Bowling Green State University

(a component unit of the State of Ohio)

Financial Report
with Additional Information
June 30, 2014

Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Bowling Green State University, Wood County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2013 through June 30, 2014. 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
Auditor of State

November 10, 2014

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Plante & Moran, PLLC
3434 Granite Circle
Toledo, OH 43617
Tel: 419.843.6000
Fax: 419.843.6099
plantemoran.com

Independent Auditor's Report

To Management, the Audit Committee, and
the Board of Trustees
Bowling Green State University

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 (the "University"), and its discretely presented component units as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise 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 accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Bowling Green State University Foundation, Inc. and Subsidiary which represent 60 percent, 98 percent, and 73 percent, respectively, of the assets, net assets, and revenues of the discretely presented component units. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Bowling Green State University, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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.

To Management, the Audit Committee, and
the Board of Trustees
Bowling Green State University

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Bowling Green State University and its discretely presented component units as of June 30, 2014 and the respective changes in financial position and, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Prior Year Financial Statements

The financial statements of Bowling Green State University and its discretely presented component units as of and for the year ended June 30, 2013 were audited by a predecessor auditor, which expressed an unmodified opinion on Bowling Green State University and its component units. The predecessor auditor's report was dated October 11, 2013.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as identified on the table contents, 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 of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bowling Green State University and its discretely presented component units' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

To Management, the Audit Committee, and
the Board of Trustees
Bowling Green State University

The accompanying other supplemental information, the schedule of expenditures of federal awards, is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2014 on our consideration of Bowling Green State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bowling Green State University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 10, 2014

Bowling Green State University

Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

This section of Bowling Green State University's (the "University") annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal years ended June 30, 2014, 2013 and 2012. 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 Statements

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*. In fiscal year 2013, the University adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This statement supersedes paragraphs 10 and 12 of GASB Statement No. 35. GASB Statement No. 63 establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position. The financial statements prescribed by GASB Statement No. 63 (the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows) 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. GASB Statement 65, *Items Previously Reported as Assets and Liabilities,* was adopted by the University in 2014. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources.

Under the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus,* 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.

Noteworthy Financial Activity

The University's financial position remained strong at June 30, 2014, with total assets of $713.5 million, total liabilities of $206.3 million, for a total net position of $507.2 million. Net position increased from $487.6 million at June 30, 2013, reflecting an increase in of $19.6 million.

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 has now 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, major parking lot improvement projects, dining facility renovations, Ice Arena renovations, roofing and masonry pointing projects, and major infrastructure projects.

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. The scope of the capital project renewal will include renovations in four of the campus' oldest, historical buildings. Extensive space planning and programming is underway, some initial interior classroom renovations have already been completed, and initial interior space demolitions have also begun. Larger, complete building renovation projects will be phased over the next five to seven years.

Initial funding for this major capital project renewal was approved by the Board of Trustees in February 2013. On May 7, 2014, the University issued $40,000,000 General Receipts Bonds, Series 2014, tax exempt, variable interest rate bonds.

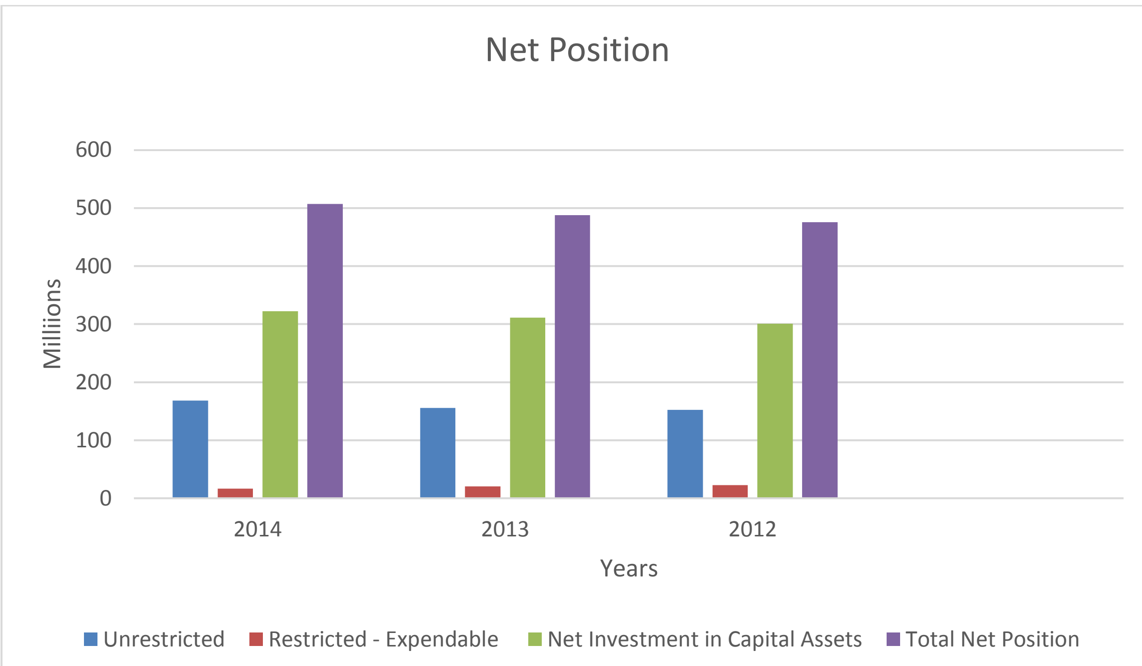
Statement of Net Position

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.

Bowling Green State University
Condensed Statement of Net Position
as of June 30, 2014, 2013, and 2012
(in thousands)

	2014	2013	2012
Assets			
Current assets	$ 231,092	$ 216,646	$ 209,164
Non-current assets:			
Capital assets	429,194	412,787	393,711
Other	53,243	30,800	51,234
Total non-current assets	482,437	443,587	444,945
Total assets	713,529	660,233	654,109
Liabilities			
Current liabilities	56,752	51,213	50,669
Non-current liabilities	149,528	121,438	127,555
Total liabilities	206,280	172,651	178,224
Net position			
Net investment in capital assets	322,199	311,293	300,564
Restricted, expendable	16,799	20,716	23,030
Unrestricted	168,251	155,573	152,291
Total net position	$ 507,249	$ 487,582	$ 475,885

The following chart provides a graphical breakdown of net position by category for the fiscal years ended June 30, 2014, 2013, and 2012:



2014 Versus 2013

University assets totaled \$713.5 million at June 30, 2014, compared to \$660.2 million at June 30, 2013, reflecting an increase of \$53.3 million.

- Current assets: In fiscal year 2014, the University's current assets of \$231.1 million were sufficient to cover current liabilities of \$56.8 million (current ratio of 4.1).
- University investments were \$206.6 million, or 29.0% of total assets at June 30, 2014, and increased by \$18.5 million over 2013 due to significant market appreciation.

- Restricted Investments are funds held by trustees for long-term debt issues. At June 30, 2014, restricted investments were $40.3 million and increased by $21.8 million over 2013. The increase is attributable to the receipt of Series 2014 bond proceeds of $40.0 million during 2014, offset by related bond draws for construction of $7.0 million. Bond draws from the 2010 bond issues were $11.3 million in 2014.

- Capital assets (net of depreciation) were $429.2 million (60.2% total assets) at June 30, 2014 compared to $412.8 million (62.5% of total assets) at June 30, 2013, reflecting an increase of $16.4 million. The annual increases reflect the University's continued strategic focus on capital improvements, related infrastructures, and capital renewals.

University liabilities totaled $206.3 million at June 30, 2014 and were $33.6 million greater than total liabilities of $172.7 at June 30, 2013.

- Total current liabilities at June 30, 2014 of $56.8 million reflect an increase over June 30, 2013 of $5.6 million primarily due to approximately $4.7 million in construction related accounts payable recorded at June 30, 3014 compared to $807 thousand in construction related accounts payable at June 30, 2013.

- Long-term debt and other obligations increased in 2014 overall by $28.1 million. The increase is primarily attributable to the $40 million Series 2014 debt issuance, offset by annual principal payments on outstanding debt of $11 million.

The University's total net position at June 30, 2014 is $507.2 million, compared to the prior year of $487.6 million, for an increase of $19.6 million. The overall increase is primarily attributable to investments in capital assets. Of the total net assets, $339.0 million is invested in capital assets or is restricted. Of the remaining $168.3 million in unrestricted net assets, $122.8 million has been designated or allocated for specific academic, research and support purposes, reserves, and quasi-endowments.

2013 Versus 2012

University assets were $660.2 million at June 30, 2013, compared to $654.1 million at June 30, 2012, reflecting an increase of $6.1 million.

- Current assets: In fiscal year 2013, the University's current assets of $216.6 million were sufficient to cover current liabilities of $51.2 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).

- University investments were $192.5 million, or 29.2% of total assets at June 30, 2013, and increased by $14.2 million compared to 2012 primarily due to market appreciation.

- Capital assets (net of depreciation) were $412.8 million at June 30, 2013 (62.5% of the University's total assets), compared to $393.7 million (60.2% of total assets), reflecting an increase of $19.1 million. The annual increases reflect the University's continued strategic focus on capital improvements, related infrastructures, and capital renewals.

University liabilities totaled $172.7 million at June 30, 2013 and were $5.5 million less than total liabilities of $178.2 at June 30, 2012.

- Total current liabilities of $51.2 million at June 30, 2013 remained relatively comparable to the prior year.

- Long-term debt and other obligations decreased overall by $6.2 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.

The University's total net position at June 30, 2013 was $487.6 million, reflecting an increase over 2012 of $11.7 million, and is also primarily attributable to the continued investments in capital assets. Of the total net assets at June 30, 2013, $322.0 million was invested in either capital assets or was restricted. Of the remaining $155.6 million in unrestricted net assets, $110.2 million was designated or allocated for specific academic, research and support purposes, reserves, and quasi-endowments.

Statement of Revenues, Expenses and Changes in Net Position

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 non-operating. 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 non-operating 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.

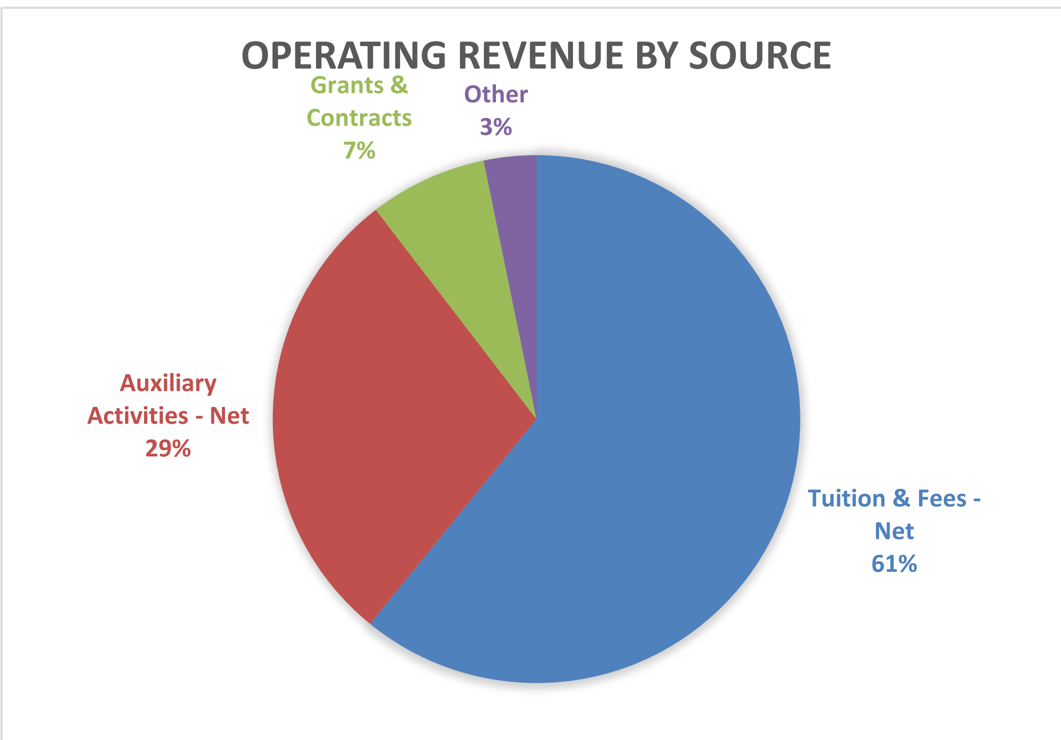
Bowling Green State University
Condensed Statement of Revenues, Expenses and Changes in Net Position
as of June 30, 2014, 2013 and 2012 (in thousands)

	2014	2013	2012
Operating revenues:			
Student tuition and fees	$ 149,550	$ 148,142	$ 142,398
Auxiliary enterprises	70,541	74,147	72,776
Grants and contracts	17,672	15,862	16,418
Sales and service	3,776	3,490	4,041
Other operating revenues	4,147	3,824	3,938
Total operating revenues	245,686	245,465	239,571
Operating expenses:			
Educational and general	210,188	208,516	201,934
Scholarships and fellowships	18,387	19,141	17,171
Auxiliary enterprises	68,216	74,715	73,791
Operations of maintenance of plant	20,763	20,106	17,421
Depreciation and amortization	25,923	25,308	25,702
Other expenses	6,865	4,436	5,269
Total operating expenses	350,342	352,222	341,288
Operating loss	(104,656)	(106,757)	(101,717)
Non-operating revenues (expenses):			
State appropriations	69,025	71,545	74,833
Other non-operating revenues and expenses	46,635	37,642	32,851
Total non-operating revenues	115,660	109,187	107,684
Income before other changes	11,004	2,430	5,967
Capital appropriations, grants and gifts	8,663	9,267	10,383
Change in net position	19,667	11,697	16,350
Net position at the beginning of the year	487,582	475,885	459,535
Net position at the end of year	$ 507,249	$ 487,582	$ 475,885

Operating Revenues

Operating revenues include all transactions that result from the sales and/or receipts of goods and services such as tuition and fees, student housing, and other auxiliary units. In addition, certain federal, state and private grants are considered operating if they are a contract for services and not for capital purposes.

Following is a graphic illustration of operating revenue by source at June 30, 2014:



2014 versus 2013

The most significant sources of operating revenues for the University are tuition and fees of $149.5 million, an increase of $1.4 million, or 1.0% over 2013. Revenue from tuition and fees increased during the year due to a Board approved 2% increase in general fees and undergraduate tuition beginning with the fall 2013 semester. This increase is offset by enrollment reductions primarily at the undergraduate level for summer 2013, fall 2013 and spring 2014 as compared to the prior year semesters.

Auxiliary Enterprises, another significant source of University revenues, decreased from $74.1 million in 2013 to $70.5 million in 2014. Beginning with the fall 2013 semester, room and board rates also increased by a Board approved 2% rate increase, which was offset by enrollment reductions in fiscal 2014. In addition, Auxiliary Enterprises revenue reflects a reduction in Health Center revenues of $1.3 million in 2014 compared to 2013 due to the Health Center operations and management transitioning to a third party in 2014.

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 3.5% 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 $2.8 million and is primarily attributable to increases in Athletic revenues from additional game guarantees compared to the prior year.

Operating Expenses

Operating expenses are all costs necessary to perform and conduct the programs and primary purposes of the University.

2014 versus 2013

Total operating expenditures of $350.3 million at June 30, 2014 decreased overall by $1.9 million, or .53% over 2013.

- Educational and general expenditures consist of instruction, research, public services, academic support, student services and institutional support and total $210.2 million at June 30, 2014 compared to $208.5 million at June 30, 2013. Decreases in salary and benefits and other operating expenses in the majority of the educational and general categories are partially offset by an increase in Academic Support due to library on-line subscription leases requiring expense adjustment in 2014.

- Auxiliary enterprises operating expenses of $68.2 million at June 30, 2014 reflects a reduction of $6.5 million compared to June 30, 2013. Contributing to the decrease is the reduction in Health Center operating expenses of $2.4 million due to the operations and management of the Health Center transitioning to a third party in 2014. Residence Halls expenditures decreased by $2.8 million in 2014 compared to 2013 due to reductions in maintenance and equipment, salary and benefits, and graduate assistantship waivers. Modest reductions across the majority of other auxiliary units resulted from decreased enrollment levels.

2013 versus 2012

Total operating expenditures of $352.2 million increased overall by $9 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 result 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.

Non-operating Revenues

Non-operating revenues are all revenue sources that are primarily non-exchange in nature. They consist primarily of state appropriations, Pell grant reimbursements, and investment income (including realized and unrealized gains and losses).

Non-operating revenue was impacted by the following factors:

- State appropriations, the most significant source of non-operating revenue, totaled $69.0 million in the current year, reflecting a decrease of $2.5 million, or 3.5% over 2013. State appropriations decreased in 2013 by $3.3 million, or 4.4% over 2012. These reductions are the direct result of continued state subsidy reductions.

- Non-exchange grants and contracts decreased $1.5 million in 2014 and decreased $3.3 million in 2013, due primarily to funding reductions in Pell grant funds.

- Overall investment market appreciation in 2014 resulted in an increase in related investment income during the year of $11.7 million. An increase of $9.1 million was experienced in 2013 over 2012.

Capital Assets and Debt Administration

At June 30, 2014, the University had $429.2 million of capital assets, net of accumulated depreciation of $369.6 million, compared to $412.8 million of net capital assets for the prior fiscal year. The current year investment in capital assets represents a net increase (including additions and deductions) of $16.4 million or 4.0% over last year. This increase is reflective of the continued strategic focus on campus capital renewal. The charges for depreciation and amortization included in the Statement of Revenues, Expenses, and Changes in Net Position were $25.9 million for 2014 and $25.3 million for 2013. Detailed information about the University's capital assets is presented in Note 5 to the Financial Statements.

On May 7, 2014, the University issued $40,000,000 General Receipts Bonds, Series 2014, tax exempt bonds. The Series 2014 bonds mature on June 1, 2048 and bear interest at variable rates, payable monthly. The interest rate will reset on the first of each month and is determined by a formula using 68.50% of LIBOR plus a number of basis points, depending upon the University's bond rating. As of August 2013, the most recent bond rating issued by Moody's Investors Services and Standard and Poor's, were A1 and A+, respectively. At no time will the interest rate exceed 12% per year. The bond proceeds will be used for the initial funding phase of the upcoming $200 million reinvestment in core academic buildings on the Bowling Green campus. The scope of the capital project renewal will include renovations in four of the campus' oldest, historical buildings. Extensive space planning and programming is underway, some initial interior classroom renovations have already been completed, and initial interior space demolitions have also begun. Larger, complete building renovation projects will be phased over the next five to seven years.

More detailed information about the University's long-term debt is presented in Note 7 to the Financial Statements.

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. For the second consecutive year, State's unemployment rate performed better than the national unemployment rate.

In October 2011, the University's Board of Trustees approved the planning, programming and schematic design work supporting $200 million of reinvestment in core academic buildings on the Bowling Green campus. Funding is expected to be provided from a combination of University-issued debt financing, private donor funds, and state capital appropriations. This past year, renovations got underway on two key academic buildings in addition to the completion of a number of smaller, targeted upgrades to classroom interiors and technology. Space programming and schematic design continues on two of the University's historic, academic classroom buildings with construction scheduled to begin in 2016.

Additional capital project work continued in two key auxiliary areas of campus. A major renovation of the Student Recreation and Wellness Center was completed in late summer and demolition of existing Greek fraternity and sorority structures began in early summer. Greek replacement housing construction is planned for completion in time for the start of 2016 fall semester.

The University launched several significant initiatives during FY 2014 intended to improve freshmen to sophomore retention. Early fall 2014 indications suggest freshman to sophomore retention will improve to slightly less than 76 percent - a significant improvement from the prior year's retention rate of approximately 70 percent. Improved retention is a pre-requisite to improving timely degree completion. The recent revision to the state of Ohio's funding formula for public higher education recognizes and rewards successful course and degree completion.

