of $7,052,234 plus $4,722,902 of net operating revenue and investments income for a total of $11,775,136 as of June 30, 2012, which are classified as funds held by trustee.

The construction funding payable amounts of the Corporation for the five fiscal years subsequent to June 30, 2013, and thereafter are as follows:

Year	The Oaks (CFP II)	Carillon (CFP III)	Chartwells Renovation	Total Due
2014	$ 376,364	$ 220,436	$ 260,000	$ 856,800
2015	376,364	220,436	260,000	856,800
2016	376,364	220,436	–	596,800
2017	376,364	220,436	–	596,800
2018	376,364	220,436	–	596,800
Thereafter	7,469,023	4,629,166	–	12,098,189
	$ 9,350,843	$ 5,731,346	$ 520,000	$ 15,602,189

8. Retirement Benefits

Employee benefits are available for substantially all employees under contributory retirement plans. The University faculty is covered by the State Teachers Retirement System of Ohio (STRS Ohio). All other employees are covered by the Ohio Public Employees Retirement System of Ohio (OPERS). Both plans provide retirement, disability, annual cost-of-living adjustments, death benefits, and health care benefits to vested retirees.

8. Retirement Benefits (continued)

STRS Ohio and OPERS offer three separate retirement plans:

Defined benefit plan – traditional pension plan. This is a cost-sharing, multiple employer plan. This plan provides disability, annual cost-of-living adjustments, death benefits, and health care benefits. Health care benefits are based on years of service.

Defined contribution plan – member-directed plan. Employee contributions are invested in self-directed investments. Benefits are dependent upon contributions and investment earnings. This plan does not include disability, annual cost-of-living adjustments, death benefits, or health care benefits.

Combined plan – has elements of the traditional pension plan and member-directed plan. Employee contributions are invested in self-directed investments. The employer contributions are used to fund a reduced defined benefit plan. This plan provides disability, annual cost-of-living adjustments, death benefits, and health care benefits. Health care benefits are based on years of service.

Both STRS Ohio and OPERS issue separate, publicly available financial reports that include financial statements and required supplemental information. Reports can be obtained by contacting the two agencies.

The STRS Ohio Comprehensive Annual Financial Report can be downloaded from the STRS website at www.strsoh.org. The Ohio Revised Code provides statutory authority for employer and employee contributions. The University contributes 14% of covered payroll and the employee pretax contribution rate is 10% of covered payroll. A portion of employer contributions were allocated to post-employment health care benefits as disclosed in Note 9.

8. Retirement Benefits (continued)

The OPERS Comprehensive Annual Financial Report can be downloaded from the OPERS website at www.opers.org. The Ohio Revised Code provides statutory authority for employer and employee contributions. The University contributes 14% of covered payroll and the employee pretax contribution rate is 10% of covered payroll. A portion of employer contributions were allocated to post-employment health care benefits as disclosed in Note 9.

Employees may opt out of STRS Ohio or OPERS and participate in the Alternative Retirement Program (ARP), a defined contribution plan. The University contributes 14% of covered payroll and the employee pretax contribution rate is 10% of covered payroll. Benefits are dependent upon contributions and investment earnings. This plan does not include disability, annual cost-of-living adjustments, death benefits, or health care benefits.

Employer contributions to the following retirement benefit program for June 30 are summarized as follows:

	2013	2012	2011
STRS Ohio	**$ 6,810,000**	$ 6,815,000	$ 7,049,000
OPERS	**8,007,000**	7,871,000	7,830,000
ARP	**5,508,000**	5,218,000	4,922,000
Total	**$ 20,325,000**	$ 19,904,000	$ 19,801,000

Ohio Public Employees Deferred Compensation Program

The University's employees may elect to participate in the Ohio Public Employees Deferred Compensation Program (the Program), created in accordance with Internal Revenue Code Section 457. The Program permits deferral of a portion of an employee's compensation until termination, retirement, death, or unforeseeable emergency. The deferred compensation and any income earned thereon are not subject to income taxes until actually received by the employee.

In 1998, the Program's Board implemented a trust to hold the assets of the Program in accordance with Internal Revenue Code Section 457. The program assets are the property of the trust, which holds the assets on behalf of the participants.

8. Retirement Benefits (continued)

Therefore, in accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the assets of this Program are not reported in the accompanying financial statements.

The amounts on deposit with the Program's Board at June 30, 2013 and 2012, approximated $10,423,000 and $8,425,000, respectively, which represents the fair value at such dates.

9. Post-Employment Health Care Benefits

In addition to pension benefits, the Ohio Revised Code provides authority for public employers to fund post-employment health care benefits through their contributions to STRS Ohio and OPERS.

STRS Ohio provides access to a cost-sharing, multiple employer health care plan to retirees who participated in the defined benefit or combined plan. Coverage under the current plan includes hospitalization, doctor fees, prescription drug program, and Medicare Part B premium reimbursement. All benefit recipients pay a portion of the health care coverage in the form of monthly premiums.

Under Ohio law, post-employment health care under STRS Ohio is permitted, but not mandated; therefore, a portion of employer contributions are set aside for funding post-employment health care. Currently, this allocation is 1% of covered payroll.

OPERS maintains a cost-sharing, multiple employer health care plan to retirees who participated in the defined benefit or combined plan with 10 or more years of qualifying Ohio service credit. Coverage includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement.

Under Ohio law, post-employment health care benefits under OPERS are permitted, but not mandated; therefore, a portion of employer contributions are set aside for funding post-employment health care. During calendar year 2012, this allocation is 4.0% of covered payroll for members in the defined benefit plan and 6.05% of covered payroll for members in the combined plan. Effective January 1, 2013, the portion of employer contributions allocated to health care was lowered to 1% for both plans, as recommended by the OPERS actuary. Payment amounts vary depending on the number of covered dependents and coverage selected.

9. Post-Employment Health Care Benefits (continued)

Employer contributions to the following retirement benefit program for June 30 are summarized as follows:

	2013	2012	2011
STRS Ohio	**$ 68,100**	$ 68,150	$ 70,500
OPERS	**1,713,000**	2,243,000	3,063,000
Total	**$ 1,781,100**	$ 2,311,150	$ 3,133,500

10. Risk Management

The University self-insures its health care program up to a specific limit of $275,000 per individual event. The University has specific stop-loss coverage.

Changes in the balances of claims liabilities for the years indicated for the health coverage are as follows:

	2013	2012	2011
Unpaid claims, July 1	**$ 2,000,000**	$ 2,000,000	$ 2,000,000
Incurred claims	**16,338,357**	15,071,084	17,912,518
Paid claims	**(16,338,357)**	(15,071,084)	(17,912,518)
Unpaid claims, June 30	**$ 2,000,000**	$ 2,000,000	$ 2,000,000

This actuarially determined liability for estimates of losses retained by the University for outstanding claims and claims incurred but not reported is the University's best estimate based on past experience and current claims outstanding. Actual claims experience may differ from the estimate.

10. Risk Management (continued)

Risk financing methods for property and casualty exposures include a combination of insurance, self-insurance, and risk pooling via a joint program formed with other four-year publicly funded universities in the state. This program is referred to as the Inter-University Council Insurance Consortium (IUC-IC) and it obligates member institutions to realize the first $100,000 per covered loss for nearly all exposures before the claim reaches the pool and eventually the insured layers of the program. All of 14 member institutions participate in the program with the exception of The Ohio State University. The operation of the pool is managed by a Board of Governors consisting of one member representative and one alternate from each institution.

The University participates in a state pool of agencies and universities that pays workers' compensation premiums into the State Insurance Fund (the Plan) on a pay-as-you-go basis, which pays workers' compensation benefits to beneficiaries who have been injured on the job. Losses from asserted and unasserted claims for the participating state agencies and universities in the Plan are accrued by the Ohio Bureau of Workers' Compensation (the Bureau) based on estimates that incorporate the past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. Participants in the Plan annually fund the workers' compensation liability based on rates set by the Bureau to collect the cash needed in subsequent fiscal years to pay the workers' compensation claims of participating state agencies and universities.

11. Contingencies

During the normal course of operations, the University has become a defendant in various legal and administrative actions. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. However, in the opinion of legal counsel and University management, the disposition of all pending litigation will not have a material adverse effect on the financial condition of the University.

The University receives grants and contracts from certain federal, state, and local agencies to fund research and other activities. Revenues from government grants and contracts are recognized when all eligibility requirements have been met. The University records indirect costs related to such grants and contracts at predetermined rates that are negotiated with the University's federal cognizant agency. Both direct and indirect costs charged to the grants or contracts are subject to audit and approval by the granting agencies. University management believes any adjustments of costs resulting from such examination by the granting agency would be insignificant.

12. Foundation Net Assets

The Foundation's temporarily restricted net assets at June 30 were available for the following purposes:

	2013	2012
General support of colleges and departments	**$ 21,520,590**	$ 21,121,342
Student aid	**17,218,091**	13,970,080
Property and equipment	**3,084,258**	3,052,038
Endowed chairs and professorships	**3,184,387**	2,478,817
Research	**1,061,941**	945,041
Fellowship	**483,255**	456,970
Faculty and staff	**482,939**	504,865
Total	**$ 47,035,461**	$ 42,529,153

The Foundation's summary of the net assets released from restrictions during the years ended June 30, 2013 and 2012 is as follows:

	2013	2012
General support of colleges and departments	**$ 4,649,670**	$ 4,350,750
Student aid	**2,101,178**	2,621,051
Property and equipment	**1,235,388**	1,958,916
Endowed chairs and professorships	**199,002**	278,688
Research	**95,003**	51,698
Faculty and staff	**65,913**	114,418
Fellowship	**50,895**	74,597
Total	**$ 8,397,049**	$ 9,450,118

12. Foundation Net Assets (continued)

The Foundation's permanently restricted net assets at June 30, 2013 and 2012, are investments in perpetuity, the income from which is expendable to support the following purposes:

	2013	2012
Student aid	**$ 45,986,929**	$ 44,528,072
General support of colleges and departments	**18,365,038**	18,773,657
Endowed chairs and professorships	**9,104,292**	8,989,735
Property and equipment	**1,876,075**	1,943,590
Faculty and staff	**2,100,758**	1,762,224
Research	**1,138,045**	1,131,340
Fellowship	**189,334**	189,334
Total	**$ 78,760,471**	$ 77,317,952

13. Related-Party Transactions

The University leased the land comprising the two sites on which the Series 2010 Project facilities are constructed to the Corporation under a Ground Lease between the state of Ohio, acting by, through, and for the University, as lessor, and the Corporation, as lessee. The lease commenced on May 3, 2010, and will expire May 2, 2055. The Corporation shall have the right and option to extend this lease for up to two consecutive terms of 15 years each.

The Corporation subleased the two sites to CFP I in consideration of the agreement of CFP I to develop the Series 2010 Project on that land and the payment of nominal lump-sum rent. The lease commenced on June 1, 2010, and will expire May 2, 2055.

The Series 2010 Project includes two housing facilities, Falcon Heights and Centennial Hall, which were placed in service August 2011. The University has the resources and processes in place to invoice and collect funds from students for housing and housing-related fees for all other residence halls. The University acts as an agent between the students and CFP I and will invoice, collect the student accounts on behalf of CFP I, and then distribute the monies to CFP I. CFP I records operating revenue from these activities, which totaled approximately $8,333,000 and $8,018,000 for the year ended June 30, 2013 and 2012, respectively. At June 30, 2013, the University owed CFP I student housing and housing-related fees, which totaled approximately $48,000 and $36,000 for the years ended June 30, 2013 and 2012, respectively.

13. Related-Party Transactions (continued)

The University leased land comprising the site on which The Oaks is constructed to the Corporation under a Ground Lease between the state of Ohio, acting by, through, and for the University, as lessor, and the Corporation, as lessee. The Corporation subleased this site to CFP II in consideration of the agreement of CFP II to develop The Oaks on that land and the payment of nominal lump-sum rent. The lease commenced on June 30, 2010, and will expire June 30, 2045.

The University leased land comprising the site on which Carillon is constructed to the Corporation under a Ground Lease between the state of Ohio, acting by, through, and for the University, as lessor, and the Corporation, as lessee. The Corporation subleased this site to CFP III in consideration of the agreement of CFP III to develop Carillon on that land and the payment of nominal lump-sum rent. The lease commenced on November 1, 2010, and will expire June 30, 2045.

The University incurred costs during different stages of start-up and implementation of the Corporation and its subsidiaries. The University also incurred costs on behalf of the Corporation and its subsidiaries for various outside services related to the Series 2010 Project, The Oaks, and Carillon. These outside services include consulting, legal, engineering, architectural, and construction. In addition, certain salaries and fringe benefits of financial, accounting, development, and information technology personnel are incurred by the University but relate to the Corporation. These expenses are paid by the University on behalf of the Corporation and are not shown in the accompanying financial statements. The Corporation approximates the value of these items at $134,000 for the year ended June 30, 2013, and $610,000 for the year ended June 30, 2012.

The Oaks and Carillon construction projects were funded by contributions made by the University of $0 and $11,865 for the years ended June 30, 2013 and 2012, respectively.

Chartwells provided approximately $18,000,000 of funding for these projects for the year ended June 30, 2012. The Chartwells construction funding payable will be paid in annual installments, ranging from $409,000 to $857,000 over 27.5 years, through June 30, 2039. Due to the University's Management Agreement with Chartwells for the dining program and in exchange for the use of the dining facilities, the University repays the construction funding payable on behalf of the Corporation, as these are of approximate equal value. As such, the Corporation

13. Related-Party Transactions (continued)

recognizes this non-cash transaction as a decrease to the construction funding payable and as in-kind support nonoperating revenue. For the year ended June 30, 2013 and 2012, the repayment and in-kind support revenue totaled $856,800 and $1,294,582, respectively. The University recognized in-kind nonoperating expense of $856,800 and $1,294,582, respectively for the year ended June 30, 2013 and 2012.

The University can pay off the construction funding payable of $18,000,000 early without penalty. The University also has a Food Services Agreement with Chartwells in which the University pays a management fee to Chartwells to manage the dining halls through fiscal year 2015. The Food Services Agreement can be renewed for two additional successive five-year periods. If the Food Services Agreement with Chartwells is terminated or not renewed, the University would be required to pay Chartwells interest on the construction funding payable until full payoff at a rate equal to the 12-month U.S. Treasury rate. Payment in full of the construction funding payable would be required in one year from termination of agreement or within 30 days after the University hires another third party to run its dining services.

Supplementary Information

Bowling Green State University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures: Research & Development Cluster	Expenditures: TRIO Cluster	Expenditures: Student Financial Aid Cluster	Expenditures: Other Programs	Total Federal Expenditures
U.S. Department of Education:							
Direct awards:							
Federal Supplemental Educational Opportunity Grants	84.007				$ 590,750		$ 590,750
Federal Work-Study Program	84.033				680,282		680,282
Federal Perkins Loans	84.038				1,005,610		1,005,610
Federal Pell Grant Program	84.063				25,605,024		25,605,024
Federal Direct Subsidized Student Loans	84.268				39,703,731		39,703,731
Federal Direct Unsubsidized Student Loans	84.268				54,506,178		54,506,178
Federal Direct Parent PLUS Loans	84.268				29,867,767		29,867,767
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379				329,492		329,492
Federal Nursing Student Loans	93.364				78,237		78,237
Total U.S. Department of Education					152,367,071		152,367,071
U.S. Department of Agriculture:							
Agriculture Research_Basic Applied Research:	10.001						
Pass-through from:							
The University of Kentucky:							
Family Structure and Time Allocation: Mechanisms of Food		UKRF304810783412316	$ 26,852				26,852
			26,852				26,852
Grants for Agricultural Research Special Research Grants:	10.200						
Pass-through from:							
The University of Toledo:							
Monitoring Agricultural Sewage Sludge, 2010		2010-38898-20963	17,656				17,656
			17,656				17,656

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures: Research & Development Cluster	TRIO Cluster	Student Financial Aid Cluster	Other Programs	Total Federal Expenditures
U.S. Department of Agriculture (continued):							
Agricultural and Food Research Initiative:	10.310						
Pass-through from:							
Virginia Polytechnic Institute and State University:							
Integrated Management of Oomycete Diseases of Soybean and Other Crop Plants		422183-19755/422262	$ 111,438				$ 111,438
Integrated Management of Oomycete Diseases of Soybean and Other Crop Plants		422183-19755/422262	34,062				34,062
			145,500				145,500
Total U.S. Department of Agriculture			190,008				190,008
U.S. Department of Commerce:							
Economic Development – Technical Assistance:	11.303						
Direct award:							
Rural Universities Consortium University Center			149,234				149,234
Pass-through from:							
The University of Toledo:							
Northwest Ohio Solar and Advanced Renewable Energy Innov		N-121926-01	11,820				11,820
			161,054				161,054
Sea Grant Support:							
Direct award:							
Department of Commerce NOAA National	11.417						
Sea Grant Program:							
Monitoring Lake Erie Water Quality with Remote Sensing I			50,839				50,839
Pass-through from:							
Ohio State University Research Foundation:							
Migration Dynamics of White Bass (Morone Chrysops)		NA10OAR4170074	4,735				4,735
			55,574				55,574

Bowling Green State University

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures: Research & Development Cluster	TRIO Cluster	Student Financial Aid Cluster	Other Programs	Total Federal Expenditures
U.S. Department of Commerce (continued):							
Independent Education and Science Projects and Programs:	11.449						
Pass-through from:							
University Corp for Atmospheric Research,							
Climate 21: Investigating Carbon, Climate and Land Cover		(1)				$ 632	$ 632
						632	632
Public Telecommunications Facility:	11.550						
Pass-through from:							
Ohio Alliance for Public Telecommunication							
Connect Ohio: Every Community Online Program (ARRA)		21-43-B10546				57	57
						57	57
Total U.S. Department of Commerce			$ 216,628			689	217,317
U.S. Department of Defense:							
Basic and Applied Scientific Research:	12.300						
Direct award:							
Bio-Inspired Flow Sensing and Control for Autonomous			78,726				78,726
			78,726				78,726
Basic Scientific Research:	12.431						
Direct award:							
Materials Science: Controlling Protein Conformations			(865)				(865)
			(865)				(865)
Basic, Applied and Advanced Research in Science and Engineering:	12.630						
Pass-through from:							
Academy of Applied Science:							
Ohio Junior Science and Humanities Symposium		W911NF-10-2-0076				1,265	1,265
Ohio Junior Science and Humanities Symposium		W911NF-10-2-0076				19,020	19,020
						20,285	20,285

Bowling Green State University

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures: Research & Development Cluster	Expenditures: TRIO Cluster	Expenditures: Student Financial Aid Cluster	Expenditures: Other Programs	Total Federal Expenditures
U.S. Department of Defense (continued):							
Air Force Defense Research Sciences Program:	12.800						
Direct awards:							
Programmable Triplet Frmtion Decay Metal Organic Chromophores			$ (289)				$ (289)
Programmable Triplet Frmtion Decay Metal Organic Chromophores			(353)				(353)
Wavelength Shifting Polymers Based on Sensitized Triplet			32,417				32,417
Pass-through from:							
Infoscitex Corporation:							
Human Size, Shape, and Motion Measurements for Dynamic 3		5002-S001	54,033				54,033
			85,808				85,808
Research and Technology Development:	12.910						
Pass-through from:							
University of Toronto:							
The Natural Evolution of Quantum-Coherent Light-Harvesting		N66001-10-1-4059	243,831				243,831
			243,831				243,831
Total U.S. Department of Defense			407,500			$ 20,285	427,785
U.S. Department of the Interior Resources Research Initiative:							
Assistance to State Water Reservoir:	15.805						
Pass-through from:							
Ohio State University Research Foundation:							
Source Tracking of Microcystis Blooms in Lake Erie		RF01317926	2,595				2,595
Total U.S. Department of the Interior			2,595				2,595

