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

Consolidated Financial Report
June 30, 2017

Board of Directors
Centennial Falcon Properties, Inc. and Subsidiaries
McFsll Center E. Wooster Street
Bowling Green, Ohio 43403

We have reviewed the *Independent Auditor's Report* of the Centennial Falcon Properties, Inc. and Subsidiaries, Wood County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2016 through June 30, 2017. 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 Centennial Falcon Properties, Inc. and Subsidiaries is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

November 15, 2017

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plante moran

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 Financial Statements

We have audited the accompanying consolidated financial statements of Centennial Falcon Properties, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016 and the related consolidated statements of activities and changes in net assets and cash flows for the years 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Centennial Falcon Properties, Inc. and Subsidiaries as of June 30, 2017 and 2016 and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the consolidated financial statements, the entity adopted the provisions of ASU No. 2015-03, *Interest Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs*, as of July 1, 2016. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2017 on our consideration of Centennial Falcon Properties, Inc. and Subsidiaries' internal control over financial reporting and on our tests of their 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

September 30, 2017

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Financial Position

	June 30	
	2017	**2016**
Assets		
Current assets:		
Cash and cash equivalents	**$ 895,452**	$ 561,847
Funds held by Bowling Green State University	**267,138**	285,232
Funds held by trustee – current portion	**1,485,225**	1,348,643
Other receivable, net of allowance for doubtful accounts of $7,150 in 2017 and $15,670 in 2016	**4,289**	38,844
Prepaid expense	**15,520**	14,444
Total current assets	**2,667,624**	2,249,010
Other assets:		
Funds held by trustee – net of current portion	**19,302,047**	18,034,952
Capital assets, net	**70,249,698**	73,523,543
Total other assets	**89,551,745**	91,558,495
Total assets	**$ 92,219,369**	$ 93,807,505
Liabilities and net assets		
Short-term liabilities:		
Accounts payable	**$ 48,392**	$ 25,977
Payroll liabilities	**11,872**	8,298
Unearned income	**55,226**	52,715
Accrued interest payable	**380,225**	383,643
Accrued expenses	**82,884**	83,163
Bonds and construction payable – current portion and current unamortized discount and issuance costs	**1,583,990**	1,442,507
Total short-term liabilities	**2,162,589**	1,996,303
Long-term liabilities:		
Bonds payable – net of current portion and unamortized discount and issuance costs of $2,124,079 in 2017 and $2,243,372 in 2016	**74,593,731**	75,580,921
Construction funding payable – net of current portion	**12,344,618**	12,941,418
Total long-term liabilities	**86,938,349**	88,522,339
Total liabilities	**89,100,938**	90,518,642
Net assets:		
Unrestricted	**3,118,431**	3,288,863
Total liabilities and net assets	**$ 92,219,369**	**$ 93,807,505**

See accompanying notes.

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Activities and Changes in Net Assets

	Year Ended June 30	
	2017	**2016**
Revenues:		
Operating revenue	**$ 9,100,205**	**$ 8,999,437**
In-kind support from Bowling Green State University	**35,000**	**32,000**
Total revenues	**9,135,205**	**9,031,437**
Expenses:		
Payroll, benefits, and taxes	**682,978**	**638,395**
Management fees	**265,245**	**260,052**
Utilities	**295,159**	**294,816**
Building maintenance	**176,534**	**129,393**
Operating and administrative	**151,293**	**135,950**
Insurance	**61,483**	**57,635**
Interior unit expenses	**141,206**	**156,425**
Common area expenses	**53,054**	**60,092**
Bad debt expense	**4,324**	**15,580**
Ground expenses	**26,414**	**22,618**
Marketing and advertising	**34,818**	**25,819**
Depreciation	**3,275,226**	**3,749,150**
Total operating expenses	**5,167,734**	**5,545,925**
Operating income	**3,967,471**	**3,485,512**
Nonoperating revenue (expense):		
Investment income	**2,245**	**2,091**
In-kind support from Bowling Green State University	**596,800**	**596,800**
Loss on disposal of assets	**(17,360)**	**(98,044)**
Amortization of discount and issuance costs-related debt	**(119,293)**	**(120,576)**
Interest on capital asset-related debt	**(4,600,295)**	**(4,634,329)**
Net nonoperating loss	**(4,137,903)**	**(4,254,058)**
Change in net assets	**(170,432)**	**(768,546)**
Net assets:		
Net assets at the beginning of year - unrestricted	**3,288,863**	**4,057,409**
Net assets at the end of year - unrestricted	**$ 3,118,431**	**$ 3,288,863**

See accompanying notes.