Bowling Green State University

Statements of Net Position

	June 30	
	2014	**2013**
Assets		
Current assets:		
Cash and cash equivalents	**$ 7,207,884**	$ 10,203,957
Investments	**206,597,800**	188,071,461
Accounts receivable, net	**12,352,607**	12,925,553
Inventories	**1,977,519**	1,978,891
Notes receivable	**1,560,652**	1,406,421
Prepaid and other assets	**1,396,088**	2,060,040
Total current assets	**231,092,550**	216,646,323
Noncurrent assets:		
Investments - non-restricted	**5,263,838**	4,442,884
Assets - restricted	**40,327,135**	18,483,600
Cash surrender value of life insurance and annuities	**434,986**	414,164
Notes receivable	**7,216,051**	7,458,547
Capital assets, net	**429,194,002**	412,787,467
Total noncurrent assets	**482,436,012**	443,586,662
Total assets	**713,528,562**	660,232,985
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	**25,427,830**	19,779,192
Unearned revenue	**10,711,823**	11,681,204
Deposits	**1,831,066**	1,263,241
Current portion of long-term debt and other obligations	**18,781,246**	18,489,226
Total current liabilities	**56,751,965**	51,212,863
Noncurrent liabilities:		
Long-term debt and other obligations	**149,527,848**	121,437,772
Total liabilities	**206,279,813**	172,650,635
Net position		
Net investment in capital assets	**322,199,019**	311,292,666
Restricted for expendable:		
Loans	**2,186,189**	1,843,377
Capital projects	**14,612,823**	18,873,046
Unrestricted	**168,250,718**	155,573,261
Total net position	**$ 507,248,749**	$ 487,582,350

See accompanying notes.

Bowling Green State University

Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30 2014	2013
Revenues		
Operating revenues:		
Student tuition and fees (net of scholarship allowances of $60,844,395 for 2014 and $60,690,597 for 2013)	**$ 149,549,733**	$ 148,142,241
Federal grants and contracts	**8,421,426**	8,173,333
State grants and contracts	**1,892,705**	1,572,328
Local grants and contracts	**362,183**	358,394
Nongovernmental grants and contracts	**6,996,547**	5,757,294
Sales and services of educational departments	**3,775,681**	3,489,877
Auxiliary enterprises (net of scholarship allowances of $2,648,561 for 2014 and $2,381,323 for 2013)	**70,541,441**	74,147,444
Other operating revenues	**4,146,514**	3,823,873
Total operating revenues	**245,686,230**	245,464,784
Expenses		
Operating expenses:		
Educational and general:		
Instruction	**125,685,000**	125,472,730
Research	**6,804,016**	7,747,942
Public services	**4,929,540**	4,893,910
Academic support	**30,348,928**	27,313,882
Student services	**16,270,255**	16,712,483
Institutional support	**26,149,612**	26,375,438
Operations and maintenance of plant	**20,762,743**	20,105,987
Student aid	**18,387,469**	19,141,252
Auxiliary enterprises	**68,215,727**	74,714,579
Depreciation and amortization	**25,923,118**	25,307,583
Other expenses	**6,866,211**	4,435,948
Total operating expenses	**350,342,619**	352,221,734
Operating loss	**(104,656,389)**	(106,756,950)
Nonoperating revenues (expenses):		
State appropriations	**69,024,605**	71,544,942
Non-exchange grants and contracts	**28,365,970**	29,915,475
Investment income, net	**23,073,974**	11,351,198
Investment income, recovery	**–**	605,458
Interest on capital asset-related debt	**(3,947,672)**	(3,372,917)
In-kind support – Centennial Falcon Properties, Inc.	**(856,800)**	(856,800)
Net nonoperating revenues	**115,660,077**	109,187,356
Income before other changes	**11,003,688**	2,430,406
Other changes:		
Capital appropriations	**6,285,696**	4,770,401
Capital grants and gifts	**2,377,015**	4,496,270
Total other changes	**8,662,711**	9,266,671
Change in net position	**19,666,399**	11,697,077
Net position		
Net position at the beginning of year	**487,582,350**	475,885,273
Net position at the end of year	**$ 507,248,749**	$ 487,582,350

See accompanying notes.

Bowling Green State University

Statements of Cash Flows

	Year Ended June 30	
	2014	**2013**
Operating activities		
Tuition and fees	**$ 150,333,381**	$ 149,736,728
Research grants and contracts	**17,377,010**	15,955,096
Payments to vendors for supplies and services	**(93,106,885)**	(97,209,742)
Payments to employees and benefits	**(206,706,543)**	(212,083,733)
Payments for scholarships and fellowships	**(18,387,469)**	(19,141,252)
Student loans granted, net of repayments	**2,072**	142,655
Agency payments to Centennial Falcon Properties, Inc.	**(8,600,120)**	(8,375,398)
Auxiliary enterprises	**78,370,240**	82,157,391
Sales and services of educational departments	**3,775,681**	3,489,877
Other receipts	**5,745,509**	4,116,996
Net cash used in operating activities	**(71,197,124)**	(81,211,382)
Noncapital financing activities		
State appropriations	**69,024,605**	71,544,942
Direct lending receipts	**134,053,384**	138,370,335
Direct lending disbursements	**(134,063,340)**	(137,925,160)
Grants received for other than capital purposes	**28,365,970**	29,915,475
In-kind support – Centennial Falcon Properties	**(856,800)**	(856,800)
Net cash provided by noncapital financing activities	**96,523,819**	101,048,792
Capital financing activities		
Proceeds from capital debt	**40,000,000**	6,595,039
Capital appropriations	**6,285,696**	4,770,401
Capital grants received	**2,377,015**	4,496,270
Purchases of capital assets	**(41,713,297)**	(42,800,261)
Principal paid on long-term debt	**(12,648,774)**	(11,554,041)
Interest paid on long-term debt	**(4,399,858)**	(4,780,395)
Net cash used in capital financing activities	**(10,099,218)**	(43,272,987)
Investing activities		
Proceeds from sales and maturities of investments	**89,451,297**	60,770,620
Purchase of investments	**(115,478,215)**	(49,998,383)
Investment income	**7,803,368**	5,723,998
Net cash (used in) provided by investing activities	**(18,223,550)**	16,496,235
Net decrease in cash	**(2,996,073)**	(6,939,342)
Cash at beginning of year	**10,203,957**	17,143,299
Cash at end of year	**$ 7,207,884**	$ 10,203,957

Bowling Green State University

Statements of Cash Flows (continued)

	Year Ended June 30	
	2014	**2013**
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	**$ (104,656,389)**	$ (106,756,950)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	**25,923,118**	25,307,583
Amortization of bond premium	**382,261**	(233,031)
Changes in assets and liabilities:		
Accounts receivable, net	**574,665**	(835,574)
Inventories	**1,372**	1,725,034
Other assets	**663,950**	307,316
Accounts payable and accrued liabilities	**5,649,859**	(3,609,704)
Unearned revenue	**(969,381)**	2,023,463
Deposits held for others	**577,781**	248,838
Compensated absences	**567,375**	364,092
Loans to students	**88,265**	247,551
Net cash used in operating activities	**$ (71,197,124)**	$ (81,211,382)

See accompanying notes.

The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statements of Financial Position

	June 30 2014	June 30 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 641,356	$ 656,907
Contributions receivable, net of allowance for uncollectible contributions	2,240,509	4,517,408
Total current assets	2,881,865	5,174,315
Investments:		
Fixed income funds	41,373,354	40,202,457
Mutual funds	69,290,569	54,970,535
Alternative investments	24,606,450	23,091,502
Corporate stocks	1,400,749	969,058
Money market funds	3,261,270	1,338,094
U.S. government and agency obligations	–	–
Total investments	139,932,392	120,571,646
Prepaid and other assets	139,105	214,104
Long-term contributions receivable, net of allowance for uncollectible contributions	3,455,978	4,011,739
Beneficial interest in trust held by others	186,652	–
Cash value of life insurance	1,496,781	1,400,328
Total assets	148,092,773	$ 131,372,132
Liabilities and net assets		
Current liabilities:		
Accounts payable	340,315	$ 354,864
Total current liabilities	340,315	354,864
Annuities payable	2,916,298	1,677,591
Total liabilities	3,256,613	2,032,455
Net assets		
Unrestricted	7,466,900	3,543,745
Temporarily restricted	55,675,701	47,035,461
Permanently restricted	81,693,559	78,760,471
Total net assets	144,836,160	129,339,677
Total liabilities and net assets	148,092,773	$ 131,372,132

See accompanying notes.

The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenue, and gains				
Contributions and gifts (net)	$ 746,703	$ 9,153,359	$ 3,196,709	$ 13,096,771
Provision for uncollectible contributions	(30,418)	(1,597,318)	(1,124,119)	$ (2,751,855)
University support	3,277,603	–	–	$ 3,277,603
Interest and dividends	397,111	1,919,815	–	$ 2,316,926
Net realized and unrealized gains	2,398,059	11,624,437	–	$ 14,022,496
Other revenue	4,708	1,337,298	–	$ 1,342,006
Transfers	–	(860,498)	860,498	$ –
Net assets released from restriction	12,936,853	(12,936,853)	–	$ –
Total support, revenue, and gains	19,730,619	8,640,240	2,933,088	31,303,947
Expenses				
Program services	10,288,440	–	–	10,288,440
Fundraising	3,375,051	–	–	3,375,051
Operating	2,143,973	–	–	2,143,973
Total expenses	15,807,464	–	–	15,807,464
Change in net assets	3,923,155	8,640,240	2,933,088	15,496,483
Net assets at beginning of year	3,543,745	47,035,461	78,760,471	129,339,677
Net assets at end of year	$ 7,466,900	$ 55,675,701	$ 81,693,559	$ 144,836,160

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)	$ 401,861	$ 5,423,417	$ 768,473	$ 6,593,751
Provision for uncollectible contributions	(257)	(13,482)	(9,488)	(23,227)
University support	3,114,904	–	–	3,114,904
Interest and dividends	442,567	2,168,531	–	2,611,098
Net realized and unrealized gains	1,351,543	6,409,284	–	7,760,827
Other revenue	34,602	918,236	96,518	1,049,356
Transfers	–	(587,016)	587,016	–
Net assets released from restriction	9,812,662	(9,812,662)	–	–
Total support, revenue, and gains	15,157,882	4,506,308	1,442,519	21,106,709
Expenses				
Program services	8,556,259	–	–	8,556,259
Fund-raising	3,057,975	–	–	3,057,975
Operating	1,720,955	–	–	1,720,955
Total expenses	13,335,189	–	–	13,335,189
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	$ 3,543,745	$ 47,035,461	$ 78,760,471	$ 129,339,677

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Financial Position

	June 30	
	2014	**2013**
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,614,822**	$ 1,377,170
Funds held by trustee – current portion	**1,098,793**	985,776
Other receivable, net of allowance for doubtful accounts of $16,411 in 2014 and $4,402 in 2013	**50,390**	43,564
Prepaid expense	**19,412**	18,456
Total current assets	**2,783,417**	2,424,966
Other assets:		
Funds held by trustee – net of current portion	**14,022,211**	12,499,703
Capital assets, net	**81,296,649**	85,149,975
Bond issuance and discount costs, net of accumulated amortization of $498,766 in 2014 and $376,179 in 2013	**2,485,617**	2,608,204
Total other assets	**97,804,477**	100,257,882
Total assets	**$ 100,587,894**	$ 102,682,848
Liabilities and net assets		
Short-term liabilities:		
Accounts payable	**$ 51,794**	$ 18,162
Payroll liabilities	**20,711**	19,050
Unearned income	**60,787**	42,559
Accrued interest payable	**388,793**	390,776
Accrued expenses	**78,290**	124,113
Accrued construction costs payable	**–**	163,860
Bonds and construction payable – current portion	**1,566,800**	1,451,800
Total short-term liabilities	**2,167,175**	2,210,320
Long-term liabilities:		
Bonds payable – net of current portion	**79,505,000**	80,215,000
Construction funding payable – net of current portion	**14,135,018**	14,745,389
Total long-term liabilities	**93,640,018**	94,960,389
Total liabilities	**95,807,193**	97,170,709
Net assets:		
Unrestricted	**4,780,701**	3,512,139
Temporarily restricted	**–**	2,000,000
Total net assets	**4,780,701**	5,512,139
Total liabilities and net assets	**$ 100,587,894**	$ 102,682,848

See accompanying notes.

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Operating revenue	$ 8,621,861	$ –	$ 8,621,861
Net assets released from restrictions	2,000,000	(2,000,000)	–
Total revenues	10,621,861	(2,000,000)	8,621,861
Expenses:			
Payroll, benefits, and taxes	568,391	–	568,391
Management fees	250,061	–	250,061
Utilities	148,375	–	148,375
Building maintenance	88,929	–	88,929
Operating and administrative	69,661	–	69,661
Insurance	58,455	–	58,455
Interior unit expenses	36,369	–	36,369
Common area expenses	31,303	–	31,303
Bad debt expense	28,534	–	28,534
Ground expenses	19,031	–	19,031
Marketing and advertising	4,451	–	4,451
Depreciation and amortization	4,210,515	–	4,210,515
Total operating expenses	5,514,075	–	5,514,075
Operating income (loss)	5,107,786	(2,000,000)	3,107,786
Nonoperating revenue (expense):			
Investment income	1,659	–	1,659
In-kind support from Bowling Green State University	856,800	–	856,800
Loss on disposal of assets	(10,354)	–	(10,354)
Interest on capital asset-related debt	(4,687,329)	–	(4,687,329)
Net nonoperating loss	(3,839,224)	–	(3,839,224)
Change in net assets	1,268,562	(2,000,000)	(731,438)
Net assets:			
Net assets at the beginning of year	3,512,139	2,000,000	5,512,139
Net assets at the end of year	$ 4,780,701	$ –	$ 4,780,701

See accompanying notes.

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statement of Activities and Changes in Net Assets

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
Insurance	66,896	–	66,896
Interior unit expenses	58,863	–	58,863
Operating and administrative	119,644	–	119,644
Common area expenses	44,929	–	44,929
Building maintenance	41,463	–	41,463
Bad debt expense	12,050	–	12,050
Marketing and advertising	9,342	–	9,342
Ground expenses	6,995	–	6,995
Depreciation and amortization	4,185,682	–	4,185,682
Total operating expenses	5,299,549	–	5,299,549
Operating income	3,033,507	–	3,033,507
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)
Net nonoperating loss	(3,848,599)	–	(3,848,599)
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.

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. 61, *The Financial Reporting Entity*: *Omnibus*, 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. 61, *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 fundraising 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, 2014 and 2013, the Foundation distributed $6,169,175 and $5,758,751, 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. 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.

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.

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

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, which is recorded as capital assets of the Corporation to be paid back to Chartwells through the construction funding payable in Note 4. The loan does not have an interest component and matures on June 30, 2039. 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, which is recorded as capital asets of the Corporation to be paid back to Chartwells through the construction funding payable in Note 4. The loan does not have an interest component and matures on June 30, 2039. The Corporation provided funds of approximately $707,000, and CFP III has 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. The Corporation has recorded $1,588,000 as capital assets and construction funding payable described in Note 4. The loan does not have an interest component and matures on June 30, 2015.

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, 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 inter-fund transactions have been eliminated.

New Pronouncements

In 2014, the University adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes standards for the reclassification of certain items currently reported as assets and liabilities to be reported as deferred outflows of resources (expenses) and deferred inflows of resources (revenues). This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 is effective for fiscal year ending June 30, 2014. As required by GASB 65, approximately $519,000 in bond issuance costs were expensed in 2014. The amount did not have a material impact on the financial statements; thus a restatement of prior years' net position was not made. Under previous standards, these costs had been capitalized and amortized over the life of the associated debt.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The total pension liability will be computed on a different basis than the current actuarial accrued liability and the method of allocating this liability to each participating employer has not yet been determined; while the precise impact is not known, it is deemed likely that this pronouncement will have a material impact on the financial statements. The provisions of this statement are effective for the fiscal year ending June 30, 2015, and therefore will be adopted in the next fiscal year.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations.* The primary objective of this Statement is to establish standards related to combinations and disposals of government operations including mergers, acquisitions, and transfers of operations. The University has determined this pronouncement will not have an impact on the financial statements.

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

Cash and Cash Equivalents

The University considers funds immediately available to be cash and cash equivalents. Cash and cash equivalents totaled $7,207,884 and $10,203,957 at June 30, 2014 and 2013, respectively.

Accounts Receivable

Accounts receivable are reported at net realizable value and 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.

Inventories

Inventories are stated at the lower of average cost or market (net realizable value) on a first-in, first-out basis (FIFO).

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.

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

Restricted Assets

Restricted assets represent unspent bond proceeds and consist of money markets and certificates of deposits.

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. Electronic library subscriptions with a useful life of one year or less are charged to operating expense in the year the cost was incurred.

The University does not capitalize works of art or historical treasures that are held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered in any way. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

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.

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.

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

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.

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.

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.

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 2013 financial statements have been reclassified to conform to the 2014 presentation. Restricted investment assets of $4,426,338 have been reclassified to non-current investments – non-restricted, and $16,546 of current investment assets have been reclassified to non-current investments – non-restricted.

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 of America 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.

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.

Net Position

In accordance with GASB Statement No. 35 guidelines, the University's resources are classified into the following four net position categories:

Net Investment in Capital Assets: Capital assets, net of accumulated depreciation and 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 net investment in capital assets.

Restricted - Expendable: Component of net position that includes resources 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.

Restricted - Nonexpendable: Component of net position whose use is subject to externally imposed stipulations that may be maintained permanently by the University.

Unrestricted: Component of net position that is not subject to externally imposed restrictions and includes 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.

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.

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

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. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, such as state appropriations for instruction, state capital grants, Federal Pell grant revenue and investment income.

2. Cash and Investments

Deposits

Amounts available for deposit at June 30, 2014 and 2013 are as follows:

	2014	2013
Cash (carrying amounts)	$ 6,993,356	$ 9,948,418
Reconciling items (net) to arrive at bank balances of deposit	(1,313,954)	(994,289)
Total available for deposit and investment (bank balances of deposits)	$ 5,679,402	$ 8,954,129

The carrying amount shown above does not include $214,528 and $255,539 held in cash funds at June 30, 2014 and 2013, 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, $452,083 and $500,004 at June 30, 2014 and 2013, respectively, was covered by federal depository insurance, and $5,227,319 and $8,454,125 at June 30, 2014 and 2013, 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

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

2. Cash and Investments (continued)

Through April 2014, 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. Beginning in May 2014, all common stocks, corporate bonds, money market instruments, mutual funds, and other investments are invested through a trust agreement with US Bank Institutional Trust and Custody, which is the custodian and money manager. In 2013, 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, 2014.

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:

	2014	2013
Equity mutual funds	**$ 85,862,993**	$ 131,469,062
Fixed income mutual funds	**62,495,366**	–
Money market funds	**50,313,683**	31,537,095
Municipal bonds	**5,284,884**	4,463,317
Common and preferred stocks	**458,401**	369,581
STAR Ohio	**109,742**	109,717
Alternative investments:		
Collective trust funds	**27,077,042**	24,066,125
Hedge funds	**20,422,115**	18,710,747
Limited partnerships	**164,547**	272,301
Total	**$ 252,188,773**	$ 210,997,945

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

	2014	**2013**
Interest and dividends, net	$ 4,346,196	$ 5,634,725
Net appreciation in market value of investments	18,727,778	6,321,931
Total	**$ 23,073,974**	$ 11,956,656

2. Cash and Investments (continued)

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, 2014 and 2013, the University realized a net gain from the sale of investments of $3,457,172 and $1,565,987, 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 in the fair value of investments during the years ended June 30, 2014 and 2013 was $18,727,778 and $6,321,931, respectively. This amount includes all changes in fair value, both realized and unrealized, that occurred during the year. The unrealized appreciation during the years ended June 30, 2014 and 2013 was $15,270,606 and $4,755,944, 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.