Bowling Green State University

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures: Research & Development Cluster	Expenditures: TRIO Cluster	Expenditures: Student Financial Aid Cluster	Expenditures: Other Programs	Total Federal Expenditures
U.S. Department of Justice:							
National Institute of Justice Research, Evaluation, and Development	16.560						
Project Grants:							
Direct awards:							
Life Course, Relationship, and Situational Contexts of Teen Dating Violence			$ 28,341				$ 28,341
Life Course, Relationship, and Situational Contexts of Teen Dating Violence			24,536				24,536
Police Integrity Lost: A Study of Law Enforcement Officers Arrested			114,890				114,890
Patterns, Precursors and Consequences of TDV			8,739				8,739
Total U.S. Department of Justice			176,506				176,506
U.S. Department of Transportation:							
Highway Planning and Construction	20.205						
Pass-through from:							
Ohio Department of Transportation							
Role of Sulfates on Highway Heaving in Lake County, Ohio		25181	22,349				22,349
Ohio Department of Transportation							
Development of a Standard Specification for Horizontal D		24609				$ 11,529	11,529
			22,349			11,529	33,878
University Transportation Center Programs	20.701						
Pass-through from:							
San Jose State University:							
Assessing the Socio-Economic Impacts of Mass Transit System		21-1104903-BGSU	31,216				31,216
Total U.S. Department of Transportation			53,565			11,529	65,094

Bowling Green State University

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures: Research & Development Cluster	Expenditures: TRIO Cluster	Expenditures: Student Financial Aid Cluster	Expenditures: Other Programs	Total Federal Expenditures
U.S. Office of Personnel Management:							
Intergovernmental Personnel Act (IPA) Mobility Program	27.011						
Direct award:							
Intergovernmental Personnel Act (IPA) Assignment			$ 70,222				$ 70,222
Intergovernmental Personnel Act (IPA) Assignment			7,356				7,356
Intergovernmental Personnel Act (IPA) Assignment			–			$ 1,746	1,746
Total U.S. Office of Personnel Management			77,578			1,746	79,324
National Science Foundation:							
Engineering Grants:	47.041						
Direct awards:							
Collaborative: Room-Temperature Electrophosphorescence			5,634				5,634
Low-Temperature Assembly of All-Inorganic Solar Cells			27,186				27,186
			32,820				32,820
Mathematical and Physical Sciences:	47.049						
Direct awards:							
Rigidity in Negative Curvature and Quasiconformal Analysis			12,387				12,387
Materials and Devices for Fast Detection of Explosives			57,828				57,828
Intramolecular Indicator-Displacement Assays (IIDA)			64,320				64,320
Single-Molecule and Single-Nanoparticle Interfacial Electron Transfer			58,652				58,652
Molecular-Wire Energy Transfer and Exciton Diffusion in Self-Assembled Photonic Materials			64,683				64,683
CAREER: Iminium Salts as Potential Water Oxidation Catal			95,399				95,399
Development of Nancomposite Inorganic Materials for Phot			135,069				135,069
Photocatalytic Approaches to Hydrogen Production II			84,779				84,779
Deciphering Light Induced Double Bond Isomerization			49,620				49,620
			622,737				622,737

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures: Research & Development Cluster	TRIO Cluster	Student Financial Aid Cluster	Other Programs	Total Federal Expenditures
National Science Foundation (continued):							
Geosciences:	47.050						
Direct awards:							
Collaborative Research: Characterizing Arctic Climate			$ 13,236				$ 13,236
RAPID Response to an Extreme Low Ice Year on Lake Erie			9,573				9,573
Lake El'gygytgyn, NE Russia			6,341				6,341
			29,150				29,150
Biological Sciences:	47.074						
Direct awards:							
Magnetic Sense of Homing Pigeons and its Use in Map Navigation			110,926				110,926
Testing Local Adaptation of the Federally Endangered Kar			57,790				57,790
			168,716				168,716
Education and Human Resources:	47.076						
Direct award:							
iEvolve: Inquiry and Engagement to Invigorate and Optimize			326,733				326,733
Collaborative Research: Constructive Chemistry			25,002				25,002
SET-GO: Science, Engineering & Technology Gateway Ohio			177,832				177,832
SET-GO: Science, Engineering & Technology Gateway Ohio			231,389				231,389
GRAMS: Granting Access to Mathematics and Science			92,330				92,330
GRAMS: Granting Access to Mathematics and Science			5,207				5,207
GRAMS: Granting Access to Mathematics and Science			12,253				12,253
GRAMS II: Granting Access to Mathematics and Science			70,892				70,892
GRAMS II: Granting Access to Mathematics and Science			4,279				4,279
GRAMS II: Granting Access to Mathematics and Science			7,561				7,561
Pass-through from:							
Mathematical Association of America:							
A Second Course in Statistics – Generalized Linear		DUE-0817071	4,500				4,500
			957,978				957,978

Bowling Green State University

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures: Research & Development Cluster	Expenditures: TRIO Cluster	Expenditures: Student Financial Aid Cluster	Expenditures: Other Programs	Total Federal Expenditures
National Science Foundation (continued):							
Polar Programs:	47.078						
Direct awards:							
Geochemical Transect from Oceanic Adare Basin			$ 62,208				$ 62,208
			62,208				62,208
Trans-NSF Recovery Act Research Support:	47.082						
Direct awards:							
ARRA – Regulation of 5-Aminolevulinic Acid Biosynthesis			115,028				115,028
ARRA – Sources and Sinks of Stoichiometrically Imbalanced Nitrate			114,043				114,043
ARRA – Monitoring Ultrafast Excited-State Selective Dynamics			234,614				234,614
ARRA - ARI-R2: Renovate Physl Sciences Labor			1,765,179				1,765,179
ARRA – Equipment Enhancing the Ultrafast Spectroscopy			13,660				13,660
			2,242,524				2,242,524
Total National Science Foundation			4,116,133				4,116,133
Environmental Protection Agency:							
Great Lakes Program:	66.469						
Pass-through from:							
The Nature Conservancy:							
Wet Prairie Restoration in the Maumee AOC		OHFO-GLRI-BGSU-10/10-02	25,087				25,087
Total Environmental Protection Agency			25,087				25,087
Department of Energy:							
Office of Science and Financial Assistance Program:	81.049						
Direct award:							
Chemical Imaging Studies			126,039				126,039
Low Power Upconversion for Solar Fuels Photochemistry			94,684				94,684
Pass-through from:							
Ohio Department of Development:							
G3: Invest Green, Save Green@Bowling Green (ARRA)		ARRA-EECBG-10-28	529,414				529,414
			750,137				750,137

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures: Research & Development Cluster	Expenditures: TRIO Cluster	Expenditures: Student Financial Aid Cluster	Expenditures: Other Programs	Total Federal Expenditures
Department of Energy (continued):							
Conservation Research and Development:	81.086						
Pass-through from:							
Clean Fuels Ohio:							
Ohio Advanced Transportation Partnership (ARRA)		DE-EE0002566	$ 3,300				$ 3,300
			3,300				3,300
Renewable Energy Research and Development:	81.087						
Direct awards:							
Coastal Wind Project			730,534				730,534
Coastal Ohio Wind Project for Reduced Barriers to Deploy			379,706				379,706
Pass-through from:							
National Renewable Energy Laboratory:							
Characterization and Optimization of Molecular Frequency		XEV-2-22201-01	49,559				49,559
			1,159,799				1,159,799
Total Department of Energy			1,913,236				1,913,236
U.S. Department of Education:							
Race to the Top:	84.413						
Pass-through from:							
Oregon City Schools:							
Oregon City Schools K-2 Assessment Development & Pilot		(1)	4,765				4,765
			4,765				4,765
Career and Technical Education_Basic Grants to States:	84.048						
Pass-through from:							
Ohio Department of Education:							
Career-Technical Education (CTE) Teacher Education Preparation and Retention FY2012		VEPD-TPR-12-062893				$ 64,570	64,570
We Are STEM		VENT-WS-062893-12/13				6,036	6,036
We Are STEM		VENT-WS-12/13-062893				169	169
						70,775	70,775

Bowling Green State University

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures: Research & Development Cluster	TRIO Cluster	Student Financial Aid Cluster	Other Programs	Total Federal Expenditures
U.S. Department of Education (continued):							
Safe and Drug-Free Schools and Communities National Programs:	84.184						
Pass-through from:							
Putnam County Educational Service Center:							
Evaluation of Project SAFE – Year 4		USDE Q184L080342				$ 1,740	$ 1,740
Evaluation of Project SAFE – Year 5		Q184L080342				60,947	60,947
Pass-through from:							
Wood County Educational Service Center:							
Evaluation of Project SHAPES (Shaping Healthy Atmosphere		PO1200899Q184L090192				45,009	45,009
Evaluation of Project SHAPES (Shaping Healthy Atmosphere		Q184L090192				21,431	21,431
School and Community-Based Prevention Program Consortium		PO 1300442				14,125	14,125
						143,252	143,252
Gaining Early Awareness and Readiness for Undergraduate Programs:	84.334A						
Pass-through from:							
Western Michigan University:							
MERC GearUp Learning Centers 2		P334A050257				60,938	60,938
MERC GearUp Learning Centers 2		P334A050257				6,353	6,353
						67,291	67,291
Transition to Teaching:	84.350						
Direct awards:							
Project CUE: Consortium for Urban Education		U350C070011				159,621	159,621
Project CUE: Consortium for Urban Education		U350C070011				145,907	145,907
						305,528	305,528

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures: Research & Development Cluster	Expenditures: TRIO Cluster	Expenditures: Student Financial Aid Cluster	Expenditures: Other Programs	Total Federal Expenditures
U.S. Department of Education (continued):							
Improving Teacher Quality State Grants:	84.367						
Pass-through from:							
Ohio Board of Regents:							
Partners in Inquiry Resources and Research Two		10-06				$ 299	$ 299
Common Core for Reasoning and Sense Making (CO)^2RES		10-08				3,377	3,377
STAMPS II - Science Teaching Advancement through Modeling		11-05				80,862	80,862
Common Core for Reasoning and Sense Making: Secondary		11-07				32,781	32,781
Common Core for Reasoning and Sense Making in Elementary		11-08				45,718	45,718
STAMPS II - Science Teaching Advancement through Modeling		12-04				18,420	18,420
Partners in Inquiry Resources and Research Three		12-05				7,179	7,179
Common Core for Reasoning and Sense Making: Secondary		12-07				23,079	23,079
Common Core for Reasoning and Sense Making in Elementary		12-08				29,066	29,066
Pass-through from:							
Ohio Northern University							
STEM 2 STEM: Utilizing Science and Math Standards		(1)				6,115	6,115
						246,896	246,896
College Access Challenge Grant Program	84.378						
Pass-through from:							
Putnam County Educational Service Center							
Ohio Access Challenge Grant: CES Evaluation		(1)				1,324	1,324
						1,324	1,324
Race to the Top – Early Learning Challenge	84.395						
Pass-through from:							
Battelle Memorial Institute							
Ohio RttF Funds (ARRA)		US001-0000315978				23,174	23,174
						23,174	23,174

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures: Research & Development Cluster	TRIO Cluster	Student Financial Aid Cluster	Other Programs	Total Federal Expenditures
U.S. Department of Education (continued):							
TRIO Cluster:							
Department of Education:							
Direct awards:							
Student Support Services	84.042A	P042A101256		$ 598,344			$ 598,344
				598,344			598,344
Talent Search	84.044A	P044A110535		266,896			266,896
Talent Search	84.044A	P044A060873		68			68
				266,964			266,964
Upward Bound	84.047A	P047A121619		163,592			163,592
Upward Bound	84.047A	P047A071048		152,320			152,320
Upward Bound	84.047A	P047A071048		47,788			47,788
				363,700			363,700
McNair Post-Baccalaureate Achievement	84.217A	P217A120231		153,512			153,512
McNair Post-Baccalaureate Achievement	84.217A	P217A070290		104,863			104,863
McNair Post-Baccalaureate Achievement	84.217A	P217A070290		16,784			16,784
				275,159			275,159
				1,504,167			1,504,167
Total U.S. Department of Education			$ 4,765	1,504,167		$ 858,240	2,367,172
U.S. Department of Health and Human Services:							
Direct award:							
NEHS Superfund Hazardous Substances_Basic Research & Education:	93.143						
In Vivo Characterization of Bacteria-Mediated Extracellular		1R01ES017070-01	42,624				42,624
			42,624				42,624

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures: Research & Development Cluster	TRIO Cluster	Student Financial Aid Cluster	Other Programs	Total Federal Expenditures
U.S. Department of Health and Human Services (continued):							
Research Related to Deafness and Communication Disorders:	93.173						
Pass-through from:							
Cincinnati Childrens Hospital Medical Center:							
Efficacy of Laryngeal High Speed Videoendoscopy		109598(7R01DC007640-05)	$ 15,777				$ 15,777
			15,777				15,777
Policy Research and Evaluation Grants:	93.239						
Direct award:							
National Center for Marriage Research			454,241				454,241
			454,241				454,241
Occupational Safety and Health Program:	93.262						
Pass-through from:							
University of Cincinnati:							
Encouraging Prevention and Detection Safety Behaviors		007569	6,936				6,936
An Examination of the Work-Family Interface Among Farming		007569	6,864				6,864
			13,800				13,800
Trans_NIH Recovery Act Research Support:	93.701						
Direct awards:							
ARRA – Single-Molecule Three-Dimensional Snapshots of Nuclear			40,375				40,375
ARRA – Self-Luminant Micro-Arrays and Reader for Rapid			93,889				93,889
ARRA – Basal Ganglia and Relative Reward Effect			155,537				155,537
			289,801				289,801
Medical Assistance Program:	93.778						
Pass-through from:							
Ohio State University Research Foundation:							
A Health Profile of Women, Infants and Children in Ohio		G-1213-07-0343	43,769				43,769
			43,769				43,769

Bowling Green State University

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures: Research & Development Cluster	TRIO Cluster	Student Financial Aid Cluster	Other Programs	Total Federal Expenditures
U.S. Department of Health and Human Services (continued):							
Biomedical Research and Research Training:	93.859						
Direct awards:							
Three-Dimensional Super-Resolution Microscopy Study			$ 5,072				$ 5,072
Single-Molecule Patch-Clamp FRET Imaging Microscopy			36,988				36,988
A Population-Level Analysis of Novel Antimicrobial Products			13,034				13,034
Classification, Characterization and Database Searching			1,745				1,745
Manipulating Single-Molecule Enzyme Conformations and Activities			384,554				384,554
RNA 3D Motif Search, Atlas, and Prediction from Sequence			295,662				295,662
			737,055				737,055
Child Health and Human Development Extramural Research:	93.865						
Direct awards:							
Center for Family and Demographic Research Year 8			170,309				170,309
Life Course, Relationship, and Situational Contexts of Todays Youth			198,757				198,757
Counting Families: Household Matrices with Multiple Family Members			2,198				2,198
Nonmaternal Care, Role Strain, and Maternal Sensitivity			49,698				49,698
Neighborhood Change and Violence in Adolescence			19,117				19,117
Pass-through from:							
The University of Michigan:							
Effects on Children of Exposure to Political Violence		3000609459	38,106				38,106
Pass-through from:							
The University of California, San Diego:							
Expectation Generation in Sentence Processing		10202962-008	168				168
			478,353				478,353

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures: Research & Development Cluster	TRIO Cluster	Student Financial Aid Cluster	Other Programs	Total Federal Expenditures
U.S. Department of Health and Human Services (continued):							
Affordable Care Act Personal Responsibility Education Program:	93.092						
Pass-through from:							
Lucas County Regional Health District							
Personal Responsibility Education Program		04810011PR0112				$ 982	$ 982
Personal Responsibility Education Program		04810011PR0213				40,202	40,202
						41,184	41,184
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243						
Direct award:							
Suicide Prevention Grant - Empowering a Community		1U79SM060492-01				21,592	21,592
Pass-through from:							
Wood County Educational Service Center:							
High-Risk Drinking and Prescription Drug Abuse Prevention Program		8711192SPDSIGP131193				92,241	92,241
High-Risk Drinking and Prescription Drug Abuse Prevention Program		599-9412				7,630	7,630
						121,463	121,463
Child Care and Development Block Grant:	93.575						
Pass-through from:							
Ohio Educational Telecommunications Network:							
Ohio Ready to Learn		G-1213-06-0139				41,629	41,629
						41,629	41,629
Block Grants for Prevention and Treatment of Substance Abuse:	93.959						
Pass-through from:							
Ohio Department of Alcohol and Drug Addiction Services:							
BGSU High-Risk Drinking Prevention Program		99-8207-HEDUC-P-13-9				3,450	3,450
BGSU High-Risk Drinking Prevention Program		998207HEDUC-P12-9854				(1,195)	(1,195)
						2,255	2,255
Total U.S. Department of Health and Human Services			$ 2,075,420			206,531	2,281,951

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures: Research & Development Cluster	TRIO Cluster	Student Financial Aid Cluster	Other Programs	Total Federal Expenditures
Department of State:							
Academic Exchange Programs _Teachers:	19.408						
Pass-through from:							
International Research Exchange Board							
IREX Teaching Excellence & Achievement Prog (TEA)		FY12-TEA-BGSU-01				$ 183,158	$ 183,158
Total Department of State						183,158	183,158
National Endowment for the Arts:							
Promotion of the Arts-Grants to Organizations and Individuals:	45.024						
Pass-through from:							
Arts Midwest:							
The Big Read		FY13-156826				7,500	7,500
Total National Endowment for the Arts						7,500	7,500
National Endowment for the Humanities:							
Promotion of the Humanities – Federal/State Partnership:	45.129						
Pass-through from:							
Ohio Humanities Council:							
History Lab: A Hands-On Exploration of Local History, Cu		OHC-12-001				5,604	5,604
						5,604	5,604
Promotion of the Humanities – Office of Digital Humanities:	45.169						
Pass-through from:							
Wright State University:							
The Scholars Dashboard: Creating a Multidisciplinary		HD-51538-12				13,168	13,168
						13,168	13,168
Total National Endowment for the Humanities						18,772	18,772

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures Research & Development Cluster	TRIO Cluster	Student Financial Aid Cluster	Other Programs	Total Federal Expenditures
Institute of Museum and Library Services:	45.312						
National Leadership Grants:							
Direct award:							
Enacted Metadata: Video Surrogate Records for Special		LG-46-12-0471-12				$ 4,548	$ 4,548
Total Institute of Museum and Library Services						4,548	4,548
Total Federal Expenditures			**$ 9,259,021**	**$ 1,504,167**	**$ 152,367,071**	**$ 1,312,998**	**$ 164,443,257**

(1) No agency or pass-through identification number available.

See accompanying notes to schedule of expenditures of federal awards.

Bowling Green State University

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2013

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Bowling Green State University (the University) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

2. Loans Outstanding

The University had the following loan balances outstanding for the Federal Perkins Loans and Nursing Students Loan programs at June 30:

Program Title	Federal CFDA Number	2013 Outstanding Balance
Federal Perkins Loans	84.038	$ 8,143,980
Nursing Student Loans	93.364	617,217

Total Federal Perkins Loans advanced during 2013 were $1,005,610 plus additional administrative costs of $48,043.

Total Federal Nursing Loans advanced during 2013 were $78,237.

3. Federal Direct Student Loans

The University acts as an intermediary for students receiving Federal Direct Student Loans (CFDA #84.268), which includes Direct Loans and Parent's Loans for Undergraduate Students, from the federal government. The federal government is responsible for billings and collections of the loans. The University assists the federal government by processing the applications and applying funds to student accounts from the federal government. Since this program is administered by the federal government, new loans made in the fiscal year ended June 30, 2013, related to Federal Direct Loans are considered current year federal expenditures, whereas the outstanding loan balances are not.

4. Indirect Costs

The University recovers indirect costs by means of provisional fixed indirect cost rates. The provisional fixed rates are a result of negotiated agreements with the U.S. Department of Health and Human Services. The predetermined fixed rate for on-campus research is 39% of modified total direct costs, and the off-campus predetermined rate is 20% of modified total direct costs effective July 1, 2011 until June 30, 2015.

5. Subrecipients

Of the federal expenditures presented in the schedule of expenditures of federal awards, the University provided federal awards to subrecipients as follows:

Sub-Grantee	CFDA Number	Amount Provided
Texas Southern University	10.200	$ 10,860
Ohio University	11.303	75,981
Fort Meigs Association	12.300	600
Palo Alto Research Center Inc.	12.800	18,785
Sandusky Local Schools	47.076	3,434
Perkins Local School District	47.076	3,400
Owens Community College	47.076	45,545
University of Toledo	81.087	770,783
Wayne State University	84.350	212,291
Toledo Public Schools	84.395A	22,500
Battelle	93.143	(5,571)
Cornell University	93.239	51,331
Rutgers University	93.859	121,406
Research Foundation of SUNY	93.859	94,280
Michigan State University	93.859	101,629
		$ 1,527,254

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

Management, Audit Committee and Board of Directors

We have audited, in accordance with auditing standards generally accepted in the United States 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 Bowling Green State University (the University), a component unit of the State of Ohio, and its aggregate discretely presented component units, which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 11, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's 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*.

