

**THE BOWLING GREEN STATE UNIVERSITY
FOUNDATION, INC. AND SUBSIDIARY**

Bowling Green, Ohio

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Directors
Bowling Green State University Foundation, Inc. and Subsidiary
1851 Research Drive
Bowling Green, Ohio 43403

We have reviewed the *Independent Auditor's Report* of the Bowling Green State University Foundation, Inc. and Subsidiary, Wood County, prepared by Crowe LLP, for the audit period July 1, 2018 through June 30, 2019. 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 Foundation, Inc. and Subsidiary is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

October 15, 2019

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THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
Bowling Green, Ohio

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

Management and the Board of Directors
The Bowling Green State University
Foundation, Inc. and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Bowling Green State University Foundation and Subsidiary (the 'Foundation'), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 opinion.

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Foundation has adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2019 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.


Crowe LLP

Columbus, Ohio
October 2, 2019

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,414,399	\$ 1,423,501
Contributions receivable, net of allowance for uncollectible contributions of \$2,586,043 in 2019 and \$5,515,370 in 2018	<u>2,386,641</u>	<u>3,235,852</u>
Total current assets	3,801,040	4,659,353
Investments		
Fixed income funds	39,693,514	39,965,853
Mutual funds	82,264,960	79,785,986
Alternative investments	61,829,691	55,820,862
Corporate stocks	45,743	53,546
Money market funds	<u>7,346,892</u>	<u>2,291,227</u>
Total investments	191,180,800	177,917,474
Prepaid and other assets		
Long-term contributions receivable, net of allowance for uncollectible contributions of \$413,596 in 2019 and \$515,713 in 2018	7,173,339	9,121,137
Beneficial interest in trust held by others	135,455	144,022
Cash value of life insurance	<u>1,836,020</u>	<u>1,622,114</u>
Total assets	<u>\$ 204,156,143</u>	<u>\$ 193,570,516</u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	<u>\$ 293,145</u>	<u>\$ 181,211</u>
Total current liabilities	293,145	181,211
Annuities payable		
Total liabilities	<u>2,639,094</u>	<u>2,686,667</u>
Total liabilities	2,932,239	2,867,878
Net assets		
Without donor restrictions	15,266,096	13,033,941
With donor restrictions	<u>185,957,808</u>	<u>177,668,697</u>
Total net assets	<u>201,223,904</u>	<u>190,702,638</u>
Total liabilities and net assets	<u>\$ 204,156,143</u>	<u>\$ 193,570,516</u>

See accompanying notes to consolidated financial statements.

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenue, and gains			
Contributions and gifts	\$ 378,974	\$ 21,749,817	\$ 22,128,791
Provision for uncollectible contributions	-	(291,297)	(291,297)
University support	4,030,600	-	4,030,600
Interest and dividends	1,075,610	2,339,567	3,415,177
Net realized and unrealized gains (losses)	1,896,651	3,967,866	5,864,517
Other revenue	35,157	1,152,463	1,187,620
Transfers	726,036	(726,036)	-
Net assets released from restriction	<u>19,830,839</u>	<u>(19,830,839)</u>	<u>-</u>
Total support, revenue, and gains	<u>27,973,867</u>	<u>8,361,541</u>	<u>36,335,408</u>
Expenses			
Program services	20,564,656	-	20,564,656
Fund-raising	3,146,386	-	3,146,386
Operating	<u>2,030,670</u>	<u>-</u>	<u>2,030,670</u>
Total expenses	<u>25,741,712</u>	<u>-</u>	<u>25,741,712</u>
Change in net assets from operations	2,232,155	8,361,541	10,593,696
Change in split interest agreements	<u>-</u>	<u>(72,430)</u>	<u>(72,430)</u>
Change in net assets	2,232,155	8,289,111	10,521,266
Net assets at beginning of year	<u>13,033,941</u>	<u>177,668,697</u>	<u>190,702,638</u>
Net assets at end of year	<u>\$ 15,266,096</u>	<u>\$ 185,957,808</u>	<u>\$ 201,223,904</u>

See accompanying notes to consolidated financial statements.