As of June 30, 2014, 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**
Municipal bonds	**$ 5,284,884**	**$ 21,046**	**$ 90,690**	**$ 24,398**	**$ 5,148,750**
STAR Ohio	**109,742**	**109,742**	–	–	–
Total	**$ 5,394,626**	**$ 130,788**	**$ 90,690**	**$ 24,398**	**$ 5,148,750**

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
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

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, 2014 are as follows:

Credit Rating (Standard & Poor's)	**Other Investments**
AAA	$ 109,742
AA	5,148,750
Not rated	136,134
Total	$ 5,394,626

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

Credit Rating (Standard & Poor's)	Other Investments
AAA	$ 109,717
AA	4,306,750
Not rated	156,567
Total	$ 4,573,034

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 $267,830 and $219,563 at June 30, 2014 and 2013, respectively.

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 $109,742 and $109,717 at June 30, 2014 and 2013, respectively. The remaining investments are uninsured and unregistered with securities held by the counterparty's trust department or agent in the University's name.

2. Cash and Investments (continued)

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

	2014	2013
Fixed income funds	$ 41,373,354	$ 40,202,457
Mutual funds	69,290,569	54,970,535
Corporate stocks	1,400,749	969,058
Money market funds	3,261,270	1,338,094
Alternative investments:		
Hedge funds	14,304,170	13,140,214
Private investment funds	7,418,858	6,556,020
Real estate funds and other	2,883,422	3,395,268
Total	$ 139,932,392	$ 120,571,646

The Foundation realized a net gain from the sale of investment securities of $1,203,114 and $1,024,152 for the years ended June 30, 2014 and 2013, respectively. The net appreciation (depreciation) in the fair value of investments totaled $12,819,382 and $6,736,675 for the years ended June 30, 2014 and 2013, respectively.

The Foundation has outstanding commitments to invest in various alternative investments at June 30, 2014 and 2013, amounting to approximately $4,500,000 and $5,700,000, respectively.

Certain Foundation investment securities are held by independent custodial and management agents. Custodial and management fees paid approximated $105,000 and $109,000 in 2014 and 2013, respectively.

2. Cash and Investments (continued)

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:

	2014	2013
Money market funds	**$ 15,121,004**	$ 13,485,479

3. Accounts Receivable

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

	2014	2013
Student receivable for fees, room, and board	**$ 9,028,499**	$ 9,527,071
Research and sponsored programs	**3,262,407**	3,459,896
Other	**1,661,701**	1,538,586
	13,952,607	14,525,553
Less allowance for doubtful accounts	**1,600,000**	1,600,000
Totals	**$ 12,352,607**	$ 12,925,553

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 $120,592,207 and $124,077,676 for student loans in 2014 and 2013, 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, 2014, are summarized as follows:

	Beginning Balance	Additions	Retirements or Transfers	Ending Balance
Land (non-depreciable)	**$ 8,434,453**	**$ 743,431**	**$ –**	**$ 9,177,884**
Buildings	**475,931,339**	**5,513,833**	**(50,102,442)**	**531,547,614**
Infrastructure	**79,370,969**	**210,659**	**(18,888,599)**	**98,470,227**
Equipment	**92,443,853**	**12,863,697**	**9,521,865**	**95,785,685**
Library materials	**30,338,472**	**2,777,666**	**5,920,135**	**27,196,003**
Construction in progress (non-depreciable)	**66,314,839**	**24,616,282**	**61,541,194**	**29,389,927**
Capital leases	**6,316,953**	**–**	**–**	**6,316,953**
Capitalized interest	**9,009,458**	**449,247**	**8,592,489**	**866,216**
Total capital assets	**768,160,336**	**47,174,815**	**16,584,642**	**798,750,509**
Less accumulated depreciation and amortization	**355,372,869**	**25,923,118**	**11,739,480**	**369,556,507**
Net capital assets	**$ 412,787,467**	**$ 21,251,697**	**$ 4,845,162**	**$ 429,194,002**

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 (non-depreciable)	$ 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 (non-depreciable)	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	732,491,067	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	$ 393,711,066	$ 34,116,933	$ 15,040,532	$ 412,787,467

5. Capital Assets (continued)

Capital assets and accumulated depreciation of the Corporation as of June 30, 2014 are summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land (non-depreciable)	**$ 873,499**	**$ –**	**$ –**	**$ 873,499**
Land improvements	**1,384,056**	**–**	**–**	**1,384,056**
Building	**85,446,666**	**246,429**	**–**	**85,693,095**
Furniture	**3,763,067**	**–**	**(16,442)**	**3,746,625**
Chartwells renovation	**1,588,000**	**–**	**–**	**1,588,000**
Total capital assets	**93,055,288**	**246,429**	**(16,442)**	**93,285,275**
Less accumulated depreciation	**7,905,313**	**4,087,928**	**4,615**	**11,988,626**
Net capital assets	**$ 85,149,975**	**$ (3,841,499)**	**$ (11,827)**	**$ 81,296,649**

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

	Beginning Balance	Additions	Retirements	Ending Balance
Land (non-depreciable)	$ 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

6. Accounts Payable and Accrued Expenses

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

	2014	2013
Accounts payable	**$ 15,150,467**	$ 9,948,184
Accrued payroll and withholdings	**7,804,132**	7,356,555
Accrued health claims	**2,000,000**	2,000,000
Accrued interest on bonds and capital lease	**473,231**	474,453
Total	**$ 25,427,830**	$ 19,779,192

7. Long-Term Debt and Other Obligations

Long-term debt and other obligations of the University for June 30, 2014 are summarized as follows:

Bonds	Rates	Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
2004 General Receipts Bonds	5.10	2004-2015	$ 4,685,000	$ –	$ 2,285,000	$ 2,400,00	$ 2,400,000
2005 General Receipts Bonds	4.50-5.30	2005-2016	15,260,000	–	4,840,000	10,420,000	5,085,000
2010 Series A Tax-Exempt	2.00-5.00	2010-2039	8,000,000	–	2,145,000	5,855,000	2,170,000
2010 Series B Build America	4.20-6.73	2015-2039	65,335,000	–	–	65,335,000	–
2012 Series A General Receipts Bond – 2003 Advance Refunding	1.92	2011-2019	9,090,000	–	1,440,000	7,650,000	1,475,000
2012 Series B General Receipts Bond – 2004 Advance Refunding	1.92	2011-2019	11,845,000	–	235,000	11,610,000	240,000
2014 General Receipts Bonds	Variable	2019-2048	–	40,000,000	–	40,000,000	–
Deferred loss on refunding			(81,233)		(81,233)	–	–
Bond premium and issuance costs			111,596	382,261	–	493,857	136,316
Total bonds payable			114,245,363	40,382,261	10,863,767	143,763,857	11,506,316
Other liabilities							
Vacation pay			6,954,609	4,891,175	4,794,102	7,051,682	5,635,244
Sick leave			4,907,596	470,303	–	5,377,899	400,031
Capital lease			5,500,998	–	1,703,774	3,797,224	1,239,655
Federal student loan deposits			8,318,432	–	–	8,318,432	–
Total other liabilities			25,681,635	5,361,478	6,497,876	24,545,237	7,274,930
Total long-term liabilities			$ 139,926,998	$ 45,743,739	$ 17,361,643	$ 168,309,094	$ 18,781,246

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

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

Bonds	Rates	Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
2003 General Receipts Bonds	5.10	2003-2013	$ 1,200,000	$ –	$ 1,200,000	$ –	$ –
2004 General Receipts Bonds	5.10	2004-2015	6,890,000	–	2,205,000	4,685,000	2,285,000
2005 General Receipts Bonds	4.50-5.30	2005-2016	19,885,000	–	4,625,000	15,260,000	4,840,000
2010 Series A Tax-Exempt	2.00-5.00	2010-2039	10,020,000	–	2,020,000	8,000,000	2,145,000
2010 Series B Build America	4.20-6.73	2015-2039	65,335,000	–	–	65,335,000	–
2012 Series A General Receipts Bond – 2003 Advance Refunding	1.92	2011-2019	9,270,000	–	180,000	9,090,000	1,440,000
2012 Series B General Receipts Bond – 2004 Advance Refunding	1.92	2011-2019	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)

The scheduled maturities and interest of the University's bonds for the five fiscal years subsequent to June 30, 2014 and subsequent periods thereafter are as follows:

	Principal	Interest	Total
2015	$ 11,370,000	$ 4,073,582	$ 15,443,582
2016	12,220,000	3,557,888	15,777,888
2017	7,540,000	3,119,085	10,659,085
2018	7,490,000	2,930,324	10,420,324
2019	7,585,000	2,729,447	10,314,447
2020–2024	27,650,000	9,849,077	37,499,077
2025–2029	14,540,000	7,323,177	21,863,177
2030–2034	17,600,000	4,973,598	22,573,598
2035–2039	19,765,000	2,066,323	21,831,323
2040-2044	8,960,000	253,073	9,213,073
2045–2048	8,550,000	76,659	8,626,659
Total	$ 143,270,000	$ 40,952,233	$ 184,222,233

On May 7, 2014, the University issued $40,000,000 of variable rate, tax exempt General Receipts Bonds, Series 2014. The proceeds will be used to finance the costs of various improvements to the University's campus, including (i) improvements to fully or partially renovate five academic classroom and instruction laboratory buildings and the supporting campus infrastructure, and also including improved replacement parking; (ii) partial renovation of the campus recreation and wellness facility; (iii) demolition, utility relocation and other site preparation work associated with one or more existing academic and residential buildings in preparation for future site-specific capital projects; and (iv) acquisition and installation of all related fixtures, furnishings and equipment.

This Series 2014 Bond has a stated maturity date of June 1, 2048 and bears interest at an adjustable rate, payable on the first business day of each month. The initial interest rate was .3637%; the rate will reset on the first of each month and is determined by a formula utilizing 68.50% of the LIBOR rate plus a number of basis points that are assigned based on the University's then-current bond rating. At no time will the interest rate borne by this Series 2014 Bond exceed a maximum interest rate of 12% per year. The interest calculation for the Series 2014 Bond included in the above table of scheduled maturities is based upon the initial interest rate of .3637% per year.

This Series 2014 Bond is subject to redemption at the option of the University prior to the stated maturity date in whole or in part, at the redemption price of 100% of the principal amount redeemed, plus accrued interest up to the redemption date.

This Series 2014 Bond is subject to a mandatory tender by the Registered Owner, in whole but not in part, for purchase by the University in an amount equal to the outstanding principal amount of this Series 2014 Bond plus any accrued and unpaid interest on December 1, 2017.

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

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.

Interest expense related to long-term debt of the University for the years ended June 30, 2014 and 2013 was $4,399,858 and $4,760,482, respectively. Of this amount, $449,247 and $1,365,793 was capitalized by the University at June 30, 2014 and 2013, respectively.

The University had unspent bond proceeds, which are classified as restricted assets, at June 30, 2014 and 2013, of $40,327,135 and $18,483,600, 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, 2014, the University has $3,797,224 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 used to provide financing for digital telecommunication equipment.

Capital lease at June 30, 2014 is summarized as follows:

Capital Lease	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Master Tax-Exempt Lease/ Purchase Agreement	$ 5,500,998	$ –	$ 1,703,774	$ 3,797,224	$ 1,239,655

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

Year	Total
2015	$ 1,319,008
2016	1,319,008
2017	1,319,008
Total future minimum lease payments	3,957,024
Less amount representing interest	159,800
Total obligation under capital lease	$ 3,797,224

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

Long-term liabilities of the Corporation for June 30, 2014 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Bonds payable	**$ 80,810,000**	**$ –**	**$ 595,000**	**$ 80,215,000**	**$ 710,000**
Construction funding payable	**15,602,189**	**246,429**	**856,800**	**14,991,818**	**856,800**
Total long-term liabilities	**$ 96,412,189**	**$ 246,429**	**$ 1,451,800**	**$ 95,206,818**	**$ 1,566,800**

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

The interest and scheduled maturities of the Series 2010 Bonds for the five fiscal years subsequent to June 30, 2014 and subsequent periods thereafter are as follows:

	Interest Rate	Principal	Interest	Total
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	4.50	1,260,000	4,512,975	5,772,975
2020–2024	4.50–5.75	7,330,000	21,523,587	28,853,587
2025–2029	5.75	9,680,000	19,172,500	28,852,500
2030–2034	5.75–6.00	12,820,000	16,031,025	28,851,025
2035–2039	6.00	17,135,000	11,716,800	28,851,800
2040–2044	6.00	22,930,000	5,920,800	28,850,800
2045	6.00	5,445,000	326,700	5,771,700
Total		$ 80,215,000	$ 97,673,425	$ 177,888,425

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 $7,050,670 plus $8,070,334 of net operating revenue and investment income for a total of $15,121,004 as of June 30, 2014, which are classified as funds held by trustee. At June 30, 2013, the trustee 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, 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, 2014 and thereafter are as follows:

Year	The Oaks (CFP II)	Carillon (CFP III)	Chartwells Renovation	Total Due
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
2019	376,364	220,436	–	596,800
Thereafter	7,339,088	4,408,730	–	11,747,818
	$ 9,220,908	$ 5,510,910	$ 260,000	$ 14,991,818

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 was 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 was 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 programs for June 30 are summarized as follows:

	2014	**2013**	**2012**
STRS Ohio	**$ 6,527,000**	**$ 6,810,000**	$ 6,815,000
OPERS	**7,914,000**	**8,007,000**	7,871,000
ARP	**5,823,000**	**5,508,000**	5,218,000
Total	**$ 20,264,000**	**$ 20,325,000**	$ 19,904,000

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, 2014 and 2013 approximated $12,415,000 and $10,423,000, 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 is set aside for funding post-employment health care. Currently, this allocation is 2% 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 is set aside for funding post-employment health care. During calendar year 2013, this allocation was 1.0% of covered payroll. Effective January 1, 2014, the portion of employer contributions allocated to health care increased to 2% 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:

	2014	2013	2012
STRS Ohio	**$ 65,000**	**$ 68,100**	$ 68,150
OPERS	**838,066**	**1,713,000**	2,243,000
Total	**$ 903,066**	**$ 1,781,100**	$ 2,311,150

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:

	2014	2013	2012
Unpaid claims, July 1	**$ 2,000,000**	$ 2,000,000	$ 2,000,000
Incurred claims	**17,788,830**	16,338,357	15,071,084
Paid claims	**(17,788,830)**	(16,338,357)	(15,071,084)
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.

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.

10. Risk Management (continued)

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:

	2014	2013
Scholarships	$ 26,827,731	$ 21,929,067
General support	16,737,033	15,599,283
Capital and equipment	4,056,037	3,134,947
Professorships	2,796,341	1,980,663
Centers and institutes	1,592,625	1,418,303
Chair	1,462,536	1,235,113
Foundation operations	1,290,451	1,061,183
Operations	464,082	307,383
Research	359,160	302,128
Fellowships	77,024	57,091
Assistantship	12,681	10,300
Total	$ 55,675,701	$ 47,035,461

The Foundation's summary of the net assets released from restrictions during the years ended June 30, 2014 and 2013 is as follows:

	2014	2013
General support	$ 6,732,356	$ 5,073,267
Scholarships	3,853,669	2,467,545
Capital and equipment	1,058,133	1,235,725
Professorships	335,407	106,002
Centers and institutes	333,688	382,091
Foundation operations	253,502	83,221
Chair	244,820	288,476
Operations	93,000	93,000
Research	28,278	31,831
Fellowship	3,000	50,904
Faculty and staff	1,000	600
Total	$ 12,936,853	$ 9,812,662

12. Foundation Net Assets (continued)

The Foundation's permanently restricted net assets at June 30, 2014 and 2013 are investments in perpetuity, the income from which is expendable to support the following purposes:

	2014	2013
Scholarships	$ 50,145,958	$ 48,829,315
General support	16,359,019	15,417,393
Professorships	7,982,700	7,952,946
Capital and equipment	1,876,075	1,876,075
Chair	1,480,629	1,480,629
Centers and institutes	1,187,757	1,187,757
Foundation operations	1,162,780	550,000
Operations	1,081,788	1,055,908
Research	360,691	354,286
Fellowships	29,209	29,209
Faculty and staff	26,953	26,953
Total	$ 81,693,559	$ 78,760,471

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 in 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 $8,622,000 and $8,333,000 for the years ended June 30, 2014 and 2013, 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, 2014 and 2013, respectively.

13. Related-Party Transactions (continued)

CFP I student housing and housing-related fees totaled approximately $67,000 and $48,000 for the years ended June 30, 2014 and 2013, 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.

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 $31,000 for the year ended June 30, 2014, and $134,000 for the year ended June 30, 2013.)

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 recognizes this non-cash transaction as a decrease to the construction funding payable and as in-kind support nonoperating revenue. For the years ended June 30, 2014 and 2013, the repayment and in-kind support revenue totaled $856,800. The University recognized in-kind nonoperating expense of $856,800 for the years ended June 30, 2014 and 2013.

13. Related-Party Transactions (continued)

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.

plante moran

Plante & Moran, PLLC
3434 Granite Circle
Toledo, OH 43617
Tel: 419.843.6000
Fax: 419.843.6099
plantemoran.com

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

Independent Auditor's Report

To Management, the Audit Committee, and
the Board of Trustees
Bowling Green State University

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Bowling Green State University (the "University") and its discretely presented component units as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated October 10, 2014. Our report includes a reference to other auditors who audited the financial statements of Bowling Green State University Foundation, Inc. and Subsidiary, as described in our report on Bowling Green State University's basic financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered Bowling Green State 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 opinions on the basic 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To Management, the Audit Committee, and
the Board of Trustees
Bowling Green State University

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2014-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

Bowling Green State University's Response to the Finding

Bowling Green State University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Bowling Green State University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

Toledo, Ohio
October 10, 2014

Plante & Moran, PLLC
3434 Granite Circle
Toledo, OH 43617
Tel: 419.843.6000
Fax: 419.843.6099
plantemoran.com

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance

Independent Auditor's Report

To the Audit Committee and Board of Trustees
Bowling Green State University

Report on Compliance for Each Major Federal Program

We have audited Bowling Green State University's (the "University") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. Bowling Green State 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 each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bowling Green State 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 of America; 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 Bowling Green State 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 Bowling Green State University's compliance.

Opinion on Each Major Federal Program

In our opinion, Bowling Green State 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, 2014.

To the Audit Committee and Board of Trustees
Bowling Green State University

Report on Internal Control Over Compliance

Management of Bowling Green State 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 Bowling Green State 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 certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2014-002, that we consider to be a significant deficiency.

Bowling Green State 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 and corrective action plan. Bowling Green State University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

To the Audit Committee and Board of Trustees
Bowling Green State University

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.