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 result of that testing, and not to provide an opinion on 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.

Ernst + Young LLP

October 11, 2013

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Report of Independent Auditors on Compliance with Requirements for Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133

Management, Audit Committee, and Board of Directors
Bowling Green State University

Report on Compliance for Each Major Federal Program

We have audited of Bowling Green State University's (the University), a component unit of the State of Ohio, compliance with the types of compliance requirements described in the US Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2013. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with OMB Circular A-133, and which are described in the accompanying schedule of findings and questioned costs as item:

Finding No.	CFDA No.	Program (or Cluster) Name	Compliance Requirement
13-01	84.047 Upward Bound 84.217 McNair	TRIO Cluster	Reporting

Our opinion on each major federal program is not modified with respect to these matters.

The University's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item:

Finding No.	**CFDA No.**	**Program (or Cluster) Name**	**Compliance Requirement**
13-01	84.047 Upward Bound 84.217 McNair	TRIO Cluster	Reporting

We consider this item to be a significant deficiency.

The University’s response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Ernst & Young LLP

October 11, 2013

Bowling Green State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Part I—Summary of Auditor's Results

Financial Statements Section

Type of auditor's report issued (unmodified, qualified, adverse or disclaimer):	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?	____	**yes**	x	**no**
Significant deficiency(ies) identified?	____	**yes**	x	**none reported**
Noncompliance material to financial statements noted?	____	**yes**	x	**no**

Federal Awards Section

Internal control over major programs:				
Material weakness(es) identified?	____	**yes**	x	**no**
Significant deficiency(ies) identified?	x	**yes**	____	**none reported**
Type of auditor's report issued on compliance for major programs (unmodified, qualified, adverse or disclaimer):	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	x	**yes**	____	**no**

Part I—Summary of Auditor's Results (continued)

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
Various	Student Financial Aid Cluster
Various	Research & Development Cluster
84.042, 84.044, 84.047, and 84.217	TRIO Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $362,500

Auditee qualified as low-risk auditee? __x__ **yes** _____ **no**

Part II—Financial Statement Findings Section

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts and grant agreements, and abuse related to the financial statements for which Government Auditing Standards require reporting in a Circular A-133 audit.

None noted

Part III—Federal Award Findings and Questioned Costs Section

This section identifies the audit findings required to be reported by Circular A-133 section .510(a) (for example, material weaknesses, significant deficiencies and material instances of noncompliance, including questioned costs), as well as any abuse findings involving federal awards that are material to a major program.

13-01 **TRIO Cluster**

Federal program information:	U.S. Department of Education CFDA – Award Numbers 84.047 TRIO – Upward Bound 84.217 TRIO – McNair
Criteria or specific requirement:	In accordance with and to comply with OMB Circular A-133, Section .300 (b), the entity should “maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.” OMB section No. 1840-0762 for Upward Bound and OMB Section No. 1840-0640 for McNair require certain data fields be tracked for each student reported in Student Support Services Annual Performance Report (APR).

Part III—Federal Award Findings and Questioned Costs Section (continued)

Condition:	The McNair program requires the following critical fields to be maintained in the student database and reported in the APR: A) Eligibility B) First Enrollment Date C) Project Entry Date D) Participant Status E) College Grade Level (at entry into project) F) College Grade Level (at end of academic year) G) Enrollment Status H) Highest Degree Earned We noted that in certain circumstances the student data maintained in the APR for the above fields did not agree to supporting information maintained in student files. The Upward Bound program requires the following critical fields to be maintained in the student database and reported in the APR: A) Eligibility at first entry into project B) Academic Need C) Date of first project service D) Grade Level at First Service E) Participant Status for reporting year F) Participant Level for reporting period only G) Grade Level at the beginning of Academic year H) Participant retention in project I) Date of Last Project Service

Part III—Federal Award Findings and Questioned Costs Section (continued)

Condition (continued):	We noted that in certain circumstances the student data maintained in the APR for the above fields did not agree to supporting information maintained in student files.
Questioned costs:	N/A as issue concerns non-monetary data.
Context:	We performed compliance testing over all TRIO APRs to ensure that the critical data fields were being tracked and reported. We then selected 40 students across the TRIO programs. We reviewed the critical data fields for the first five students from each of the four programs. We noted five of the 20 students had a total of seven instances of incorrect data in the critical fields when compared to the student files: McNair: 3 instances in Project Entry Date, 1 instance in College Grade Level (at entry into project), and 1 instance in College Grade Level (at end of academic year) Upward Bound: 1 instance in Academic Need and 1 instance in Level We noted that the incorrect data in the critical fields did not directly affect the students' proper inclusion in the program.

Part III—Federal Award Findings and Questioned Costs Section (continued)

Effect:	The data reported for McNair and Upward Bound programs are not in compliance with OMB Circular reporting requirements.
Cause:	The current review controls over the student data for APR reports are not sensitive enough to ensure accuracy of the data in all critical data fields.
Recommendation:	McNair and Upward Bound management needs to ensure it has policies and procedures in place over maintaining and reviewing critical data fields in the database to ensure that they are accurate and in compliance with the reporting requirements.

Part III—Federal Award Findings and Questioned Costs Section (continued)

Views of responsible officials and planned corrective actions:	Management understands the OMB Circular critical fields reporting requirements and therefore concurs.
Conclusion	Management believes the McNair instance in “Entry Grade Level” (which automatically created the instance in “Current Grade Level”), the Upward Bound instance in “Academic Need”, and the Upward Bound instance in “Level”, were isolated data entry errors. We recognize that while the critical field itself was accurate and appropriate, the field content selections within the fields were in error. Management further agrees there were three instances where the “Project Entry Date” relating to McNair as reported in the APR did not match exactly with the information maintained in the student files. Management asserts that sound professional judgment was applied in reporting the “Project Entry Date” in cases where the data in the student file contained varying levels of activity and complexity. Management relies on guidance as set forth in OMB approval No.: 1840-0762 for McNair project reporting and believes the APR reporting is in compliance with these requirements. In all instances of incorrect data as outlined above, Management concurs that the errors do not compromise the students’ eligibility for proper inclusion in the program.

Part III—Federal Award Findings and Questioned Costs Section (continued)

Views of responsible officials and planned corrective actions (continued):	Management will take immediate steps to review and strengthen the controls currently in place to ensure the APR data submission is accurate and in compliance with OMB Circular reporting requirements.

Bowling Green State University

Summary Schedule of Prior Audit Findings

Federal program information:	**12-01 – CFDA #84.042 – Student Support Services – Award Number P042A050760**
Condition:	The University did not comply with the required earmarks for Student Support Services participants in accordance with 34 CFS Sections 646.7 and 646.11.
Management status update:	Management implemented the corrective action plan in the third quarter in the 2012 year.
Federal program information:	**11-01 – Student Financial Assistance Cluster**
Condition:	The University does not have sufficient internal controls in accordance with 34CFR Section 668.173(b) to ensure that funds are returned within 45 days of a student withdrawal. Also, the University does not have sufficient internal controls to return the correct amounts to be returned in accordance with the Title IV requirements. While the University calculated the correct amount to be returned based on the student's withdrawal date, the amount calculated was not what was refunded; the amount that was refunded was less than the calculated amount by $4,218.
Management status update:	Management has fully implemented the 2011 corrective action plan.

Federal program information:	**11-02 TRIO Cluster (CFDA # 84.042, 84.044, 84.047A, and 84.217)**
Condition:	The University does not have sufficient internal controls in accordance with Section 48e and Appendix A paragraph 8 of Circular A-110 over suspension and debarment to check its vendor list with the EPLS website.
Management status update:	Management has fully implemented the 2011 corrective action plan.
Federal program information:	**11-03 – CFDA # 84.217 – McNair Post-Baccalaureate Achievement – Award Number P217A070290 and CFDA # 84.042 – Student Support Services – Award Number P042A050760**
Condition:	The University does not have sufficient internal controls to ensure that the McNair and Student Support Services programs meet the required earmarking requirements in accordance with 34CFR Sections 647.10 647.70, 646.7 and 646.11.
Management status update:	Management implemented the corrective action plan in the third quarter in the 2012 year. See finding 12-01 for a further update.

Federal program information:	**11-04 – TRIO Cluster (CFDA # 84.042, 84.044, 84.047A, and 84.217) – McNair Post-Baccalaureate Achievement (McNair) – Award Number P217A070290.**
Condition:	The University does not have sufficient internal controls to ensure that the cost share component of the grant agreement is being met.
Management status update:	No cost share was required under the 2012 award document therefore the 2011 corrective action was not required to be implemented.

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Report of Independent Accountants
On Applying Agreed-Upon Procedures

Dr. Mary Ellen Mazey, President
Bowling Green State University

We have performed the procedures enumerated below, which were agreed to by the chief executive of Bowling Green State University (the University), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (Statement I) and Statement of Intercollegiate Athletics Program Support by Booster Organization (Statement II) of the University are in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.16 for the year ended June 30, 2013. The University's management is responsible for the accompanying Statement I and Statement II and Statement I and Statement II's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purposes for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

I. Statement of Revenues and Expenses

1. We obtained the Statement of Revenues and Expenses (Statement I) for the Intercollegiate Athletics Department (the Department) for the year ended June 30, 2013, as prepared by management. We recomputed the subtotal and total line items on Statement I and agreed all amounts on Statement I to management's detailed worksheets and to the appropriate general ledger accounts. We found no exceptions as a result of these procedures.

2. We performed a comparison of the revenues and expenses per Statement I for fiscal years 2013 and 2012. We obtained management's explanations for variations greater than $50,000 and 10% of each revenue and expense line item in the aggregate as follows:

   a. Football game ticket sales revenues increased $251,000 or 26%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to higher internal department ticket purchases made by the University during the year.

b. Football game guarantee revenues increased $750,000 or 83%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to a higher game guarantee revenue received during the year. In fiscal year 2013, the Athletics Department received an agreement of $1,250,000 from the University of Florida which was larger than the two game guarantees received during fiscal year 2012.

c. Football NCAA distribution revenues increased $400,000 or 100%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to a distribution paid for playing in a bowl game during the year that related to fiscal year 2013. Conversely, there were no bowl games in fiscal year 2012.

d. Football coaches' salaries increased in the current year by approximately $110,000 or 10%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to salary increases in the current year. The increase was primarily attributable to head coach Clawson who received an approximate 40% increase in fiscal year 2013.

e. Football other salaries increased approximately $85,000 or 52%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to two extra graduate assistants that were hired and approved by NCAA, higher bonuses paid to full time employees and higher student worker wages paid in fiscal 2013.

f. Football staff benefits increased approximately $80,000 or 23%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to higher salaries and therefore higher staff benefits paid in fiscal 2013.

g. Football team travel expenses increased approximately $107,000 or 37%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to the travel expenses incurred for bowl game in fiscal year 2013. Conversely, there was no bowl game travel in fiscal year 2012.

h. Football other team travel expenses increased $245,000 or 113%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this increase was due to expenses incurred for the bowl game for fiscal year 2013. Conversely, there was no bowl game in fiscal year 2012.

i. Football recruiting expenses increased $215,000 or 169%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this increase was due to an increased recruiting focus for the football program. Expenses relating to recruiting include mileage, meals and car allowance for fiscal year 2013.

j. Football equipment expenses increased $108,000 or 40%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this increase was due to higher cost associated with uniforms, helmets, shoulder pads and trunks for football team for fiscal year 2013.

k. Football allocated expenses increased $116,000 or 671%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this increase was due to carpet which was purchased for the locker room and a sideline sound and editing system for fiscal year 2013.

l. Men's basketball game guarantee revenues increased $65,000 or approximately 650%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to a contract with The University of South Florida, which stated that the University would receive $75,000 in 2013 compared to $10,000 received in 2012 from Michigan State University.

m. Men's basketball guarantee expenses increased approximately $133,000 or 408%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to two additional game guarantees being paid in 2013.

n. Hockey other travel expenses decreased approximately $96,000 or 53%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease was due to three post season games as well as a trip to Alaska during 2012 compared to hockey only incurring approximately $22,000 of travel in fiscal year 2013 for trips to Michigan, New York, and Oxford, Ohio.

o. Hockey facility rental expenses increased approximately $94,000 or 100%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was primarily due to ice arena rentals that were recorded under ICA for fiscal 2012 but reclassified to hockey for fiscal 2013 to show true cost of expenditures attributable to hockey.

p. Hockey allocated expenses increased approximately $57,000 or 167%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was primarily due to the allocation to hockey relating to the locker room renovations that occurred during 2013.

q. Gift revenue attributable to other sports increased approximately $65,000 or 35%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was primarily due to higher funds transferred from the Bowling Green State University Foundation.

r. Other sports staff benefits expenses increased approximately $56,000 or 15%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was primarily due to an overall increase in benefits cost for fiscal year 2013.

s. Other sports other travel expenses increased approximately $52,000 or 50%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was primarily due to overall higher travel costs for post season games in baseball and volleyball in fiscal year 2013.

t. Other sports equipment expenses increased approximately $147,000 or 72%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was primarily due to higher costs for team uniform outfitting, the purchase of new hurdles for track, exercise floor covering, and new baseball uniforms in fiscal year 2013.

u. Non-program specific institutional support revenues decreased approximately $425,000 or 100%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease was primarily due to the termination of Success Challenge and Title IX allocations ending in 2012 and subsequently not received in 2013.

v. Non-program specific NCAA distribution revenues increased approximately $658,000 or 59%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was primarily due to the higher distribution from the MAC (Midland Athletics Conference) for equity share and NIU (Northern Illinois University) participation in the BCS (Bowl Championship Series) in fiscal year 2013.

w. Non-program specific stadium suites revenues decreased approximately $91,000 or 59%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease was primarily due to price structure change in addition to less capacity in fiscal year 2013.

x. Non-program specific gift revenues increased approximately $67,000 or 21%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was primarily due to higher funds transferred from the Bowling Green State University Foundation to cover spending overages from the budget in fiscal year 2013.

y. Non-program specific sports and camps revenues increased approximately $54,000 or 22%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was primarily due to two larger camps in fiscal year 2013, Point Guard College and Universal Cheerleading Association.

z. Non-program specific film expenses increased approximately $75,000 or 356%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was primarily due to higher cost associated with video board production for Men’s and Women’s basketball in the Stroh Center in fiscal year 2013.

aa. Non-program specific facility rental expense decreased approximately $80,000 or 68%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease primarily related to ice arena rentals being recorded under non-program specific in 2012 whereas in 2013, these rentals were allocated to Men's Hockey.

bb. Non-program specific sports camps expenses decreased approximately $95,000 or 33%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease was primarily due to natural cycle of when camps are held compared to the fiscal year end date.

cc. Non-program specific allocated expenses increased approximately $152,000 or 20%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to ticketing rights from fiscal year 2012 of $43,000 as compared to $171,000 for fiscal year 2013.

3. We performed a comparison of actual revenues and expenses per Statement I to the budgeted amounts obtained from management. We obtained management's explanation for variations greater than $50,000 and 10% of each revenue and expense line item in the aggregate. They included the following:

   a. The actual amount of men's basketball expenses exceed budgeted amounts by approximately $222,000 or 18%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this related to higher game guarantee expenses paid for fiscal year 2013 than originally budgeted.

   b. The actual amount of hockey expenses exceeded budgeted amounts by approximately $192,000 or 15%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the overages in expenses related to the purchase of new uniforms and helmets, coupled with higher expense of team travel due to post season competition and approximately $70,000 of capital improvement expenses for locker room upgrades.

   c. The actual amount of men's soccer expenses exceeded budgeted amounts by $63,000 or 19%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the overages primarily related to increased GIA (Grant in aid) and equipment expenses paid for new uniforms.

d. The actual amount of men's baseball expenses exceeded budgeted amounts by approximately $79,000 or 15%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to higher expenses in equipment purchases and post season competition travel which was not originally budgeted for.

e. The actual amount of men's golf expenses exceeded budgeted amounts by approximately $82,000 or 58%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the overage was due to higher team travel during the regular season and additional equipment expenses.

f. The actual amount of women's soccer expenses were below budgeted amounts by approximately $83,000 or 16%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease in expenses primarily related to coaching changes during the year which caused salary expenses relating to women's soccer to significantly decrease from those originally budgeted.

g. The actual amount of sports camp expenses exceeded budgeted amounts by $189,000 or 100%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the overages in expenses related to the fact that athletic camps are unbudgeted since they operate on a zero sum basis. As such, any expenses relating to sports camp are identified here.

h. The actual amount of 2013 bowl game expenses exceeded budgeted amounts by $506,000 or 100%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the overages in expenses related to the fact that bowl games are not normally budgeted for since they are not recurring annual events. As such, all bowl games expenses incurred during fiscal year 2013 show up higher than budgeted amounts.

i. The actual amount of men's basketball revenues exceeded budgeted amounts by approximately $261,000 or 100%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase related to game guarantees and NCAA distributions of $113,000. NCAA distribution is budgeted for in general intercollegiate athletics, but actual distributions are allocated to the respective sport.

j. The actual amount of football revenues exceeded budgeted amounts by approximately $1,784,000 or 158%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase primarily related to $1,250,000 of game guarantees recognized in fiscal year 2013 from the University of Florida.

k. Men’s soccer revenues exceeded budgeted amounts by approximately $52,000 or 100%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase related to funds received from the Bowling Green State University Foundation specifically for Men’s soccer. We note that aside from football and hockey, all budgeted revenue amounts are allocated to ICA, however, actual revenues from the BGSU Foundation are allocated to the respective sports. Funds received from the BGSU Foundation are primarily received to cover any overages in expenses.

l. The actual amount of sport camps revenues exceeded budgeted amounts by approximately $300,000 or 100%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to the fact that camps are unbudgeted revenues due to the fact they operate of a zero sum basis.

m. The actual amount of Stroh center revenues exceeded budgeted amounts by approximately $424,000 or 100%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to the fact that Stroh center reflects accrued ticket sales for Men’s Basketball, Women’s Basketball and Volleyball.

n. The actual amount of bowl game revenues exceeded budgeted amounts by approximately $435,000 or 100%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to the fact that bowl game revenue is not normally budgeted as it is not a recurring yearly event.

4. We obtained a description of accounts and compared classification of revenues and expenditures to NCAA guidelines. We have found no exceptions as a result of these procedures.

5. We reviewed the extent of documentation of accounting systems and procedures. We also made certain inquires of management regarding control consciousness, competence of personnel and protection of records and equipment.

6. We were informed that the Department adheres to the University policies and procedures for acquiring, approving, and depreciating, and disposing of assets. Capital assets are recorded at cost at the date of acquisition, or if acquired by gift at the fair value at the date of donation. The University capitalizes all equipment with a cost of $3,500 or more, and an estimated life of greater than one year. Infrastructure and improvements other than to buildings are capitalized if the cost exceeds $100,000. Depreciation is recognized on the straight-line basis over the estimated useful life of the asset. When capital assets are sold or otherwise disposed of, the carrying value of such assets are removed from the asset accounts, along with the related accumulated depreciation.

7. The Athletic Department has two outstanding notes payable to the University related to the scoreboard and an upgrade to the scoreboard. We recalculated the annual maturities and agreed these to supporting documentation and the account records. The future amounts of principal and interest payments on the notes are as follows:

	Principal	Interest	Total
2013	$207,732	$12,478	$220,210
2014	$104,211	$4,168	$108,379

8. We obtained all the listings of ticket sales for football, hockey, and men's basketball. We agreed the ticket revenue per Statement I to the total of the event sales report, in which we recomputed the revenue based on ticket prices, considering complementary and unsold tickets. We found a $21,272 or 2% difference in football, $3,888 or 2% difference in men's basketball, and a $310.84 or 0.2% difference in hockey tickets sales revenue compared to Statement I. All differences are deemed to be immaterial.

9. We obtained the 2012-2013 general fee and related auxiliary budget report prepared by the Finance and Administration office and agreed the budgeted allocation of the student fees to the amount reported by the University in Statement I. We also gained an understanding of the University's allocation method.

10. We obtained support for 100% of game guarantees revenue recorded. We agreed the transaction amount to the contract; agreed the amount received to the check or check remittance; and agreed the amount to the University's account records. We found no exceptions as a result of these procedures.