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended June 30	
	2017	**2016**
Operating activities:		
Cash received related to operating revenue	**$ 9,131,696**	$ 8,996,584
Cash paid to vendors and employees	**(1,827,299)**	(1,823,587)
Net cash provided by operating activities	**7,304,397**	7,172,997
Financing activities:		
Principal paid on bonds payable	**(965,000)**	(835,000)
Interest paid	**(4,603,713)**	(4,637,113)
Net cash used in financing activities	**(5,568,713)**	(5,472,113)
Investing activities:		
Purchases of capital assets	**(18,741)**	(145,361)
Net investment activity	**(1,403,677)**	(1,678,933)
Interest received	**2,245**	2,091
Net cash used in investing activities	**(1,420,173)**	(1,822,203)
Net increase (decrease) in cash and cash equivalents	**315,511**	(121,319)
Cash and cash equivalents at beginning of year	**847,079**	968,398
Cash and cash equivalents at end of year	**$ 1,162,590**	$ 847,079

See accompanying notes.

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (continued)

	Year Ended June 30	
	2017	**2016**
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	**$ 3,967,471**	$ 3,485,512
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	**3,275,226**	3,749,150
Changes in assets and liabilities:		
Decrease in accounts receivable	**43,075**	1,570
(Decrease) Increase in allowance for doubtful accounts	**(8,520)**	2,480
(Increase) Decrease in prepaid expenses	**(1,076)**	4,382
Increase (Decrease) in accounts payable	**22,415**	(61,394)
Increase (Decrease) in payroll liabilities	**3,574**	(17,849)
Increase in unearned income	**2,511**	7,568
(Decrease) Increase in accrued expenses	**(279)**	1,578
Net cash provided by operating activities	**$ 7,304,397**	$ 7,172,997

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. The Corporation is further classified as a Type 2 supporting organization under Section 509(a)(3). 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 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 percent to 6.0 percent 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 on August 1, 2011. The two-building housing facilities, Falcon Heights and Centennial Hall, were opened on August 19, 2011.

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

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

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

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

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

Chartwells funded a total of $1,588,000 of minor construction upgrades and modernization of food service venues intended to be actively managed by Chartwells under contract and located in the University’s student union, Kreischer, Founders, and McDonald, on behalf of the Corporation. The necessary funding associated with these upgrades and associated debt repayment is contained in the Amended Food Service Management Agreement by and between Chartwells and the University. The Corporation recorded $1,588,000 as capital assets and construction funding payable described in Note 4. The loan does not have an interest component and matured on June 30, 2015.

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.

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

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.

New Pronouncements

In 2017, the Corporation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs.* Under the new guidance, debt issuance costs are reported as a direct deduction from the carrying amount of the related debt. Previously, debt issuance costs were presented as an asset. The new presentation requirements have been applied retrospectively and amounts reported in the 2016 consolidated statement of financial position have been restated, as follows:

	As Previously Reported	As Restated	Effect of Chang
Assets - Debt issuance costs	$ 2,243,372	$ -	$ (2,243,372)
Liabilities - Long-term debt	$ 78,670,000	$ 76,426,628	$ (2,243,372)

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 $119,293 and $120,576 for the years ended June 30, 2017 and 2016, respectively. Amortization expense for the next five fiscal years, 2018-2022, is approximately as follows: $117,810, $116,113, $114,193, $112,189, and $110,084, respectively.

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

Upcoming Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606),* which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition.* The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Corporation's year ending June 30, 2019. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Corporation's primary revenue sources are not expected to be significantly impacted by the standard, but a complete review of all revenue sources has not yet been completed. In addition, management is currently analyzing the disclosures that will be required with this pronouncement.

The FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,* in August 2016. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Corporation, including required disclosures about the liquidity and availability of resources. The Corporation is currently evaluating the impact of the standard and will present the two classes of net assets, add the liquidity footnote, expense matrix, and related disclosures. The new standard is effective for the Corporation's year ending June 30, 2019 and thereafter and must be applied on a retrospective basis.

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.

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

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 509(a)(c) 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 2017 and 2016; accordingly, no provision or benefit for income taxes has been included in the accompanying consolidated financial statements.

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, 2017 and 2016, 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.

Revenues

The Corporation has classified 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, 2017, cash and cash equivalents and funds held by Bowling Green State University totaled $1,162,590. At June 30, 2016, cash and cash equivalents and funds held by Bowling Green State University totaled $847,079.