Plante & Moran, PLLC

Toledo, Ohio
October 10, 2014

Bowling Green State University

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures
Student Financial Assistance Cluster			
U.S. Department of Education:			
Direct awards:			
Federal Supplemental Educational Opportunity Grants	84.007		$ 587,220
Federal Work-Study Program	84.033		703,121
Federal Perkins Loans	84.038		8,038,339
Federal Pell Grant Program	84.063		24,498,981
Federal Direct Subsidized Student Loans	84.268		37,303,027
Federal Direct Unsubsidized Student Loans	84.268		51,536,373
Federal Direct Parent PLUS Loans	84.268		31,752,807
Academic Competitive Grant	84.375		(187)
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		422,476
Federal Nursing Student Loans	93.364		632,031
Total Student Financial Assistance Cluster			155,474,188
Research & Development Cluster			
Title Grants and Agriculture			
U.S. Department of Agriculture:			
Agricultural and Food Research:			
Pass-through from:			
Virginia Polytechnic Institute and State University:			
Integrated Management of Oomycete Diseases of Soybean and Other Crop Plants	10.310	422183-19755/422262	84,855
Integrated Management of Oomycete Diseases of Soybean and Other Crop Plants	10.310	422183-19755/422262	24,406
Total U.S. Department of Argriculture			109,261
U.S. Department of Commerce:			
Economic Development – Technical Assistance:			
Direct award:			
Rural Universities Consortium University Center	11.303	06-66-05704	215,992
Sea Grant Support:			
Pass-through from:			
Ohio State University Research Foundation:			
Migration Dynamics of White Bass (Morone Chrysops)	11.417	NA10OAR4170074	5,262
Source Tracking and Toxigenicity of Planktothrix in Sand	11.417	RF01355892/ 60043512	19,386
			24,648
Total U.S. Department of Commerce			240,640
U.S. Department of Defense and Research			
Basic and Applied Scientific Research:			
Direct award:			
Bio-Inspired Flow Sensing and Control for Autonomous	12.300	N00014-12-1-0375	71,681
Air Force Defense Research Sciences Program:			
Direct awards:			
Wavelength Shifting Polymers Based on Sensitized Triplet	12.800	FA9550-13-1-0106	118,381
Pass-through from:			
Infoscitex Corporation:			
Human Size, Shape, and Motion Measurements for Dynamic 3	12.800	5002-S001	54,517
Human Deception Detection from Whole Body Motion Analysis	12.800		1,749
			174,647
Research and Technology Development			
Pass-through from:			
University of Toronto			
The Natural Evolution of Quantum-Coherent Light-Harvesting	12.910	N66001-10-1-4059	45,141
Total U.S. Department of Defense and Research			291,469

See Notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2014

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures
U.S. Department of the Interior:			
Assistance to State Water Reservoir:			
Pass-through from:			
Ohio State University Research Foundation:			
Source Tracking of Microcystis Blooms in Lake Erie	15.805	RF01317926	$ 7,189
U.S. Department of Justice:			
National Institute of Justice:			
Direct awards:			
Life Course, Relationship, and Situational Contexts of Teen Dating Violence	16.560	2009-IJ-CX-0503	114,246
Life Course, Relationship, and Situational Contexts of Teen Dating Violence	16.560	2010-MU-MU-0031	12,406
Police Integrity Lost: A Study of Law Enforcement Officers Arrested	16.560	2011-IJ-CX-0024	74,433
Patterns, Precursors and Consequences of TDV	16.560	2012-IJ-CX-0015	87,243
			288,328
Pass-through from:			
Children's Resource Center			
Evaluation of Ohio Mental Court Planning Proposal	16.745	2012-MO-BX-0011	15,257
Total U.S. Department of Justice			303,585
U.S. Department of Transportation:			
Highway Planning and Construction			
Pass-through from:			
Ohio Department of Transportation			
Role of Sulfates on Highway Heaving in Lake County, Ohio	20.205	25181	2,394
University Transportation Ctrs Prog			
Pass-through from:			
San Jose State University:			
Assessing the Socio-Economic Impacts of Mass Transit Sys	20.701	IPAS	22,943
Total U.S. Department of Transportation			25,337
U.S. Office of Personnel Management:			
Intergovernmental Personnel Act (IPA) Assignment			
Direct award:			
Intergovernmental Personnel Act (IPA) Assignment	27.011	1248631	145,939

See Notes to Schedule of Expenditures of Federal Awards.

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures
National Science Foundation:			
Engineering Grants:			
Direct awards:			
Collaborative: Room-Temperature Electrophosphorescence	47.041	ECCS-1202439	$ 56,492
Low-Temperature Assembly of All-Inorganic Solar Cells	47.041	CBET-1236355	76,678
			133,170
Pass-through from:			
University of Michigan:			
Improving Decision Making and Equity in Engineering Admin	47.041	3002985880	18,056
			151,226
Mathematical and Physical Sciences:			
Direct awards:			
Rigidity in Negative Curvature and Quasiconformal Analysis	47.049	DMS-1265735	34,037
EXTREEMS-QED: Computational Mathematics and Statistics	47.049	DMS-1331036	61,992
Intramolecular Indicator-Displacement Assays (IIDA)	47.049	CHE-0750303	(756)
Characterizing and Modifying Defects that Trap Excitions	47.049	DMR-1359523	34,580
Molecular-Wire Energy Transfer and Excition Diffusion in Self-Assembled Photonic Materials	47.049	DMR-1006761	161,427
CAREER: Iminium Salts as Potential Water Oxidation Catal	47.049	CHE-1055397	122,617
Development of Nancomposite Inorganic Materials for Phot	47.049	CHE-1112227	126,789
Photocatalytic Approaches to Hydrogen Production II	47.049	CHE-1012487	13,233
Deciphering Light Induced Double Bond Isomerization	47.049	CHE-1152070	87,199
			641,118
Geosciences:			
Direct awards:			
Collaborative Research: Characterizing Arctic Climate	47.050	EAR-1204049	35,765
RAPID Response to an Extreme Low Ice Year on Lake Erie	47.050	OCE - 1230735	8,322
			44,087
Biological Sciences:			
Direct awards:			
Magnetic Sense of Homing Pigeons and its Use in Map Navigation	47.074	IOS-0922508	9,493
Testing Local Adaptation of the Federally Endangered Kar	47.074	DEB-1021445	53,278
SG: Microbes Promote Ice Formation in Inland Waters	47.074	DEB-1354707	16,844
			79,615
Education and Human Resources:			
Direct award:			
iEvolve: Inquiry and Engagement to Invigorate and Optimize	47.076	DUE-1238136	1,043,437
Collaborative Research: Constructive Chemistry	47.076	DUE-1245514	37,057
SET-GO: Science, Engineering & Technology Gateway Ohio	47.076	DUE 0757001	295,734
GRAMS: Granting Access to Mathematics and Science	47.076	DUE-0850026	92,647
GRAMS II: Granting Access to Mathematics and Science	47.076	DUE-0966189	101,728
			1,570,603
Pass-through from:			
Glendale Community College			
Economics Workshop	47.076	1043245	1,166
			1,571,769
Polar Programs:			
Direct awards:			
Geochemical Transect from Oceanic Adare Basin	47.078	ANT-0943274	10,555
Trans-NSF Recovery Act Research Support:			
Direct awards:			
LiT Regulation 5-Aminolevulinic Acid Biosynthesis (ARRA)	47.082	0921449	72,973
Sources and Sinks of Stoichiometrically Imbalance (ARRA)	47.082	OCE-0927277	22,291
CAREER: Monitor Ultrafast Excited-State Selective (ARRA)	47.082	CHE-0847707	81,609
MRI: Acquisition of Equipment Enhancing Ultrafast (ARRA)	47.082	CHE-0923360	(1)
ARI-R2: Renovate Physl Sciences Labor (ARRA) 0963395	47.082	ARRA 0963395	94,516
			271,388
Total National Science Foundation			2,769,758

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures
Environmental Protection Agency:			
Great Lakes Program:			
Pass-through from:			
The Nature Conservancy:			
Wet Prairie Restoration in the Maumee AOC	66.469	OHFO-GLRI-BGSU-10/10-02	$ 21,602
Department of Energy:			
Office of Science and Financial Assessment:			
Direct award:			
Chemical Imaging Studies	81.049	DEFG02-06ER15827	213,974
Low Power Upconversion for Solar Fuels Photochemistry	81.049	DE-SC0008614	26,252
			240,226
Renewable Energy Research and Development:			
Direct award:			
Coastal Wind Project	81.087	DE-FG36-06GO86096	245,810
Coastal Ohio Wind Project for Reduced Barriers to Deploy	81.087	DE-EE0003871	265,170
Pass-through from:			
National Renewable Energy Laboratory:			
Characterization and Optimization of Molecular Frequency	81.087	XEV-2-22201-01	6,148
			517,128
Total Department of Energy			757,354
U.S. Department of Education:			
Title 1 Grants to Local Education			
Pass-through from:			
Sandusky County Schools			
Evaluation of Sandusky 1-1 Laptop Pilot Initiative	84.010		3,858
Safe and Drug-Free Schools			
Pass-through from:			
Wood County Educational Service Center			
Evaluation Wood ESC School-Based Student Drug-Testing	84.184	P.O. #1100368	(87)
Race to the Top:			
Pass-through from:			
Oregon City Schools:			
Oregon City Schools K-2 Assessment Development & Pilot	84.413		5
Total U.S. Department of Education			3,776

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures
U.S. Department of Health and Human Services:			
Policy Research and Evaluation Grants:			
Direct awards:			
National Center for Marriage Research	93.239	5 U01 AE000001-04	$ 375,982
Occupational Safety and Health Program:			
Pass-through from:			
University of Cincinnati:			
An Examination of the Work-Family Interface Among Farming	93.262	L14-4500076386	1,810
Give Me a Back: Teacher Recovery Experiences	93.262	L14-4500076385	9,100
			10,910
Trans_NIH Recovery Act Research Support:			
Direct awards:			
ARRA - Self-Luminant Micro-Arrays and Reader for Rapid	93.701	1R15EB008874-01	681
ARRA - Basal Ganglia and Relative Reward Effect	93.701	1R15MH091016-01 ARRA	47,962
			48,643
Medical Assistance Program:			
Pass-through from:			
Ohio State University Research Foundation:			
A Health Profile of Women, Infants and Children in Ohio	93.778	G-1213-07-0343	1,585
Biomedical Research and Research Training:			
Direct awards:			
Single-Molecule Patch-Clamp FRET Imaging Microscopy	93.859	1R01GM098089-01A1	182,938
A Population-Level Analysis of Novel Antimicrobial Products	93.859	1R15GM104834-01	75,613
Manipulating Single-Molecule Enzyme Conformations and Activities	93.859	1R01GM084402-01A1	268,121
RNA 3D Motif Search, Atlas, and Prediction from Sequence	93.859	1R01GM085328-01A1	257,973
Control Mechanisms of the Nitric Oxide Synthases	93.859	R01GM051491-17A1	40,582
			825,227
Child Health and Human Development Extramural Research:			
Direct awards:			
Center for Family and Demographic Research Year 8	93.865	2R24HD050959-08	188,535
Life Course, Relationship, and Situational Contexts of Today's Youth	93.865	1R01HD066087-01A1	201,412
Counting Families: Household Matrices with Multiple Family Members	93.865	1 R03 HD066009-01	9,356
Nonmaternal Care, Role Strain, and Maternal Sensitivity	93.865	1R03HD061450-01A1	15,542
Neighborhood Change and Violence in Adolescence	93.865	1R15HD070098-01A1	120,906
Measuring Marriage & Divorce at the County Level	93.865	1R03HD078653-01	23,530
CFDR	93.865	1-R24-HD050959-05	(2,761)
Pass-through from:			
The University of Michigan:			
Children & Political Violence	93.865	3000609459	1,985
			558,505
Total U.S. Department of Health and Human Services			1,820,852
Total Research and Development Cluster			6,496,762
TRIO Cluster:			
U.S. Department of Education			
Direct awards:			
Student Support Services	84.042	P042A101256	576,884
Educational Talent Search Program	84.044	P044A110535	283,531
Educational Talent Search	84.044	P044A060873	(68)
Upward Bound	84.047A	P047A121619	316,620
McNair Post-Baccalaureate Achievement	84.217A	P217A120231	178,692
Total TRIO Cluster			1,355,659

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures
JAG Program Cluster			
U.S. Department of Justice			
Edward Byrne Memorial Justice			
Pass-through from:			
Ohio Office of Criminal Justice Services			
BGSU Explosive Detection Canine Unit	16.738	2009-JG-AOV-V6964	$ 2,853
Highway Planning and Construction Cluster			
Department of Transportation:			
Highway Planning and Construction:			
Pass-through from:			
Ohio Department of Transportation:			
Evaluation of ODOTs Culvert Boring Process	20.205	26053	284,770
Highway Safety Cluster			
Department of Transportation:			
State and Community Highway			
Direct award:			
Ohio Department of Transportation:			
Safe Communities- Northwest Ohio	20.600	SC20148700000047000	20,984
CCDF Cluster			
U.S. Department of Health and Human Services:			
Child Care Mandatory and Match:			
Pass-through from:			
Ohio Educational Telecommunications Network:			
Ohio Ready to Learn	93.596	G-1 415-17-0272	32,625
Other Grants and Contracts			
U.S. Department of Defense			
Basic, Applied and Advanced Research:			
Pass-through from:			
Academy of Applied Science,			
Ohio Junior Science and Humanities Symposium	12.630	W911NF-10-2-0076	20,585
Department of State:			
Educational Exchange _Teachers:			
Pass-through from:			
International Research Exchange Board			
IREX Teaching Excellence & Achievement Prog (TEA)	19.408	FY 14-TEA-BGSU-01	173,780
National Endowment for the Arts:			
Promotion of the Arts-Grants:			
Pass-through from:			
NEA:			
Residency at the Toledo School of Arts	45.024	10-5900-8072	(60)
National Endowment for the Humanities:			
Promotion of the Humanities Fellowships and Stipends:			
Pass-through from:			
Ohio Humanities Council:			
Bearing Witness to Humanity: Exploring a Curriculum	45.129	ED14-021	8,966
Institute of Museum and Library Services:			
National Leadership Grants:			
Direct award:			
Enacted Metadata: Video Surrogate Records for Special	45.312	LG-46-12-0471-12	4,576
Environmental Protection Agency			
Environmental Education Grants			
Pass-through from:			
Harrisburg University of Science & Tech			
GLISTEN Environmental Stewardship & Service-Learning	66.951	NE 00E01029	2,679

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2014

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures
Department of Education			
Title I Grants to Local Education			
Pass-through from:			
Ottawa Hills Local Schools			
1-1 Laptop Assessment	84.010	Purchase Ord 140753	$ 12,066
Sandusky County Schools			
Evaluation of Sandusky 1-1 Laptop Pilot Initiative	84.010	P O 87627	21,928
			33,994
Overseas_Group Projects Abroad			
Direct award:			
ED Postsecondary Education			
Walking Witness: Civic Responsibility in the Shadow	84.021	P021A130073	59,099
Vocational Education_Basic Grants:			
Pass-through from:			
Ohio Department of Education:			
Career-Technical Education (CTE) Teacher Education Preparation and Retention FY2012	84.048	VEPD-TPR-12-062893	6,168
Career-Technical Education (CTE) Teacher Education Preparation and Retention FY2012	84.048	EDU01-0000011476	69,121
We Are STEM	84.048	VENT-WS-062893-12/13	152
			75,441
Safe and Drug-Free Schools and Communities National Programs:			
Pass-through from:			
Putnam County Educational Service Center:			
Evaluation of Project SAFE - Year 5	84.184L	Q184L08342	15,349
Wood County Educational Service Center:			
Evaluation of Project SHAPES (Shaping Healthy Atmosphere	84.184L	Q184L090192	116,166
School and Community-Based Prevention Program Consortium	84.184L	Q184A080127*1200481	(2)
Wood County Educational Service Center:			
Evaluation Wood ESC School-Based Student Drug-Tested	84.184	Q184D080051*1200481	(4)
Evaluation of Project SHAPES (Shaping Healthy Atmosphere)	84.184	PO1200899Q184L090192	(2,230)
			129,279
Special Education - State Pers			
Pass-through from:			
OH Coalition Educ of Children with Disabilities			
SPDG Grant	84.323	CFDA 84.323A	50,024
SPDG Grant - Year 2	84.323	CFDA 84.323A	58,402
			108,426
Special Education - Technology			
Pass-through from:			
Mahoning County Educational Service Ctr			
SSTR5 Assessment Literacy Training	84.327	IDEA-913R	1,496
Transition to Teaching:			
Direct awards:			
Project CUE: Consortium for Urban Education	84.350	U350C070011	96,188
Improving Teacher Quality State Grants:			
Pass-through from:			
Ohio Board of Regents:			
STAMPS II - Science Teaching Advancement through Modeling	84.367	11-05	(1,505)
Common Core for Reasoning and Sense Making: Secondary	84.367	12-07	65,583
Common Core for Reasoning and Sense Making in Elementary	84.367	12-08	59,860
STAMPS III - Science Teaching Advancement through Modeling	84.367	12-04	91,982
Partners in Inquiry Resources and Research Three	84.367	12-05	72,353
Common Core for Reasoning and Sense Making: Secondary	84.367	13-04	35,790
Common Core for Reasoning and Sense Making in Elementary	84.367	13-05	33,303
STAMPS IV - Science Teaching Advancement through Modeling	84.367	13-06	12,510
			369,876
Race to the Top- Early Learning Challenge			
Pass-through from:			
Union-Scioto Local School District			
Quality Assessment Development Training	84.395A		5,842
Total U.S. Department of Education			879,641

See Notes to Schedule of Expenditures of Federal Awards.

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures
U.S. Department of Health and Human Services:			
Special Programs for the Aging			
Pass-through from:			
Ohio Department of Aging			
RSVP Project MORE Evaluation	93.048	#90AA10001/01	$ 108
Personal Responsibility Education Program			
Pass-through from:			
Lucas County Regional Health District			
Personal Responsibility Education Program	93.092	04810011PR0213	4,126
Personal Responsibility Education Program	93.092	04810011PR0112	39,486
			43,612
Substance Abuse and Mental Health Services Projects of Regional and National Significance			
Direct award:			
Suicide Prevention Grant - Empowering a Community	93.243	1U79SM060492-01	100,632
Pass-through from:			
Wood County Educational Service Center:			
High-Risk Drinking and Prescription Drug Abuse Prevention Program	93.243	8711192SPFSIGP131193	20,939
High-Risk Drinking and Prescription Drug Abuse Prevention Program	93.243	599-9412	(6)
High-Risk Drinking and Prescription Drug Abuse Prevention Program	93.243	87-11192-SPFSIG-P-14	85,581
			207,146
Block Grants for Prevention and Treatment of Substance Abuse:			
Pass-through from:			
Ohio Department of Alcohol and Drug Addiction Services:			
BGSU High-Risk Drinking Prevention Program	93.959	998207HEDUCP14-9854	4,000
Total U.S. Department of Health and Human Services			254,866
Corporation for National and Community Service			
Planning and Program Development			
Pass-through from:			
DePaul Univ. - Illinois Campus Compact			
MLK Day of Service Challenge	94.007	12MKNWI001	2,750
Total Federal Expenditures			**$ 165,015,624**

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Bowling Green State University under programs of the federal government for the year ended June 30, 2014. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Bowling Green State University, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows, if applicable, of Bowling Green State University. Pass-through entity identifying numbers are presented where available.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the Schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Economic Development: Technical Assistance - Ohio University	11.303	$ 144,279
Air Force Defense Research Sciences Program - Palo Alto Research Center Inc.	12.800	87,828
Education and Human Resources - Sandusky Local Schools	47.076	13,566
Education and Human Resources - Perkins Local School District	47.076	13,600
Education and Human Resources - Toledo Zoo	47.076	30,145
Education and Human Resources - OSU Stone Lab	47.076	13,972
Education and Human Resources - Erie Co Soil & Water Cons District	47.076	7,301
Education and Human Resources - Owens State Community College	47.076	27,822
Renewable Energy Research and Development - University of Toledo	81.087	354,594
Transition to Teaching - Wayne State University	84.350	62,166
Biomedical Research and Research Training - Rutgers University	93.859	117,375
Biomedical Research and Research Training - Research Foundation of SUNY	93.859	79,031
Biomedical Research and Research Training - Michigan State University	93.859	84,457
	Total	$ 1,036,136

Note 3 - 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 percent of modified total direct costs, and the off-campus predetermined rate is 20 percent of modified total direct costs effective July 1, 2011 until June 30, 2015.

Note 4 - 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, 2014, related to Federal Direct Loans, are considered current year federal expenditures, whereas the outstanding loan balances are not.