11. We randomly selected a sample of five NCAA/MAC revenue transactions from a detailed transaction listing. We agreed the transaction amounts to the contracts and the vouched the cash received. We found no exceptions as a result of these procedures.

12. We randomly selected a sample of five concessions revenue transactions from a detailed transaction listing. We agreed these to the general ledger and evidence cash receipt. We found no exceptions as a result of these procedures.

13. We randomly selected a sample of five parking revenue transactions from a detailed transaction listing. We agreed these to the general ledger and evidence of cash receipt. We found no exceptions as a result of these procedures.

14. We randomly selected a sample of five licensing/sponsorship transactions from a detailed list of transactions. We agreed these to the general ledger, contracts, and cash receipt. We found no exceptions as a result of these procedures.

15. We randomly selected a sample of five sports camp revenue transactions and obtained a listing of participants and gained an understanding of how the revenue was recorded. We also traced sample selection to the University’s accounting records and/or cash receipts. We found no exceptions as a result of these procedures.

16. We randomly selected a sample of five gift revenue from a detailed list of transactions. We agreed this transaction to the cash receipt and to the University’s accounting records. We found no exceptions as a result of these procedures.

17. We selected 100% of stadium suites revenue from a detailed list of transactions. We agreed these transactions to the general ledger, journal entries and evidence of cash receipt or department transfer. We found no exceptions as a result of these procedures.

18. We randomly selected a sample of five miscellaneous revenue transactions and agreed to the items to the general ledger, journal entries, and evidence of cash receipt. We found no exceptions as a result of these procedures.

19. We randomly selected a sample of twenty-five student aid recipients from various men’s and women’s sports. We agreed the amount per the Financial Aid list to the NCAA student record website. We agreed these NCAA records to a listing of transactions for each student from the Bursar’s office, ensuring the amount was given to the student athlete. We recalculated the totals and agreed the total aid to the

statement of revenues and expenses. We found no exceptions as a result of these procedures.

20. We randomly selected a sample of five game guarantee expenses, agreeing them to the contracts, proof of payment, and the general ledger. We found no exceptions as a result of these procedures.

21. We randomly selected a sample of five coaches employed by the University from various men’s and women’s sports, ensuring that at least one football and men’s and women’s basketball coach were selected. We agreed the amounts paid to the contracts, and compared for reasonableness to W-2’s and recorded expense per the payroll system. We noted no exceptions as a result of these procedures.

22. We randomly selected a sample of five support staff expenses by the University. We agreed the amounts paid to the contracts, and compared for reasonableness to W-2’s and recorded expense per the payroll system. We noted no exceptions as a result of these procedures.

23. We randomly selected a sample of five staff benefit expenses, agreeing them to the general ledger and payroll system. We found no exceptions as a result of these procedures.

24. We obtained and documented our understanding of the University’s recruiting expense policy, comparing them to the NCAA policies on a test basis. We randomly selected a sample of five recruiting expenses, agreeing them to invoices and receipts relating to recruiting activities, in conformity with the NCAA policies. We found no exceptions as a result of these procedures.

25. We randomly selected a sample of five team travel expenses, agreeing them to supporting documentation and the general ledger and ensured the expenses agreed to existing University- and NCAA-related policies. We found no exceptions as a result of these procedures.

26. We randomly selected a sample of five equipment expenses, agreeing them to the general ledger and invoices or receipts. We found no exceptions as a result of these procedures.

27. We randomly selected a sample of five non-employee compensation (game) expenses, agreeing them to the general ledger, proof of payment, and invoices. We found no exceptions as a result of these procedures.

28. We randomly selected a sample of five sports camp expenses, agreeing them to the general ledger, payroll system for staff costs, and purchase orders and invoices for direct expenses. We found no exceptions as a result of these procedures.

29. We randomly selected a sample of five direct facility rental expenses, agreeing them to the general ledger, approved journal entries for cross-charges, and invoices for external expenses. We found no exceptions as a result of these procedures.

30. We randomly selected a sample of five stadium suites expenses, agreeing them to the general ledger and intra-University lease agreements. We found no exceptions as a result of these procedures.

31. We randomly selected a sample of five institutional membership transactions, agreeing them to the general ledger, proof of payment, and invoices. We found no exceptions as a result of these procedures.

32. We randomly selected a sample of five film and broadcasting expenses, agreeing them to the general ledger and invoices. We found no exceptions as a result of these procedures.

33. We randomly selected a sample of five telephone expenses, agreeing them to the general ledger, invoices for direct expenses and the payroll system for cell phone expenses related to personnel reimbursements. We found no exceptions as a result of these procedures.

34. We randomly selected a sample of five allocated expenses to agree to the general ledger and invoices. We found no exceptions as a result of these procedures.

35. We randomly selected a sample of five other travel expenses, agreeing them to the general ledger, invoices, and evidence of payment. We found no exceptions as a result of these procedures.

II. Statement of Intercollegiate Athletics Program Support by Booster Organization

1. We obtained the Statement of Intercollegiate Athletics Program Support by Booster Organizations for the year ended June 30, 2013 (Statement II) from the Foundation.

2. We obtained a confirmation from the Foundation indicating that Statement II was the complete schedule of contributions made to the Athletic Department.

3. We agreed beginning cash balances to the prior year schedule and ending balances to the Foundations' accounting records. The amounts included in Statement II are not included in Statement I unless contributed directly to the University by the outside organization. We found no exceptions between the prior year ending balance and the current year beginning balance as a result of these procedures.

4. We received the audited financial statements of the Foundation, which administers the booster organizations, for the year ended June 30, 2013, which reflected an unqualified opinion.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the compliance of Statement of Revenues and Expenses and the Statement of Intercollegiate Athletics Program Support by Booster Organization. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of Bowling Green State University and the National Collegiate Athletic Association and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

October 11, 2013

Statement I

Bowling Green State University
Intercollegiate Athletics Department
Statement of Revenues and Expenses
Year Ended June 30, 2013

Revenue	**Men's Football**	**Men's Basketball**	**Men's Hockey**	**Other Sports**	**Non-Program Specific**	**Total**
Ticket Sales	1,201,482	241,292	176,941	183,163	-	1,802,878
Post Season Game Proceeds	34,764	-	-	-	-	34,764
Concessions	-	-	-	-	62,420	62,420
Student Activity Fees	-	-	-	-	12,408,393	12,408,393
Instituitional Support	-	-	-	-	-	-
Game Guarantees	1,650,000	75,000	-	-	-	1,725,000
NCAA Distribution	400,000	160,505	16,556	28,564	1,780,203	2,385,828
Licensing/Sponsorships	-	-	-	-	289,068	289,068
Parking	50,207	-	3,933	-	2,995	57,135
Stadium Suites	-	-	-	-	62,740	62,740
Gifts	26,659	24,025	58,451	252,176	382,644	743,955
Sports Schools & Camps	-	-	-	-	298,047	298,047
Miscellaneous	(14,159)	646	348	26,000	173,264	186,099
Total Revenue	**3,348,953**	**501,468**	**256,229**	**489,903**	**15,459,774**	**20,056,327**
Expenses						
Coaches' Salaries	1,215,093	371,849	296,480	1,197,845	-	3,081,267
Other Salaries	249,095	44,000	29,072	120,438	1,832,648	2,275,253
Staff Benefits	427,286	130,073	103,760	433,859	549,721	1,644,699
Non-Employee Comp. (Game Officials)	76,300	70,450	38,625	123,648	51,257	360,280
Films	1,290	-	-	-	95,444	96,734
Travel:						-
Team	396,807	154,278	77,729	633,669	-	1,262,482
Other	462,100	35,893	34,041	156,590	191,164	879,788
Recruiting	342,633	49,392	46,107	149,624	-	587,756
Financial Aid	2,086,759	372,352	501,112	2,482,586	(428)	5,442,382
Equipment	379,235	50,148	146,653	350,810	215,564	1,142,409
Facility Rental	162	-	94,493	973	38,052	133,679
Game Guarantees	455,345	165,000	10,694	25,618	-	656,657
Stadium Suites Internal Financing	-	-	-	-	220,210	220,210
Sports Camps	-	-	-	-	189,237	189,237
Memberships	-	285	99	10,593	265,352	276,328
Telephone	18,716	6,651	7,830	27,695	68,618	129,510
Allocated Expenses	133,553	21,839	90,882	48,753	910,883	1,205,909
Total Expenses	**6,244,375**	**1,472,208**	**1,477,577**	**5,762,700**	**4,627,723**	**19,584,583**
Revenues over (under) Expenditures	**(2,895,422)**	**(970,740)**	**(1,221,348)**	**(5,272,797)**	**10,832,051**	**471,744**

Statement II

Bowling Green State University
Statement of Intercollegiate Athletics Program Support by Booster Organization
Year Ended June 30, 2013

Fund	Description	2012 Fund Balance	Contributions	Earnings, UR Gain/Loss & Fees & Misc Income	Transfers	2013 Fund Balance
300012	Alumni/Athletics Endowment Fund	83,876.71	-	5,434.78	-	89,311.49
300039	Cochrane - Cunningham Athletics Archives Fund	3,384.01	21,950.00	(186.67)	-	25,147.34
300063	Don A. & Harriett L. Cunningham Endowment for Athletic Communication Fund	57,583.65	850.00	4,467.15	(1,000.00)	61,900.80
300068	Intercollegiate Athletics Department Fund	303,184.99	4,004.36	(2,068.64)	(292,121.76)	12,998.95
300070	Perry Stadium Enhancement Fund	19,771.91	35,700.00	(246.44)	(37,329.94)	17,895.53
300074	Gregory I. Brooks Soccer Scholarship	24,737.99	-	2,013.24	-	26,751.23
300080	Athletic Fitness & Weight Room Fund	304.03	165.00	(5.02)	-	464.01
300083	Men's Basketball International Travel Fund	353.23	-	(4.59)	-	348.64
300084	Carl C. Bachman Scholarship	52,138.81	-	4,064.80	(1,000.00)	55,203.61
300113	Athletics Special Events Fund	1,943.55	85,880.00	(169.26)	(63,727.17)	23,927.12
300115	Men's Basketball Fund	136,684.62	49,600.51	(1,561.13)	(75,918.56)	108,805.44
300119	Football Fund	71,083.69	157,223.65	(1,157.90)	(121,252.44)	105,897.00
300122	Ice Hockey Fund	58,498.72	101,924.84	(528.35)	(134,886.69)	25,008.52
300126	Women's Basketball Fund	212,517.51	96,276.23	(2,683.23)	(108,506.63)	197,603.88
300128	Women's Golf Fund	6,023.85	34,464.09	(135.23)	(25,707.69)	14,645.02
300131	Gymnastics Fund	1,166.87	16,310.63	(29.54)	(14,100.00)	3,347.96
300134	Women's Tennis Fund	28,336.39	24,942.00	(452.16)	(12,052.26)	40,773.97
300136	Women's Track Fund	195.62	1,117.50	(2.86)	(1,068.10)	242.16
300138	Volleyball Fund	15,226.74	46,724.15	(394.22)	(16,528.82)	45,027.85
300141	Softball Fund	8,045.26	288,394.36	(82.39)	(291,809.05)	4,548.18
300142	Mel Brodt/Sid Sink Track and Cross Country Scholarship	57,221.36	1,150.00	4,498.20	(1,000.00)	61,869.56
300143	Women's Soccer Fund	5,353.73	9,630.00	(108.28)	(3,679.00)	11,196.45
300145	Baseball Fund	42,612.22	55,312.29	(622.05)	(44,836.32)	52,466.14
300147	Men's Golf Fund	35,848.88	53,024.43	(354.46)	(70,190.49)	18,328.36
300149	Men's Soccer Fund	59,685.01	21,573.64	(605.57)	(47,778.79)	32,874.29
300153	Swimming Fund	36,011.13	29,001.70	(595.37)	(9,428.16)	54,989.30
300156	Men's Tennis Fund	131.86	51.00	(2.05)	-	180.81
300162	Men's Track Fund	1.33	-	(0.02)	-	1.31
300166	Men's Cross Country Fund	4,583.62	543.75	(56.62)	(1,000.00)	4,070.75
300168	Women's Cross Country Fund	11,747.50	28,412.41	(168.38)	(26,002.92)	13,988.61
300182	Glenn Sharp Fund	2,375.63	875.00	(36.57)	-	3,214.06
300205	Bob Sebo Football Scholarship	229,113.29	-	18,351.44	(1,500.00)	245,964.73
300227	Clarence & Sally Metzger Endowed Scholarship	66,948.03	2,100.00	5,304.68	(1,500.00)	72,852.71
300254	Coaches Excellence Fund	295,453.80	-	22,676.42	(10,000.00)	308,130.22
300256	Mickey & Patricia Cochrane Soccer Scholarship	41,698.87	-	3,273.11	(700.00)	44,271.98
300278	Samuel M. Cooper Athletic Scholarship	28,519.79	300.00	2,230.03	(600.00)	30,449.82
300378	Athletic Golf Fund	160,239.64	-	11,490.74	-	171,730.38
300399	Falcon Club Fund	26,667.85	119,009.16	(5,685.74)	(119,000.00)	20,991.27
300402	Falcon Club - Designated	4,859.57	13,898.00	(35.03)	(18,228.66)	493.88
300403	Falcon Club - Operating	2,103.05	16,003.50	-	(18,192.11)	(85.56)
300404	Falcon Club - Reserve	(1,285.19)	-	-	-	(1,285.19)
300407	Falcon Club Athletic Scholarship	164,115.97	5,485.00	13,217.94	-	182,818.91
300439	Dewey and Ellen Fuller Scholarship	51,815.21	-	3,968.97	(1,500.00)	54,284.18
300484	Jack Gregory Retirement Reception Fund	(7.31)	-	-	-	(7.31)
300501	Harms Cross Country Scholarship	40,378.67	-	3,003.55	-	43,382.22
300524	Mark A. Brecklen Athletics/Football Fund	-	-	-	-	-
300542	Hockey Renovation Fund	55.20	-	(0.72)	-	54.48
300543	Hodge Family Soccer Scholarship	13,727.55	-	1,049.40	(500.00)	14,276.95
300545	Joyce S. Hof Scholarship	40,112.72	550.00	3,143.65	(1,000.00)	42,806.37
300694	William J. Lloyd Athletic Award	79,097.91	25.00	5,672.06	-	84,794.97
300748	John & Diane McNutt Scholarship	11,716.21	-	1,811.60	-	13,527.81
300763	Lanny L. Miles Memorial Scholarship	87,523.50	-	6,668.12	(2,500.00)	91,691.62
300797	Leslie Ann Dawley Memorial Fund	414.71	100.00	(6.04)	-	508.67
300805	Scholar Athlete Recognition Fund	82,746.18	500.00	5,686.61	(1,000.00)	87,932.79
300830	Training Room Enhancement Fund	3,060.19	1,270.00	(43.93)	(631.82)	3,654.44
300834	Medical Mutual of Ohio CHAMPS Endowment Fund	112,760.49	-	8,816.44	-	121,576.93

Statement II

Bowling Green State University
Statement of Intercollegiate Athletics Program Support by Booster Organization
Year Ended June 30, 2013

Fund	Description	2012 Fund Balance	Contributions	Earnings, UR Gain/Loss & Fees & Misc Income	Transfers	2013 Fund Balance
300856	Verlin W. Lee Memorial Science Education Scholarship in Intercollegiate Athletics	82,169.08	-	6,687.13	-	88,856.21
300868	University Athletic Endowment Fund	803,319.70	-	61,162.17	(23,857.91)	840,623.96
300870	Doyt & Loretta Perry Scholarship	199,934.33	50.00	15,292.19	(6,000.00)	209,276.52
300886	Bernard A. Frick Endowment for Athletic Training Fund	75,700.03	8,000.00	6,378.20	(500.00)	89,578.23
300963	Creason-Piper Endowed Scholarship	191,215.23	-	12,983.83	-	204,199.06
300980	George H. & Ruthanna D. Frack Endowed Scholarship for Men's Basketball	97,252.84	-	7,574.20	(2,000.00)	102,827.04
300983	Earl E. and Thelma Rupright Basketball Scholarship	24,067.14	-	1,853.10	(500.00)	25,420.24
301012	Helen and Willard Schaller Scholarship in Intercollegiate Athletics	17,849.59	-	1,391.28	(250.00)	18,990.87
301053	Mary E. Crawford Memorial Scholarship	28,722.82	750.00	2,264.04	(600.00)	31,136.86
301072	Soccer Stadium Fund	512.83	-	(6.67)	-	506.16
301073	Stadium Club Fund	23,600.71	48,360.00	(412.44)	(32,108.50)	39,439.77
301074	Stadium Scoreboard Fund	38.59	-	(0.50)	-	38.09
301075	Stadium Suites Fund	631.62	157,458.00	40,737.82	(141,043.72)	57,783.72
301096	Sebo Athletic Center Fund	1,059.91	64,780.00	(38.19)	(61,025.00)	4,776.72
301172	Falcon Women's Leadership Athletic Fund	(4,361.59)	300.00	-	-	(4,061.59)
301180	John Weinert Scholarship	16,428.61	100.00	1,287.60	(250.00)	17,566.21
301215	Chet Boyer Memorial Fund	1,135.81	-	(14.77)	-	1,121.04
301371	Larry & Sharon Barnett Scholarship	51,452.80	-	3,573.51	-	55,026.31
301390	Gary Palmisano Men's Soccer Fund	29,175.22	100.00	2,320.73	-	31,595.95
301447	Falcon Club Endowment for Women's Athletics Fund	60,391.20	1,225.00	4,816.19	(1,000.00)	65,432.39
301474	Varsity BG Club Fund	30,984.44	25.00	2,499.21	-	33,508.65
301479	Vivian Endowed Hockey Scholarship	125,581.25	-	9,518.77	-	135,100.02
301483	Steller Field Improvement Fund	30,699.28	20,000.00	(313.89)	(33,108.50)	17,276.89
301505	Edway & Geraldine Johnson Scholarship for Science	26,978.00	6,600.00	2,418.81	-	35,996.81
301534	Men's Basketball Summer Scholarship Program Fund	970.87	-	(12.62)	-	958.25
301578	Stroh Convocation Center Fund	476,047.82	595,978.64	1,563.14	(583,252.00)	490,337.60
301707	Defending Our Turf Campaign Fund	18,228.63	-	(202.52)	(5,300.00)	12,726.11
301725	Blackburn Student Athlete Advisory Committee Award	21,369.32	-	1,739.08	-	23,108.40
301726	L. Eugene and Janet Farison Endowed Football Scholarship	25,868.45	-	2,011.16	-	27,879.61
301732	Women's Basketball Endowment Fund	114,353.27	7,000.00	9,488.80	-	130,842.07
301746	Student-Athlete Academic Support Services Fund	14,982.36	17,165.97	(197.48)	(16,749.80)	15,201.05
301750	Falcon Invitational Fund	(1,197.81)	-	-	-	(1,197.81)
301751	Falcon Club Bash Fund	(159.15)	-	-	-	(159.15)
301752	Falcons Barnstorming Tour Fund	650.42	-	(8.46)	-	641.96
301800	Ice Arena Renovation Fund	2,860.66	6,927.50	(82.22)	-	9,705.94
301834	Golf Training Center Fund	1,599.96	10.00	(16.93)	(606.00)	987.03
301897	Women's Basketball Internationa'l Travel Fund	367.63	-	(4.78)	-	362.85
301981	Hockey Endowment Fund	256,084.23	58,548.91	22,791.23	-	337,424.37
302010	Scott Hamilton '94 Varsity Ice Hockey Scholarship	602,722.51	-	46,594.94	(10,000.00)	639,317.45
302017	Karen Merrels Hockey Fund	24,837.50	-	(322.89)	-	24,514.61
302018	Janna Blais Student Athlete Scholarship	13,581.05	25,017.00	2,123.24	-	40,721.29
302028	A.A. Green Family Varsity Hockey Scholarship	61,599.63	-	4,788.28	-	66,387.91
302030	Howick Family Hockey Scholarship	17,000.00	6,000.00	-	-	23,000.00
302033	Pikul Family Varsity Hockey Scholarship	22,500.00	7,000.00	2,115.94	-	31,615.94
302037	Class of 1985 Hockey Scholarship	6,310.00	-	-	-	6,310.00
302041	Slater Family Varsity Hockey Scholarship	10,000.00	15,000.00	1,424.19	-	26,424.19
302042	Legacy Varsity Hockey Scholarship	1,750.61	723.37	(27.46)	-	2,446.52
302077	Falcon Leadership Academy	-	300.00	(1.95)	-	298.05
302078	Reichenbach-Burtch Family Varsity Hockey Scholarship	1,200.00	-	-	-	1,200.00
302079	Kunstmann Family Varsity Hockey Scholarship	14,000.00	3,000.00	-	-	17,000.00
302080	Walker Family Varsity Hockey Scholarship	1,987.15	1,000.00	(32.33)	-	2,954.82
302082	Wojciechowski Family Varsity Hockey Book Award	3,300.00	2,200.00	-	-	5,500.00
302090	BGSU Curling Fund	97.42	-	(1.27)	-	96.15
302110	Warren J. Scholler Scholarship Endowment Fund	1,330.00	-	-	-	1,330.00