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support, revenue, and gains			
Contributions and gifts	\$ 466,004	\$ 16,793,062	\$ 17,259,066
Provision for uncollectible contributions	-	468,131	468,131
University support	3,689,751	-	3,689,751
Interest and dividends	874,320	1,857,291	2,731,611
Net realized and unrealized gains (losses)	2,760,213	5,515,106	8,275,319
Other revenue	7,609	1,117,575	1,125,184
Transfers	(4,866)	4,866	-
Net assets released from restriction	<u>12,705,809</u>	<u>(12,705,809)</u>	<u>-</u>
Total support, revenue, and gains	<u>20,498,840</u>	<u>13,050,222</u>	<u>33,549,062</u>
Expenses			
Program services	13,089,329	-	13,089,329
Fund-raising	2,949,828	-	2,949,828
Operating	<u>1,508,043</u>	<u>-</u>	<u>1,508,043</u>
Total expenses	<u>17,547,200</u>	<u>-</u>	<u>17,547,200</u>
Change in net assets from operations	2,951,640	13,050,222	16,001,862
Change in split interest agreements	<u>-</u>	<u>(435,321)</u>	<u>(435,321)</u>
Change in net assets	2,951,640	12,614,901	15,566,541
Net assets at beginning of year	<u>10,082,301</u>	<u>165,053,796</u>	<u>175,136,097</u>
Net assets at end of year	<u>\$ 13,033,941</u>	<u>\$ 177,668,697</u>	<u>\$ 190,702,638</u>

See accompanying notes to consolidated financial statements.

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ 10,521,266	\$ 15,566,541
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net realized and unrealized (gains) losses	(5,864,517)	(8,275,319)
Proceeds from contributions restricted for long-term purposes	(8,645,792)	(2,861,233)
Provision for uncollectible contributions	291,297	(468,131)
Changes in operating assets and liabilities:		
Contributions receivable	2,505,712	(8,809)
Change in beneficial interest in trusts held by others	8,567	8,386
Prepaid and other assets	76,928	7,246
Accounts and annuities payable	<u>371,455</u>	<u>165,267</u>
Net cash from (used by) operating activities	<u>(735,084)</u>	<u>4,133,948</u>
Cash flows from investing activities		
Sales of investments	16,866,577	15,209,080
Purchases of investments	(24,265,388)	(21,648,822)
Net change in cash surrender value of life insurance	<u>(213,906)</u>	<u>28,248</u>
Net cash from (used by) investing activities	<u>(7,612,717)</u>	<u>(6,411,494)</u>
Cash flows from financing activities		
Proceeds from contributions restricted for long term purposes	8,645,792	2,861,233
Payments to annuitants	<u>(307,093)</u>	<u>(314,446)</u>
Net cash from financing activities	<u>8,338,699</u>	<u>2,546,787</u>
Change in cash and cash equivalents	(9,102)	269,241
Cash and cash equivalents at beginning of year	<u>1,423,501</u>	<u>1,154,260</u>
Cash and cash equivalents at end of year	<u>\$ 1,414,399</u>	<u>\$ 1,423,501</u>
Supplemental disclosures of cash flow information		
In-kind gifts	\$ 720,727	\$ 504,338
University Support	\$ 4,030,600	\$ 3,689,751

See accompanying notes to consolidated financial statements.

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The consolidated financial statements include accounts of The Bowling Green State University Foundation, Inc. (the Foundation) and The Bowling Green State University Foundation LLC (the Corporation). Significant intercompany accounts and transactions have been eliminated.

The Foundation is a non-profit Ohio corporation that assists in the development and advancement of Bowling Green State University (the University). All program expenses are for the benefit of the University.

In July 2004, the Corporation was formed as a wholly owned subsidiary of the Foundation. The Corporation was organized to acquire, hold title to, and collect income from real property to the benefit of the Foundation and the University.

Significant accounting policies followed in preparing the consolidated financial statements of the Foundation are presented below.

Basis of Accounting: The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting.

Use of Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2019 and 2018, the Foundation had \$1,299,892 and \$1,173,501 in excess of the FDIC insured limit, respectively.

Investments: Investments are recorded at fair value. Realized gains or losses from sale of securities are determined using the cost basis of the securities sold. Interest and dividend income is reported when earned. The Foundation's endowment funds participate in an investment pool in which each fund receives a proportionate share of the total earnings pool. All investment income, including realized and unrealized gains and losses, derived from investments in the endowment investment pool is allocated to the participating endowment fund based upon the current year's average balance of each endowment fund.