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? __X__ Yes ____ None reported

Noncompliance material to financial statements noted? ____ Yes __X__ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? __X__ Yes ____ None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? __X__ Yes ____ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 84.375, 93.364	Student Financial Aid Cluster
84.042, 84.044, 84.047A, 84.217A	Trio Cluster
84.367	Improving Teacher Quality

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? __X__ Yes ____ No

Section II - Financial Statement Audit Findings

Reference Number	Finding
2014-001	**Finding Type** - Significant deficiency

Criteria - According to generally accepted accounting principles (GAAP), capital assets are to be capitalized and amortized over their estimated useful lives. Library electronic subscriptions with lives of one year or less should be expensed as incurred and not capitalized and depreciated.

Condition - The University was including library electronic subscriptions with their other library capital assets and depreciating them over a 10-year life.

Context - There were library additions in the current and past years that were being improperly amortized over 10 years. The University posted an adjustment of approximately $1,941,000 to reduce capital assets and increase expense for electronic library subscriptions with a life of one year or less.

Cause - A control was lacking to review library materials additions for electronic subscriptions that have a useful life of one year or less.

Effect - Capital assets were misstated.

Recommendation - The University should implement procedures to review the detail of the library capital assets to determine that they are being appropriately capitalized or expensed if they have a useful life of one year or less.

Views of Responsible Officials and Planned Corrective Actions - Management concurs. The University has made immediate changes in business processing whereby a new, separate general ledger account code has been established to properly capture electronic library subscription acquisitions upon purchase by library personnel. In addition, personnel responsible for library purchases have been educated as to the proper classification for capital acquisitions versus noncapital expenditures. Further, increased detailed review of library acquisitions will occur at both the staff and managerial levels throughout the year.

Anticipated Completion Date - New business process is in place with new general ledger account set-up complete and in use. Periodic detailed reviews to occur throughout fiscal year 2015 and thereafter.

Section III - Federal Program Audit Findings

Reference Number	Finding
2014-002	**Program Name** - Student Financial Aid Cluster (CFDA #84.063 and 84.268)

Pass-through Entity - N/A - direct award

Finding Type - Significant deficiency

Criteria - Under the Pell grant (34 CFR section 690.83b2) and loan programs (34 CFR section 685.309), enrollment information must be reported to the National Student Loan Data System (NSLDS) within 30 days whenever attendance changes for students, unless a roster will be submitted within 60 days.

Condition - During testing, it was identified that one student's enrollment status changed that was not reported within 60 days on the NSLDS website.

Questioned Costs - N/A, no questioned costs

Context - There was one student's enrollment status change that was not reported within 60 days on the NSLDS website out of our sample of 25.

Cause and Effect - The University is not reporting roster files to NSLDS every 60 days during the summer term. This can cause student status enrollment changes occurring during the summer term to not be reported to NSLDS within the required timeline per the Compliance Supplement.

Recommendation - The University should follow their standard roster reporting procedures for the fall and spring in the summer term as well.

Views of Responsible Officials and Planned Corrective Actions - Management concurs. The University’s normal procedures of reporting student roster files to NSLDS on a monthly basis will extend into the summer months as well to ensure compliance within 60 days.

Anticipated Completion Date - Roster files for the fall and spring terms will continue to be filed monthly on the NSLDS website. Summer 2015 terms will also include the monthly filing. All semesters will be on a monthly filing schedule, effective immediately.

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

Prior Year Finding Number	Federal Program	Original Finding Description	Status	Planned Corrective Action
13-01	U.S. Department of Education Trio - Upward Bound (CFDA #84.047) and Trio - McNair (CFDA # 84.217)	The data reported for McNair and Upward Bound programs in the respective Annual Performance Report (APR) were not in compliance with OMB Circular reporting requirements.	The finding has been corrected. Management took 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.	Continued management review of all APR data submissions.

Bowling Green State University
National Collegiate Athletics Association

Agreed-upon Procedures Report

Related to NCAA Constitution 3.2.4.16

June 30, 2014

Bowling Green State University
National Collegiate Athletics Association Report

Contents

Plante & Moran, PLLC
3434 Granite Circle
Toledo, OH 43617
Tel: 419.843.6000
Fax: 419.843.6099
plantemoran.com

Independent Accountant's Report on the Application of Agreed-upon Procedures

Dr. Mary Ellen Mazey, Ph.D.
Bowling Green State University
220 McFall Center
Bowling Green, OH 43403

We have performed the procedures enumerated below, which were agreed to by the President of Bowling Green State University (the "Institution"), solely to assist you in evaluating whether the accompanying Intercollegiate Athletics Program Statement of Revenues and Expenditures of Bowling Green State University is in compliance with the National Collegiate Athletics Association (NCAA), Constitution 3.2.4.16 for the year ended June 30, 2014. Bowling Green State University's management is responsible for the statement of revenue and expenditures (the "statement") and the statement'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 those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed-upon Procedures Related to the Statement of Revenues and Expenditures

The procedures that we performed and our results are as follows:

Internal Control Structure

A. In preparation for our procedures related to the Institution's internal control structure:

(1) We met with the Assistant Athletic Director for Finance and Internal Affairs and inquired about the general control environment over intercollegiate athletic finances, the level of control consciousness in the Institution, the competence of personnel, and the protection of records and equipment.

(2) We obtained the audited financial statements for the year ending June 30, 2014 and there were no additional reports regarding internal controls and corrective action taken in response to comments concerning the internal control structure.

(3) We did not obtain any documentation of the accounting systems and procedures unique to the Intercollegiate Athletics Department, as management represented that all systems and procedures are universally included within the Institution's overall control environment.

EADA Reporting

B. **Procedure:** We obtained the financial data detailing operating revenues, expenses and capital related to the Institution's intercollegiate athletics program that is submitted to the NCAA, referred to as "EADA reporting" and agreed the amounts to the Intercollegiate Athletics Program Statement of Revenues and Expenditures for the reporting period.

   Result: We completed the procedure above without exception.

Athletics and Institutional Debt Service and Debt Balance

C. As of August 15, 2013, the Capital Expenditure Survey has been removed from the submission to the NCAA, and instead fields for Athletics and Institutional Debt Service and Debt Balance have added to the Miscellaneous Information Screen. We obtained the Institution's supporting schedules for the reporting period, prepared by management for the capital assets and related debt. We obtained the Institution's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets. We obtained repayment schedules for all outstanding intercollegiate athletics debt maintained by the Institution during the reporting period.

   (1) **Procedure:** We agreed the capitalized athletics-related assets to the Institution's general ledger and disclosed additions, deletions, and book values in this report (Note 2).

   Result: *We noted no exceptions.*

   (2) **Procedure:** We recalculated the annual maturities (consisting of principal and interest) provided in the schedules obtained. We then agreed the total annual maturities as disclosed in the report to supporting documentation and the Institution's general ledger.

   Result: We traced all annual maturities to the debt agreement maturity schedules and noted no exceptions.

Intercollegiate Athletics Restricted and Endowment and Plant Funds

D. **Procedure:** We obtained a summary of additions to restricted funds related to intercollegiate athletics exceeding 10 percent, as well as, changes exceeding 10 percent to endowment and plant funds related to intercollegiate athletics, prepared by management. We were directed by management to present only additions to restricted funds, as well as changes to endowment and plant funds exceeding 10 percent and $50,000 are disclosed in the report.

   Result: See Note 1 and 4 for disclosures.

Statement of Revenues and Expenditures

E. **Procedure:** We obtained the Intercollegiate Athletics Program Statement of Revenues and Expenditures for the reporting period, as prepared by management, and agreed all amounts back to the Institution's general ledger.

Result: Procedures were performed without exception.

F. **Procedure:** We agreed each revenue and expenditure amounts from the statement to prior year amounts and budget estimates. We obtained and documented any variations exceeding 10 percent and $50,000.

Result: See Appendix A.

Revenues

G. **Procedure:** We agreed each revenue category reported in the statement during the reporting period to supporting schedules provided by the Institution.

Result: The supporting schedules provided by the Institution agreed to the statement without exception.

We performed additional procedures as detailed below for the indicated revenue categories:

(1) Ticket Sales

Procedure: We agreed tickets sold for football, men's basketball, and hockey events during the reporting period, including complimentary tickets provided and unsold tickets, to the related revenue reported by the Institution in the statement and related attendance figures and recalculated totals within a 2 percent variance. We agreed a sample of 3 revenue receipts obtained from the above revenue supporting schedules to cash receipt supporting documentation. We noted no other exceptions.

Result: We selected the following 3 revenue receipts:

Receipt Date	Sporting Event	Receipt Amount
September 24, 2013	Football - Murray St	$ 49,022
November 13, 2013	Football - Ohio	10,017
December 23, 2013	Men's Basketball - Detroit	13,179

(2) Student Fees

Procedure: We agreed student fees reported by the Institution in the statement for the reporting period to student enrollments during the same reporting period. We obtained the Institution's methodology for allocating student fees to intercollegiate athletics programs, and recalculated totals. We agreed a sample of 5 revenue receipts obtained from the above revenue supporting schedules to supporting documentation, which included agreement to the student's account statement, application of payment, and the Institution's general ledger.

Result: We selected the following student fee amounts:

Student Tested	Date	Term	Receipt Amount
1	August 17, 2013	Fall 2013	$ 747
2	August 28, 2013	Fall 2013	747
3	November 25, 2013	Spring 2014	595
4	January 3, 2014	Spring 2014	747
5	January 3, 2014	Spring 2014	747

Procedures were performed without exception.

(3) Guarantees

Procedure: We selected a sample of 5 settlement reports for away games and the contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period and agreed each selection to the Institution's general ledger. We also recalculated totals. We agreed a sample of 5 revenue receipts obtained from the above revenue supporting schedules to supporting documentation, which included agreement to the related contractual agreement, payment received by the Institution, and the Institution's general ledger.

Result: We selected the following games/agreements:

Event Date	Sporting Event	Guarantee Amount
September 14, 2013	Football - Indiana University	$ 250,000.00
October 12, 2013	Football - Mississippi St	750,000.00
November 27, 2013	Men's Basketball - Triple Crown Sports	85,055.59
December 7, 2013	Men's Basketball - Xavier University	90,000.00
March 2, 2014	Men's Baseball - Georgia Tech	10,000.00

We obtained the respective contractual agreements, agreed amounts to the contracts, and agreed amounts to the Institution's general ledger. Procedures were performed without exception.

(4) Contributions

Procedure: We obtained supporting documentation for each contribution of moneys, goods or services received directly by an intercollegiate athletics program for any affiliated or outside organization, agency, or group of individuals that constitute 10 percent or more of all contributions received for intercollegiate athletics during the reporting periods. We disclosed the source and dollar value of these contributions in the report. We agreed a sample of 5 revenue receipts obtained from the above revenue supporting schedules to supporting documentation, which included agreement to the payment received by the Institution and the Institution's general ledger.

Result: We selected the following contribution receipts:

Date	Program	Cash Receipt
June 24, 2014	Men's Basketball	$ 25,000
June 24, 2014	Other Sports	53,000
June 24, 2014	Men's Hockey	62,000
December 11, 2013	Non-Program Specific	74,648
June 24, 2014	Other Sports	122,000

Procedures were performed without exception. See Note 1 for contributions over 10 percent.

(5) NCAA/Conference Distributions Including All Tournament Revenues

Procedure: We obtained and inspected a sample of 5 agreements related to the Institution's participation in revenues from tournaments during the reporting period. We agreed the related revenues to the Institution's general ledger and bank statement. We also recalculated totals.

Result: We selected the following distribution amounts:

Date	Program	Receipt Amount
July 29, 2013	Non-Program Specific	$ 166,146
August 12, 2013	Non-Program Specific	598,307
October 9, 2013	Non-Program Specific	300,000
June 20, 2014	Men's Basketball	115,431
June 20, 2014	Men's Football	100,000

Procedures were performed without exception.

(6) Royalties, Advertisements and Sponsorships

Procedure: We obtained and inspected a sample of 5 agreements related to the Institution's participation in revenues from royalties, advertisements, and sponsorships during the reporting period. We agreed the related revenues to the Institution's general ledger and the bank statement. We also recalculated totals. We agreed a sample of 5 revenue receipts obtained from the above revenue supporting schedules to supporting documentation, which included agreement to the related contractual agreement, payment received by the Institution, and the Institution's general ledger.

Result: We selected the following licensing/sponsorship transactions:

Date	Program	Receipt Amount
July 29, 2013	Non-Program Specific	$ 50,000
November 13, 2013	Non-Program Specific	53,612
January 15, 2014	Non-Program Specific	66,305
May 12, 2014	Non-Program Specific	21,308
June 30, 2014	Non-Program Specific	150,500

Procedures were performed without exception. We recalculated the total fees revenue per the general ledger within a 2 percent variance.

Expenditures

H. **Procedure:** We compared each expenditure category reported in the statement during the reporting period to supporting schedules provided by the Institution.

Result: The supporting schedules provided by the Institution agreed to the statement without exception.

We performed additional procedures as detailed below for the indicated expenditure categories:

(1) Athletic Student Aid

Procedure: We selected a sample of 30 students from the listing of institutional student aid recipients during the reporting period. We obtained individual student-account detail for each selection and agreed total aid allocated from the related aid award letter to the student's account and recalculated totals. We agreed a sample of 30 expenses obtained from the above expense supporting schedules to supporting documentation, which included agreement to the student's account statement, award letter, and acceptance letter.

Result: Procedures were performed without exception. The students' accounts tested are summarized below:

Student Tested	Amount Awarded	Student Tested	Amount Awarded
1	$ 5,295	16	$ 5,295
2	3,654	17	5,295
3	3,095	18	5,295
4	3,000	19	5,107
5	5,295	20	2,795
6	5,295	21	5,295
7	3,900	22	5,295
8	3,719	23	3,795
9	4,045	24	5,295
10	4,795	25	5,295
11	5,295	26	3,795
12	2,500	27	4,545
13	5,295	28	3,095
14	3,654	29	1,830
15	4,545	30	3,026

(2) Coaching Salaries, Benefits, and Bonuses Paid by the Institution and Related Entities

Procedure: We obtained and inspected a listing of coaches employed by the Institution and related entities during the reporting period. We selected a sample of 5 coaches' contracts and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the Institution and related entities in the statement during the reporting period. We obtained and inspected W-2s for each selection. We agreed the amounts paid by the Institution related to coaching salaries, benefits, and bonuses and the related entities expense recorded by the Institution during the reporting period. We also recalculated totals.

Result: We selected coaching contracts from the following programs:

Coach	Program
1	Football
2	Men's Golf
3	Women's Volleyball
4	Men's Basketball
5	Women's Basketball

Procedures were performed without exception.

(3) Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the Institution and Related Entities

Procedure: We selected a sample of 5 support staff/administrative personnel employed by the Institution and related entities during the reporting period. We obtained and inspected W-2s for each selection. We agreed the amounts paid by the Institution related to salaries, benefits, and bonuses and the related entities expense recorded by the Institution during the reporting period. We also recalculated totals. We agreed a sample of 5 expenses obtained from the above expense supporting schedules to supporting documentation.

Result: We selected staff from the following programs:

Staff	Staff Title	Program
1	Director	Men's Basketball
2	Student Employee	Intercollegiate Athletics
3	Manager	Intercollegiate Athletics
4	Director	Intercollegiate Athletics
5	Intern	Intercollegiate Athletics

Procedures were performed without exception.

(4) Team Travel

Procedure: We obtained the Institution's team travel policies. We agreed to existing institutional- and NCAA-related policies. We agreed a sample of 5 expenses obtained from the above expense supporting schedules to supporting documentation, including vendor invoice, payment made by the Institution, and the Institution's general ledger.

Result: We selected travel expenses from the following programs:

Date	Program	Expense Amount
December 10, 2013	Men's Basketball	$ 19,440
September 30, 2013	Football	14,467
December 31, 2013	Men's Hockey	7,483
November 13, 2013	Men's Hockey	7,258
August 26, 2013	Men's Golf	4,995

Procedures were performed without exception.

(5) Direct Facilities, Maintenance and Rental

Procedure: We agreed a sample of 5 operating expenses obtained from the above expense supporting schedules to supporting documentation including vendor invoices and canceled checks. We recalculated totals.

Result: We selected facilities, maintenance, and rental expenses from the following programs:

Date	Program	Expense Amount
December 2, 2013	Non-Program Specific	$ 22,965
April 10, 2014	Football	54,415
October 31, 2013	Football	18,120
August 23, 2013	Men's Hockey	12,911
August 22, 2013	Non-Program Specific	12,000

Procedures were performed without exception.

(6) Indirect Facilities and Administrative Support

Procedure: We obtained the Institution's methodology for allocating indirect facilities support. We summed the indirect facilities-support and indirect institutional-support totals reported by the Institution in the statement. We agreed Indirect Facilities and Administrative Support reported by the Institution in the statement to the corresponding revenue category (indirect facilities and administrative support - category 8) reported by the Institution in the statement and recalculated totals. We agreed a sample of 5 expenses obtained from the above expense supporting schedules to supporting documentation, including vendor invoice, payment made by the Institution, and the Institution's general ledger.

Result: We selected indirect facilities and administrative support expenses from the following programs:

Date	Program	Expense Amount
November 27, 2013	Football	$ 7,889
June 2, 2014	Women's Tennis	4,230
April 10, 2014	Non-Program Specific	46,000
May 27, 2014	Non-Program Specific	61,800
May 20, 2014	Non-Program Specific	9,025

Procedures were performed without exception.

Affiliated and Outside Organizations

I. In preparation for our procedures related to the Institution's affiliated and outside organizations we:

(1) Inquired of management as to whether they have identified any affiliated and outside organizations that meet any of the following criteria:

i. Booster organizations established by or on behalf of an intercollegiate athletics program.

ii. Independent or affiliated foundations or other organizations that have as a principal purpose, generating or maintaining of grants-in-aid or scholarships funds, gifts, endowments or other moneys, goods or services to be used entirely or in part by the intercollegiate athletics program.

iii. Alumni organizations that have as one of its principal purposes the generating of moneys, goods or services for or on behalf of an intercollegiate athletics programs and that contribute moneys, goods or services directly to an intercollegiate athletics program, booster group, or independent or affiliated foundation as previously noted.

(2) We also obtained documentation on the Institution's practices and procedures for monitoring the internal controls in place and financial activities of these organizations. We inquired of management on the procedures for gathering information on the nature and extent of affiliated and outside organization activity for or on behalf of the institution's intercollegiate athletic program.

(3) We obtained and inspected audited financial statements of the organization and any additional reports regarding internal controls and any corrective action taken in response to comments concerning the control environment that were provided to us by management.

Result: We noted the only affiliated organization was the Bowling Green State University Foundation, Inc. We obtained and inspected the audited financial statements of the Bowling Green State University Foundation, Inc. and the management letter as a result of their June 30, 2014 audit.

J. **Procedure:** For expenses on or on behalf of intercollegiate athletic programs by affiliated and outside organizations not under the Institution's accounting control, we requested those organization's financial statements for the reporting period.

Result: There were no expenses on behalf of intercollegiate athletic programs by affiliated and outside organizations not under the Institution's accounting control. No additional procedures were performed.