Statement II

Bowling Green State University
Statement of Intercollegiate Athletics Program Support by Booster Organization
Year Ended June 30, 2013

Fund	Description	2012 Fund Balance	Contributions	Earnings, UR Gain/Loss & Fees & Misc Income	Transfers	2013 Fund Balance
302134	Marissa Rose Memorial Skating Scholarship	24.84	2,000.00	(13.32)	-	2,011.52
302138	Yves Pelland Memorial Hockey Scholarship Endowment Fund	10,375.00	5,150.00	-	-	15,525.00
302184	Swimming Scoreboard Fund	21,400.39	10,000.00	-	(31,400.39)	-
302211	Athletic Communications Fund	4.97	148.33	(1.03)	-	152.27
302255	Joshua A. Rucci Scholarship Fund	-	50,000.00	2,034.55	-	52,034.55
302267	Betsy A. Kenniston Women's Golf Endowment	-	5,000.00	-	-	5,000.00
302284	William R. and Frances A. Keller Athletic Scholarship Endowment	-	5,315.00	-		5,315.00
	Totals	6,543,053.49	2,455,574.92	396,536.08	(2,527,329.20)	6,867,835.29

FINANCIAL STATEMENTS

WBGU-TV
Years Ended June 30, 2013 and 2012
With Report of Independent Auditors

Ernst & Young LLP

ERNST & YOUNG

WBGU-TV

Financial Statements

Years Ended June 30, 2013 and 2012

Contents

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Report of Independent Auditors

Management, Audit Committee, and Board of Directors

Report on the Financial Statements

We have audited the accompanying financial statements of WBGU-TV, licensed to Bowling Green State University, which comprise the statements of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States 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 financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

As discussed in Note 1, the financial statements of WBGU-TV are intended to present the financial position, the changes in financial position and the cash flows, where applicable, of only that portion of Bowling Green State University that is attributable to the transactions of WBGU-TV. They do not purport to, and do not, present fairly the financial position of Bowling Green State University as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WBGU-TV at June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 auditing standards generally accepted in the United States, 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 issued our report dated December 5, 2013, on our consideration of WBGU-TV's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and 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* in considering WBGU-TV's internal control over financial reporting and compliance.

Ernst + Young LLP

December 5, 2013

WBGU-TV

Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

This section of the WBGU-TV annual financial report presents management's discussion and analysis of the financial performance of the television station during the fiscal years ended June 30, 2013, 2012, and 2011. This discussion provides an overview of the financial activities and should be read in conjunction with the accompanying financial statements and footnotes.

Using the Annual Financial Statement

This annual report consists of financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statements prescribed by GASB Statement No. 35 (the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows) present financial information in a form similar to that used by corporations. They are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Net Position includes all assets and liabilities. Over time, an increase or decrease in net position (the difference between assets and liabilities) is one indicator of the improvement or erosion of WBGU-TV's overall financial health.

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. WBGU-TV's dependency on the operating subsidy from Bowling Green State University typically results in operating deficits because the financial reporting model classifies this operating subsidy as nonoperating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital financing, and related investing activities and helps measure the ability of the institution to meet financial obligations as they mature.

Noteworthy Financial Activity

- WBGU's total assets decreased over the prior year by approximately $438,000, of which approximately $241,000 is primarily attributed to a reduction in cash flows from grant funding and operating subsidies, and $269,000 is primarily attributed to a decrease in capital assets due to depreciation of assets. These decreases are offset by an increase of $75,000 in endowment investments due to interest income and appreciation.

- Total liabilities decreased by approximately $15,000, which is attributed to a decrease in current liabilities, with approximately $61,000 related to a reduction of future grant revenues, which is offset by an increase of $34,000 in accrued compensation.

- WBGU-TV's net position is approximately $5,207,000, which is a decrease of $422,000 from the prior year. As noted above, contributing to the change was the decrease in cash and capital assets and the decrease in current liabilities. Of the total net position, $3,031,000 is invested in either capital equipment or is restricted.

- WBGU-TV's total operating revenues decreased by $117,000 from the prior year, with $206,000 related to a reduction in grant funding, offset by an increase of $49,000 in fees and service revenues and $42,000 in contributions and memberships revenue.

- WBGU's total operating expenses decreased by $41,000 from the prior year, with $90,000 due to a decrease in fundraising and membership development expenses, offset by an increase of $48,000 in programming and production expenses.

- Nonoperating revenues decreased by $154,000 from the prior year, with $79,000 and $73,000 due to a decrease in operating subsidy and donated facilities and support from Bowling Green State University, respectively. Additional decreases of $64,000 and $53,000 were due to a decrease in endowment revenue and capital grants and gifts. These decreases were offset by an increase of $115,000 in investment income.

Condensed Statements of Net Position
as of June 30, 2013, 2012, and 2011

	2013	2012	2011
Assets			
Current assets	$ 3,352,361	$ 3,596,524	$ 4,138,430
Noncurrent assets:			
Capital assets	1,501,647	1,770,377	1,907,962
Other	1,530,314	1,455,084	1,162,353
Total noncurrent assets	3,031,961	3,225,461	3,070,315
Total assets	6,384,322	6,821,985	7,208,745
Liabilities			
Current liabilities	1,059,334	1,125,346	1,321,786
Noncurrent liabilities	117,579	66,912	65,713
Total liabilities	1,176,913	1,192,258	1,387,499
Net position			
Invested in capital assets	1,501,647	1,770,377	1,907,962
Unrestricted	2,175,448	2,404,266	2,750,931
Restricted for:			
Nonexpendable endowments	1,048,868	1,048,868	724,807
Expendable	481,446	406,216	437,546
Total net position	$ 5,207,409	$ 5,629,727	$ 5,821,246

2013 Versus 2012

At June 30, 2013, WBGU-TV's total assets were approximately $6,384,000 compared to $6,822,000 at June 30, 2012. WBGU-TV's largest asset is its cash and cash equivalents of approximately $3,332,000 at June 30, 2013, compared to $3,574,000 at June 30, 2012.

WBGU-TV's current assets as of June 30, 2013, of approximately $3,352,000 are sufficient to cover current liabilities of approximately $1,059,000 (current ratio of 3.17). WBGU-TV's current assets as of June 30, 2012, of approximately $3,597,000 are sufficient to cover current liabilities of approximately $1,125,000 (current ratio of 3.20). Cash and cash equivalents decreased by $241,000 in 2013 due to a reduction in cash flows from grant funding and operating subsidies. At June 30, 2013, WBGU-TV's interest in investments was $1,530,000, or 24.0% of total assets, and increased by $75,000 in 2013 due primarily to investment income and appreciation of the market value. Capital assets (net of depreciation) of $1,502,000 represent 23.5% of WBGU-TV's total assets.

WBGU-TV's liabilities totaled $1,177,000 at June 30, 2013, 18.4% of total assets and $15,000 less than the prior year. Deferred revenue decreased by $61,000 due to a reduction in future grant revenue. WBGU-TV liabilities totaled $1,192,000 at June 30, 2012, 17.5% of total assets.

Total net position decreased by $422,000 to $5,207,000 in 2013 primarily due to a decrease in operating subsidy from BGSU and a decrease in grant funding. Unrestricted net position totaled $2,175,000 in 2013.

2012 Versus 2011

At June 30, 2012, WBGU-TV's total assets were approximately $6,822,000 compared to $7,209,000 at June 30, 2011. WBGU-TV's largest asset is its cash and cash equivalents of approximately $3,574,000 at June 30, 2012, compared to $4,058,000 at June 30, 2011.

WBGU-TV's current assets as of June 30, 2012, of approximately $3,597,000 were sufficient to cover current liabilities of approximately $1,125,000 (current ratio of 3.2). WBGU-TV's current assets as of June 30, 2011, of approximately $4,138,000 were sufficient to cover current liabilities of approximately $1,322,000 (current ratio of 3.13). Cash and cash equivalents decreased by $484,000 in 2012 due to a reduction in cash flows from grant funding. At June 30, 2012, WBGU-TV's interest in investments was $1,455,000, or 21.3% of total assets, and increased by $293,000 in 2012 due primarily to receipts and transfers of additional endowments. Capital assets (net of depreciation) of $1,770,000 represent 26.0% of WBGU-TV's total assets.

WBGU-TV's liabilities totaled $1,192,000 at June 30, 2012, 17.5% of total assets and $196,000 less than the prior year. Deferred revenue decreased by $206,000 due to a reduction in future grant revenue. WBGU-TV liabilities totaled $1,387,000 at June 30, 2011, 19.2% of total assets.

Total net position decreased by $191,000 to $5,630,000 in 2012 primarily due to a decrease in operating subsidy from BGSU and a decrease in realized and unrealized investment losses. Unrestricted net position totaled $2,404,000 in 2012.

Condensed Statements of Revenues, Expenses, and Changes in Net Position for the Years Ended June 30, 2013, 2012, and 2011

	2013	2012	2011
Operating revenues			
Contributions and memberships	$ 452,756	$ 410,350	$ 426,781
Contributed services	240,235	240,235	313,006
Fees and services	390,063	341,305	322,220
Grants and contracts	1,265,309	1,470,077	1,468,070
Other operating revenue	43,294	46,913	34,012
Total operating revenues	2,391,657	2,508,880	2,564,089
Operating expenses			
Program services	3,317,361	3,281,867	3,365,645
Supporting services	944,466	1,020,795	1,040,853
Total operating expenses	4,261,827	4,302,662	4,406,498
Operating loss	(1,870,170)	(1,793,782)	(1,842,409)
Nonoperating revenues			
Operating subsidies	894,519	973,733	1,375,294
Donated facilities and support	434,915	508,204	426,770
Investment gain, net	118,418	67,383	165,703
Other nonoperating revenues	–	52,943	31,370
Total nonoperating revenues	1,447,852	1,602,263	1,999,137
Change in net position	(422,318)	(191,519)	156,728
Net position at the beginning of the year	5,629,727	5,821,246	5,664,518
Net position at the end of year	$ 5,207,409	$ 5,629,727	$ 5,821,246

2013 Versus 2012

The most significant sources of operating revenue for WGBU-TV are grants and contracts of $1,265,000, a decrease of $205,000, or 13.9% over 2012.

Total operating expenditures of $4,262,000 decreased overall by $41,000. The decrease is primarily attributable to a reduction of $20,000 in depreciation expense.

Operating subsidies, the most significant nonoperating revenue, totaled $895,000 in the current year, reflecting a decrease of $79,000, or 8.1% over 2012. This decrease is primarily due to the reduction in budget allocations for staffing, which the operating subsidy covers.

2012 Versus 2011

The most significant sources of operating revenue for WGBU-TV are grants and contracts of $1,470,000, an increase of $2,000, or 0.1% over 2011.

Total operating expenditures of $4,303,000 decreased overall by $104,000. The decrease is primarily attributable to a reduction of $120,000 in depreciation expense.

Operating subsidies, the most significant nonoperating revenue, totaled $974,000 in the current year, reflecting a decrease of $402,000, or 29.2% over 2011. This decrease is primarily due to the reduction in staffing, which the operating subsidy covers.

Economic Factors That Will Affect Future Economic Position and Results of Operations

WBGU-TV began its FCC-mandated transition to digital broadcasting in 2004, ceased analog broadcasting in December 2008, and completed its expansion to full-power digital in June 2009. This transition required significant capital expenditures for both transition of transmission facilities and production facilities, and because the vast majority of equipment is computer equipment that needs replacing at a quicker pace, there will need to be expenditures on a more regular basis of this equipment. WBGU-TV has been able to capitalize more than $3 million of this transition through private fundraising, competitive federal grants, and designated appropriations from the Ohio General Assembly.

While this conversion has created great opportunities for additional services through digital multicasting, WBGU-TV has been able to use automation technology to offset some of the increased operational costs that have accompanied the new services. The ever-increasing opportunities for video customers to choose from more and more options (cable and otherwise) continues to slowly erode the customer base for WBGU-TV. In addition, as noted above, since our transition to digital was completed in 2009, equipment that once lasted decades will now only last several years. We will be facing equipment challenges in the coming years.

The economy of Ohio, even though it has turned around, has had a somewhat negative impact on WBGU-TV leading into the current year only because it is harder and harder to increase membership dollars by a large percentage. Private annual giving was successful last year, both in dollars and number of members but may be more challenged in the current year. Even though WBGU-TV investments in the Bowling Green State University Foundation have been successful this past year, both in principal and income, the volatility of the stock market can have a huge impact on our investments as well as donors' investments, affecting both disposable income and investments. WBGU-TV will strive to increase both donative giving and production services again in the coming year over and above the FY 2013 net donative dollars. The same Ohio economic conditions have created reductions in state support to Bowling Green State University, which, in turn, has again reduced support for WBGU-TV. These reductions and potential future reductions will place greater emphasis on the need for WBGU-TV to become more self-reliant.

WBGU-TV

Statements of Net Position

	June 30	
	2013	**2012**
Assets		
Current assets:		
Cash and cash equivalents	**$ 3,332,401**	$ 3,573,678
Receivables:		
Accounts receivable	**130**	11,414
Grants and contracts	**–**	77
Costs incurred for programs not yet broadcast	**19,830**	11,355
Total current assets	**3,352,361**	3,596,524
Noncurrent assets:		
Endowment investments	**1,530,314**	1,455,084
Capital assets, net	**1,501,647**	1,770,377
Total noncurrent assets	**3,031,961**	3,225,461
Total assets	**6,384,322**	6,821,985
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	**35,619**	23,916
Deferred revenue	**934,014**	995,320
Current portion of accrued compensated balances	**89,701**	106,110
Total current liabilities	**1,059,334**	1,125,346
Noncurrent liabilities:		
Accrued compensated absences (net of current portion)	**117,579**	66,912
Total liabilities	**1,176,913**	1,192,258
Net position		
Invested in capital assets	**1,501,647**	1,770,377
Unrestricted	**2,175,448**	2,404,266
Restricted for:		
Nonexpendable endowments	**1,048,868**	1,048,868
Expendable	**481,446**	406,216
Total net position	**$ 5,207,409**	$ 5,629,727

See accompanying notes.

WBGU-TV

Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30	
	2013	**2012**
Revenues		
Operating revenues:		
Contributions and memberships	**$ 452,756**	$ 410,350
Contributed services	**240,235**	240,235
Fees and services:		
Public broadcasting services	**176,555**	232,817
Business and industry	**213,508**	108,488
State and local grants	**351,667**	425,924
Private and other grants	**913,642**	1,044,153
Miscellaneous	**43,294**	46,913
Total operating revenues	**2,391,657**	2,508,880
Expenses		
Operating expenses:		
Program services:		
Programming and production	**1,888,521**	1,840,647
Broadcasting	**1,330,752**	1,271,390
Public information and promotion	**98,088**	169,830
Supporting services:		
Management and general	**452,487**	438,440
Fundraising and membership development	**491,979**	582,355
Total operating expenses	**4,261,827**	4,302,662
Operating loss	**(1,870,170)**	(1,793,782)
Nonoperating revenues		
Operating subsidies	**894,519**	973,733
Donated facilities and support	**434,915**	508,204
Endowment revenue	**–**	64,061
Capital grants and gifts	**–**	52,943
Investment income, net	**118,418**	3,322
Net nonoperating revenues	**1,447,852**	1,602,263
Change in net position	**(422,318)**	(191,519)
Net position		
Net position at the beginning of year	**5,629,727**	5,821,246
Net position at the end of year	**$ 5,207,409**	$ 5,629,727

See accompanying notes

WBGU-TV

Statements of Cash Flows

	Year Ended June 30	
	2013	**2012**
Operating activities		
Contributions and memberships	**$ 452,756**	$ 410,350
Fees and services	**399,657**	340,312
Grants	**1,187,936**	1,288,455
Other receipts	**251,842**	38,337
Payments to vendors for supplies and services	**(1,682,803)**	(1,768,840)
Payments to employees and benefits	**(1,765,226)**	(1,650,308)
Net cash used in operating activities	**(1,155,838)**	(1,341,694)
Noncapital financing activities		
Operating subsidies	**894,519**	973,733
Net cash provided by noncapital financing activities	**894,519**	973,733
Capital financing activities		
Purchase of capital assets	**(23,146)**	(151,032)
Net cash used in capital financing activities	**(23,146)**	(151,032)
Investing activities		
Investment income	**43,188**	34,652
Net cash provided by investing activities	**43,188**	34,652
Net decrease in cash	**(241,277)**	(484,341)
Cash at beginning of year	**3,573,678**	4,058,019
Cash at end of year	**$ 3,332,401**	$ 3,573,678
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	**$ (1,870,170)**	$ (1,793,782)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	**291,877**	312,150
Donated facilities and support	**434,915**	508,204
In-kind donation of equipment	**–**	29,409
Transfer to endowment	**–**	(260,000)
Changes in assets and liabilities:		
Accounts receivable, net	**11,360**	15,270
Costs incurred for programs not yet broadcast	**(8,475)**	42,295
Accounts payable	**(777)**	1,010
Accrued wages and vacation pay	**46,738**	10,211
Deferred revenue	**(61,306)**	(206,461)
Net cash used in operating activities	**$ (1,155,838)**	$ (1,341,694)

See accompanying notes.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies

Nature of Operations

WBGU-TV is a part of the Bowling Green State University (the University) financial reporting entity. WBGU-TV provides public broadcasting and is licensed to and operated by the University. The accompanying financial statements include only the funds of WBGU-TV and do not extend to any financial statements of the University or its component units, Bowling Green State University Foundation, Inc. (the Foundation) and Centennial Falcon Properties, Inc. (the Corporation). The financial statements of the University, Foundation, and the Corporation contain more extensive disclosure of the significant accounting policies of each entity as a whole.

Basis of Presentation

WBGU-TV complies with generally accepted accounting principles (GAAP) for governments. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions that have been subsequently codified in Accounting Standards Codification (ASC) topics issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. WBGU-TV reports as a special-purpose government entity engaged solely in “business type activities” under GASB Statement No. 34. GASB Statement Nos. 20 and 34 provide WBGU-TV the option of electing to apply FASB pronouncements that have been subsequently codified in ASC topics issued after November 30, 1989. WBGU-TV has elected not to apply those pronouncements.

Basis of Accounting

The financial statements of WBGU-TV have been prepared on the accrual basis whereby all revenues are recorded when earned, and all expenses are recorded when they are considered to be a legal or contractual obligation to pay.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

New Pronouncements

In 2013, The University adopted GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 63, *Net Position and Deferred Inflows/Outflows*. The requirements of the Statements are effective for financial statements for periods beginning after June 15, 2012, and December 15, 2011, respectively.

GASB Statement No. 61 established improved financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity,* and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The adoption of GASB No. 61 did not have an effect on the University's financial statements.

GASB Statement No. 63 provides guidance on how to present deferred inflows and outflows in financial statements. The adoption of GASB Statement No. 63 did not have an effect on the University's financial position or results of operations. The presentation of the "Statement of Net Assets" and the "Statement of Revenues, Expenses, and Changes in Net Assets" was modified to the "Statement of Net Position" and the "Statement of Revenues, Expenses, and Changes in Net Position" in accordance with the standards.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* establishes standards for the reclassification of certain items currently reported as assets and liabilities to be reported as deferred outflows of resources and deferred inflows of resources. Statement No. 65 is effective for fiscal periods beginning after December 15, 2012, and therefore will be adopted in the next fiscal year.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents are held in the custody of the University and the Foundation. These funds are commingled with those of other University- and Foundation-related organizations. Cash and cash equivalents include funds that have been allocated to WBGU-TV by the University that are unspent. WBGU-TV considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Accounts receivable consist of sales and services provided and are considered by management to be fully collectible, and accordingly, no allowance for doubtful accounts is considered necessary. Accounts receivable also include amounts due from the federal, state, and local governments or private sources, in connection with reimbursement of allowable expenditures pursuant to grants and contacts.