At June 30, 2017 and 2016, funds held by the trustee were $20,787,272 and $19,383,595, respectively. The balance includes $1,278,705 and $1,277,694 in capital contributions from the University for 2017 and 2016, 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.

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

Other Receivable

Other receivable is due from the University and consists of housing and housing-related fees charged to students for rooms located in Falcon Heights and Centennial Hall (the Series 2010 Project). 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 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.

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 a 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.

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.

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

Net Asset Classifications

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

- Permanently restricted net assets represent funds received whereby the corpus is to be maintained permanently, but the Corporation is allowed to use or expend part or all of the income for either specified or unspecified purposes. No restrictions were present June 30, 2017 or 2016.

- 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 June 30, 2017 or 2016.

- 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 it is subject to significant risk.

Functional Expenses

Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount. In 2017, expenses related to program services were $9,773,335 and expenses related to management and general expenses were $131,347. In 2016, expenses related to program services were $10,284,791 and expenses related to management and general expenses were $114,083.

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

Subsequent Events

On August 10, 2017, Bowling Green State University (University) issued $73,560,000 of General Receipts Bonds, Series 2017B (Bonds). Proceeds from the Bonds, together with certain debt service reserve funds, will be used to acquire United States Treasury Obligations to establish a cash deposit to provide funds to advance refund serial bonds held by CFP I, LLC maturing on June 1, 2020 and term bonds due June 1, 2019, June 1, 2031 and June 1, 2045 of the City of Bowling Green, Ohio's Student Housing Revenue Bonds (CFP I LLC – Bowling Green State University Project) Series 2010 dated June 16, 2010. As a result of the transaction, the University will acquire the student housing facilities and their contents known as Falcon Heights and Centennial Hall from CFP I, LLC. On the same date, the University recorded the net book value of the student housing facilities of approximately $55M and also provided an additional transfer of approximately $13M to CFP I for future interest payments on the defeased bonds. As a result of the advance refunding of the Series 2010 bonds, CFP I recorded a loss on extinguishment of debt of approximately $12M on August 10, 2017.

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:

	2017	2016
Money market funds – Level 2	**$20,787,272**	$ 19,383,595

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, 2017 are summarized as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	**$ 873,499**	**$ –**	**$ –**	**$ 873,499**
Land improvements	**1,384,056**	**–**	**–**	**1,384,056**
Building	**85,720,760**	**–**	**–**	**85,720,760**
Construction in progress	**–**	**6,596**	**–**	**6,596**
Furniture	**3,746,753**	**12,145**	**(135,656)**	**3,623,242**
Chartwells renovation	**1,588,000**	**–**	**–**	**1,588,000**
Total capital assets	**93,313,068**	**18,741**	**(135,656)**	**93,196,153**
Less accumulated depreciation	**(19,789,525)**	**(3,275,226)**	**118,296**	**(22,946,455)**
Net capital assets	**$ 73,523,543**	**$ (3,256,485)**	**$ (17,360)**	**$ 70,249,698**

Capital assets and accumulated depreciation as of June 30, 2016 are summarized as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	$ 873,499	$ –	$ –	$ 873,499
Land improvements	1,384,056	–	–	1,384,056
Building	85,693,095	140,061	(112,396)	85,720,760
Furniture	3,746,625	5,300	(5,172)	3,746,753
Chartwells renovation	1,588,000	–	–	1,588,000
Total capital assets	93,285,275	145,361	(117,568)	93,313,068
Less accumulated depreciation	(16,059,899)	(3,749,150)	19,524	(19,789,525)
Net capital assets	$ 77,225,376	$ (3,603,789)	$ (98,044)	$ 73,523,543

Depreciation expense was $3,275,226 and $ 3,749,150 during fiscal years 2017 and 2016, respectively.

4. Long-term Liabilities

The trustee for the Series 2010 Bonds held unspent bond proceeds and capital contributions from the University of $7,050,957 plus $13,736,315 of net operating revenue and investment income for a total of $20,787,272 as of June 30, 2017, which are classified as funds held by trustee. At June 30, 2016, the trustee held unspent bond proceeds and capital contributions from the University of $7,050,957 plus $12,332,638 of net operating revenue and investment income for a total of $19,383,595, which are classified as funds held by trustee.

Interest expense related to bonds payable was $4,600,295 and $4,634,329 for the years ended June 30, 2017 and 2016, respectively. Actual interest paid was $4,603,713 and $4,637,113 for the years ended June 30, 2017 and 2016, respectively.

4. Long-term Liabilities (continued)

Long-term liabilities of the Corporation at June 30, 2017 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Bonds payable	**$ 78,670,000**	**$ –**	**$ (965,000)**	**$ 77,705,000**	**$ 1,105,000**
Less unamortized discount and issuance costs	**(2,243,372)**		**119,293**	**(2,124,079)**	**(117,810)**
Construction funding payable	**13,538,218**	**–**	**(596,800)**	**12,941,418**	**596,800**
Total long-term liabilities	**$ 89,964,846**	**$ –**	**$ (1,442,507)**	**$ 88,522,339**	**$ 1,583,990**

Long-term liabilities of the Corporation at June 30, 2016 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Bonds payable	$ 79,505,000	$ –	$ (835,000)	$ 78,670,000	$ 965,000
Less unamortized discount and issuance costs	(2,363,948)		120,576	(2,243,372)	(119,293)
Construction funding payable	14,135,018	–	(596,800)	13,538,218	596,800
Total long-term liabilities	$ 91,276,070	$ –	$ (1, 311,224)	$ 89,964,846	$ 1,442,507

The interest and scheduled maturities of the Series 2010 Bonds for the five fiscal years subsequent to June 30, 2016 and subsequent periods thereafter are as follows:

	Interest Rate	Principal	Interest	Total
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	5.00	1,315,000	4,456,275	5,771,275
2021	5.75	1,380,000	4,390,525	5,770,525
2022	5.75	1,460,000	4,311,175	5,771,175
2023-2027	5.75	8,655,000	20,196,287	28,851,287
2028-2032	5.75	11,445,000	17,404,950	28,849,950
2033-2037	6.00	15,250,000	13,601,700	28,851,700
2038-2042	6.00	20,410,000	8,443,500	28,853,500
2043-2045	6.00	15,425,000	1,887,000	17,312,000
Total		$ 77,705,000	$ 83,767,087	$ 161,472,087

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, 2017 are as follows:

Maturity	Outstanding	Bond Price	Fair Value
6/1/2019	$ 2,365,000	$ 103.794	$ 2,454,728
6/1/2020	1,315,000	106.820	1,404,683
6/1/2031	20,390,000	106.104	21,634,606
6/1/2045	53,635,000	106.107	56,910,489
	$ 77,705,000		$ 82,404,506

The construction funding payable amounts for the five fiscal years subsequent to June 30, 2017 and subsequent periods thereafter are as follows:

Year	The Oaks (CFP II)	Carillon (CFP III)	Chartwells Renovation	Total Due
2018	$ 376,364	$ 220,436	$ –	$ 596,800
2019	376,364	220,436	–	596,800
2020	376,364	220,436	–	596,800
2021	376,364	220,436	–	596,800
2022	376,364	220,436	–	596,800
Thereafter	6,210,000	3,747,418	–	9,957,418
	$ 8,091,820	$ 4,849,598	$ –	$ 12,941,418

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 on 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 on 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 $9,100,000 and $8,999,000 for the years ended June 30, 2017 and 2016, respectively. The University owed CFP I student housing and housing-related fees, which totaled approximately $11,000 and $55,000 for the years ended June 30, 2017 and 2016, 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 on 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 on 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 shown in the accompanying financial statements as in-kind support and operating and administrative expense of $35,000 and $32,000 for the fiscal years ended 2017 and 2016, respectively.

5. Related Party Transactions (continued)

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 noncash transaction as a decrease to the construction funding payable and as in-kind support nonoperating revenue. For June 30, 2017 and 2016, the repayment and in-kind support nonoperating revenue totaled $596,800 and $596,800, respectively.

The University can pay off Chartwells' construction funding payable 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 2020. The Food Services Agreement can be renewed for three additional successive five-year periods. If the Food Services Agreement with Chartwells is terminated or not renewed, the University would be required to pay Chartwells interest on the construction funding payable until full payoff at a rate equal to the 12-month U.S. Treasury rate. Payment in full of the construction funding payable would be required in one year from termination of agreement or within 30 days after the University hires another third party to run its dining services.

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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, which comprise the consolidated statements of financial position as of June 30, 2017, 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 September 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the 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 opinion on the 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 Corporation'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 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 Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

September 30, 2017

Dave Yost · Auditor of State

BOWLING GREEN STATE UNIVERSITY- CENTENNIAL FALCON PROPERTIES

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 28, 2017