Dr. Mary Ellen Mazey, Ph.D.
Bowling Green State University

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Intercollegiate Athletics Program Statement of Revenues and Expenditures. 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 Bowling Green State University's management and the National Collegiate Athletics Association and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 10, 2014

Bowling Green State University
National Collegiate Athletics Association Report

Intercollegiate Athletics Program Statement of Revenues and Expenditures
For the Year Ended June 30, 2014

Revenue

	Men's Football	Men's Basketball	Men's Hockey	Other Sports	Non- Program Specific	Total
Ticket Sales	$ 1,367,033	$ 143,352	$ 165,176	$ 139,521	$ 21,391	$ 1,836,473
Post Season Game Proceeds	183,400	-	-	-	-	183,400
Concessions	-	-	-	-	64,821	64,821
Student Activity Fees	-	-	-	-	12,718,603	12,718,603
Institutional Support	-	-	-	-	2,000,000	2,000,000
Game Guarantees	1,000,000	150,000	-	30,000	-	1,180,000
NCAA Distribution	175,000	115,431	8,035	-	1,659,236	1,957,702
Licensing/Sponsorships	-	-	-	-	401,611	401,611
Parking	66,023	-	5,171	-	7,432	78,626
Stadium Suites	-	-	-	-	104,290	104,290
Gifts	27,438	195,959	62,390	361,781	344,731	992,298
Sports Schools & Camps	-	-	-	-	409,925	409,925
Miscellaneous	230,856	25,056	55,641	11,425	136,547	459,524
Total Revenue	**$ 3,049,749**	**$ 629,798**	**$ 296,413**	**$ 542,726**	**$ 17,868,587**	**$ 22,387,273**

Expenses

	Men's Football	Men's Basketball	Men's Hockey	Other Sports	Non- Program Specific	Total
Coaches' Salaries	$ 1,485,533	$ 501,780	$ 311,476	$ 1,304,061	$ -	$ 3,602,850
Other Salaries	172,995	30,000	39,500	110,567	1,947,128	2,300,191
Staff Benefits	523,112	175,523	108,992	467,846	586,532	1,862,005
Non-Employee Comp. (Game Officials)	79,478	82,654	41,350	125,666	87,514	416,661
Films	915	-	-	-	74,925	75,840
Travel: Team	354,684	156,136	180,534	851,576	-	1,542,930
Recruiting	116,892	63,989	42,422	170,451	-	393,755
Other Travel	425,148	54,135	42,135	173,608	220,915	915,941
Financial Aid	2,185,887	414,862	506,722	2,655,760	5,174	5,768,404
Equipment	390,114	37,860	175,422	339,034	256,689	1,199,118
Facility Rental	3,093	-	105,568	1,207	1,132	111,000
Game Guarantees	460,000	78,000	7,500	24,310	-	569,810
Stadium Suites Internal Financing	-	-	-	-	207,732	207,732
Sports Camps	-	-	-	-	323,041	323,041
Memberships	60	-	420	6,566	283,893	290,939
Telephone	17,684	7,034	7,659	29,444	68,559	130,380
Allocated Expenses	194,476	30,189	33,296	189,886	1,049,241	1,497,088
Total Expenses	**$ 6,410,071**	**$ 1,632,170**	**$ 1,602,997**	**$ 6,449,983**	**$ 5,112,474**	**$ 21,207,695**
Revenues Over (Under) Expenditures	**$ (3,360,322)**	**$ (1,002,372)**	**$ (1,306,584)**	**$ (5,907,256)**	**$ 12,756,113**	**$ 1,179,579**

Notes to Intercollegiate Athletics Program
Statement of Revenues and Expenditures
For the Year Ended June 30, 2014

Note 1 - Contributions

Individual contributions of moneys, goods, or services received directly by the Institution's intercollegiate athletics program from any affiliated or outside organization, agency, or individuals that constitutes 10 percent or more of all contributions received for intercollegiate athletics during the year ending June 30, 2014 are as follows:

Donor	Designation	Amount
William D. Frack	William D. Frack Division I Men's Basketball Investment	$ 710,350

Note 2 - Intercollegiate Athletics-Related Assets

Property and equipment are recorded at cost or, if donated, the fair value at the time of donation. Expenditures for maintenance and repairs are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. No depreciation is recorded on land. Expenditures for major renewals and betterments that extend the useful lives of the assets are capitalized. Estimated service lives range from 4-10 year depending on class.

The current year capitalized additions and deletions to facilities during the year ending June 30, 2014 are as follows:

	Additions	Deletions
Machinery and Equipment	$ 44,755	$ 796,646
Furniture	36,790	-
Cost - Athletics Facilities	81,545	796,646
Accumulated Depreciation	-	(796,646)
Book Value - Athletics Facilities	$ 81,545	$ -
Book Value - Other University Facilities	$ 47,093,270	$ 4,845,162

Note 2 - Intercollegiate Athletics-Related Assets (Continued)

The total estimated book values of property, plant and equipment, net of depreciation, of the Institution as of the year ended June 30, 2014, are as follows:

Machinery and Equipment	$ 1,056,861
Furniture	123,697
Computer and Software	127,933
Vehicles	25,579
Cost - Athletics Facilities	1,334,070
Accumulated Depreciation	(862,289)
Book Value - Athletics Facilities	$ 471,781
Book Value - Other University Facilities	$ 428,722,221

Note 3 - Intercollegiate Athletics-Related Debt

The annual debt service and debt outstanding for the Institution as of the year ending June 30, 2014 is as follows:

	Annual Debt Service	Debt Outstanding
Athletics-related facilities	$ 108,379	$ 108,379
University's total	$ 11,370,000	$ 143,770,000

The repayment schedule for all outstanding intercollegiate athletics debt maintained by the Institution during the fiscal year ending June 30 is as follows:

	Principal	Interest	Total
2015	$ 104,211	$ 4,168	$ 108,379

Note 4 - Restricted and Endowment and Plant Funds

We noted there were several significant changes exceeding 10 percent and $50,000 to endowment and plant funds, as follows:

- A change was reflected at Fund 301578, Stroh Convocation Center Fund, with a value of $490,338 as of June 30, 2013 to a value of $523 as of June 30, 2014. The decrease was primarily due to donor approved spending on improvements to the Stroh Convocation Center.

- A change was reflected at Fund 301981, Hockey Endowment Fund, with a value of $337,424 as of June 30, 2013 to a value of $416,601 as of June 30, 2014. The increase was due to investment earnings on the invested funds during the period.

- A change was reflected at Fund 302010, Scott Hamilton '94 Varsity Ice Hockey Scholarship, with a value of $639,317 as of June 30, 2013 to a value of $703,451 as of June 30, 2014. The increase was primarily due to an additional donation received by the fund during the period as well as investment earnings on the invested funds during the period.

Bowling Green State University
National Collegiate Athletics Association Report

Appendix A
Revenue and Expense Variance - Actual to Actual

Revenue

	2013-2014 Actual	2012-2013 Actual	$ Change	% Change	Explanation Provided by Intercollegiate Athletics Senior Fiscal Manager
Post Season Game Proceeds-Football	$ 183,400	$ 34,764	$ 148,636	427.55%	The difference is sales associated with two games in Detroit (MAC Championship game and Little Ceasars Pizza bowl FY14) and a post bowl game in Washington DC (Military Bowl FY13). Location, interest and ability to sell tickets in a closer location attributes to the revenue difference
NCAA Distribution-Football	$ 175,000	$ 400,000	$ (225,000)	(56.25%)	The difference is the bowl stipend from the MAC Military Bowl ($400,000) and the Little Ceasars Pizza Bowl ($175,000)
Miscellaneous-Football	$ 230,856	$ (14,159)	$ 245,014	(1,730.46%)	BGSU received a $200,000 buyout from Wake Forest for Coach Clawson's contract breach
Game Guarantees-Basketball	$ 150,000	$ 75,000	$ 75,000	100.00%	There was one more game guarantee compared to last year.
Gifts-Basketball	$ 195,959	$ 24,024	$ 171,935	715.67%	There was a gift transfer of $170,000 from William D Frack to cover the salary differences between the new coach and his predecessor.
Miscellaneous-Hockey	$ 55,641	$ 348	$ 55,293	15,888.81%	Revenue associated with travel reimbursements for trips to Anchorage, Huntsville, WCHA Championships and tournaments in Pittsburgh. Another $10,878 is associated with revenue due to WCHA hosting first round playoff games on campus.
Institutional Support - Non-program specific	$ 2,000,000	$ -	$ 2,000,000	-	This was a contribution from the University to cover fund balance deficit. No such transfer was made last fiscal year.

Expenditures

	2013-2014 Actual	2012-2013 Actual	$ Change	% Change	Explanation Provided by Intercollegiate Athletics Senior Fiscal Manager
Recruiting-Football	$ 116,892	$ 342,633	$ (225,741)	(65.88%)	FY13 bowl game was in Washington DC and FY14 bowl game was in Detroit resulting in decreased travel and lodging costs
Game Guarantees-Basketball	$ 78,000	$ 165,000	$ (87,000)	(52.73%)	There were fewer home game guarantees in FY 14.
Team Travel-Hockey	$ 180,534	$ 77,729	$ 102,806	132.26%	First year in WCHA and travel costs were higher with trips to Anchorage, Alabama Huntsville, Bemidji, Mankato, and the WCHA championships in Grand Rapids.
Allocated Expenses-Hockey	$ 33,296	$ 90,882	$ (57,586)	(63.36%)	In FY13, hockey completed a major renovation to their locker room shower area that accounts for the difference
Allocated Expenses-Other Sports	$ 189,886	$ 48,753	$ 141,134	289.49%	In FY14 $95,000 was transferred to fund a capital project to renovate the men's baseball lockerrooms. There were no transfers for capital projects in FY13

Appendix A (Continued)
Revenue and Expense Variance - Actual to Budget

	2013-2014 Actual	2013-2014 Budget	$ Change	% Change	Explanation Provided by Intercollegiate Athletics Senior Fiscal Manager
Revenue					
Football	$ 2,691,349	$ 1,331,545	$ 1,359,804	102.12%	Actual game guarantees were $1,000,000 but were not included in the football budget. These revenues were budgeted in the Intercollegiate Athletics department. Also received $200,000 from Wake Forest as part of Dave Clawson leaving. This was not budgeted for
Hockey	$ 296,413	$ 225,000	$ 71,413	31.74%	Received $62,000 from the Foundation to cover an overage in budgeted expenses. This revenue was not included in the original budget.
Sport Camps	$ 347,388	$ -	$ 347,388	- %	Not budgeted annually; Revenue and expenses should almost net to zero
Bowl Game	$ 358,400	$ -	$ 358,400	- %	Not budgeted annually as this is a special event that does not happen each year
Expenditures					
Intercollegiate Athletics	$ 4,681,710	$ 4,135,452	$ 546,258	13.21%	Higher salaries were paid to new hires due to market adjustments; higher fringes due to higher salaries; increased costs for moving expenses associated with new coaches and staff; medical insurance cost increases; higher costs associated with equipment purchases-soccer bench, mobile concession trailer, computer upgrades; higher marketing expenses to promote athletic events; major HVAC repair at Sebo
Basketball-Men	$ 1,631,570	$ 1,199,177	$ 432,393	36.06%	Coaching staff changes; new staff salaries were higher than previous staff and previous staff stayed through the end of the fiscal year
Hockey	$ 1,602,997	$ 1,366,912	$ 236,085	17.27%	Ice rental expenses budgeted in ICA charged to hockey. Additionally there were renovations made to the locker rooms with an increased expense and upgrades to equipment used by hockey
Soccer-Men	$ 421,865	$ 335,917	$ 85,948	25.59%	Higher expenses in equipment, travel, and grant in aid than what was budgeted for
Baseball-Men	$ 755,401	$ 567,793	$ 187,608	33.04%	Capital project transfer and related supplies was not included in the original budget but was covered by transfer in from the Foundation.
Golf-men	$ 266,432	$ 160,247	$ 106,185	66.26%	Higher expenses in equipment, travel, and grant in aid than what was budgeted for
Volleyball-Women	$ 672,467	$ 592,910	$ 79,557	13.42%	Additional travel expenses related to post-season MAC tournament and more than expected recruiting expenses to replace large senior class
Swimming-women	$ 553,156	$ 490,254	$ 62,902	12.83%	Implemented diving so costs associated with hiring diving coach and purchase equipment; salary increases due to market adjustments
Sport Camps	$ 322,111	$ -	$ 322,111	- %	Not budgeted annually; Revenue and expenses should almost net to zero
Bowl Game	$ 302,311	$ -	$ 302,311	- %	Not budgeted annually as this is a special event that does not happen each year

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WBGU-TV

(A Public Telecommunications Entity Operated by Bowling Green State University)

Financial Report

with Additional Information

June 30, 2014

Contents

Plante & Moran, PLLC
3434 Granite Circle
Toledo, OH 43617
Tel: 419.843.6000
Fax: 419.843.6099
plantemoran.com

Independent Auditor's Report

To Management, the Audit Committee,
and the Board of Trustees
WBGU-TV

Report on the Financial Statements

We have audited the accompanying statements of net position of WBGU-TV (WBGU or the "Station"), a public telecommunications entity operated by Bowling Green State University, as of and for the year ended June 30, 2014, and the related statements of revenue, expenses, and changes in net position and cash flows for the year then ended, which collectively comprise WBGU-TV's 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 accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and in accordance with 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 from 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WBGU-TV as of June 30, 2014 and the changes in its net position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To Management, the Audit Committee,
and the Board of Trustees
WBGU-TV

Report on Prior Year Financial Statements

The financial statements of WBGU-TV as of and for the year ended June 30, 2013 were audited by a predecessor auditor, which expressed an unmodified opinion on WBGU-TV. The predecessor auditor's report was dated December 5, 2013.

Emphasis of Matter

We draw attention to Note 1, which explains that the financial statements of WBGU-TV are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the University's business-type activities that are not attributable to the transactions of the department. They do no purport to, and do not, present fairly the financial position of Bowling Green State University as of June 30, 2014 and 2013, the changes in its financial position, or the changes in its cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9, as identified in the table of contents, 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2014 on our consideration of the WBGU-TV'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 WBGU-TV's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 10, 2014

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, 2014, 2013, and 2012. 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*. In fiscal year 2013, the WBGU-TV adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement supersedes paragraphs 10 and 12 of GASB Statement No. 35. GASB Statement No. 63 establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position. The financial statements prescribed by GASB Statement No. 63 (the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows) 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-TV made strides to operate within available resources during the year. Significant sources of revenue are operating subsidy from BGSU, support from the Corporation of Public Broadcasting, and contributions and memberships. Expenses were reduced to better correspond with these available resources.

Condensed Statements of Net Position
as of June 30, 2014, 2013, and 2012

	2014	2013	2012
Assets			
Current assets	$ 2,804,595	$ 3,352,361	$ 3,596,524
Noncurrent assets:			
Capital assets	1,578,643	1,501,647	1,770,377
Other	1,682,461	1,530,314	1,455,084
Total noncurrent assets	3,261,104	3,031,961	3,225,461
Total assets	6,065,699	6,384,322	6,821,985
Liabilities			
Current liabilities	741,520	1,059,334	1,125,346
Noncurrent liabilities	153,460	117,579	66,912
Total liabilities	894,980	1,176,913	1,192,258
Net position			
Net investment in capital assets	1,578,643	1,501,647	1,770,377
Unrestricted	1,909,615	2,175,448	2,404,266
Restricted for:			
Nonexpendable endowments	1,057,044	1,048,868	1,048,868
Expendable	625,417	481,446	406,216
Total net position	$ 5,170,719	$ 5,207,409	$ 5,629,727

Current assets consist of cash and cash equivalents, receivables, and unexpired program rights. Current assets totaled $2,805,000 at June 30, 2014 as compared to $3,352,000 at June 30, 2013, and $3,597,000 at June 30, 2012.

Fiscal year 2014 compared to 2013

- Cash and cash equivalents decreased $587,000 due primarily to a $311,000 reduction in cash flows from grant funding and fluctuations in normal operating activity.

Fiscal year 2013 compared to 2012

- Cash and cash equivalents decreased by $241,000 due to a reduction in cash flows from grant funding and operating subsidies.

Noncurrent assets include capital assets, net of accumulated depreciation, and endowment investments at fair value. Noncurrent assets totaled $3,261,000 at June 30, 2014 as compared to $3,032,000 at June 30, 2013 and $3,225,000 at June 30, 2012.

Fiscal year 2014 compared to 2013

- Capital assets (net of depreciation) at June 30, 2014 were $1,579,000 representing 26.0% of WBGU-TV's total assets. Capital assets increased by $77,000 due to capital asset activity in the current year. Capital asset additions during the year totaled $368,000 of new equipment. Capital asset retirements during the year totaled $923,000 of equipment. These capital assets retirements were fully depreciated when retired.
- Endowment investments increased by $152,000 due to appreciation of the investments.

Fiscal year 2013 compared to 2012

- Capital assets decreased by $269,000 due to limited capital additions.

Total liabilities include accounts payable, accrued expenses, unearned revenue, and compensated balances. Total liabilities totaled $895,000 at June 30, 2014 as compared to $1,177,000 at June 30, 2013 and $1,192,000 at June 30, 2012.

Fiscal year 2014 compared to 2013

- Unearned revenue decreased $294,000 due to a reduction in cash flows from grant funding.

Fiscal year 2013 compared to 2012

- Unearned revenue decreased $61,000 due to a reduction in cash flows from grant funding.

Net position presents the difference between WBGU's assets and liabilities. Total net position totaled $5,171,000 at June 30, 2014 as compared to $5,207,000 at June 30, 2013 and $5,630,000 at June 30, 2012.

Fiscal year 2014 compared to 2013

- Unrestricted net position decreased $266,000 due fluctuations in normal operating activity.
- Restricted expendable net position increased $144,000 due to appreciation of endowment investments.

Fiscal year 2013 compared to 2012

- Unrestricted net position decreased $228,000 due to fluctuations in normal operating activity.
- Net investment in capital assets decreased $269,000 due to depreciation of capital assets as well as limited capital asset additions during the year.

Condensed Statements of Revenues, Expenses, and Changes in Net Position for the Years Ended June 30, 2014, 2013, and 2012

	2014	2013	2012
Operating revenues:			
Contributions and memberships	$ 454,700	$ 452,756	$ 410,350
Contributed services	270,726	240,235	240,235
Fees and services	452,317	390,063	341,305
Grants and contracts	1,130,370	1,265,309	1,470,077
Other operating revenue	22,316	43,294	46,913
Total operating revenues	2,330,429	2,391,657	2,508,880
Operating expenses:			
Program services	3,216,455	3,317,361	3,281,867
Supporting services	932,259	944,466	1,020,795
Total operating expenses	4,148,714	4,261,827	4,302,662
Operating loss	(1,818,285)	(1,870,170)	(1,793,782)
Non-operating revenues:			
Operating subsidies	1,106,910	894,519	973,733
Donated facilities and support	477,610	434,915	508,204
Investment gain, net	188,900	118,418	67,383
Other non-operating revenues	8,175	-	52,943
Total non-operating revenues	1,781,595	1,447,852	1,602,263
Change in net position	(36,690)	(422,318)	(191,519)
Net position at the beginning of the year	5,207,409	5,629,727	5,821,246
Net position at the end of year	$ 5,170,719	$ 5,207,409	$ 5,629,727

Total operating revenue for fiscal years ended June 30, 2014, 2013, and 2012 was $2.3 million, $2.4 million, and $2.5 million, respectively

Fiscal year 2014 compared to 2013

- Grants and contracts decreased $135,000 due to decreased support from granting agencies.
- Fees and services increased $62,000 primarily due to increased underwriting activity.

Fiscal year 2013 compared to 2012

- Contributions and memberships increased $42,000 due to increase in memberships.
- Grants and contracts decreased $205,000 due to decreased support from granting agencies.

Total operating expenses for fiscal years ended June 30, 2014, 2013, and 2012 was $4.1 million, $4.3 million, and $4.3 million, respectively.

Fiscal year 2014 compared to 2013

- Program services decreased $101,000 primarily due to a decrease in program acquisitions.

Fiscal year 2013 compared to 2012

- Supporting services decreased $76,000 primarily due to decreased program production expenses.

Total nonoperating revenues for fiscal years ended June 30, 2014, 2013, and 2012 was $1.8 million, $1.4 million, and $1.6 million, respectively.

Fiscal year 2014 compared to 2013

- Operating subsidies from BGSU increased $212,000 primarily due to an equipment purchase by BGSU on behalf of WBGU.
- Investment income increased $70,000 due to favorable market conditions.