Split Interest Agreements: The Foundation is trustee and beneficiary of numerous irrevocable charitable trusts and gift annuities. Such assets are included in investment securities and are recorded at fair value. These assets have been donated to the Foundation for investment, in return for payments to the donor(s) or their designees. Annuity obligations are recorded at the net present value each year and are based on an actuarial calculation that considers the life expectancy of the annuitant and the expected rate of return to be earned on the annuitant's gift. Upon the satisfaction of the terms of each trust or annuity, the Foundation receives the balance of the invested assets. These assets are then added to the endowment per the donor's direction.

The Foundation is also named as beneficiary of several irrevocable trusts for which third parties are the trustees. The Foundation's interest in the future income stream of perpetual trusts is recognized based on the present fair value of the trust assets. The Foundation's interest in such trusts is based on the estimated value of the assets to be received from each trust.

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NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classifications: Resources of the Foundation are maintained in accounts that are classified into net asset categories based on the limitations and restrictions placed on the contributions and gifts received. The net assets of the Foundation are classified into the following types for financial reporting purposes:

- Net assets with donor restrictions represent contributions received whereby the donors have stipulated that the funds are to be used for a specific time or purpose.
- Net assets without donor restrictions are funds not restricted by donors, or the donor-imposed restrictions have expired. The governing board has the right to approve the use of these funds.

Expiration of Donor-Imposed Restrictions: The expiration of a donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction expires and at that time the related resources are reclassified to net assets without donor restriction. A restriction expires when either the stipulated time has elapsed or when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors or by the change of restrictions specified by the donors. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the Foundation's policy to apply restricted resources first, then unrestricted resources as needed.

Promises to Give: Unconditional promises to give are recognized as revenues on a discounted basis in the period made. Conditional promises to give are recognized when the conditions on which they depend are substantially met and the promises become unconditional. The Foundation uses the allowance method to estimate uncollectible unconditional promises to give. The allowance is based upon prior experience and management's analysis of promises to give.

In-Kind Gifts: In-kind gifts, when received, are reflected as contributions in the accompanying consolidated financial statements at the estimated fair value at the date of receipt. Fair value measurement is determined based on various assumptions, judgments, and factors specific to the gift. In management's opinion, the values determined approximate fair value. The Foundation received in-kind gifts in 2019 and 2018 valued approximately at \$721,000 and \$504,000, respectively.

Income Taxes: The Foundation has been recognized by the Internal Revenue Service as an organization exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code. The Foundation is a public charity by reason of being described in Internal Revenue Code Section 170(b)(1)(A)(iv). The Foundation is exempt from federal income taxes except to the extent of income derived from unrelated business activities. Unrelated business income is not material to the consolidated financial statements. The Corporation is incorporated as a limited liability corporation.

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NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting principles generally accepted in the United States of America prescribe recognition thresholds and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Tax benefits will be recognized only if a tax position is more-likely-than-not sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. The Foundation completed an analysis of its tax positions, in accordance with *Accounting Standards Codification (ASC) 740, Income Taxes*, and determined that no amounts were required to be recognized in the consolidated financial statements at June 30, 2019 and 2018.

The Foundation would recognize interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. The Foundation has no amounts accrued for interest or penalties for the year ended June 30, 2019 and 2018. The Foundation does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Annuities Payable: The Foundation receives life annuity donations. Fixed payments from these funds are to be remitted to the donor from the donor's specified date of commencement until death, at which time any remaining balance will revert to the Foundation. The Foundation reports as a contribution the difference between the funds received and the present value of all expected annuity payments to be made to the donor. A portion of the payments to the donors is charged to the annuities payable account each year.

Adoption of New Accounting Standard: In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). The ASU amends the current reporting model for non-profit organizations and enhances their required disclosures. The standard requires the Foundation to reclassify its net assets (i.e. unrestricted, temporarily restricted, and permanently restricted) into two categories (i.e. net assets with or without donor restrictions). The Foundation adopted ASU 2016-14 for its fiscal year ending June 30, 2019 and has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. The implementation of this ASU did not have a material effect on amounts previously presented.

Upcoming Pronouncements: In June 2018, the Financial Accounting Standards Board (FASB) issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional.

The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the Foundation's year ending June 30, 2020 and will be applied on a modified prospective basis. The Foundation is still evaluating the impact this standard will have on the timing of revenue recognition.

Subsequent Events: The Foundation evaluated the effect of subsequent events through October 2, 2019, representing the date on which the consolidated financial statements were available to be issued. Management has determined no subsequent events have occurred requiring disclosure in these financial statements.

(Continued)

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 2 - CONTRIBUTIONS RECEIVABLE AND CONTRIBUTED SERVICES

Contributors to the Foundation have made written unconditional promises to give, on which management has set up an allowance for uncollectible pledges. Contributions receivable reflect net present value using discount rates ranging from 1.8% to 3.0%. Write-offs of uncollectible pledges for the years ended June 30, 2019 and 2018, amounted to approximately \$3,173,000 and \$553,000, respectively.

Contributions receivable at June 30 are due as follows:

	<u>2019</u>	<u>2018</u>
Within one year	\$ 5,041,491	\$ 8,822,646
One to five years	7,665,402	9,274,817
More than five years	<u>606,526</u>	<u>1,039,454</u>
	13,313,419	19,136,917
Less allowance	(2,999,639)	(6,031,083)
Present value discount	<u>(753,800)</u>	<u>(748,845)</u>
Total	<u>\$ 9,559,980</u>	<u>\$ 12,356,989</u>

Contributions receivable from related parties totaled approximately \$1,727,000 and \$1,073,000 at June 30, 2019 and 2018, respectively. Related party contribution revenue recognized for the years ended June 30, 2019 and 2018 totaled approximately \$475,000 and \$167,000, respectively.

The Foundation has conditional promises from donors of approximately \$82,274,000 and \$77,498,000 for estates or planned gifts as of June 30, 2019 and 2018, respectively, which are not shown in the accompanying consolidated financial statements until the condition has been fulfilled.

Expenses related to occupancy of facilities and to certain salaries and fringe benefits of advancement, alumni, and development personnel are paid by the University on behalf of the Foundation and are recorded in the consolidated statement of activities as University Support.

NOTE 3 - INVESTMENTS

Investments at fair value at June 30 are as follows:

	<u>2019</u>	<u>2018</u>
Fixed income funds	\$ 39,693,514	\$ 39,965,853
Mutual funds	82,264,960	79,785,986
Corporate stocks	45,743	53,546
Money market funds	7,346,892	2,291,227
Alternative investments:		
Hedge funds	27,226,252	27,263,220
Private investment funds	33,791,050	27,483,381
Real estate funds and other	<u>812,389</u>	<u>1,074,261</u>
Total alternative investments	<u>61,829,691</u>	<u>55,820,862</u>
Total	<u>\$ 191,180,800</u>	<u>\$ 177,917,474</u>

(Continued)

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 3 - INVESTMENTS (Continued)

Net unrealized gains (losses) on investments were as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Beginning of year	\$ 14,704,779	\$ 12,285,642
End of year	<u>10,191,185</u>	<u>14,704,779</u>
Net unrealized gains (losses) for the year	<u>\$ (4,513,594)</u>	<u>\$ 2,419,137</u>

Realized gains from sales of investment securities amounted to \$10,378,111 in 2019 and \$5,856,182 in 2018.

NOTE 4 - DISCLOSURES ABOUT FAIR VALUE OF ASSETS

The Foundation 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 Foundation's assessment of the significance of a particular input to fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. The following three-tier fair value hierarchy prioritizes the inputs used in measuring fair value:

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

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

Level 3 - Unobservable inputs for which there is little or no market data that requires the Foundation to develop assumptions

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. Investments using NAV per share (or its equivalent) as a fair value expedient have not been classified in the fair value hierarchy. These investments are presented as "NAV" in the following tables to permit reconciliation of the fair value hierarchy table to the total investments at fair value presented in the consolidated balance sheet.

Investments: Investments of the Foundation include cash equivalents, corporate stocks, equity securities, fixed income funds, mutual funds and various alternative investment strategies. The Foundation records investments in cash equivalents, corporate stocks, equity securities, corporate bond funds, and mutual funds at their current fair values based on quoted market prices in active markets for identical assets, which is consistent with Level 1 in the hierarchy.

(Continued)

NOTE 4 - DISCLOSURES ABOUT FAIR VALUE OF ASSETS (Continued)

Alternative Investments: For other investments for which there is no active market, generally referred to as “alternative investments”, fair values are initially based on valuations determined by the investment managers using audited net asset values (“NAV”) as of their most recent audited financial statements, adjusted for cash receipts, cash disbursements, and other anticipated income or loss through year end. The NAV’s of the investment funds are determined on the accrual basis of accounting in conformity with GAAP. The managers utilize standard valuation procedures and policies to assess the fair value of the underlying investment holdings to derive NAV. Foundation management has performed considerable independent review of valuations reported by investment managers and determined that NAV is a reasonable and prudent estimate of fair value. Alternative investments are not readily marketable and their estimated value is subject to uncertainty. Therefore, there may be a material difference between their estimated value and the value that would have been used had a readily determinable fair value for such investments existed. There are no unfunded capital commitments related to any of the alternative investments held by the Foundation. Fund strategies and fair value level classifications for each of the assets in this security type are summarized as follows:

The fair values of the Foundation’s hedge funds have been estimated using the net asset value per share of the investment, or its equivalent. Due to current market conditions as well as the limited trading activity of these securities, the market value of the securities is highly sensitive to assumption changes and market volatility. Redemption restrictions are greater than three months. Commitments outstanding on these funds are \$464,250 at June 30, 2019 and \$404,250 at June 30, 2018. The investment objectives of the various hedge funds are long-term appreciation of principal and hedging current market fluctuations for current income.

For the private investment and funds of funds investments, the Foundation has estimated fair value using the net asset value per share of the investment, or its equivalent. Due to current market conditions as well as the limited trading activity of these securities, the market value of the securities is highly sensitive to assumption changes and market volatility. At June 30, 2019 and 2018, these investments consist mainly of limited partnerships, with a smaller percentage of investments in closely held companies. There are no redemption options on the majority of the funds. The partnerships are scheduled to terminate in 2020-2026. Commitments outstanding on these funds are approximately \$16,567,000 and \$19,178,000 at June 30, 2019 and 2018, respectively. The investment objectives of these funds are to obtain long term growth capital and they offer investors an opportunity to access the private equity market through a much smaller commitment than would be feasible investing directly in funds.

For other investments for which there is no active market, including real estate, Foundation management has estimated fair value using the net asset value per share of the investment, or its equivalent. The market value of the securities is highly sensitive to assumption changes and market volatility. Other than real estate owned directly by the Foundation, there are no redemption options on these funds. Outstanding commitments are \$99,000 at June 30, 2019 and 2018. The investment objectives of the funds are overall long term capital growth.

Split interest agreements: The Foundation’s investments under charitable remainder trusts and charitable gift annuities are classified as Level 1. The Foundation records investments in cash equivalents, corporate stocks, and mutual funds at their current fair values based on quoted market prices in active markets for identical assets, which is consistent with Level 1 in the hierarchy.

Beneficial interest in trust held by others: The Foundation’s beneficial interest in irrevocable split interest agreements held or controlled by a third party are classified as Level 3, as the fair values are based on significant unobservable inputs. The fair values are estimated using the income approach and are measured at the present value of the future distributions the Foundation expects to receive over the term of the agreements.

(Continued)

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 4 - DISCLOSURES ABOUT FAIR VALUE OF ASSETS (Continued)

The fair value of these financial assets was determined using the following inputs at June 30, 2019 and 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>June 30, 2019</u>
Investments					
Cash equivalents and money market funds	\$ 7,121,184	\$ -	\$ -	\$ -	\$ 7,121,184
Domestic corporate stocks	45,743	-	-	-	45,743
Mutual funds					
Domestic funds	48,775,410	-	-	-	48,775,410
International funds	31,085,522	-	-	-	31,085,522
Fixed income funds	37,212,798	-	-	-	37,212,798
Alternative investments					
Hedge funds	-	-	-	27,226,252	27,226,252
Private investment	-	-	-	33,791,050	33,791,050
Real estate funds and other	-	-	-	812,389	812,389
Split interest agreements					
Cash equivalents and money market funds	225,708	-	-	-	225,708
Domestic corporate stocks	-	-	-	-	-
Mutual funds	2,404,028	-	-	-	2,404,028
Fixed income funds	2,480,716	-	-	-	2,480,716
Beneficial interest in trust held by others	-	-	135,455	-	135,455
Total assets	<u>\$ 129,351,109</u>	<u>\$ -</u>	<u>\$ 135,455</u>	<u>\$61,829,691</u>	<u>\$ 191,316,255</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>June 30, 2018</u>
Investments					
Cash equivalents and money market funds	\$ 2,143,066	\$ -	\$ -	\$ -	\$ 2,143,066
Domestic corporate stocks	53,546	-	-	-	53,546
Mutual funds					
Domestic funds	47,343,165	-	-	-	47,343,165
International funds	30,046,451	-	-	-	30,046,451
Fixed income funds	37,478,871	-	-	-	37,478,871
Alternative investments					
Hedge funds	-	-	-	27,263,220	27,263,220
Private investment	-	-	-	27,483,381	27,483,381
Real estate funds and other	-	-	-	1,074,261	1,074,261
Split interest agreements					
Cash equivalents and money market funds	148,161	-	-	-	148,161
Domestic corporate stocks	-	-	-	-	-
Mutual funds	2,396,370	-	-	-	2,396,370
Fixed income funds	2,486,982	-	-	-	2,486,982
Beneficial interest in trust held by others	-	-	144,022	-	144,022
Total assets	<u>\$ 122,096,612</u>	<u>\$ -</u>	<u>\$ 144,022</u>	<u>\$55,820,862</u>	<u>\$ 178,061,496</u>

(Continued)

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2019 and 2018

NOTE 4 - DISCLOSURES ABOUT FAIR VALUE OF ASSETS (Continued)

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying balance sheet using significant unobservable (Level 3) inputs:

	Funds Held In Trust by <u>Others</u>
Beginning balance, July 1, 2018	\$ 144,022
Contributions	-
Total gains or losses (realized/unrealized) included in earnings	-
Change in split interest agreements	(8,567)
Purchases	-
Sales	<u>-</u>
Ending balance, June 30, 2019	<u>\$ 135,455</u>
	Funds Held In Trust by <u>Others</u>
Beginning balance, July 1, 2017	\$ 152,408
Contributions	-
Total gains or losses (realized/unrealized) included in earnings	-
Change in split interest agreements	(8,386)
Purchases	-
Sales	<u>-</u>
Ending balance, June 30, 2018	<u>\$ 144,022</u>

Certain investment securities are held by independent custodial and management agents. Custodial and management fees paid were approximately \$96,000 and \$119,000 in 2019 and 2018, respectively, and are reported as reductions to interest and dividends in the accompanying consolidated statements of activities.

Other Financial Instruments: The Foundation's other financial instruments include cash and cash equivalents, contributions receivable, cash surrender value of life insurance, accounts payable, and annuities payable.

For cash and cash equivalents and accounts payable, the carrying amounts approximate fair value because of the short maturity of these items. The carrying amount of contributions receivable, cash surrender value of life insurance, and annuities payable are a reasonable estimate of the corresponding fair value.

(Continued)

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2019 and 2018

NOTE 5 - LIFE INSURANCE POLICIES

The Foundation is owner and beneficiary of certain life insurance policies that have a total face value of approximately \$11,067,000 at June 30, 2019 and \$10,506,000 at June 30, 2018. Premiums on these policies are generally paid by the insured individuals. The cash surrender value of such policies approximated \$1,836,000 and \$1,622,000 at June 30, 2019 and 2018, respectively.

NOTE 6 - NET ASSETS

Net assets with donor restrictions at June 30 are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Scholarships	\$ 97,747,899	\$ 86,832,552
General and operational support	53,369,652	54,354,975
Capital and equipment	11,541,052	15,901,986
Professorships	14,678,849	11,998,553
Centers and institutes	3,180,845	3,118,010
Chair	2,908,809	2,892,221
Research	1,122,136	1,212,603
Faculty and staff	1,300,232	1,269,595
Fellowships	<u>108,334</u>	<u>88,202</u>
Total net assets with donor restrictions	<u>\$ 185,957,808</u>	<u>\$ 177,668,697</u>

The following represents a summary of the net assets released from restrictions during the years ended June 30:

	<u>2019</u>	<u>2018</u>
General and operational support	\$ 6,110,579	\$ 6,576,985
Scholarships	5,854,679	4,399,240
Capital and equipment	7,122,407	864,766
Centers and institutes	216,696	309,497
Professorships	333,679	344,341
Chair	119,111	118,208
Faculty and staff	48,735	73,271
Research	22,164	18,725
Fellowships	<u>2,789</u>	<u>776</u>
Total net assets released from restrictions	<u>\$ 19,830,839</u>	<u>\$ 12,705,809</u>

Designations of net assets without donor-imposed restrictions have been earmarked for future allocations, grants or other uses as determined by action of the Board. The primary purpose of the amount "designated per Board policy" is to prevent an interruption or a reduction of services due to an unanticipated shortage of available funds.

(Continued)

NOTE 7 - ENDOWMENT BALANCES

The Foundation's endowment consists of approximately 1,108 individual funds established for a variety of purposes. The endowment includes donor-restricted endowment funds. Net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Governing board restrictions are reported in net assets without donor restrictions.

The governing Board of Directors 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, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the 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, less (d) the amounts appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

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 board, 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.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based and alternative investments to achieve its long-term objective within prudent risk constraints.

The Foundation records the annual income of the endowment as restricted and appropriated for expenditure upon meeting donor stipulations. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns.

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 3.0% to 7.0% of the three year rolling average market value of endowed fund balances, with the Board of Directors approving 3% for 2019 and 2018.

(Continued)

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 7 - ENDOWMENT BALANCES (Continued)

The Foundation Board of Directors approved charging an administrative fee of 1.3% for the years ended June 30, 2019 and 2018 on all endowed funds, and certain non-endowed funds, unless prohibited by the guidelines of the fund. The fee is based on the prior three-year average market value balance for endowed funds.

The composition of net assets by type of endowment fund at June 30, 2019 and 2018 was:

<u>2019</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Donor-restricted endowment funds	\$ -	\$ 147,077,205	\$ 147,077,205
Board-designated endowment funds	<u>2,360,621</u>	<u>-</u>	<u>2,360,621</u>
Total endowment funds	<u>\$ 2,360,621</u>	<u>\$ 147,077,205</u>	<u>\$ 149,437,826</u>
<u>2018</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Donor-restricted endowment funds	\$ -	\$ 135,757,132	\$ 135,757,132
Board-designated endowment funds	<u>2,281,154</u>	<u>-</u>	<u>2,281,154</u>
Total endowment funds	<u>\$ 2,281,154</u>	<u>\$ 135,757,132</u>	<u>\$ 138,038,286</u>

Changes in endowment net assets for the years ended June 30, 2019 and 2018 were:

<u>2019</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 2,281,154	\$ 135,757,132	\$ 138,038,286
Investment return			
Investment income	42,370	2,199,213	2,241,583
Net gains/(losses)	<u>74,732</u>	<u>3,823,357</u>	<u>3,898,089</u>
Total investment return	<u>117,102</u>	<u>6,022,570</u>	<u>6,139,672</u>
Contributions and additions	-	9,883,612	9,883,612
Transfers	(5,985)	5,985	-
Change in split interest agreement	-	(72,430)	(72,430)
Appropriation of endowment assets for expenditure	<u>(31,650)</u>	<u>(4,519,664)</u>	<u>(4,551,314)</u>
Endowment net assets, end of year	<u>\$ 2,360,621</u>	<u>\$ 147,077,205</u>	<u>\$ 149,437,826</u>

(Continued)

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2019 and 2018

NOTE 7 - ENDOWMENT BALANCES (Continued)

<u>2018</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 2,188,287	\$ 129,275,920	\$ 131,464,207
Investment return			
Investment income	28,040	1,707,224	1,735,264
Net gains/(losses)	<u>89,989</u>	<u>5,396,915</u>	<u>5,486,904</u>
Total investment return	<u>118,029</u>	<u>7,104,139</u>	<u>7,222,168</u>
Contributions and additions	-	3,919,942	3,919,942
Transfers	(4,866)	4,866	-
Change in split interest agreement	-	(435,321)	(435,321)
Appropriation of endowment assets for expenditure	<u>(20,296)</u>	<u>(4,112,414)</u>	<u>(4,132,710)</u>
Endowment net assets, end of year	<u>\$ 2,281,154</u>	<u>\$ 135,757,132</u>	<u>\$ 138,038,286</u>

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related amounts with donor restrictions are reported in net assets with donor restrictions. There were no funds with deficiencies as of June 30, 2019 and 2018.

NOTE 8 – AVAILABLE RESOURCES AND LIQUIDITY

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support without donor restrictions.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated (quasi) endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

(Continued)

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 8 – AVAILABLE RESOURCES AND LIQUIDITY (Continued)

The table below presents financial assets available for general expenditures within one year at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,414,399	\$ 1,423,501
Investments	191,180,800	177,917,472
Net contributions receivable	9,559,980	12,356,989
Cash surrender value of life insurance	1,836,020	1,622,114
Beneficial interest in trusts held by others	<u>135,455</u>	<u>144,022</u>
Total financial assets	204,126,654	193,464,098
Less amounts not available to be used within one year:		
Investments in non-liquid securities	(188,013,249)	(174,484,644)
Investments held in custodial and non-custodial trusts	(3,430,617)	(3,199,675)
Contributions receivable – due after one year	<u>(7,173,339)</u>	<u>(9,121,138)</u>
Financial assets not available to be used within one year	<u>(198,617,205)</u>	<u>(186,805,457)</u>
Financial asset available to meet general expenditures within one year	<u>\$ 5,509,449</u>	<u>\$ 6,658,641</u>

NOTE 9 – EXPENSES BY BOTH NATURE AND FUNCTION

Expenses are presented below by functional classification in accordance with the overall service mission of the Foundation. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Support services include administration, accounting, facilities, public relations, and human resources. Most expenses are directly charged to the department/function incurring the expense. Costs are allocated based on direct costs charged to each department/function and time spent. Each functional classification displays all expenses related to the underlying operations by natural classification.

<u>2019</u>	<u>Program Services</u>	<u>Supporting Services</u>		<u>Totals</u>
	<u>Support of University</u>	<u>Fundraising</u>	<u>Management and General</u>	
University programming	\$ 3,786,505	\$ 2,244,120	\$ 878,116	\$ 6,908,741
Capital projects	7,491,080	-	-	7,491,080
Scholarships & grants	5,717,695	-	221,904	5,939,599
Travel & meals	920,518	151,617	28,529	1,100,664
Stewardship events	294,322	234,909	298,301	827,532
Gift in kind expense	781,004	-	-	781,004
Printing & postage	96,400	237,941	63,888	398,229
Professional fees	385,410	1,681	63,874	450,965
Computer software & consulting	-	153,656	180,190	333,846
Professional development	305,087	25,053	62,941	393,081
Office supplies	298,029	25,066	13,216	336,311
Maintenance & repairs	177,658	1,725	105,351	284,734
Insurance	190,820	7,731	1,397	199,948
Telephones	1,662	44,885	15,168	61,715
Bank fees	532	-	62,523	63,055
Student wages	-	15,395	13,997	29,392
Advertising	24,349	1,956	609	26,914
Other expenses	<u>93,585</u>	<u>651</u>	<u>20,666</u>	<u>114,902</u>
Total expenses	<u>\$ 20,564,656</u>	<u>\$ 3,146,386</u>	<u>\$ 2,030,670</u>	<u>\$ 25,741,712</u>

(Continued)

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2019 and 2018

NOTE 9 – EXPENSES BY BOTH NATURE AND FUNCTION (Continued)

<u>2018</u>	<u>Program Services</u>	<u>Supporting Services</u>		<u>Totals</u>
	<u>Support of University</u>	<u>Fundraising</u>	<u>Management and General</u>	
University programming	\$ 2,299,202	\$ 2,044,646	\$ 730,709	\$ 5,074,557
Capital projects	1,195,202	-	-	1,195,202
Scholarships & grants	5,640,905	-	-	5,640,905
Travel & meals	831,706	196,896	42,429	1,071,031
Stewardship events	187,887	56,615	247,484	491,986
Gift in kind expense	572,219	-	-	572,219
Printing & postage	149,146	140,495	98,336	387,977
Professional fees	673,810	(472)	25,420	698,758
Computer software & consulting	121,494	370,145	224,498	716,137
Professional development	507,289	26,974	38,885	573,148
Office supplies	303,897	61,097	10,801	375,795
Maintenance & repairs	440,405	24,135	7,429	471,969
Insurance	66,861	3,703	1,823	72,387
Telephones	1,438	18,228	12,380	32,046
Bank fees	648	-	58,972	59,620
Advertising	71,633	946	1,353	73,932
Other expenses	25,587	6,420	7,524	39,531
Total expenses	<u>\$ 13,089,329</u>	<u>\$ 2,949,828</u>	<u>\$ 1,508,043</u>	<u>\$ 17,547,200</u>

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

Management and the Board of Directors
The Bowling Green State University
Foundation, Inc. and Subsidiary

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 the Bowling Green State University Foundation, Inc. and Subsidiary (Foundation), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 2, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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.

(Continued)

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting 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.


Crowe LLP

Columbus, Ohio
October 2, 2019

OHIO AUDITOR OF STATE KEITH FABER



BOWLING GREEN STATE UNIVERSITY FOUNDATION

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 7, 2019**