Costs Incurred for Programs Not Yet Broadcast and Deferred Revenue

Costs incurred for programs not yet broadcast include expenses for programs produced by WBGU-TV, which will be broadcast subsequent to the end of the fiscal year. Deferred revenue includes amounts received for the production of programs that will be broadcast subsequent to the end of the fiscal year. Concurrent with broadcasting of the programs, these costs will be reported as incurred operating expenses and the related amounts received will be reported as earned revenue in the statements of revenues, expenses, and changes in net position. Deferred revenue also includes amounts received from grant and contract sponsors that have not been earned.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Endowment Investments

Endowment funds are administered by the Foundation and are commingled with other Foundation endowment funds in its pooled investment portfolio. Earned investment income is allocated to each fund based on its share of the total funds invested in the pool. The unrestricted donor contributions to the endowment are recorded as nonoperating revenues in the statements of revenues, expenses, and changes in net position. Investments in cash equivalents, corporate stocks, equity securities, corporate bond funds, and mutual funds are recorded at their current fair values based on quoted market prices in active markets. There are also investments reported at net asset value, which represents fair value as reported by the general partner or fund manager. Limited partnerships, real estate investment trusts, and other private investments make up a portion of the endowment investments and are reported using the equity method of accounting. The components of the individual investments within these funds are not readily determinable. The value is based on estimates by partnership manager, fund managers, and various valuation committees; these estimates include original costs, restrictions affecting marketability, operating results, financial condition of the issuers, and the price of the most recent financing transactions. Management believes the stated values approximate fair value as determined by the respective managers. Because these investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may significantly differ from the value that would have been used had a ready market for such instruments existed, and the differences could be material. Some of the investments have time limitations on liquidation. These vary from six months to the term of the limited partnership, trust, or fund. During this period, unless certain events occur, liquidation will be unable to occur.

The governing body of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, WBGU-TV classifies as net assets restricted for nonexpendable endowments (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets restricted for nonexpendable endowments is classified as restricted for expendable net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

The Foundation has its investment and spending policies for endowment assets such that it attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specific period(s). Under this policy, as approved by the governing body, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs over the long term. Actual returns in any given year may vary.

WBGU-TV records the annual income of the endowment as nonoperating revenue that is restricted for expenditure upon meeting donor stipulations. The net appreciation on investments of donor-restricted endowments that are available for expenditure were $481,446 and $406,216 at June 30, 2013 and 2012, respectively.

The Foundation has adopted a spending policy with respect to amounts available for distribution on all endowed funds. The spending policy provides for a range of 3% to 7% of the three-year rolling average market value of endowed fund balances, with the Board of Directors approving 3% for both 2013 and 2012.

The Foundation has adopted a policy of charging an administrative fee on all endowed funds, unless prohibited by the guidelines of the funds. The fee is based on the prior two-year average market value balance for the endowed funds and certain non-endowed funds. The administrative fee charged to WBGU-TV amounted to approximately $19,814 and $17,341 in 2013 and 2012, respectively, and has been netted with the investment income included in nonoperating revenues on the statements of revenues, expenses, and changes in net position.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. For equipment, WBGU-TV's capitalization policy includes all items with a cost of $3,500 or more and an estimated useful life of greater than one year. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings and 5 to 12 years for equipment.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Net Assets

WBGU-TV's net assets are classified as follows:

Invested in capital assets: This represents WBGU-TV's total investment in capital assets.

Unrestricted: Unrestricted net assets represent resources derived from sales and services provided by WBGU-TV. These resources are used for transactions relating to the obligations of WBGU-TV and may be used at the discretion of the Board of Trustees to meet current expenses for any purpose.

Restricted for nonexpendable endowments: Restricted nonexpendable endowments are gifts that have been received for endowment purposes, the corpus of which cannot be expended.

Restricted for expendable: Restricted for expendable net assets include resources which WBGU-TV is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or have been gifted for a specific purpose.

When an expense is incurred that can be paid from using either restricted or unrestricted resources, the expense is first applied toward restricted resources and then toward unrestricted resources.

Revenue Recognition

All revenues from programmatic sources are considered to be operating revenues. Included in nonoperating revenues are University support, investment income, endowed and capital grants, and gifts.

In-Kind Contributions and Donated Personal Services of Volunteers

In-kind contributions are recorded as revenue and expense in the accompanying statements of revenues, expenses, and changes in net position. In-kind contributions consist of donated professional services, amounts for lease of programming, operating transmitters and translators, and various indirect administrative services. These donations are recorded at their estimated fair value with a corresponding expense.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

The value of donated personal services of volunteers has been excluded from both revenue and expense. The volunteer support for the years ended June 30, 2013 and 2012, consisted of:

	2013			2012		
	Hours		**Total**	**Hours**		**Total**
Programming and production	**1,257**	**$**	**27,829**	732	$	15,950
Public information and promotion	**–**		**–**	70		1,525
Fundraising	**357**		**7,903**	306		6,664
Management and general	**118**		**2,612**	375		8,171
Total	**1,732**	**$**	**38,344**	1,483	$	32,310

The value of these services is based upon a flat rate developed by the Corporation for Public Broadcasting (CPB).

Administrative Support and Donated Facilities From the University

Administrative support and donated facilities are calculated and recorded as both revenue and expense based upon the University's "modified other sponsored activities indirect cost rate" as defined by the CPB, which was 1.0% and 1.2% for fiscal years ended June 30, 2013 and 2012, respectively. Donated facilities and administrative support from the University consists of allocated overhead costs related to financial, student, and development department costs and certain other expenses incurred by the University on behalf of WBGU-TV. All support received from the University is recorded as nonoperating revenues.

Income Taxes

WBGU-TV is licensed to and operated by the University. The University, as an instrumentality of the state of Ohio, is excluded from federal income taxes under Section 115 of the Internal Revenue Code (as amended). Therefore, this exemption extends to the operations of WBGU-TV.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of revenues, expenses, and changes in net position. Accordingly, certain costs have been allocated among program and supporting services benefited based on total personnel costs and other systematic bases.

Subsequent Events

The financial statements and related disclosures include evaluation of events through and including December 5, 2013, the date these financial statements were issued. No recorded subsequent events were identified for recognition or disclosure in the financial statements or the accompanying notes to the financial statements.

2. Cash and Investments

GASB Statement No. 40, *Deposits and Investment Risk Disclosure*, requires the disclosure of essential risk information about deposits and investments. The disclosure requirements cover five main areas: credit risk, interest rate risk, custodial credit risk, concentration of credit risk, and foreign exchange exposure. Since the investments of WBGU-TV are held by the Foundation, which is a separate 501(c)(3) organization from the University, this information is not available.

The cash balances as of June 30, 2013 and 2012, are pooled funds that are held and managed by the University and the Foundation.

2. Cash and Investments (continued)

Endowment investments represent WBGU-TV's share of pooled investment funds held and managed by the Foundation. The values of these investments held by the Foundation as of June 30, 2013 and 2012, were as follows:

	2013	2012
WBGU-TV Silver Anniversary	**$ 1,115,544**	$ 1,060,639
WBGU-TV Programming Endowment Fund	**24,708**	34,331
WBGU-TV Equipment	**36,143**	23,492
The Younger Family Fund	**287,447**	273,399
Jorgen Larsen WBGU Programming Fund	**66,472**	63,223
Total	**$ 1,530,314**	$ 1,455,084

3. Capital Assets

The property and equipment reported below are titled to the University but are utilized by WBGU-TV. Capital asset and accumulated depreciation activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	**$ 40,000**	**$ –**	**$ –**	**$ 40,000**
Buildings	**2,410,108**	**–**	**–**	**2,410,108**
Equipment	**8,948,651**	**23,147**	**87,412**	**8,884,386**
Total capital assets	**11,398,759**	**23,147**	**87,412**	**11,334,494**
Less accumulated depreciation	**9,628,382**	**291,877**	**87,412**	**9,832,847**
Capital assets, net	**$ 1,770,377**	**$ (268,730)**	**$ –**	**$ 1,501,647**

3. Capital Assets (continued)

The property and equipment reported below are titled to the University but are utilized by WBGU-TV. Capital asset and accumulated depreciation activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	$ 40,000	$ –	$ –	$ 40,000
Buildings	2,410,108	–	–	2,410,108
Equipment	9,596,222	174,565	822,136	8,948,651
Total capital assets	12,046,330	174,565	822,136	11,398,759
Less accumulated depreciation	10,138,368	312,150	822,136	9,628,382
Capital assets, net	$ 1,907,962	$ (137,585)	$ –	$ 1,770,377

4. Accounts Payable and Accrued Expenses

The composition of accounts payable and accrued expenses at June 30, 2013 and 2012, was as follows:

	2013	2012
Accounts payable	**$ 10,128**	$ 10,905
Accrued payroll	**25,491**	13,011
Total	**$ 35,619**	$ 23,916

5. Compensated Absences

The University employees earn vacation and sick leave benefits based, in part, on length of service. Vacation pay is fully vested when earned. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement, or termination). Certain limitations have been placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding their limitations are forfeited. The liability and expense incurred are recorded at year-end as long-term liabilities in the statements of net position, and as a component of operating expense in the statements of revenues, expenses, and changes in net position.

5. Compensated Absences (continued)

WBGU-TV follows the University's policy for accruing the sick leave liability. WBGU-TV accrues the sick leave liability for those employees who are currently eligible to receive termination payments along with other employees who are expected to become eligible to receive such payments. This liability is calculated using the termination method that is set forth in GASB Statement No. 16, *Accounting for Compensated Absences*. Under the termination method, WBGU-TV utilizes the University's calculated rate, sick leave termination cost per hour worked, which is based on the University's actual historical experience of sick leave payouts of terminated employees. This ratio is then applied to the total years of service for WBGU-TV's current employees.

Compensated absences for June 30, 2013, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Vacation pay	**$ 121,797**	**$ 89,043**	**$ 67,511**	**$ 143,329**	**$ 86,327**
Sick leave	**51,225**	**12,726**	**–**	**63,951**	**3,374**
Total	**$ 173,022**	**$ 101,769**	**$ 67,511**	**$ 207,280**	**$ 89,701**

Compensated absences for June 30, 2012, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Vacation pay	$ 115,624	$ 85,179	$ 79,006	$ 121,797	$ 94,934
Sick leave	47,187	4,606	568	51,225	11,176
Total	$ 162,811	$ 89,785	$ 79,574	$ 173,022	$ 106,110

6. Retirement Benefits

WBGU-TV employees are covered by the Ohio Public Employees Retirement System of Ohio (OPERS). This plan provides retirement, disability, annual cost-of-living adjustments, death benefits, and health care benefits to vested retirees.

OPERS offers three separate retirement plans:

Defined benefit plan – traditional pension plan. This is a cost-sharing, multiple employer plan. This plan provides disability, annual cost of living adjustments, death benefits, and health care benefits. Health care benefits are based on years of service.

Defined contribution plan – member-directed plan. Employee contributions are invested in self-directed investments. Benefits are dependent upon contributions and investment earnings. This plan does not include disability, annual cost-of-living adjustments, death benefits, or health care benefits.

Combined plan – has elements of the traditional pension plan and member-directed plan. Employee contributions are invested in self-directed investments. The employer contributions are used to fund a reduced defined benefit plan. This plan provides disability, annual cost-of-living adjustments, death benefits, and health care benefits. Health care benefits are based on years of service.

OPERS issues separate, publicly available financial reports that include financial statements and required supplemental information. Reports can be obtained by contacting the agency.

The OPERS Comprehensive Annual Financial Report can be downloaded from the OPERS website at www.opers.org. The Ohio Revised Code provides statutory authority for employer and employee contributions. The University contributes 14% of covered payroll, and the employee pretax contribution rate is 10% of covered payroll. A portion of employer contributions were allocated to post-employment health care benefits as disclosed in Note 7.

Employees may opt out of OPERS and participate in the Alternative Retirement Program (ARP), a defined contribution plan. The University contributes 14% of covered payroll, and the employee pretax contribution rate is 10% of covered payroll. Benefits are dependent upon contributions and investment earnings. This plan does not include disability, annual cost of living adjustments, death benefits, or health care benefits.

6. Retirement Benefits (continued)

Employer contributions to the following retirement benefit program for June 30 are summarized as follows:

		2013		2012		2011
OPERS	**$**	**158,435**	$	146,418	$	131,236
ARP		**7,240**		13,754		20,284
Total	**$**	**165,675**	$	160,172	$	151,520

7. Post-Employment Health Care Benefits

In addition to pension benefits, the Ohio Revised Code provides authority for public employers to fund post-employment health care benefits through their contributions to OPERS.

OPERS maintains a cost-sharing, multiple employer health care plan to retirees who participated in the defined benefit or combined plan with 10 or more years of qualifying Ohio service credit. Coverage includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement.

Under Ohio law, post-employment health care benefits under OPERS are permitted, but not mandated; therefore, a portion of employer contributions are set aside for funding post-employment health care. During calendar year 2012, this allocation is 4.0% of covered payroll for members in the defined benefit plan and 6.05% of covered payroll for members in the combined plan. Effective January 1, 2013, the portion of employer contributions allocated to health care was lowered to 1% for both plans, as recommended by the OPERS actuary. Payment amounts vary depending on the number of covered dependents and coverage selected.

Employer contributions to the OPERS retirement benefit program for June 30, 2013, 2012, and 2011, are $33,895, $41,725, and $51,338, respectively.

8. Corporation for Public Broadcasting Grants

The CPB is a private, non-profit grantmaking organization responsible for funding more than 1,000 television and radio stations. WBGU-TV receives grant funds from the CPB to assist in the operations of the station. During 2013 and 2012, the grant funds recorded as revenue were as follows:

	2013	2012
Community Service Grant	**$ 896,907**	$ 943,984
Interconnection Grant	**16,544**	17,284
Total	**$ 913,451**	$ 961,268

9. University Support

The WBGU-TV operations are supported in part by the general revenues of the University. The University provides for the general operating costs of WBGU-TV's operations. The University's direct support for the years ended June 30, 2013 and 2012, amounted to $894,519 and $973,733, respectively. In addition, the University provided for the years ended June 30, 2013 and 2012, an estimated $434,915 and $508,204, respectively, of indirect administrative support. The indirect administrative support revenue was calculated using the University's "modified other sponsored activities indirect costs rate" of 1.0% and 1.2%, respectively.

10. Contingencies

WBGU-TV receives grants and contracts from certain federal, state, and local agencies to fund research and other activities. Revenues from government grants and contracts are recognized when all eligibility requirements have been met. The University records indirect costs related to such grants and contracts at predetermined rates that are negotiated with the University's federal cognizant agency. Both direct and indirect costs charged to the grants or contracts are subject to audit and approval by the granting agencies. WBGU-TV and University management believes any adjustments of costs resulting from such examination by the granting agency would be insignificant.

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

Management, Audit Committee, and Board of Directors

We have audited, in accordance with auditing standards generally accepted in the United States 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 WBGU-TV licensed to Bowling Green State University, which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered WBGU-TV's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WBGU-TV's internal control. Accordingly, we do not express an opinion on the effectiveness of WBGU-TV's 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WBGU-TV's 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*.

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 result of that testing, and not to provide an opinion on 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.

Ernst + Young LLP

December 5, 2013

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Consolidated Financial Statements

Centennial Falcon Properties, Inc. and Subsidiaries
Years Ended June 30, 2013 and 2012
With Report of Independent Auditors

Ernst & Young LLP

Ernst & Young

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Financial Statements

Years Ended June 30, 2013 and 2012

Contents

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Report of Independent Auditors

Management and the Board of Directors
Centennial Falcon Properties, Inc. and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Centennial Falcon Properties, Inc. and Subsidiaries (the Corporation), which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Centennial Falcon Properties, Inc. and Subsidiaries as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated October 11, 2013, on our consideration of the Corporation's 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Ernst & Young LLP

October 11, 2013

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Financial Position

	June 30	
	2013	**2012**
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,377,170**	$ 1,146,574
Funds held by trustee – current portion	**985,776**	872,376
Other receivable, net of allowance for doubtful accounts of $4,402 in 2013 and $3,562 in 2012	**43,564**	35,954
Prepaid expense	**18,456**	14,175
Total current assets	**2,424,966**	2,069,079
Other assets:		
Funds held by trustee – net of current portion	**12,499,703**	10,902,760
Capital assets, net	**85,149,975**	89,021,720
Bond issuance and discount costs, net of accumulated amortization of $376,179 in 2013 and $252,848 in 2012	**2,608,204**	2,731,535
Total other assets	**100,257,882**	102,656,015
Total assets	**$ 102,682,848**	$ 104,725,094
Liabilities and net assets		
Short-term liabilities:		
Accounts payable	**$ 18,162**	$ 24,767
Payroll liabilities	**19,050**	16,049
Unearned income	**42,559**	24,291
Accrued interest payable	**390,776**	392,376
Accrued expenses	**124,113**	119,025
Accrued construction costs payable	**163,860**	72,366
Bonds and construction payable – current portion	**1,451,800**	1,336,800
Total short-term liabilities	**2,210,320**	1,985,674
Long-term liabilities:		
Bonds payable – net of current portion	**80,215,000**	80,810,000
Construction funding payable – net of current portion	**14,745,389**	15,602,189
Total long-term liabilities	**94,960,389**	96,412,189
Total liabilities	**97,170,709**	98,397,863
Net assets:		
Unrestricted	**3,512,139**	4,327,231
Temporarily restricted	**2,000,000**	2,000,000
Total net assets	**5,512,139**	6,327,231
Total liabilities and net assets	**$ 102,682,848**	$ 104,725,094

See accompanying notes.

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statement of Activities

Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Operating revenue	**$ 8,333,056**	**$ –**	**$ 8,333,056**
Total revenues	**8,333,056**	**–**	**8,333,056**
Expenses:			
Payroll, benefits, and taxes	**508,473**	**–**	**508,473**
Management fees	**245,212**	**–**	**245,212**
Operating and administrative	**99,253**	**–**	**99,253**
Interior unit expenses	**58,863**	**–**	**58,863**
Insurance	**66,896**	**–**	**66,896**
Common area expenses	**44,929**	**–**	**44,929**
Building maintenance	**41,463**	**–**	**41,463**
Professional fees	**17,052**	**–**	**17,052**
Bad debt expense	**12,050**	**–**	**12,050**
Marketing and advertising	**9,342**	**–**	**9,342**
Ground expenses	**6,995**	**–**	**6,995**
Trust administrative fees	**3,339**	**–**	**3,339**
Depreciation and amortization	**2,995,752**	**–**	**2,995,752**
Total operating expenses	**4,109,619**	**–**	**4,109,619**
Operating income	**4,223,437**	**–**	**4,223,437**
Nonoperating revenue (expense):			
Investment income	**1,514**	**–**	**1,514**
In-kind support from Bowling Green State University	**856,800**	**–**	**856,800**
Interest on capital asset-related debt	**(4,706,913)**	**–**	**(4,706,913)**
Depreciation expense	**(1,189,930)**	**–**	**(1,189,930)**
Net nonoperating loss	**(5,038,529)**	**–**	**(5,038,529)**
Other changes:			
Capital contributions from Bowling Green State University	**–**	**–**	**–**
Total other changes	**–**	**–**	**–**
Change in net assets	**(815,092)**	**–**	**(815,092)**
Net assets:			
Net assets at the beginning of year	**4,327,231**	**2,000,000**	**6,327,231**
Net assets at the end of year	**$ 3,512,139**	**$ 2,000,000**	**$ 5,512,139**

See accompanying notes.

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statement of Activities

Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Operating revenue	$ 8,018,075	$ –	$ 8,018,075
Total revenues	8,018,075	–	8,018,075
Expenses:			
Payroll, benefits, and taxes	410,284	–	410,284
Management fees	236,999	–	236,999
Operating and administrative	88,674	–	88,674
Interior unit expenses	47,417	–	47,417
Insurance	40,120	–	40,120
Common area expenses	25,273	–	25,273
Building maintenance	21,424	–	21,424
Professional fees	16,346	–	16,346
Trust administrative fees	6,808	–	6,808
Marketing and advertising	7,354	–	7,354
Ground expenses	7,919	–	7,919
Bad debt expense	3,562	–	3,562
Depreciation and amortization	2,610,113	–	2,610,113
Total operating expenses	3,522,293	–	3,522,293
Operating income	4,495,782	–	4,495,782
Nonoperating revenue (expense):			
Investment income	23,160	–	23,160
In-kind support from Bowling Green State University	1,294,582	–	1,294,582
Interest on capital asset-related debt	(4,324,237)	–	(4,324,237)
Depreciation expense	(1,356,686)	–	(1,356,686)
Net nonoperating loss	(4,363,181)	–	(4,363,181)
Other changes:			
Capital contributions from Bowling Green State University	11,865	–	11,865
Total other changes	11,865	–	11,865
Change in net assets	144,466	–	144,466
Net assets:			
Net assets at the beginning of year	4,182,765	2,000,000	6,182,765
Net assets at the end of year	$ 4,327,231	$ 2,000,000	$ 6,327,231

See accompanying notes.

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended June 30	
	2013	**2012**
Operating activities:		
Cash received related to operating revenue	**$ 8,331,664**	$ 8,002,850
Cash paid to vendors and employees	**(1,104,614)**	(756,438)
Interest paid	**(4,708,513)**	(4,718,112)
Interest received	**1,514**	46,357
Net cash provided by operating activities	**2,520,051**	2,574,657
Financing activities:		
Principal paid on bonds payable	**(480,000)**	(320,000)
Proceeds from construction manager	**–**	2,062,243
Capital contributions received from Bowling Green State University	**–**	11,865
Net change in restricted cash and cash equivalents	**–**	1,295,425
Net cash (used in) provided by financing activities	**(480,000)**	3,049,533
Investing activities:		
Purchases of capital assets	**(99,112)**	(19,324,067)
Net investment activity	**(1,710,343)**	11,361,651
Net cash used in investing activities	**(1,809,455)**	(7,962,416)
Net increase (decrease) in cash	**230,596**	(2,338,226)
Cash at beginning of year	**1,146,574**	3,484,800
Cash at end of year	**$ 1,377,170**	$ 1,146,574

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (continued)

		Year Ended June 30		
		2013		**2012**
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	**$**	**4,223,437**	$	4,495,782
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization		**2,995,752**		2,610,113
Increase in allowance for doubtful accounts		**840**		3,562
Interest paid		**(4,708,513)**		(4,718,112)
Interest received		**1,514**		46,357
Changes in assets and liabilities:				
Increase in accounts receivable		**(8,450)**		(39,516)
Increase in prepaid expenses		**(4,281)**		(7,661)
(Decrease) increase in accounts payable		**(6,605)**		24,767
Increase in payroll liabilities		**3,001**		16,049
Increase in unearned income		**18,268**		24,291
Increase in accrued expenses		**5,088**		119,025
Net cash provided by operating activities	**$**	**2,520,051**	$	2,574,657

See accompanying notes.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies

Nature of Operations

Centennial Falcon Properties, Inc. (the Corporation) and Subsidiaries were organized for the benefit of the Bowling Green State University (the University) for various purposes, which include acquiring, developing, and maintaining property to be used for charitable, scientific, and educational purposes.

Reporting Entity

The Corporation is a legal, separate component unit of the University formed in 2010 as a nonprofit corporation under the laws of the state of Ohio and determined by the Internal Revenue Service to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. To ensure the Corporation works in harmony with the University's priorities, the board of directors of the Corporation is composed of four members of the University's cabinet and a member from the Bowling Green State University's Foundation Board.

The Corporation is the sole member of CFP I LLC (CFP I). CFP I is a nonprofit single-member limited liability company formed in 2010 under the laws of the state of Ohio. On June 9, 2010, the city of Bowling Green, Ohio, issued $81,610,000 Student Housing Revenue Bonds (Series 2010 Bonds) and loaned the proceeds of the Series 2010 Bonds to CFP I for the purpose of providing funds to finance the cost of acquiring, constructing, furnishing, and equipping an approximately 1,318-bed, two-building student housing facility (the Series 2010 Project). CFP I is not expected to have assets other than the Series 2010 Project. Interest rates range from 3.0% to 6.0% over the scheduled redemption period of December 1, 2011 to June 1, 2045.

On May 3, 2010, CFP I entered into a Development Agreement with Capstone Development Corporation (the Developer) for the design, construction, and equipping of the Series 2010 Project to serve as residential housing for students at the University. The Developer completed the Series 2010 Project for occupancy in August 2011. In addition, CFP I and the University entered into a Management Agreement with Capstone On-Campus Management, LLC to manage, operate, and maintain the Series 2010 Project. This Management Agreement was effective July 1, 2011.

The Series 2010 Project was completed, and a permanent occupancy permit was granted August 1, 2011. The two-building housing facilities, Falcon Heights and Centennial Hall, were opened August 19, 2011.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

The Corporation is also the sole member of CFP II LLC (CFP II). CFP II is a nonprofit single-member limited liability company formed in 2010 under the laws of the state of Ohio. On January 31, 2011, CFP II entered into a Project Agreement with Compass Group USA Inc., Chartwells Division (Chartwells). Chartwells was engaged to design, finance, construct, and equip a full service dining facility on the main campus of the University, known as The Oaks dining facility (The Oaks). The Oaks replaced the existing McDonald Hall dining facility.

Pursuant to an Amended and Restated Food Service Agreement, dated June 25, 2010 (the Management Agreement), by and between Chartwells and the University, Chartwells has provided funds for The Oaks in the amount of $10,350,000. The Corporation has provided funds of approximately $23,000, and CFP II has provided funds of approximately $1,125,000.

The Corporation is also the sole member of CFP III LLC (CFP III). CFP III is a nonprofit single-member limited liability company formed in 2010 under the laws of the state of Ohio. On May 12, 2011, CFP III entered into a Development Agreement with Capstone Development for the design, construction, and equipping of a full-service dining facility on the main campus of the University, known as Carillon Place dining facility (Carillon). Carillon replaced the existing Commons Dining facility.

On March 31, 2011, CFP III entered into a funding agreement with the manager of The Oaks, Chartwells. Pursuant to an Amended and Restated Food Service Agreement, dated June 25, 2010 (the Management Agreement), by and between Chartwells and the University, Chartwells has provided funds for the Project in the amount of $6,062,000. The Corporation provided funds of approximately $707,000, and CFP III provided funds of approximately $1,973,000.

Chartwells funded a total of $1,588,000 of minor construction upgrades and modernization of food service venues intended to be actively managed by Chartwells under contract and located in the University’s student union, Kreischer, Founders and McDonald, on behalf of the Corporation. The necessary funding associated with these upgrades and associated debt repayment is contained in the Amended Food Service Management Agreement by and between Chartwells and the University.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Because the proceeds of the Series 2010 Bonds can be used only for the Series 2010 Project, the Chartwells funding for the Oaks and Carillon and minor construction upgrades can be used only for those specific projects. The Corporation is considered a component unit of the University and is discretely presented in the University's financial statements.

Financial Statement Presentation

The Corporation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards that have been codified in Accounting Standards Codification (ASC) Topic No. 958, *Not-for-Profit Entities*.

Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Income Tax

The Corporation is organized under the laws of the state of Ohio as a single-member limited liability company and is exempt from federal, state, and local income taxes. The Internal Revenue Service has determined that the Corporation is a tax-exempt organization as defined under Section 501(c)(3) of the Internal Revenue Code. The Corporation is incorporated as a nonprofit corporation.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Subsequent Events

The Corporation evaluated the effect of subsequent events through October 11, 2013, representing the date that the financial statements were available to be issued. No recognized subsequent events were identified for recognition or disclosure in the financial statements or the accompanying notes to the financial statements.

Eliminations

In preparing the financial statements, the Corporation eliminates intercompany accounts and transactions.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. At June 30, 2013, cash and cash equivalents totaled $1,377,170. At June 30, 2012, cash and cash equivalents totaled $1,146,574.

At June 30, 2013 and 2012, funds held by trustee were $13,485,479 and $11,775,136, respectively. The balance includes $1,277,694 in capital contributions from the University, which is considered temporarily restricted other assets, designated for the Series 2010 Project. Bank of New York, acting as trustee, is responsible for holding, managing, and distributing all CFP I funds as outlined in Section V of the Indenture Trustee Agreement.

Other Receivable

Other receivable is due from the University and consists of housing and housing-related fees charged to students for rooms located in Falcon Heights and Centennial Hall (the Series 2010 Project). See Note 5 for details of this relationship. CFP I follows University policy when calculating allowance for doubtful accounts.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Advertising Expense

Advertising costs are expensed when incurred.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of gift for any donated assets. The capitalization policy for the Corporation includes all items with a cost of $5,000 or more and an estimated useful life of greater than one year. Infrastructure and improvements other than to buildings are capitalized if the cost exceeds $100,000. Routine repairs and maintenance are charged to operating expense in the year the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 25 to 35 years for buildings and improvements, 15 to 20 years for other improvements, 7 to 10 years for equipment, and 5 to 7 years for furniture.

Amortization of deferred bond discount costs and bond issuance costs is computed using the effective interest rate method over the duration of the bond indenture of 35 years.

Amortization of bond discount costs and issuance costs totaled $123,331 and $123,836 for the years ended June 30, 2013 and 2012, respectively. Amortization expense for the next five fiscal years, 2014–2018, is approximately as follows: $123,000, $122,000, $121,000, $119,000, and $118,000, respectively.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Revenues

The Corporation has classified student housing and housing-related fees as operating revenue.

Unearned Income

Unearned income includes summer term housing fees allocated to the next fiscal year.

Fair Value Measurements

The Corporation measures certain financial assets and liabilities at fair value on a recurring basis. Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. The Corporation's assessment of a particular input to fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. See Note 2 for further discussion of fair value measurements. The following three-tier fair value hierarchy prioritizes the inputs used in measuring fair value:

Level 1 **–** Observable inputs such as quoted prices in active markets

Level 2 **–** Inputs, other than quoted prices in active markets, that are observable either directly or indirectly

Level 3 **–** Unobservable inputs for which there is little or no market data, which requires the Corporation to develop assumptions

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Net Asset Classifications

Resources of the Corporation are maintained and classified into net asset categories based on the limitations and restrictions placed on the funds received. The net assets of the Corporation are classified into the following types for financial reporting purposes:

- Permanently restricted net assets represent funds received whereby the corpus is to be maintained permanently, but the Corporation is allowed to use or expend part or all of the income for either specified or unspecified purposes.
- Temporarily restricted net assets contain restrictions that permit the Corporation to use or expend the assets as specified in contractual agreements. The restrictions are satisfied either by the passage of time or by actions of the Corporation.
- Unrestricted net assets are not restricted. The governing board has the right to approve the use of these funds.

Reclassifications

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation.

2. Investments

The investment values of funds held by trustee, which consist of Series 2010 Bond proceeds and capital contributions from the University for the benefit of the Series 2010 Project (see Note 1), at June 30 are as follows:

	2013	**2012**
Money market funds – Level 2	**$13,485,479**	$ 11,775,136

The Corporation records its investments in money market funds at their current fair value based on amortized cost, which approximates fair value.

3. Capital Assets

Capital assets and accumulated depreciation as of June 30, 2013, are summarized as follows:

	Beginning Balance	Additions	Transfers	Ending Balance
Land	**$ 873,499**	**$ –**	**$ –**	**$ 873,499**
Land improvements	**1,384,056**	**–**	**–**	**1,384,056**
Building	**85,256,060**	**190,606**	**–**	**85,446,666**
Furniture	**3,763,067**	**–**	**–**	**3,763,067**
Chartwells renovation	**1,588,000**	**–**	**–**	**1,588,000**
Total capital assets	**92,864,682**	**190,606**	–	**93,055,288**
Less accumulated depreciation	**3,842,962**	**4,062,351**	**–**	**7,905,313**
Net capital assets	**$ 89,021,720**	**$ (3,871,745)**	**$** –	**$ 85,149,975**

Capital assets and accumulated depreciation as of June 30, 2012, are summarized as follows:

	Beginning Balance	Additions	Transfers	Ending Balance
Land	$ –	$ 873,499	$ –	$ 873,499
Land improvements	–	1,384,056	–	1,384,056
Building	–	85,256,060	–	85,256,060
Furniture	–	3,763,067	–	3,763,067
Chartwells renovation	–	1,588,000	–	1,588,000
Construction in progress	74,701,445	–	(74,701,445)	–
Total capital assets	74,701,445	92,864,682	(74,701,445)	92,864,682
Less accumulated depreciation	–	3,842,962	–	3,842,962
Net capital assets	$ 74,701,445	$ 89,021,720	$ (74,701,445)	$ 89,021,720

Capitalized interest associated with construction in progress was $0 and $369,977 for the years ended June 30, 2013 and 2012, respectively. Actual interest paid was $4,708,513 and $4,718,112 for the years ended June 30, 2013 and 2012, respectively.

4. Long-Term Liabilities

The trustee for the Series 2010 Bonds held unspent bond proceeds and capital contributions from the University of $7,052,234 plus $6,433,245 of net operating revenue and investment income for a total of $13,485,479 as of June 30, 2013, which is classified as funds held by trustee. At June 30, 2012, the trustee held unspent bond proceeds and capital contributions from the University of $7,052,234 plus $4,722,902 of net operating revenue and investment income for a total of $11,775,136 as of June 30, 2012, which are classified as funds held by trustee.

Interest expense related to bonds payable was $4,706,913 and $4,324,136 for the years ended June 30, 2013 and 2012, respectively.

Long-term liabilities of the Corporation at June 30, 2013, are as follows:

	Beginning Balance	**Additions**	**Reductions**	**Ending Balance**	**Due in One Year**
Bonds payable	**$ 81,290,000**	**$ –**	**$ 480,000**	**$ 80,810,000**	**$ 595,000**
Construction funding payable	**16,458,989**	**–**	**856,800**	**15,602,189**	**856,800**
Total long-term liabilities	**$ 97,748,989**	**$ –**	**$ 1,336,800**	**$ 96,412,189**	**$ 1,451,800**

Long-term liabilities of the Corporation at June 30, 2012, are as follows:

	Beginning Balance	**Additions**	**Reductions**	**Ending Balance**	**Due in One Year**
Bonds payable	$ 81,610,000	$ –	$ 320,000	$ 81,290,000	$ 480,000
Construction funding payable	11,639,586	6,113,985	1,294,582	16,458,989	856,800
Total long-term liabilities	$ 93,249,586	$ 6,113,985	$ 1,614,582	$ 97,748,989	$ 1,336,800

4. Long-Term Liabilities (continued)

The interest and scheduled maturities of the Series 2010 Bonds for the five fiscal years subsequent to June 30, 2013, and subsequent periods thereafter are as follows:

	Interest Rate	Principal	Interest	Total
2014	4.00%	$ 595,000	$ 4,689,312	$ 5,284,312
2015	4.00	710,000	4,665,513	5,375,513
2016	4.00	835,000	4,637,112	5,472,112
2017	4.25	965,000	4,603,713	5,568,713
2018	4.50	1,105,000	4,562,700	5,667,700
2019–2023	4.50–5.75	6,960,000	21,898,175	28,858,175
2024–2028	5.75	9,150,000	19,698,625	28,848,625
2029–2033	5.75–6.00	12,110,000	16,740,488	28,850,488
2034–2038	6.00	16,165,000	12,686,700	28,851,700
2039–2043	6.00	21,635,000	7,218,900	28,853,900
2044–2045	6.00	10,580,000	961,500	11,541,500
Total		$ 80,810,000	$ 102,362,738	$ 183,172,738

4. Long-Term Liabilities (continued)

The valuation for the estimated fair value of the Corporation's debt obligation is computed by a third-party service and is primarily driven by market conditions. Based on the inputs in determining the estimated fair value of the debt, this liability would be considered Level 2. Fair values of the Corporation's fixed rate debt obligations at June 30, 2013, are as follows:

Maturity	Outstanding	Bond Price	Fair Value
6/1/2016	$ 2,140,000	104.166	$ 2,229,152
6/1/2017	965,000	104.745	1,010,789
6/1/2019	2,365,000	105.034	2,484,054
6/1/2020	1,315,000	107.490	1,413,494
6/1/2031	20,390,000	105.477	21,506,760
6/1/2045	53,635,000	104.598	56,101,137
	$ 80,810,000		$ 84,745,386

The construction funding payable amounts for the five fiscal years subsequent to June 30, 2013, and subsequent periods thereafter are as follows:

Year	The Oaks (CFP II)	Carillon (CFP III)	Chartwells Renovation	Total Due
2014	$ 376,364	$ 220,436	$ 260,000	$ 856,800
2015	376,364	220,436	260,000	856,800
2016	376,364	220,436	–	596,800
2017	376,364	220,436	–	596,800
2018	376,364	220,436	–	596,800
Thereafter	7,469,023	4,629,166	–	12,098,189
	$ 9,350,843	$ 5,731,346	$ 520,000	$ 15,602,189

5. Related-Party Transactions

The University leased the land comprising the two sites on which the Series 2010 Project facilities are constructed to the Corporation under a Ground Lease between the state of Ohio, acting by, through, and for the University, as lessor, and the Corporation, as lessee. The lease commenced on May 3, 2010, and will expire May 2, 2055. The Corporation shall have the right and option to extend this lease for up to two consecutive terms of 15 years each.

The Corporation subleased the two sites to CFP I in consideration of the agreement of CFP I to develop the Series 2010 Project on that land and the payment of nominal lump-sum rent. The lease commenced on June 1, 2010, and will expire May 2, 2055.

The Series 2010 Project includes two housing facilities, Falcon Heights and Centennial Hall, which were placed in service August 2011. The University has the resources and processes in place to invoice and collect funds from students for housing and housing-related fees for all other residence halls. The University acts as an agent between the students and CFP I and will invoice, collect the student accounts on behalf of CFP I, and then distribute the monies to CFP I. CFP I records operating revenue from these activities, which totaled approximately $8,333,000 and $8,018,000 for the years ended June 30, 2013 and 2012, respectively. The University owed CFP I student housing and housing-related fees, which totaled approximately $48,000 and $36,000 for the years ended June 30, 2013 and 2012, respectively.

The University leased land comprising the site on which The Oaks is constructed to the Corporation under a Ground Lease between the state of Ohio, acting by, through, and for the University, as lessor, and the Corporation, as lessee. The Corporation subleased this site to CFP II in consideration of the agreement of CFP II to develop The Oaks on that land and the payment of nominal lump-sum rent. The lease commenced on June 30, 2010, and will expire June 30, 2045.

The University leased land comprising the site on which Carillon is constructed to the Corporation under a Ground Lease between the state of Ohio, acting by, through, and for the University, as lessor, and the Corporation, as lessee. The Corporation subleased this site to CFP III in consideration of the agreement of CFP III to develop Carillon on that land and the payment of nominal lump-sum rent. The lease commenced on November 1, 2010, and will expire June 30, 2045.

5. Related-Party Transactions (continued)

The University incurred costs during different stages of start-up and implementation of the Corporation and its subsidiaries. The University also incurred costs on behalf of the Corporation and its subsidiaries for various outside services related to the Series 2010 Project, The Oaks, and Carillon. These outside services include consulting, legal, engineering, architectural, and construction. In addition, certain salaries and fringe benefits of financial, accounting, development, and information technology personnel are incurred by the University but relate to the Corporation. These expenses are paid by the University on behalf of the Corporation and are not shown in the accompanying financial statements. The Corporation approximates the value of these items at $134,000 for the year ended June 30, 2013, and $610,000 for the year ended June 30, 2012.

The Oaks and Carillon construction projects were funded by contributions made by the University of $0 and $11,865 for the years ended June 30, 2013 and 2012, respectively.

Chartwells provided approximately $18,000,000 of funding for these projects for the year ended June 30, 2012. The Chartwells construction funding payable will be paid in annual installments, ranging from $409,000 to $857,000 over 27.5 years, through June 30, 2039. Due to the University's Management Agreement with Chartwells for the dining program and in exchange for the use of the dining facilities, the University repays the construction funding payable on behalf of the Corporation, as these are of approximately equal value. As such, the Corporation recognizes this non-cash transaction as a decrease to the construction funding payable and as in-kind support nonoperating revenue. For June 30, 2013 and 2012, the repayment and in-kind support revenue totaled $856,800 and $1,294,582, respectively.

The University can pay off the construction funding payable of $18,000,000 early without penalty. The University also has a Food Services Agreement with Chartwells in which the University pays a management fee to Chartwells to manage the dining halls through fiscal year 2015. The Food Services Agreement can be renewed for two additional successive five-year periods. If the Food Services Agreement with Chartwells is terminated or not renewed, the University would be required to pay Chartwells interest on the construction funding payable until full payoff at a rate equal to the 12-month U.S. Treasury rate. Payment in full of the construction funding payable would be required in one year from termination of agreement or within 30 days after the University hires another third party to run its dining services.

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

Management and the Board of Directors
Centennial Falcon Properties, Inc. and Subsidiaries

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Centennial Falcon Properties, Inc. and Subsidiaries (the Corporation) which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 11, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's 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*.

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 result of that testing, and not to provide an opinion on the Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst & Young LLP

October 11, 2013

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FINANCIAL STATEMENTS

CFP I LLC
Years Ended June 30, 2013 and 2012
With Report of Independent Auditors

Ernst & Young LLP

ERNST & YOUNG

CFP I LLC

Financial Statements

Years Ended June 30, 2013 and 2012

Contents

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Report of Independent Auditors

Management and the Board of Directors
CFP I LLC

Report on the Financial Statements

We have audited the accompanying financial statements of CFP I LLC, which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States 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 financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CFP I LLC as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated October 11, 2013, on our consideration of CFP I LLC's 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CFP I LLC's internal control over financial reporting and compliance.

Ernst & Young LLP

October 11, 2013

CFP I LLC

Statements of Financial Position

	June 30	
	2013	**2012**
Assets		
Current assets:		
Cash	**$ 892,715**	$ 546,303
Funds held by trustee – current portion	**985,776**	872,376
Other receivable, net of allowance for doubtful accounts of $4,402 in 2013 and $3,562 in 2012	**43,564**	35,954
Prepaid expenses	**18,456**	14,175
Total current assets	**1,940,511**	1,468,808
Other assets:		
Funds held by trustee – net of current portion	**12,499,703**	10,902,760
Capital assets, net	**66,096,587**	68,969,008
Bond issuance and discount costs, net of accumulated amortization of $376,179 in 2013 and $252,848 in 2012	**2,608,204**	2,731,535
Total other assets	**81,204,494**	82,603,303
Total assets	**$ 83,145,005**	$ 84,072,111
Liabilities and net assets		
Short-term liabilities:		
Accounts payable	**$ 18,162**	$ 17,682
Payroll liabilities	**19,050**	16,049
Unearned income	**42,559**	24,292
Interest payable	**390,776**	392,376
Accrued expenses	**115,202**	119,025
Long-term liabilities – current portion	**595,000**	480,000
Total short-term liabilities	**1,180,749**	1,049,424
Long-term liabilities:		
Bonds payable – net of current portion	**80,215,000**	80,810,000
Total long-term liabilities	**80,215,000**	80,810,000
Total liabilities	**81,395,749**	81,859,424
Net assets:		
Temporarily restricted	**2,000,000**	2,000,000
Unrestricted	**(250,744)**	212,687
Total net assets	**1,749,256**	2,212,687
Total liabilities and net assets	**$ 83,145,005**	$ 84,072,111

See accompanying notes.

CFP I LLC

Statement of Activities

Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Operating	$ 8,333,056	$ –	$ 8,333,056
Total revenues	8,333,056	–	8,333,056
Expenses:			
Payroll, benefits, and taxes	508,473	–	508,473
Management fees	245,212	–	245,212
Operating and administrative	101,113	–	101,113
Interior unit expenses	58,863	–	58,863
Insurance	66,896	–	66,896
Common area expenses	44,929	–	44,929
Building maintenance	41,463	–	41,463
Bad debt	12,050	–	12,050
Marketing and advertising	9,342	–	9,342
Ground expenses	6,995	–	6,995
Depreciation and amortization	2,995,752	–	2,995,752
Total operating expenses	4,091,088	–	4,091,088
Operating income	4,241,968	–	4,241,968
Nonoperating revenue (expense):			
Investment income	1,514	–	1,514
Interest on capital asset-related debt	(4,706,913)	–	(4,706,913)
Net nonoperating loss	(4,705,399)	–	(4,705,399)
Change in net assets	(463,431)	–	(463,431)
Net assets:			
Net assets at the beginning of year	212,687	2,000,000	2,212,687
Net assets at the end of year	$ (250,744)	$ 2,000,000	$ 1,749,256

See accompanying notes.

CFP I LLC

Statement of Activities

Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Operating	$ 8,018,075	$ –	$ 8,018,075
Total revenues	8,018,075	–	8,018,075
Expenses:			
Payroll, benefits, and taxes	410,284	–	410,284
Management fees	236,999	–	236,999
Operating and administrative	93,846	–	93,846
Interior unit expenses	47,417	–	47,417
Insurance	40,221	–	40,221
Common area expenses	25,273	–	25,273
Building maintenance	21,424	–	21,424
Marketing and advertising	7,354	–	7,354
Ground expenses	7,919	–	7,919
Bad debt	3,562	–	3,562
Depreciation and amortization	2,610,113	–	2,610,113
Total operating expenses	3,504,412	–	3,504,412
Operating income	4,513,663	–	4,513,663
Nonoperating revenue (expense):			
Investment income	23,160	–	23,160
Interest on capital asset-related debt	(4,324,136)	–	(4,324,136)
Net nonoperating loss	(4,300,976)	–	(4,300,976)
Change in net assets	212,687	–	212,687
Net assets:			
Net assets at the beginning of year	–	2,000,000	2,000,000
Net assets at the end of year	$ 212,687	$ 2,000,000	$ 2,212,687

See accompanying notes.

CFP I LLC

Statements of Cash Flows

	Year Ended June 30	
	2013	**2012**
Operating activities:		
Cash received related to operating revenue	**$ 8,331,664**	$ 8,002,850
Cash paid to vendors and employees	**(1,087,910)**	(745,642)
Interest paid	**(4,708,513)**	(4,718,112)
Interest received	**1,514**	46,357
Net cash provided by operating activities	**2,536,755**	2,585,453
Financing activities:		
Principal paid on long-term liabilities	**(480,000)**	(320,000)
Net cash used in financing activities	**(480,000)**	(320,000)
Investing activities:		
Purchase of capital assets	**–**	(13,080,801)
Net investment activity	**(1,710,343)**	11,361,651
Net cash used in investing activities	**(1,710,343)**	(1,719,150)
Net increase in cash	**346,412**	546,303
Cash at beginning of year	**546,303**	–
Cash at end of year	**$ 892,715**	$ 546,303

CFP I LLC

Statements of Cash Flows (continued)

	Year Ended June 30	
	2013	**2012**
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	**$ 4,241,968**	$ 4,513,663
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	**2,995,752**	2,610,113
Increase in allowance for doubtful accounts	**840**	3,562
Interest paid	**(4,708,513)**	(4,718,112)
Interest received	**1,514**	46,357
Changes in assets and liabilities:		
Increase in accounts receivable	**(8,450)**	(39,517)
Increase in prepaid expenses	**(4,281)**	(7,661)
Increase in accounts payable	**480**	17,682
Increase in payroll liabilities	**3,001**	16,049
Increase in unearned income	**18,268**	24,292
(Decrease) increase in accrued expenses	**(3,824)**	119,025
Net cash provided by operating activities	**$ 2,536,755**	$ 2,585,453

See accompanying notes.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies

Nature of Operations

CFP I LLC is a nonprofit single-member limited liability company and is a subsidiary of Centennial Falcon Properties, Inc. (the Corporation). The Corporation was organized for the benefit of Bowling Green State University (the University) for various purposes, which include acquiring, developing, and maintaining property to be used for charitable, scientific, and educational purposes. The Corporation is considered a component unit of the University and is discretely presented in the University’s financial statements. CFP I LLC was organized specifically to develop, own, and manage certain housing for students at the University.

Reporting Entity

The Corporation is a legal, separate component unit of the University formed in 2010 as a nonprofit corporation under the laws of the state of Ohio and determined by the Internal Revenue Service to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. To ensure the Corporation works in harmony with the University’s priorities, the Board of Directors of the Corporation is composed of four members of the University’s cabinet and a member from the Bowling Green State University’s Foundation Board.

The Corporation is the sole member of CFP I LLC (CFP I). On June 9, 2010, the city of Bowling Green, Ohio, issued $81,610,000 Student Housing Revenue Bonds (Series 2010 Bonds) and loaned the proceeds of the Series 2010 Bonds to CFP I for the purpose of providing funds to finance the cost of acquiring, constructing, furnishing, and equipping an approximately 1,318-bed, two-building student housing facility (the Series 2010 Project). CFP I is not expected to have assets other than the Series 2010 Project. Interest rates range from 3.0% to 6.0% over the scheduled redemption period of December 1, 2011 to June 1, 2045.

On May 3, 2010, CFP I entered into a Development Agreement with Capstone Development Corporation (the Developer) for the design, construction, and equipping of the Series 2010 Project to serve as residential housing for students at the University. The Developer completed the Series 2010 Project for occupancy in August 2011. In addition, CFP I and the University entered into a Management Agreement with Capstone On-Campus Management, LLC to manage, operate, and maintain the Series 2010 Project. This Management Agreement was effective July 1, 2011. The Series 2010 Project was completed, and a permanent occupancy permit was granted August 1, 2011. The two-building housing facilities, Falcon Heights and Centennial Hall, were opened August 19, 2011.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Financial Statement Presentation

CFP I is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards that have been codified in Accounting Standards Codification (ASC) Topic No. 958, *Not-for-Profit Entities*.

Basis of Accounting

The financial statements of CFP I have been prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Income Tax

CFP I is organized under the laws of the state of Ohio as a single-member limited liability company and is exempt from federal, state, and local income taxes. CFP I is a disregarded entity of the Corporation for tax filing purposes. The Internal Revenue Service has determined that the Corporation is a tax-exempt organization as defined under Section 501(c)(3) of the Internal Revenue Code. The Corporation is incorporated as a nonprofit corporation.

Cash and Cash Equivalents

CFP I considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. At June 30, 2013 and 2012, cash and cash equivalents totaled $892,715 and $546,303, respectively.

At June 30, 2013 and 2012, funds held by trustee were $13,485,479 and $11,775,136, respectively. The balance includes $1,277,694 in capital contributions from the University, which is considered temporarily restricted other assets, designated for the Series 2010 Project. Bank of New York, acting as trustee, is responsible for holding, managing, and distributing all CFP I funds as outlined in Section V of the Indenture Trustee Agreement.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair value at the date of gift for any donated assets. The capitalization policy for CFP I includes all items with a cost of $5,000 or more and an estimated useful life of greater than one year. Infrastructure and improvements other than to buildings are capitalized if the cost exceeds $100,000. Routine repairs and maintenance are charged to operating expense in the year the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 25 to 35 years for buildings and improvements, 15 to 20 years for other improvements, 7 to 10 years for equipment, and 5 to 7 years for furniture.

Amortization of deferred bond discount costs and bond issuance costs is computed using the effective interest rate method over the duration of the bond indenture of 35 years.

Amortization of bond discount costs and issuance costs totaled $123,331 and $123,836 for the years ended June 30, 2013 and 2012, respectively. Amortization expense for the next five fiscal years, 2014–2018, is approximately as follows: $123,000, $122,000, $121,000, $119,000, and $118,000, respectively.

Revenues

CFP I has classified its student housing and housing-related fees as operating revenue.

Unearned Income

Unearned income includes summer term housing fees allocated to the next fiscal year.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Other Receivable

Other receivable is due from the University and consists of housing and housing-related fees charged to students for rooms located in Falcon Heights and Centennial Hall (the Series 2010 Project). See Note 5 for details of this relationship. CFP I follows University policy when calculating allowance for doubtful accounts.

Advertising Expense

Advertising costs are expensed as incurred.

Subsequent Events

CFP I evaluated the effect of subsequent events through October 11, 2013, representing the date that the financial statements were available to be issued. No recognized subsequent events were identified for recognition or disclosure in the financial statements or the accompanying notes to the financial statements.

Fair Value Measurements

CFP I measures certain financial assets and liabilities at fair value on a recurring basis. Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. CFP I's assessment of a particular input to fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. The following three-tier fair value hierarchy prioritizes the inputs used in measuring fair value:

Level 1 – Observable inputs such as quoted prices in active markets

Level 2 – Inputs, other than quoted prices in active markets, that are observable either directly or indirectly

Level 3 – Unobservable inputs for which there is little or no market data, which requires CFP I to develop assumptions

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Net Asset Classifications

Resources of CFP I are maintained and classified into net asset categories based on the limitations and restrictions placed on the funds received. The net assets of CFP I are classified into the following types for financial reporting purposes:

- Permanently restricted net assets represent funds received whereby the corpus is to be maintained permanently, but CFP I is allowed to use or expend part or all of the income for either specified or unspecified purposes.
- Temporarily restricted net assets contain restrictions that permit CFP I to use or expend the assets as specified in contractual agreements. The restrictions are satisfied either by the passage of time or by actions of CFP I.
- Unrestricted net assets are not restricted. The governing board has the right to approve the use of these funds.

Reclassifications

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation.

2. Investments

The investment values of funds held by trustee, which consist of Series 2010 Bond proceeds and capital contributions from the University for the benefit of the Series 2010 Project (see Note 1), at June 30 are as follows:

	2013	**2012**
Money market funds – Level 2	**$ 13,485,479**	$ 11,775,136

CFP I records its investments in money market funds at their current fair value based on amortized cost, which approximates fair value.

3. Capital Assets

Capital assets and accumulated depreciation as of June 30, 2013, are summarized as follows:

	Beginning Balance	Additions	Transfers	Ending Balance
Land	**$ 636,311**	**$ –**	**$ –**	**$ 636,311**
Land improvements	**978,779**	**–**	**–**	**978,779**
Building	**67,331,696**	**–**	**–**	**67,331,696**
Furniture	**2,508,498**	**–**	**–**	**2,508,498**
Total capital assets	**71,455,284**	**–**	**–**	**71,455,284**
Less accumulated depreciation	**2,486,276**	**2,872,421**	**–**	**5,358,697**
Net capital assets	**$ 68,969,008**	**$ (2,872,421)**	**$ –**	**$ 66,096,587**

Capital assets and accumulated depreciation as of June 30, 2012, are summarized as follows:

	Beginning Balance	Additions	Transfers	Ending Balance
Land	$ –	$ 636,311	$ –	$ 636,311
Land improvements	–	978,779	–	978,779
Building	–	67,331,696	–	67,331,696
Furniture	–	2,508,498	–	2,508,498
Construction in progress	61,300,403	–	(61,300,403)	–
Total capital assets	61,300,403	71,455,284	(61,300,403)	71,455,284
Less accumulated depreciation	–	2,486,276	–	2,486,276
Net capital assets	$ 61,300,403	$ 68,969,008	$(61,300,403)	$ 68,969,008

Capitalized interest associated with construction in progress was $0 and $369,977 for the years ended June 30, 2013 and 2012, respectively. Actual interest paid was $4,708,513 and $4,718,112 for the years ended June 30, 2013 and 2012, respectively.

4. Bonds Payable

The trustee for the Series 2010 Bonds held unspent bond proceeds and capital contributions from the University of $7,052,234 plus $6,433,245 of net operating revenue and investment income for a total of $13,485,479 as of June 30, 2013, which are classified as funds held by trustee. At June 30, 2012, the trustee held unspent bond proceeds and capital contributions from the University of $7,052,234 plus $4,722,902 of net operating revenue and investment income for a total of $11,775,136 as of June 30, 2012, which are classified as funds held by trustee.

Interest expense related to bonds payable was $4,706,913 and $4,324,136 for the years ended June 30, 2013 and 2012, respectively.

Bonds payable of CFP I at June 30, 2013, are as follows:

	Beginning Balance	**Reductions**	**Ending Balance**	**Due in One Year**
Bonds payable	**$ 81,290,000**	**$ 480,000**	**$ 80,810,000**	**$ 595,000**

Bonds payable of CFP I at June 30, 2012, are as follows:

	Beginning Balance	**Reductions**	**Ending Balance**	**Due in One Year**
Bonds payable	$ 81,610,000	$ 320,000	$ 81,290,000	$ 480,000

4. Bonds Payable (continued)

The interest and scheduled maturities of the Series 2010 Bonds for the five fiscal years subsequent to June 30, 2013, and subsequent periods thereafter are as follows:

	Interest Rate	Principal	Interest	Total
2014	4.00%	$ 595,000	$ 4,689,312	$ 5,284,312
2015	4.00	710,000	4,665,513	5,375,513
2016	4.00	835,000	4,637,112	5,472,112
2017	4.25	965,000	4,603,713	5,568,713
2018	4.50	1,105,000	4,562,700	5,667,700
2019–2023	4.50–5.75	6,960,000	21,898,175	28,858,175
2024–2028	5.75	9,150,000	19,698,625	28,848,625
2029–2033	5.75–6.00	12,110,000	16,740,488	28,850,488
2034–2038	6.00	16,165,000	12,686,700	28,851,700
2039–2043	6.00	21,635,000	7,218,900	28,853,900
2044–2045	6.00	10,580,000	961,500	11,541,500
Total		$ 80,810,000	$ 102,362,738	$ 183,172,738

The valuation for the estimated fair value of CFP I's debt obligation is completed by a third-party service and is primarily driven by market conditions. Based on the inputs determining the estimated fair value of the debt, this liability would be considered Level 2. Fair values of CFP I's fixed rate debt obligations at June 30, 2013, are as follows:

Maturity	Outstanding	Bond Price	Fair Value
6/1/2016	$ 2,140,000	104.166	$ 2,229,152
6/1/2017	965,000	104.745	1,010,789
6/1/2019	2,365,000	105.034	2,484,054
6/1/2020	1,315,000	107.490	1,413,494
6/1/2031	20,390,000	105.477	21,506,760
6/1/2045	53,635,000	104.598	56,101,137
	$ 80,810,000		$ 84,745,386

5. Related-Party Transactions

The University leased the land comprising the two sites on which the Series 2010 Project facilities are constructed to the Corporation under a Ground Lease between the state of Ohio, acting by, through, and for the University, as lessor, and the Corporation, as lessee. The lease commenced on May 3, 2010, and will expire May 2, 2055. The Corporation shall have the right and option to extend this lease for up to two consecutive terms of 15 years each.

The Corporation subleased the two sites to CFP I in consideration of the agreement of CFP I to develop the Series 2010 Project on that land and the payment of nominal lump-sum rent. The lease commenced on June 1, 2010, and will expire May 2, 2055.

The Series 2010 Project includes two housing facilities, Falcon Heights and Centennial Hall, which were placed in service August 2011. The University has the resources and processes in place to invoice and collect funds from students for housing and housing-related fees for all other residence halls. The University acts as an agent between the students and CFP I and will invoice, collect the student accounts on behalf of CFP I, and then distribute the monies to CFP I. CFP I records operating revenue from these activities, which totaled approximately $8,333,000 and $8,018,000 for the years ended June 30, 2013 and 2012, respectively. The University owed CFP I student housing and housing-related fees, which totaled approximately $48,000 and $36,000 for the years ended June 30, 2013 and 2012, respectively.

The University incurred costs during different stages of start-up and implementation of CFP I for various outside services related to the Series 2010 Project. These outside services include consulting, legal, engineering, architectural, and construction. In addition, certain salaries and fringe benefits of financial, accounting, development, and information technology personnel are incurred by the University but relate to CFP I. These expenses are paid by the University on behalf of CFP I and are not shown in the accompanying financial statements. CFP I approximates the value of these items at $35,000 for the year ended June 30, 2013, and $254,000 for the year ended June 30, 2012.

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

Management and the Board of Directors
CFP I LLC

We have audited, in accordance with auditing standards generally accepted in the United States 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 CFP I LLC, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 11, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CFP I LLC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CFP I LLC's internal control. Accordingly, we do not express an opinion on the effectiveness of CFP I LLC's 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CFP I LLC's 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*.

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 result of that testing, and not to provide an opinion on CFP I LLC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CFP I LLC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

October 11, 2013

Ernst & Young LLP

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Dave Yost · Auditor of State

BOWLING GREEN STATE UNIVERSITY

WOOD 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 26, 2013

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