Fiscal year 2013 compared to 2012

- Operating subsidies from BGSU decreased $79,000 primarily due to a reduction in budget allocation for staffing, which the operating subsidy covers.

Economic Factors Affecting the Future of WBGU-TV

The economy of Ohio, while it has turned around, has had a somewhat negative impact on WBGU-TV's ability to increase membership dollars by a large percentage. The level of private annual giving was maintained this past year, both in dollars and number of members, but may be more challenged in future years. WBGU-TV will strive to increase both private giving and production services in the coming year over and above FY 2014 levels. The same Ohio economic conditions have created reductions in state support to Bowling Green State University. 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

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	$ 2,745,679	$ 3,332,401
Receivables:		
Accounts receivable	33,717	130
Grants and contracts	13,265	-
Unexpired program rights	11,934	19,830
Total current assets	2,804,595	3,352,361
Noncurrent assets:		
Endowment investments	1,682,461	1,530,314
Capital assets, net	1,578,643	1,501,647
Total noncurrent assets	3,261,104	3,031,961
Total assets	6,065,699	6,384,322
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	27,341	35,619
Unearned revenue	640,480	934,014
Current portion of accrued compensated balances	73,699	89,701
Total current liabilities	741,520	1,059,334
Noncurrent liabilities:		
Accrued compensated absences (net of current portion)	153,460	117,579
Total liabilities	894,980	1,176,913
Net position:		
Net investment in capital assets	1,578,643	1,501,647
Unrestricted	1,909,615	2,175,448
Restricted for:		
Nonexpendable endowments	1,057,044	1,048,868
Expendable	625,417	481,446
Total net position	$ 5,170,719	$ 5,207,409

See accompanying notes.

WBGU-TV
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30

	2014	2013
Revenues		
Operating revenues:		
Contributions and memberships	$ 454,700	$ 452,756
Contributed services	270,726	240,235
Fees and services:		
Public broadcasting services	339,088	176,555
Business and industry	113,229	213,508
State and local grants	296,521	351,667
Private and other grants	833,849	913,642
Miscellaneous	22,316	43,294
Total operating revenues	2,330,429	2,391,657
Expenses		
Operating expenses:		
Program services:		
Programming and production	1,837,087	1,888,521
Broadcasting	1,312,746	1,330,752
Public information and promotion	66,622	98,088
Supporting services:		
Management and general	471,725	452,487
Fundraising and membership development	460,534	491,979
Total operating expenses	4,148,714	4,261,827
Operating loss	(1,818,285)	(1,870,170)
Nonoperating revenues		
Operating subsidies	1,106,910	894,519
Donated facilities and support	477,610	434,915
Investment income, net	188,900	118,418
Endowment revenue	8,175	-
Net nonoperating revenues	1,781,595	1,447,852
Change in net position	(36,690)	(422,318)
Net position		
Net position at the beginning of year	5,207,409	5,629,727
Net position at the end of year	$ 5,170,719	$ 5,207,409

See accompanying notes

WBGU-TV
Statements of Cash Flows
Years Ended June 30

	2014	2013
Cash flows from operating activities		
Contributions and memberships	$ 449,700	$ 452,756
Fees and services	435,649	399,657
Grants	832,907	1,187,936
Other receipts	279,839	251,842
Payments to vendors for supplies and services	(1,577,365)	(1,682,803)
Payments to employees and benefits	(1,798,943)	(1,765,226)
Net cash used in operating activities	(1,378,213)	(1,155,838)
Cash flows from noncapital financing activities		
Operating subsidies	1,106,910	894,519
Net cash provided by noncapital financing activities	1,106,910	894,519
Cash flows from capital financing activities		
Purchase of capital assets	(360,348)	(23,146)
Net cash used in capital financing activities	(360,348)	(23,146)
Cash flows from investing activities		
Investment income	44,929	43,188
Net cash provided by investing activities	44,929	43,188
Net decrease in cash	(586,722)	(241,277)
Cash & cash equivalents at beginning of year	3,332,401	3,573,678
Cash & cash equivalents at end of year	$ 2,745,679	$ 3,332,401
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (1,818,285)	$ (1,870,170)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	283,352	291,877
Donated facilities and support	477,610	434,915
In-kind donation of equipment	-	-
Transfer to endowment	-	-
Changes in assets and liabilities:		
Accounts receivable, net	(46,852)	11,360
Unexpired program rights	7,895	(8,475)
Accounts payable	(545)	(777)
Accrued wages and vacation pay	12,146	46,738
Unearned revenue	(293,534)	(61,306)
Net cash used in operating activities	$ (1,378,213)	$ (1,155,838)

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 Bowling Green State University. The accompanying financial statements include only the funds of WBGU-TV and do not extend to any financial statements of Bowling Green State 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 and Foundation contain more extensive disclosure of the significant accounting policies of each entity as a whole.

Basis of Presentation

WBGU-TV follows all applicable Governmental Accounting Standards Board (GASB) pronouncements. The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for publicly owned colleges and universities and is presented in accordance with the reporting model as prescribed in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, and No. 63. WBGU-TV follows the "business-type" activities requirements of GASB Statement No. 34. This approach requires the following components of WBGU-TV's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements including a Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Cash Flows; and Notes to the Financial Statements

GASB Statement No. 34, as amended by Statement No. 63 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following four net position categories:

- *Net investment 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 non-expendable endowments:* Restricted non-expendable endowments are gifts that have been received for endowment purposes, the corpus of which cannot be expended.

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

- *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 towards restricted resources and then toward unrestricted resources.

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 consists 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 includes amounts due from the federal, state, and local governments or private sources, in connection with reimbursement of allowable expenditures pursuant to grants and contacts.

Unexpired Program Rights and Unearned Revenue

Unexpired program rights include expenses for programs produced by WBGU-TV, which will be broadcast subsequent to the end of the fiscal year. Unearned 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 assets. Unearned 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 including 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 position 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 position restricted for nonexpendable endowments is classified as restricted for expendable net position 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 $625,417 and $481,446 at June 30, 2014 and 2013, 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 2014 and 2013, respectively.

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 $21,314 and $19,814 in 2014 and 2013, 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)

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.

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, 2014 and 2013, consisted of:

	2014		2013	
	Hours	Total	Hours	Total
Programming and production	**528**	**$ 69,319**	1,257	$ 27,829
Fundraising	409	9,223	357	7,903
Management and general	126	2,841	118	2,612
Total	1,063	$ 81,383	1,732	$ 38,344

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

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 Corporation for Public Broadcasting (CPB), which was 1.2% and 1.0% for fiscal years ended June 30, 2014 and 2013, 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.

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

Income Taxes

WBGU-TV is licensed to and operated by Bowling Green State 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.

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.

2. Cash and Investments

The cash balances as of June 30, 2014 and 2013 are pooled funds that are held and managed by the University and Foundation.

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 by endowment fund as of June 30, 2014 and 2013, were as follows:

	2014	2013
WBGU-TV Silver Anniversary	$ 1,220,082	$ 1,115,544
WBGU-TV Programming Endowment Fund	27,023	24,708
WBGU-TV Equipment	48,225	36,143
The Younger Family Fund	314,421	287,447
Jorgen Larsen WBGU Programming Fund	72,710	66,472
Total	$ 1,682,461	$ 1,530,314

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, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	**$ 40,000**	$ –	$ –	$ 40,000
Buildings	**2,410,108**	–	–	2,410,108
Equipment	**8,884,386**	360,348	923,384	8,321,350
Total capital assets	**11,398,759**	360,348	923,384	10,771,458
Less accumulated depreciation	**9,832,847**	283,352	923,384	9,192,815
Capital assets, net	**$ 1,501,647**	$ 76,996	$ –	$ 1,578,643

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

4. Accounts Payable and Accrued Expenses

The composition of accounts payable and accrued expenses at June 30, 2014 and 2013, was as follows:

	2014	2013
Accounts payable	$ 9,583	$ 10,128
Accrued payroll	17,758	25,491
Total	$ 27,341	$ 35,619

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 assets, and as a component of operating expense in the statements of revenues, expenses, and changes in net assets.

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, 2014, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Vacation pay	**$ 143,329**	$ 81,620	$ 74,013	$ 150,936	$ 73,510
Sick leave	**63,951**	12,272	-	76,223	189
Total	**$ 207,280**	$ 93,892	$ 74,013	$ 227,159	$ 73,699

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

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 pre-tax 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 programs for June 30 are summarized as follows:

	2014	2013	2012
OPERS	$ 162,133	$ 158,435	$ 146,418
ARP	7,384	7,240	13,754
Total	$ 169,517	$ 165,675	$ 160,172

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 2013, this allocation is 1.0% of covered payroll. Effective January 1, 2014, the portion of employer contributions allocated to health care increased to 2.0% 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, 2014, 2013, and 2012, are $17,169, $33,895, and $41,725 respectively.

8. Corporation for Public Broadcasting Grants

The Corporation for Public Broadcasting (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 2014 and 2013, the grant funds recorded as revenue were as follows:

	2014	2013
Community Service Grant	$ 817,759	$ 896,907
Interconnection Grant	16,090	16,544
Total	$ 833,849	$ 913,451

9. Nonfederal Financial Support (NFFS)

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS. NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment and meeting all of the respective criteria for each.

A “contribution” is cash, property, or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation, or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution, or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station. However, to eliminate distortions in the TV Community Service Grant (CSG) program precipitated by extraordinary infusions of new capital investments in digital television (DTV), all capital contributions received for purposes of acquiring new equipment or upgrading existing or building new facilities regardless of source or form of the contribution are not included in calculating the 2014 NFFS. This change excludes all revenues received for any capital purchases.

A “payment” is cash, property, or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, an educational institution or organization, or a nonprofit entity; (2) the form of the payment must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS was $1,866,238 and $1,735,895 for 2014 and 2013, respectively.

10. 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, 2014 and 2013, amounted to $1,106,910 and $894,519, respectively. In addition, the University provided for the years ended June 30, 2014 and 2013, an estimated $477,610 and $434,915 of indirect administrative support, respectively. The indirect administrative support revenue was calculated using the University's "modified other sponsored activities indirect costs rate" of 1.2% and 1.0%, respectively.

11. 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.

12. Upcoming Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The total pension liability will be computed on a different basis than the current actuarial accrued liability and the method of allocating this liability to each participating employer has not yet been determined; while the precise impact is not known, it is deemed likely that this pronouncement will have a material impact on the financial statements. The provisions of this statement are effective for the fiscal year ending June 30, 2015, and therefore will be adopted in the next fiscal year.

Plante & Moran, PLLC
3434 Granite Circle
Toledo, OH 43617
Tel: 419.843.6000
Fax: 419.843.6099
plantemoran.com

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

Independent Auditor's Report

To Management, the Audit Committee, and
the Board of Trustees
WBGU-TV

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of WBGU-TV (WBGU-TV or the "Station"), a public telecommunications entity operated by Bowling Green State University, which comprise the statements of net position as of June 30, 2014, and the related statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and related notes to the financial statements and have issued our report thereon dated October 10, 2014.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control. Accordingly, we do not express an opinion on the effectiveness of the Station'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

To Management, the Audit Committee, and
the Board of Trustees
WBGU-TV

Compliance and Other Matters

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

Purpose of this Report

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

Plante & Moran, PLLC

October 10, 2014

Centennial Falcon Properties, Inc.
and Subsidiaries
(a not-for-profit corporation)

Consolidated Financial Report
June 30, 2014

Centennial Falcon Properties, Inc. and Subsidiaries

Contents

Plante & Moran, PLLC
3434 Granite Circle
Toledo, OH 43617
Tel: 419.843.6000
Fax: 419.843.6099
plantemoran.com

Independent Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Centennial Falcon Properties, Inc. and Subsidiaries and its' subsidiaries (the "Corporation"), which comprise the consolidated statement of financial position as of June 30, 2014 and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on 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.

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

Opinion

In our opinion, the consolidated consolidated financial statements referred to above present fairly, in all material respects, the financial position of Centennial Falcon Properties, Inc. and Subsidiaries and its subsidiaries as of June 30, 2014 and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Prior Year Consolidated Financial Statements and Restatement

The consolidated financial statements of Centennial Falcon Properties, Inc. and Subsidiaries and its subsidiaries as of June 30, 2013 were audited by other auditors, whose report dated October 11, 2013 expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2014 on our consideration of Centennial Falcon Properties, Inc. and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Centennial Falcon Properties, Inc. and Subsidiaries' internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 10, 2014

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Financial Position

	June 30	
	2014	**2013**
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,614,822**	$ 1,377,170
Funds held by trustee – current portion	**1,098,793**	985,776
Other receivable, net of allowance for doubtful accounts of $16,411 in 2014 and $4,402 in 2013	**50,390**	43,564
Prepaid expense	**19,412**	18,456
Total current assets	**2,783,417**	2,424,966
Other assets:		
Funds held by trustee – net of current portion	**14,022,211**	12,499,703
Capital assets, net	**81,296,649**	85,149,975
Bond issuance and discount costs, net of accumulated amortization of $498,766 in 2014 and $376,179 in 2013	**2,485,617**	2,608,204
Total other assets	**97,804,477**	100,257,882
Total assets	**$ 100,587,894**	$ 102,682,848
Liabilities and net assets		
Short-term liabilities:		
Accounts payable	**$ 51,794**	$ 18,162
Payroll liabilities	**20,711**	19,050
Unearned income	**60,787**	42,559
Accrued interest payable	**388,793**	390,776
Accrued expenses	**78,290**	124,113
Accrued construction costs payable	**–**	163,860
Bonds and construction payable – current portion	**1,566,800**	1,451,800
Total short-term liabilities	**2,167,175**	2,210,320
Long-term liabilities:		
Bonds payable – net of current portion	**79,505,000**	80,215,000
Construction funding payable – net of current portion	**14,135,018**	14,745,389
Total long-term liabilities	**93,640,018**	94,960,389
Total liabilities	**95,807,193**	97,170,709
Net assets:		
Unrestricted	**4,780,701**	3,512,139
Temporarily restricted	**–**	2,000,000
Total net assets	**4,780,701**	5,512,139
Total liabilities and net assets	**$ 100,587,894**	$ 102,682,848

See accompanying notes.

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Operating revenue	**$ 8,621,861**	**$ –**	**$ 8,621,861**
Net assets released from restrictions	**2,000,000**	**(2,000,000)**	**–**
Total revenues	**10,621,861**	**(2,000,000)**	**8,621,861**
Expenses:			
Payroll, benefits, and taxes	**568,391**	**–**	**568,391**
Management fees	**250,061**	**–**	**250,061**
Utilities	**148,375**	**–**	**148,375**
Building maintenance	**88,929**	**–**	**88,929**
Operating and administrative	**69,661**	**–**	**69,661**
Insurance	**58,455**	**–**	**58,455**
Interior unit expenses	**36,369**	**–**	**36,369**
Common area expenses	**31,303**	**–**	**31,303**
Bad debt expense	**28,534**	**–**	**28,534**
Ground expenses	**19,031**	**–**	**19,031**
Marketing and advertising	**4,451**	**–**	**4,451**
Depreciation and amortization	**4,210,515**	**–**	**4,210,515**
Total operating expenses	**5,514,075**	**–**	**5,514,075**
Operating income (loss)	**5,107,786**	**(2,000,000)**	**3,107,786**
Nonoperating revenue (expense):			
Investment income	**1,659**	**–**	**1,659**
In-kind support from Bowling Green State University	**856,800**	**–**	**856,800**
Loss on disposal of assets	**(10,354)**	**–**	**(10,354)**
Interest on capital asset-related debt	**(4,687,329)**	**–**	**(4,687,329)**
Net nonoperating loss	**(3,839,224)**	**–**	**(3,839,224)**
Change in net assets	**1,268,562**	**(2,000,000)**	**(731,438)**
Net assets:			
Net assets at the beginning of year	**3,512,139**	**2,000,000**	**5,512,139**
Net assets at the end of year	**$ 4,780,701**	**$ –**	**$ 4,780,701**

See accompanying notes.

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statement of Activities and Changes in Net Assets

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
Insurance	66,896	–	66,896
Interior unit expenses	58,863	–	58,863
Operating and administrative	119,644	–	119,644
Common area expenses	44,929	–	44,929
Building maintenance	41,463	–	41,463
Bad debt expense	12,050	–	12,050
Marketing and advertising	9,342	–	9,342
Ground expenses	6,995	–	6,995
Depreciation and amortization	4,185,682	–	4,185,682
Total operating expenses	5,299,549	–	5,299,549
Operating income	3,033,507	–	3,033,507
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)
Net nonoperating loss	(3,848,599)	–	(3,848,599)
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 Statements of Cash Flows

	Year Ended June 30	
	2014	2013
Operating activities:		
Cash received related to operating revenue	**$ 8,600,120**	$ 8,331,664
Cash paid to vendors and employees	**(1,281,902)**	(1,104,614)
Interest paid	**(4,689,313)**	(4,708,513)
Interest received	**1,659**	1,514
Net cash provided by operating activities	**2,630,564**	2,520,051
Financing activities:		
Principal paid on bonds payable	**(595,000)**	(480,000)
Net cash used in financing activities	**(595,000)**	(480,000)
Investing activities:		
Purchases of capital assets	**(163,860)**	(99,112)
Proceeds from sale of equipment	**1,473**	–
Trust account activity	**(1,635,525)**	(1,710,343)
Net cash used in investing activities	**(1,797,912)**	(1,809,455)
Net increase in cash	**237,652**	230,596
Cash at beginning of year	**1,377,170**	1,146,574
Cash at end of year	**$ 1,614,822**	$ 1,377,170

See accompanying notes.

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (continued)

	Year Ended June 30	
	2014	2013
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	**$ 3,107,786**	$ 3,033,507
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	**4,210,515**	4,185,682
Interest paid	**(4,689,313)**	(4,708,513)
Interest received	**1,659**	1,514
Changes in assets and liabilities:		
Increase in accounts receivable	**(18,835)**	(8,450)
Decrease in allowance for doubtful accounts	**12,009**	840
Increase in prepaid expenses	**(956)**	(4,281)
Increase (decrease) in accounts payable	**33,633**	(6,605)
Increase in payroll liabilities	**1,662**	3,001
Increase in unearned income	**18,227**	18,268
Increase (decrease) in accrued expenses	**(45,823)**	5,088
Net cash provided by operating activities	**$ 2,630,564**	$ 2,520,051

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 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, which is recorded as capital assets of the Corporation to be paid back to Chartwells through the construction funding payable in Note 4. The loan does not have an interest component and matures on June 30, 2039. 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, which is recorded as capital assets of the Corporation to be paid back to Chartwells through the construction funding payable in Note 4. The loan does not have an interest component and matures on June 30, 2039. 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. The Corporation has recorded $1,588,000 as capital assets and construction funding payable described in Note 4. The loan does not have an interest component and matures on June 30, 2015.

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.

Principles of Consolidation

The consolidated financial statements of the Corporation include three nonprofit single-member limited liability companies; CFP I, CFP II and CFP III. All significant intercompany transactions are eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 has been granted tax-exempt status under Section 501(a)(3) of the Internal Revenue Code (the "Code") as an organization described in Section 501(c)(3) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax. The Corporation had no significant unrelated business taxable income during fiscal years 2014 and 2013; accordingly, no provision or benefit for income taxes has been included in the accompanying consolidated financial statements.

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

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Corporation and recognize a tax liability if the Corporation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Corporation and has concluded that as of June 30, 2014 and 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to June 30, 2011.

Revenues

The Corporation has classified its student housing and housing-related fees as operating revenue and has recognized revenue ratably over the rental period. Amounts billed and collected before the rental period are included in unearned income.

Unearned Income

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

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, 2014, cash and cash equivalents totaled $1,614,822. At June 30, 2013, cash and cash equivalents totaled $1,377,170.

At June 30, 2014 and 2013, funds held by trustee were $15,121,004 and $13,485,479, respectively. 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). CFP I follows University policy when calculating the allowance for doubtful accounts. Receivables more than one year old are written off and returned to the University for collection. The University will retain subsequent cash collections. See Note 5 for details of this relationship.

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 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. Land is capitalized but not depreciated. 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.

Bond Costs

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 $122,587 and $123,331 for the years ended June 30, 2014 and 2013, respectively. Amortization expense for the next five fiscal years, 2015–2019, is approximately as follows: $122,000, $121,000, $119,000, $118,000, and $116,000, respectively.

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. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

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

Level 3 – Unobservable inputs for which there is little or no market data, which requires the Corporation to develop assumptions. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

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. No restrictions were present at June 30, 2014. All temporarily restricted net assets were released from restriction.

- Unrestricted net assets are not restricted. The governing board has the right to approve the use of these funds within the debt covenant guidelines.

Business and Concentrations of Credit Risk

The Corporation's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and investments. The Corporation places its cash in federally insured banks. Cash is generally in excess of the Federal Deposit Insurance Corporation's insurance limit. However, management has not experienced any significant losses and does not believe they are subject to significant risk.

Functional Expenses

All expenses relate to program services.

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

Reclassifications

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 presentation. Nonoperating depreciation and amortization expense of $1,189,930 has been reclassified to operating depreciation and amortization expense.

Subsequent Events

The Corporation evaluated the effect of subsequent events through October 10, 2014, representing the date that the financial statements were issued. No recognized subsequent events were identified for recognition or disclosure in the financial statements or the accompanying notes to the financial statements.

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:

	2014	**2013**
Money market funds – Level 2	**$15,121,004**	$ 13,485,479

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, 2014 are summarized as follows:

	Beginning Balance	**Additions**	**Disposals**	**Ending Balance**
Land	**$ 873,499**	**$ –**	**$ –**	**$ 873,499**
Land improvements	**1,384,056**	**–**	**–**	**1,384,056**
Building	**85,446,666**	**246,429**	**–**	**85,693,095**
Furniture	**3,763,067**	**–**	**(16,442)**	**3,746,625**
Chartwells renovation	**1,588,000**	**–**	**–**	**1,588,000**
Total capital assets	**93,055,288**	**246,429**	**(16,442)**	**93,285,275**
Less accumulated depreciation	**7,905,313**	**4,087,928**	**4,615**	**11,988,626**
Net capital assets	**$ 85,149,975**	**$ (3,841,499)**	**$ (11,827)**	**$ 81,296,649**

3. Capital Assets (Continued)

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

	Beginning Balance	Additions	Disposals	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

Depreciation and amortization expense was $4,210,515 and $4,185,682 during fiscal years 2014 and 2013, respectively.

4. Long-Term Liabilities

The trustee for the Series 2010 Bonds held unspent bond proceeds and capital contributions from the University of $7,050,669 plus $8,070,335 of net operating revenue and investment income for a total of $15,121,004 as of June 30, 2014, which are classified as funds held by trustee. At June 30, 2013, the trustee 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, which are classified as funds held by trustee.

Interest expense related to bonds payable was $4,687,329 and $4,706,913 for the years ended June 30, 2014 and 2013, respectively. Actual interest paid was $4,689,313 and $4,708,513 for the years ended June 30, 2014 and 2013, respectively.

Long-term liabilities of the Corporation at June 30, 2014 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Bonds payable	**$ 80,810,000**	**$ –**	**$ 595,000**	**$ 80,215,000**	**$ 710,000**
Construction funding payable	**15,602,189**	**246,429**	**856,800**	**14,991,818**	**856,800**
Total long-term liabilities	**$ 96,412,189**	**$ 246,429**	**$ 1,451,800**	**$ 95,206,818**	**$ 1,566,800**

4. Long-Term Liabilities (continued)

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

The interest and scheduled maturities of the Series 2010 Bonds for the five fiscal years subsequent to June 30, 2014, and subsequent periods thereafter, are as follows:

	Interest Rate	Principal	Interest	Total
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	4.50	1,260,000	4,512,975	5,772,975
2020–2024	5.00–5.75	7,330,000	21,523,587	28,853,587
2025–2029	5.75	9,680,000	19,172,500	28,852,500
2030–2034	5.75–6.00	12,820,000	16,031,025	28,851,025
2035–2039	6.00	17,135,000	11,716,800	28,851,800
2040–2044	6.00	22,930,000	5,920,800	28,850,800
2045	6.00	5,445,000	326,700	5,771,700
Total		$ 80,215,000	$ 97,673,425	$ 177,888,425

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, 2014 are as follows:

Maturity	Outstanding	Bond Price	Fair Value
6/1/2016	$ 1,545,000	104.263	$ 1,610,863
6/1/2017	965,000	106.134	1,024,193
6/1/2019	2,365,000	108.654	2,569,667
6/1/2020	1,315,000	110.695	1,455,639
6/1/2031	20,390,000	105.261	21,462,718
6/1/2045	53,635,000	104.700	56,155,846
	$ 80,215,000		$ 84,278,926

The construction funding payable amounts for the five fiscal years subsequent to June 30, 2014, and subsequent periods thereafter, are as follows:

Year	The Oaks (CFP II)	Carillon (CFP III)	Chartwells Renovation	Total Due
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
2019	376,364	220,436	–	596,800
Thereafter	7,339,088	4,408,730	–	11,747,818
	$ 9,220,908	$ 5,510,910	$ 260,000	$ 14,991,818

See Note 5 for related party disclosures regarding The Oaks and Carillon.

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.

5. Related-Party Transactions (continued)

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 in 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 $8,622,000 and $8,333,000 for the years ended June 30, 2014 and 2013, respectively. The University owed CFP I student housing and housing-related fees, which totaled approximately $67,000 and $48,000 for the years ended June 30, 2014 and 2013, 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.

The University incurred costs of certain salaries and fringe benefits for financial, accounting, development, and information technology personnel related 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 $31,000 for the year ended June 30, 2014, and $134,000 for the year ended June 30, 2013.

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, 2014 and 2013, the repayment and in-kind support revenue totaled $856,800.

5. Related-Party Transactions (continued)

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.

6. Upcoming Pronouncement

In April 2013, the FASB issued Accounting Standards Update 2013-06, *Not-for-Profit Entities: Service Received from Personnel of an Affiliate*. The standard provides guidance on how to account for contributed personnel services from an affiliate. The standard clarifies that all contributed services received from an affiliate that directly benefit the recipient not-for-profit should be recognized. The standard will be effective for annual periods beginning after June 15, 2014. The Corporation is currently evaluating the impact this standard will have on the financial statements when adopted, during the June 30, 2015 fiscal year.

plante moran

Plante & Moran, PLLC
3434 Granite Circle
Toledo, OH 43617
Tel: 419.843.6000
Fax: 419.843.6099
plantemoran.com

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Centennial Falcon Properties, Inc. and Subsidiaries (the "Corporation"), which comprise the consolidated statement of financial position as of June 30, 2014 and the related consolidated statements of activities and changes in net assets 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 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Centennial Falcon Properties, Inc. and Subsidiaries' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consonlidated 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

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

Compliance and Other Matters

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

Purpose of this Report

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

Plante & Moran, PLLC

October 10, 2014

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CFP I LLC

(a not-for-profit corporation)

Financial Report

June 30, 2014

CFP I LLC

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Plante & Moran, PLLC
3434 Granite Circle
Toledo, OH 43617
Tel: 419.843.6000
Fax: 419.843.6099
plantemoran.com

Independent Auditor's Report

To 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 (the "Corporation"), which comprise the statement of financial position as of June 30, 2014 and the related statements of activities and changes in net assets and cash flows for the year 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 accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

To Management and the Board of Directors
CFP I LLC

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, 2014 and the changes in net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Prior Year Financial Statements

The financial statements of CFP I LLC as of June 30, 2013 were audited by other auditors, whose report dated October 11, 2013 expressed an unqualified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2014 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, 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 CFP I LLC's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 10, 2014

CFP I LLC

Statements of Financial Position

	June 30	
	2014	**2013**
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,303,558**	$ 892,715
Funds held by trustee – current portion	**1,098,793**	985,776
Other receivable, net of allowance for doubtful accounts of $16,411 in 2014 and $4,402 in 2013	**50,390**	43,564
Prepaid expenses	**19,412**	18,456
Total current assets	**2,472,153**	1,940,511
Other assets:		
Funds held by trustee – net of current portion	**14,022,211**	12,499,703
Capital assets, net	**63,224,166**	66,096,587
Bond issuance and discount costs, net of accumulated amortization of $498,766 in 2014 and $376,179 in 2013	**2,485,617**	2,608,204
Total other assets	**79,731,994**	81,204,494
Total assets	**$ 82,204,147**	$ 83,145,005
Liabilities and net assets		
Short-term liabilities:		
Accounts payable	**$ 51,794**	$ 18,162
Payroll liabilities	**20,711**	19,050
Unearned income	**60,787**	42,559
Interest payable	**388,793**	390,776
Accrued expenses	**78,290**	115,202
Long-term liabilities – current portion	**710,000**	595,000
Total short-term liabilities	**1,310,375**	1,180,749
Long-term liabilities:		
Bonds payable – net of current portion	**79,505,000**	80,215,000
Total long-term liabilities	**79,505,000**	80,215,000
Total liabilities	**80,815,375**	81,395,749
Net assets:		
Temporarily restricted	**–**	2,000,000
Unrestricted	**1,388,772**	(250,744)
Total net assets	**1,388,772**	1,749,256
Total liabilities and net assets	**$ 82,204,147**	$ 83,145,005

See accompanying notes.

CFP I LLC

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Operating	**$ 8,621,861**	**$ –**	**$ 8,621,861**
Net assets released from restrictions	**2,000,000**	**(2,000,000)**	**–**
Total revenues	**10,621,861**	**(2,000,000)**	**8,621,861**
Expenses:			
Payroll, benefits, and taxes	**568,391**	**–**	**568,391**
Management fees	**250,061**	**–**	**250,061**
Utilities	**148,375**	**–**	**148,375**
Building maintenance	**87,456**	**–**	**87,456**
Operating and administrative	**69,241**	**–**	**69,241**
Insurance	**58,455**	**–**	**58,455**
Interior unit expenses	**36,369**	**–**	**36,369**
Common area expenses	**31,303**	**–**	**31,303**
Ground expenses	**19,031**	**–**	**19,031**
Bad debt	**28,534**	**–**	**28,534**
Marketing and advertising	**4,451**	**–**	**4,451**
Depreciation and amortization	**2,995,008**	**–**	**2,995,008**
Total operating expenses	**4,296,675**	**–**	**4,296,675**
Operating income	**6,325,186**	**(2,000,000)**	**4,325,186**
Nonoperating revenue (expense):			
Investment income	**1,659**	**–**	**1,659**
Interest on capital asset-related debt	**(4,687,329)**	**–**	**(4,687,329)**
Net nonoperating loss	**(4,685,670)**	**–**	**(4,685,670)**
Change in net assets	**1,639,516**	**(2,000,000)**	**(360,484)**
Net assets:			
Net assets at beginning of year	**(250,744)**	**2,000,000**	**1,749,256**
Net assets at end of year	**$ 1,388,772**	**$ –**	**$ 1,388,772**

See accompanying notes.

CFP I LLC

Statement of Activities and Changes in Net Assets

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
Building maintenance	41,463	–	41,463
Operating and administrative	101,113	–	101,113
Insurance	66,896	–	66,896
Interior unit expenses	58,863	–	58,863
Common area expenses	44,929	–	44,929
Ground expenses	6,995	–	6,995
Bad debt	12,050	–	12,050
Marketing and advertising	9,342	–	9,342
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 beginning of year	212,687	2,000,000	2,212,687
Net assets at end of year	$ (250,744)	$ 2,000,000	$ 1,749,256

See accompanying notes.

CFP I LLC

Statements of Cash Flows

	Year Ended June 30	
	2014	**2013**
Operating activities:		
Cash received related to operating revenue	**$ 8,600,120**	$ 8,331,664
Cash paid to vendors and employees	**(1,271,099)**	(1,087,910)
Interest paid	**(4,689,313)**	(4,708,513)
Interest received	**1,659**	1,514
Net cash provided by operating activities	**2,641,367**	2,536,755
Financing activities:		
Principal paid on long-term liabilities	**(595,000)**	(480,000)
Net cash used in financing activities	**(595,000)**	(480,000)
Investing activities:		
Trust account activity	**(1,635,524)**	(1,710,343)
Net cash used in investing activities	**(1,635,524)**	(1,710,343)
Net increase in cash	**410,843**	346,412
Cash and cash equivalents at beginning of year	**892,715**	546,303
Cash and cash equivalents at end of year	**$ 1,303,558**	$ 892,715

See accompanying notes.

CFP I LLC

Statements of Cash Flows (continued)

	Year Ended June 30	
	2014	**2013**
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	**$ 4,325,186**	$ 4,241,968
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	**2,995,008**	2,995,752
Interest paid	**(4,689,313)**	(4,708,513)
Interest received	**1,659**	1,514
Changes in assets and liabilities:		
Increase in accounts receivable	**(18,835)**	(8,450)
Decrease in allowance for doubtful accounts	**12,009**	840
Increase in prepaid expenses	**(956)**	(4,281)
Increase in accounts payable	**33,632**	480
Increase in payroll liabilities	**1,661**	3,001
Increase in unearned income	**18,228**	18,268
Decrease in accrued expenses	**(36,912)**	(3,824)
Net cash provided by operating activities	**$ 2,641,367**	$ 2,536,755

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 has been granted tax-exempt status under Section 501(a)(3) of the Internal Revenue Code (the "Code") as an organization described in Section 501(c)(3) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax. CFP I had no significant unrelated business taxable income during fiscal years 2014 and 2013; accordingly, no provision or benefit for income taxes has been included in the accompanying financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by CFP I and recognize a tax liability if CFP I has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by CFP I and has concluded that as of June 30, 2014 and 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. CFP I is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to June 30, 2011.

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, 2014 and 2013, cash and cash equivalents totaled \$1,303,558 and \$892,715 respectively.

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

At June 30, 2014 and 2013, funds held by trustee were $15,121,004 and $13,485,479, respectively. 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). CFP I follows University policy when calculating allowance for doubtful accounts. Receivables more than one year old are written off and returned to the University for collection. The University will retain subsequent cash collections. See Note 5 for details of this relationship.

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 buildings are capitalized if the cost exceeds $100,000. Land is capitalized but not depreciated. 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.

Bond Costs

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 $122,587 and $123,331 for the years ended June 30, 2014 and 2013, respectively. Amortization expense for the next five fiscal years, 2015-2019, is approximately as follows: $122,000, $121,000, $119,000, $118,000, and $116,000, respectively.

Revenues

CFP I has classified its student housing and housing-related fees as operating revenue ratably over the rental period. Amounts billed and collected before the rental period are included in unearned income.

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

Unearned Income

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

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. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 - Unobservable inputs for which there is little or no market data, which requires CFP I to develop assumptions. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

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. No restrictions were present June 30, 2014. All temporarily restricted net assets were released from restriction.

- Unrestricted net assets are not restricted. The governing board has the right to approve the use of these funds within the debt covenant guidelines.

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

Business and Concentrations of Credit Risk

CFP I's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and investments. CFP I places its cash in federally insured banks. Cash is generally in excess of the Federal Deposit Insurance Corporation's insurance limit. However, management has not experienced any significant losses and does not believe they are subject to significant risk.

Functional Expenses

All expenses relate to program services.

Subsequent Events

CFP I evaluated the effect of subsequent events through October 10, 2014, representing the date that the financial statements were issued. No recognized subsequent events were identified for recognition or disclosure in the financial statements or the accompanying notes to the financial statements.

2. Investments

The investment values of funds held by the 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:

	2014	2013
Money market funds - Level 2	**$ 15,121,004**	$ 13,485,479

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, 2014, 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	**5,358,697**	**2,872,421**	**-**	**8,231,118**
Net capital assets	**$ 66,096,587**	**$ (2,872,421)**	**$ -**	**$ 63,224,166**

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

Depreciation expense was $2,872,421 during both fiscal years 2014 and 2013.

4. Bonds Payable

The trustee for the Series 2010 Bonds held unspent bond proceeds and capital contributions from the University of $7,050,669, plus $8,070,335 of net operating revenue and investment income for a total of $15,121,004 as of June 30, 2014, which are classified as funds held by the trustee. At June 30, 2013, the trustee 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, which are classified as funds held by the trustee.

Interest expense related to bonds payable was $4,687,329 and $4,706,913 for the years ended June 30, 2014 and 2013, respectively. Actual interest paid was $4,689,313 and $4,708,513 for years ended June 30, 2014 and 2013, respectively.

4. Bonds Payable (continued)

Bonds payable of CFP I at June 30, 2014, are as follows:

	Beginning Balance	Reductions	Ending Balance	Due in One Year
Bonds payable	**$ 80,810,000**	**$ 595,000**	**$ 80,215,000**	**$ 710,000**

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

The interest and scheduled maturities of the Series 2010 Bonds for the five fiscal years subsequent to June 30, 2014, and subsequent periods thereafter are as follows:

	Interest Rate	Principal	Interest	Total
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	4.50	1,260,000	4,512,975	5,772,975
2020-2024	5.00-5.75	7,330,000	21,523,587	28,853,587
2025-2029	5.75	9,680,000	19,172,500	28,852,500
2030-2034	5.75-6.00	12,820,000	16,031,025	28,851,025
2035-2039	6.00	17,135,000	11,716,800	28,851,800
2040-2044	6.00	22,930,000	5,920,800	28,850,800
2045	6.00	5,445,000	326,700	5,771,700
Total		$ 80,215,000	$ 97,673,425	$ 177,888,425

4. Bonds Payable (continued)

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, 2014, are as follows:

Maturity	Outstanding	Bond Price	Fair Value
6/1/2016	$ 1,545,000	104.263	$ 1,610,863
6/1/2017	965,000	106.134	1,024,193
6/1/2019	2,365,000	108.654	2,569,667
6/1/2020	1,315,000	110.695	1,455,639
6/1/2031	20,390,000	105.261	21,462,718
6/1/2045	53,635,000	104.700	56,155,846
	$ 80,215,000		$ 84,278,926

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 $8,622,000 and $8,333,000 for the years ended June 30, 2014 and 2013, respectively. The University owed CFP I student housing and housing-related fees, which totaled approximately $67,000 and $48,000 for the years ended June 30, 2014 and 2013, respectively.

The University incurred costs of certain salaries and fringe benefits for financial, accounting, development, and information technology personnel related 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 $22,000 for the year ended June 30, 2014, and $35,000 for the year ended June 30, 2013.

6. Upcoming Pronouncement

In April 2013, FASB issued Accounting Standards Update 2013-06, *Not-for-Profit Entities: Service Received from Personnel of an Affiliate*. The standard provides guidance on how to account for contributed personnel services from an affiliate. The standard clarifies that all contributed services received from an affiliate that directly benefit the recipient not-for-profit should be recognized. The standard will be effective for annual periods beginning after June 15, 2014. CFP I is currently evaluating the impact this standard will have on the financial statements when adopted, during the June 30, 2015 fiscal year.

Plante & Moran, PLLC
3434 Granite Circle
Toledo, OH 43617
Tel: 419.843.6000
Fax: 419.843.6099
plantemoran.com

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

Independent Auditor's Report

To Management and the Board of Directors
CFP I LLC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of CFP I LLC (CFP I), which comprise the statement of financial position as of June 30, 2014 and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 10, 2014.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CFP I's internal control. Accordingly, we do not express an opinion on the effectiveness of CFP I'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of CFP I'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.

To Management and the Board of Directors
CFP I LLC

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CFP I'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 10, 2014

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
NOVEMBER 20, 2014

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov