Financial Statements and Supplemental Information

Bowling Green State University
Years Ended June 30, 2011 and 2010
With Report of Independent Auditors

Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Bowling Green State University, Wood County, prepared by Ernst & Young LLP, for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

February 2, 2012

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Bowling Green State University

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Years Ended June 30, 2011 and 2010

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Report of Independent Auditors

The Board of Trustees
Bowling Green State University

We have audited the accompanying financial statements of Bowling Green State University (the University), a component unit of the State of Ohio, and its aggregate discretely presented component units as of and for the years ended June 30, 2011 and 2010, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its aggregate discretely presented component units, as of June 30, 2011 and 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2011, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management's discussion and analysis on pages 3 through 9 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ernst & Young LLP

October 14, 2011

Overview of the Financial Statements and Financial Analysis

This section of the Bowling Green State University (University) annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal years ended June 30, 2011, 2010 and 2009. This discussion provides an overview of the University's financial activities and should be read in conjunction with the accompanying financial statements and footnotes.

Using the Annual Financial Statements

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

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

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

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

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

Noteworthy Financial Activity

The University's overall enrollment continued to improve in fiscal year 2011 for the second straight year with undergraduate headcount increasing from 16,831 to 17,326.

The University continued its long term planning initiatives to improve capital facilities and related infrastructures. Following the issuance of long-term debt during fiscal year 2010 (2010 Series A and B), the University successfully completed the 5,000 seat convocation center (the "Stroh Center") during fiscal year 2011. The Stroh Center will serve as the home for men's and women's basketball and women's volleyball. Demolition, replacement or renovation work was also completed on a number of University-owned parking lots, residence halls, tunnels and infrastructure, academic and administrative building roofs, and the first phase of facility and equipment improvements in the ice arena.

The University's financial position, as a whole, improved during the fiscal year ended June 30, 2011 as compared to the previous year; key contributing factors are identified below:

- The University's total assets increased over the prior year by $57.2 million, of which $41.5 million is attributable to an increase in total current assets and is primarily due to the continued overall improvement in the market values of investments. Total non-current assets increased in total by $15.7 million; contributing factors include: a decrease of $23.5 million in restricted investments attributable to the draw down of bond proceeds for construction projects, offset by an increase of $39.1 million due to the increase in capital assets related to various construction projects including the Stroh Center, the Wolfe Center for the Arts, various utility projects, Ice Arena renovations, Roadway improvement projects, and other renovation projects.

- Total liabilities decreased by $14.1 million. Long-term debt and other obligations decreased by $10.5 million due to payments on long-term debt. Total current liabilities decreased by $3.6 million primarily due to accounts payable and accrued expenses where the prior year included $7.4 million for University Employee Separation Program (UESP) expenses. This decrease is offset by increases in construction and other payables, and other timing differences compared to the prior year.

- The University's total net assets are $459.5 million, an increase of $71.3 million compared to the prior year's increase of $22.5 million. Contributing to the change was a significant increase in investments and capital assets. Of the total net assets, $290.0 million is invested in either capital assets or is restricted. Of the remaining $169.5 million in unrestricted net assets, $131.1 million has been designated or allocated for specific academic, research and support purposes, reserves, and quasi-endowments.

- Total operating revenues increased by $10.6 million. Education and General expenses consisting of instruction, research, public services, academic support, student services and institutional support reflect an overall decrease in operating expenses of $13.3 million. The overall decreases are primarily the result of reductions in salaries and related benefits.

- Non-operating revenues increased by $26.1 million over the prior year, primarily due to an increase in market value (realized and unrealized gains) on investments of $6.9 million, recovery of $12.3 million of the previous write-down of its investment in the Westridge Capital Management Fund, and an increase in non-exchange grants and contracts of $7.5 million (primarily Pell grants). Other changes in the non-operating revenue category consist of an overall reduction in state appropriations of $1.6 million.

- Total other changes in net assets decreased by $1.2 million: State capital appropriations received for the Wolfe Center of the Arts reflected an increase of $5.4 million over the prior year, while other capital grants and gifts decreased by $4.9 million compared to the prior year. Capital contributions totaling $3.9 million were made to Centennial Falcon Properties, Inc. and Subsidiaries, an increase of $1.7 million over prior year.

Bowling Green State University
Condensed Statement of Net Assets
as of June 30, 2011, 2010 and 2009 (in thousands)

	2011	2010	2009
Assets			
Current assets	$ 216,749	$ 175,253	$ 158,320
Non-current assets:			
Capital assets	381,342	342,215	319,626
Other	50,222	73,659	25,180
Total non-current assets	431,564	415,874	344,806
Total assets	648,313	591,127	503,126
Liabilities			
Current liabilities	50,795	54,358	50,298
Non-current liabilities	137,983	148,509	87,069
Total liabilities	188,778	202,867	137,367
Net assets			
Invested in capital assets, net of related debt	288,510	260,109	247,176
Restricted, expendable	1,558	3,518	5,625
Unrestricted	169,467	124,633	112,958
Total net assets	$ 459,535	$ 388,260	$ 365,759

2011 versus 2010:

At June 30, 2011, total University assets were $648.3 million, compared to $591.1 million at June 30, 2010. The University's largest asset is its investment in capital assets of $381.3 million at June 30, 2011 compared to $342.2 million at June 30, 2010.

In fiscal year 2011, the University's current assets of $216.7 million were sufficient to cover current liabilities of $50.8 million (current ratio of 4.3). In fiscal year 2010, the University's current assets of $175.3 million were sufficient to cover current liabilities of $54.4 million (current ratio of 3.2). Cash balances reflected a total increase of $11.4 million in 2011 compared to a decrease of $4.7 million in 2010. Approximately $8.0 million of the increase is due to the investment strategy of utilizing a greater rate of return through service credits in the operating cash accounts in 2011 versus money market holdings in the investment accounts as in the prior year. Other differences (increase of $3.4 million) are due to the timing differences in the year-end cutoff for accounts payable accruals compared to the prior year. At June 30, 2011, University investments were $182.8 million, or 28.2% of total assets, and increased by $28.0 million in 2011 due primarily to market appreciation. Capital assets (net of depreciation) of $381.2 million represent 58.8% of the University's total assets.

University liabilities totaled $188.8 million at June 30, 2011, 29.1% of total assets and $14.0 million less than the prior year. Total current liabilities decreased by $3.6 million primarily due to accounts payable and accrued expenses where the prior year included $7.4 million for University Employee Separation Program (UESP) expenses. This decrease is offset by increases in construction and other payables, and other timing differences compared to the prior year. Long-term debt and other obligations decreased overall by $10.5 million in 2011 due to the annual principal payments on outstanding debt.

Total net assets increased by $71.3 million to $459.5 million in 2011. Contributing factors include: increases in student tuition, fees, and housing due to overall undergraduate enrollment increases in all semesters for FY2011, reductions in operating expenses primarily due to savings in salaries and related benefits due to UESP, recoveries of investments through realized and unrealized gains and recoveries of prior investment loss write downs, and an increase in non-exchange grants and contracts, primarily Pell grants. Unrestricted net assets total $169.5 million in 2011 of which $131.1 million was designated or allocated for specific ongoing academic, research and support purposes, reserves, and quasi-endowments.

2010 versus 2009:

At June 30, 2010, total University assets were $591.1 million, compared to $503.1 million at June 30, 2009. The University's largest asset is its investment in capital assets of $342.2 million at June 30, 2010 compared to $319.6 million at June 30, 2009.

In fiscal year 2010, the University's current assets of $175.3 million were sufficient to cover current liabilities of $54.4 million (current ratio of 3.2). In fiscal year 2009, the University's current assets of $158.3 million were sufficient to cover current liabilities of $50.3 million (current ratio of 3.1). Cash decreased by $4.7 million in 2010 compared to an increase of $1.8 million in 2009 due to timing differences in normal operations from year to year. At June 30, 2010, University investments were $154.8 million, or 26.2% of total assets, and increased by $23.3 million in 2010 due primarily to market appreciation. Capital assets (net of depreciation) of $342.2 million represent 57.9% of the University's total assets.

University liabilities totaled $202.9 million at June 30, 2010, 34.3% of total assets and $65.5 million higher than the prior year. Current liabilities at June 30, 2010 include a $7.4 million liability recorded for the University Employee Separation Program. Long-term debt and other obligations increased overall by $61.4 million in 2010 due to the issuance of $77.4 in bonds during 2010. University liabilities totaled $137.4 million at June 30, 2009, or 27.3% of total assets.

Total net assets increased by $22.5 million to $388.3 million in 2010 primarily due to significant recoveries of investments through realized and unrealized gains. These increases were partially offset by overall reductions in operating revenues due to declines in enrollment compared to the prior year, and related increases in student financial aid. Unrestricted net assets total $124.6 million in 2010 of which $104.9 million was designated or allocated for specific ongoing academic, research and support purposes, reserves, and quasi-endowments.

Bowling Green State University
Condensed Statement of Revenues, Expenses and Changes in Net Assets
as of June 30, 2011, 2010 and 2009 (in thousands)

	2011	2010	2009
Operating revenues:			
Student tuition and fees	$ 138,897	$ 135,513	$ 141,371
Auxiliary enterprises	72,516	66,360	70,065
Grants and contracts	16,172	14,948	16,845
Sales and service	4,778	5,454	4,977
Other operating revenues	6,840	6,370	5,656
Total operating revenues	239,203	228,645	238,914
Operating expenses:			
Educational and general	267,718	279,764	272,272
Auxiliary enterprises	75,744	74,103	74,468
Other expenses	1,096	4,037	3,131
Total operating expenses	344,558	357,904	349,871
Operating loss	(105,355)	(129,259)	(110,957)
Non-operating revenues (expenses):			
State appropriations	77,598	79,170	94,020
Other non-operating revenues and expenses	82,127	54,448	(19,354)
Total non-operating revenues	159,725	133,618	74,666
Income (loss) before other changes	54,370	4,359	(36,291)
Capital appropriations, grants and gifts	16,905	18,142	12,668
Change in net assets	71,275	22,501	(23,623)
Net assets at the beginning of the year	388,260	365,759	389,382
Net assets at the end of year	$ 459,535	$ 388,260	$ 365,759

2011 versus 2010:

The most significant sources of operating revenues for the University are tuition and fees of $138.9 million, an increase of $3.4 million, or 2.5% over 2010. Another significant source, Auxiliary Enterprises, reflects an increase of $6.2 million. The increases are primarily attributable to the significant undergraduate enrollment increases experienced for all semesters during the past fiscal year.

Total operating expenditures of $344.6 million decreased overall by $13.3 million, or 3.7% in 2010. The most significant driver of the overall decrease is the reductions in personnel expenses (salaries and fringe benefits) resulting from the University Employee Separation Program (UESP) offered in 2010. Depreciation and amortization remained relatively comparable to prior year. The Operations and maintenance of plant expense category reflect savings of $1.6 million from the prior year.

State appropriations, the most significant non-operating revenue, totaled $77.6 million in the current year, reflecting a decrease of $1.6 million, or 2.0% over 2010. Federal fiscal stabilization funds of $13.0 million were received in 2011, and were comparable to amounts received in 2010. These were from funds appropriated under the American Recovery and Reinvestment Act of 2009 (ARRA). In addition, Pell grant funds increased $7.5 million over the prior year due to an increase in award per student, and an increase in the number of eligible students.

2010 versus 2009:

The most significant sources of operating revenues for the University are tuition and fees of $135.5 million, a decrease of $5.9 million, or 4.1% over 2009, which is attributable to an overall reduction in enrollments during the year.

Total operating expenditures of $357.9 million increased overall by $8.0 million, or 2.3% in 2010. The increase is primarily attributable to the University Employee Separation Program (UESP) where approximately $7.4 million in expense is recorded. Depreciation and amortization increased $2.7 million, and Student Financial Aid increased $3.3 million. Removing the effect of the UESP expense, all categories (instruction, research, public services, academic support, student services, and institutional support reflect actual decreases totaling $5.7 million in operating expenses in 2010 due to reductions in overall personnel savings (salaries and benefits).

State appropriations, the most significant non-operating revenue, totaled $79.2 million in the current year, reflecting a decrease of $14.8 million, or 15.8% over 2009. This decrease is offset by Federal fiscal stabilization funds of $13.0 million received in 2010, resulting from funds appropriated under the American Recovery and Reinvestment Act of 2009 (ARRA). In addition, Pell grant funds increased $9.7 million over the prior year due to an increase in award per student, and an increase in the number of eligible students.

Capital Assets and Debt Administration

At June 30, 2011, the University had $381.3 million of capital assets, net of accumulated depreciation of $322.3 million, compared to $342.2 million of capital assets for the prior fiscal year. The charges for depreciation included in the Statement of Revenues, Expenses, and Changes in Net Assets were $24.8 million for 2011 and $25.0 million for 2010. Detailed information about the University's capital assets is presented in the Notes to the Financial Statements.

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

Economic Factors That Will Affect the Future

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

The economic position of the University is closely tied to the economic condition of the state, as all state universities in Ohio receive state financial support for both operations and capital improvements through appropriations by the legislature. These appropriations contribute substantially to the successful maintenance and operation of the University. The extended period of economic uncertainty, volatility and slow improvement in employment levels, both in the state of Ohio and nationally, contribute to an uncertain planning environment for the University.

In June 2011, the state of Ohio passed its biennial budget bill for fiscal years 2012 and 2013 which included a decrease in operating appropriations to public colleges and universities. This decrease represented the loss of one-time federal stimulus dollars the state had chosen to utilize in the prior biennium and amounted to approximately 15 percent of the state's total share of instructional support to the University. Additionally, the biennial budget bill permitted public colleges and universities to increase tuition and fees up to 3.5% in each fiscal year.

The Board of Trustees appointed the University's 11th president effective July 1, 2011. In addition, the Board also named an interim provost effective July 1. Building on the University's national reputation for student success, including first-year programs, residential learning communities and a strong commitment to teaching, and based on a new strategic plan which was approved by the Trustees in June, 2009, the new president and interim provost are leading the implementation of several key strategic priorities. Work continues on the redesign and phased implementation of the University's general education curriculum.

Undergraduate enrollment increased in the fall of 2010 and 2011 following several consecutive years of declines. Coinciding with the arrival of new executive leadership, the University began a multi-year effort of refocusing significant human and financial resources to perform a turn-around effort in all areas associated with enrollment management. Similar efforts are now being directed toward retention initiatives during fiscal year 2012 and beyond. The University is also beginning an examination of graduate education programs and practices.

With a number of significant capital projects, including residence halls, dining halls, a convocation center, and a performing arts facility, completed or nearing completion, the University will begin a significant phase of planning for renovations in four of the campus' oldest, historical classroom buildings. Planning will also encompass renovation of at least one additional classroom building as well as a new, replacement academic building for the College of Business. These planning efforts, including space programming through schematic design, will serve as the foundation for the University's next phase of capital renewal within the academic core of campus. These projects, along with additional, smaller projects and renovations already begun, will position the University well to continue to serve our students, families and the community in our second century of service to the state of Ohio.

In the past three years, the University has spent considerable efforts identifying opportunities for improved operating efficiencies – mostly in non-academic units. Those efforts included some departmental reorganizations, staff reductions and rationalization of service levels across campus to internal customers. The University anticipates expanding these efforts more broadly across campus in an attempt to achieve greater operational savings throughout the institution.

The University's affiliated Foundation completed its first comprehensive fundraising campaign December 31, 2008. The arrival of the University's 11th president allows the University to embark upon a second comprehensive capital campaign, tentatively planned to begin during calendar 2012. No fund raising goals have yet been determined, however, it will likely exceed the total gifts and commitments of $146.5 million from the campaign completed in 2008.

Bowling Green State University

Statements of Net Assets

	June 30	
	2011	**2010**
Assets		
Current assets		
Cash	**$ 13,444,811**	$ 2,060,272
Investments	**182,761,824**	154,782,131
Accounts receivable, net	**15,087,815**	12,467,609
Inventories	**2,781,285**	3,871,897
Notes receivable	**1,087,581**	1,060,121
Prepaid and other assets	**1,585,961**	1,011,202
Total current assets	**216,749,277**	175,253,232
Noncurrent assets		
Restricted investments	**42,288,843**	65,803,625
Cash surrender value of life insurance and annuities	**397,623**	383,023
Notes receivable	**7,535,391**	7,472,213
Capital assets, net	**381,341,846**	342,214,992
Total noncurrent assets	**431,563,703**	415,873,853
Total assets	**648,312,980**	591,127,085
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	**23,550,135**	28,064,304
Deferred revenue	**10,361,791**	10,078,705
Deposits	**732,090**	915,950
Current portion of long-term debt and other obligations	**16,150,945**	15,299,297
Total current liabilities	**50,794,961**	54,358,256
Noncurrent liabilities		
Long-term debt and other obligations	**137,982,643**	148,509,266
Total liabilities	**188,777,604**	202,867,522
Net assets		
Invested in capital assets, net of related debt	**288,509,556**	260,109,001
Restricted for expendable:		
Loans	**1,313,739**	1,228,143
Capital projects and debt service	**244,531**	2,289,569
Unrestricted	**169,467,550**	124,632,850
Total net assets	**$ 459,535,376**	$ 388,259,563

See accompanying notes

Bowling Green State University

Statements of Revenues, Expenses, and Changes in Net Assets

	Years Ended June 30	
	2011	**2010**
Revenues		
Operating revenues		
Student tuition and fees (net of scholarship allowances of $68,326,775 for 2011 and $60,175,039 for 2010)	**$ 138,897,308**	$ 135,513,174
Federal grants and contracts	**6,834,859**	5,755,863
State grants and contracts	**2,578,813**	1,997,669
Local grants and contracts	**647,585**	54,371
Nongovernmental grants and contracts	**6,110,674**	7,139,588
Sales and services of educational departments	**4,778,070**	5,454,294
Auxiliary enterprises (net of scholarship allowances of $2,529,723 for 2011 and $2,305,245 for 2010)	**72,516,193**	66,360,028
Other operating revenues	**6,840,140**	6,370,004
Total operating revenues	**239,203,642**	228,644,991
Expenses		
Operating expenses		
Educational and general		
Instruction	**122,087,012**	127,824,733
Research	**5,823,806**	5,423,969
Public services	**6,614,636**	7,207,459
Academic support	**23,882,313**	25,166,726
Student services	**18,096,696**	19,210,075
Institutional support	**28,286,240**	30,173,161
Operations and maintenance of plant	**15,326,222**	16,916,374
Depreciation and amortization	**24,760,176**	24,995,294
Student aid	**22,841,650**	22,847,122
Auxiliary enterprises	**75,743,746**	74,102,602
Other expenses	**1,095,784**	4,037,024
Total operating expenses	**344,558,281**	357,904,539
Operating loss	**(105,354,639)**	(129,259,548)
Nonoperating revenues (expenses)		
State appropriations	**$ 77,598,093**	$ 79,170,302
Federal fiscal stabilization funds	**12,982,824**	12,961,965
Non-exchange grants and contracts	**37,647,735**	30,181,785
Investment income, net	**21,555,752**	14,645,021
Investment income, recovery	**12,336,890**	–
Interest on capital asset-related debt	**(2,396,146)**	(3,416,668)
Other nonoperating revenues	**–**	75,618
Net nonoperating revenues	**159,725,148**	133,618,023
Income before other changes	**54,370,509**	4,358,475
Other changes		
Capital appropriations	**20,052,666**	14,654,632
Capital grants and gifts	**789,096**	5,737,408
Capital contribution to Centennial Falcon Properties, Inc. and subsidiaries	**(3,936,458)**	(2,250,000)
Total other changes	**16,905,304**	18,142,040
Change in net assets	**71,275,813**	22,500,515
Net assets		
Net assets at the beginning of year	**388,259,563**	365,759,048
Net assets at the end of year	**$ 459,535,376**	$ 388,259,563

See accompanying notes

Bowling Green State University

Statements of Cash Flows

	Years Ended June 30	
	2011	**2010**
Cash flows from operating activities		
Tuition and fees	**$ 137,178,280**	$ 133,156,472
Research grants and contracts	**16,286,469**	20,113,195
Payments to vendors for supplies and services	**(93,952,473)**	(98,512,753)
Payments to employees and benefits	**(206,429,956)**	(210,486,655)
Payments for scholarships and fellowships	**(22,841,650)**	(22,847,122)
Student loans granted, net of repayments	**(170,527)**	592,258
Auxiliary enterprises	**71,526,285**	66,521,776
Sales and services of educational departments	**4,778,070**	5,454,294
Other receipts	**5,924,436**	5,339,623
Net cash used in operating activities	**(87,701,066)**	(100,668,912)
Cash flows from noncapital financing activities		
State appropriations	**77,598,093**	79,170,302
Federal fiscal stabilization funds	**12,982,824**	12,961,965
Direct lending receipts	**127,538,137**	117,333,137
Direct lending disbursements	**(127,538,137)**	(117,333,137)
Grants received for other than capital purposes	**37,647,735**	30,181,785
Net cash provided by noncapital financing activities	**128,228,652**	122,314,052
Cash flows from capital financing activities		
Capital appropriations	**20,052,666**	14,654,632
Capital grants received	**789,096**	5,813,026
Purchases of capital assets	**(60,987,908)**	(47,584,107)
Principal paid on long-term debt	**(8,760,000)**	(14,365,000)
Interest paid on long-term debt	**(6,074,193)**	(3,232,791)
Capital contribution to Centennial Falcon Properties, Inc. and subsidiaries	**(3,936,458)**	(2,250,000)
Proceeds from capital debt	**–**	77,807,029
Bond financing fees paid	**–**	(508,940)
Net cash (used in) provided by capital financing activities	**(58,916,797)**	30,333,849
Cash flows from investing activities		
Proceeds from sales and maturities of investments	**$ 255,150,004**	$ 423,921,470
Purchase of investments	**(241,327,720)**	(483,984,058)
Investment income	**15,951,466**	3,426,120
Net cash provided by (used in) investing activities	**29,773,750**	(56,636,468)
Net increase (decrease) in cash	**11,384,539**	(4,657,479)
Cash at beginning of year	**2,060,272**	6,717,751
Cash at end of year	**$ 13,444,811**	$ 2,060,272

Bowling Green State University

Statements of Cash Flows (continued)

	Years Ended June 30	
	2011	**2010**
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	**$ (105,354,639)**	$ (129,259,548)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	**24,760,176**	24,995,294
Increase in allowance for doubtful accounts	**320,000**	350,075
Amortization of bond premium	**(314,945)**	(539,398)
Changes in assets and liabilities:		
Accounts receivable, net	**(3,119,513)**	1,401,018
Inventories	**1,090,612**	425,390
Other assets	**(574,759)**	(363,648)
Accounts payable and accrued liabilities	**(3,914,555)**	1,577,482
Deferred revenue	**283,086**	1,138,451
Deposits held for others	**(183,860)**	141,945
Compensated absences	**(602,031)**	(940,157)
Loans to students	**(90,638)**	404,184
Net cash used in operating activities	**$ (87,701,066)**	$ (100,668,912)

See accompanying notes

The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statements of Financial Position

	June 30 2011	June 30 2010
Assets		
Current assets:		
Cash	**$ 643,839**	$ 287,776
Contributions receivable, net of allowance for uncollectible contributions *(Note 2)*	**5,332,400**	4,818,198
Interest receivable	**–**	3,472
Total current assets	**5,976,239**	5,109,446
Investments *(Notes 1 and 3):*		
Corporate bond funds	**40,706,163**	36,355,457
Mutual funds	**37,783,186**	33,143,881
Alternative investments	**15,932,789**	13,706,854
Corporate stocks	**11,260,442**	4,577,921
Money market funds	**2,139,498**	2,970,021
U.S. government and agency obligations	**187,679**	171,258
Total investments	**108,009,757**	90,925,392
Prepaid and other assets	**328,447**	171,157
Long-term contributions receivable, net of allowance for uncollectible contributions *(Note 2)*	**6,509,614**	8,496,453
Cash value of life insurance *(Note 4)*	**1,464,523**	1,428,416
Total assets	**$ 122,288,580**	$ 106,130,864
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 198,009**	$ 215,495
Total current liabilities	**198,009**	215,495
Annuities payable	**1,403,862**	1,350,574
Total liabilities	**1,601,871**	1,566,069
Net (deficit) assets *(Notes 1, 6, 7, 8, and 9):*		
Unrestricted	**1,322,657**	(757,011)
Temporarily restricted	**44,941,460**	33,594,116
Permanently restricted	**74,422,592**	71,727,690
Total net assets	**120,686,709**	104,564,795
Total liabilities and net assets	**$ 122,288,580**	$ 106,130,864

See accompanying notes.

The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenue, and gains				
Contributions and gifts (net)	$ 570,397	$11,768,598	$ 2,570,052	$ 14,909,047
Interest and dividends	412,900	1,756,788	–	2,169,688
Net realized and unrealized gains	1,495,039	11,365,458	–	12,860,497
Other revenue	1,291,485	59,889	14,140	1,365,514
Transfers *(Note 7)*	–	(110,710)	110,710	–
Net assets released from restriction *(Note 6)*	13,492,679	(13,492,679)	–	–
Total support, revenue, and gains	17,262,500	11,347,344	2,694,902	31,304,746
Expenses				
Program services	13,455,110	–	–	13,455,110
Fund-raising	1,000,636	–	–	1,000,636
Operating	727,086	–	–	727,086
Total expenses	15,182,832	–	–	15,182,832
Change in net assets	2,079,668	11,347,344	2,694,902	16,121,914
Net (deficit) assets at beginning of year	(757,011)	33,594,116	71,727,690	104,564,795
Net assets at end of year *(Note 8)*	$ 1,322,657	$44,941,460	$74,422,592	$ 120,686,709

See accompanying notes.

The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenue, and gains				
Contributions and gifts (net)	$ 553,033	$ 7,080,420	$ 2,593,497	$ 10,226,950
Interest and dividends	267,187	2,072,215	–	2,339,402
Net realized and unrealized losses	5,261,259	3,217,878	–	8,479,137
Other revenue	1,172,498	219,869	51,376	1,443,743
Transfers *(Note 7)*	–	(450,318)	450,318	–
Net assets released from restriction *(Note 6)*	13,228,193	(13,228,193)	–	–
Total support, revenue, and gains	20,482,170	(1,088,129)	3,095,191	22,489,232
Expenses				
Program services	13,457,902	–	–	13,457,902
Fund-raising	1,017,862	–	–	1,017,862
Operating	582,285	–	–	582,285
Total expenses	15,058,049	–	–	15,058,049
Change in net assets	5,424,121	(1,088,129)	3,095,191	7,431,183
Net (deficit) assets at beginning of year	(6,181,132)	34,682,245	68,632,499	97,133,612
Net (deficit) assets at end of year *(Note 8)*	$ (757,011)	$33,594,116	$71,727,690	$ 104,564,795

See accompanying notes.

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Financial Position

	June 30			
	2011		**2010**	
Assets				
Current assets				
Cash and cash equivalents	**$**	**3,484,800**	$	250,000
Restricted cash and cash equivalents		**1,295,425**		–
Prepaid expense		**6,514**		–
Total current assets		**4,786,739**		250,000
Other assets				
Funds held by trustee		**22,645,814**		69,566,315
Deferred bond issuance costs, net of accumulated amortization of $129,012 and $5,135		**2,855,371**		2,964,248
Construction in progress		**74,701,445**		11,079,437
Total other assets		**100,202,630**		83,610,000
Total assets	**$**	**104,989,369**	$	83,860,000
Liabilities and net assets				
Short-term liabilities				
Accrued interest payable		**380,070**		–
Accrued construction costs payable		**5,176,948**		–
Bonds and construction payable- current portion		**806,582**		–
Total short-term liabilities		**6,363,600**		–
Long-term liabilities				
Bonds payable - net of current portion		**81,290,000**		81,610,000
Construction funding payable - net of current portion		**11,153,004**		–
Total long-term liabilities		**92,443,004**		81,610,000
Total liabilities		**98,806,604**		81,610,000
Net assets				
Unrestricted		**4,182,765**		250,000
Temporarily restricted		**2,000,000**		2,000,000
Total net assets		**6,182,765**		2,250,000
Total liabilities and net assets	**$**	**104,989,369**	$	83,860,000

See accompanying notes

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Activities

Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total
Revenues			
Operating	$ –	–	$ –
Expenses			
Bank fees	1,193	–	1,193
Professional fees	2,500	–	2,500
Total operating expenses	3,693		3,693
Operating loss	(3,693)	–	(3,693)
Other changes			
Capital contributions from Bowling Green State University	3,936,458	–	3,936,458
Total other changes	3,936,458	–	3,936,458
Change in net assets	3,932,765	–	3,932,765
Net assets			
Net assets at the beginning of year	250,000	2,000,000	2,250,000
Net assets at the end of year	$ 4,182,765	$ 2,000,000	$ 6,182,765

See accompanying notes

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Activities

Period from December 17, 2009 through June 30, 2010

	Unrestricted	Temporarily Restricted	Total
Revenues			
Operating	**$ –**	$ –	$ –
Expenses	–	–	–
Total operating expenses	**–**	–	–
Operating loss	**–**	**–**	–
Other changes			
Capital contributions from Bowling Green State University	**250,000**	**2,000,000**	2,250,000
Total other changes	**250,000**	**–**	2,250,000
Change in net assets	**250,000**	**–**	2,250,000
Net assets			
Net assets at the beginning of period	**–**	**–**	–
Net assets at the end of period	**$ 250,000**	**$ 2,000,000**	$ 2,250,000

See accompanying notes

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

Nature of Operations

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

Reporting Entity

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

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

Financial Statement Presentation

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

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

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

During the year ended June 30, 2011 and 2010, the Foundation distributed $11,681,159 and $11,323,964, respectively, to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Assistant Vice President for Advancement Services/Controller at Mileti Alumni Center, Bowling Green, Ohio 43403.

The Corporation is a legally separate component unit of the University formed in 2010 as a nonprofit corporation under the laws of the State of Ohio and determined by the Internal Revenue Service to be exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. The Corporation was organized for the benefit of the University for various purposes, including acquiring, developing and maintaining property to be used for University purposes. The University contributed $3,936,458 and $2,250,000 to the Corporation during the year ended June 30, 2011 and 2010, respectively. Complete financial statements for the Corporation can be obtained from the Vice President, McFall Center, Bowling Green, Ohio 43403.

CFP I LLC (CFP I) is a nonprofit single member limited liability company formed in 2010 under the laws of the State of Ohio. The Corporation organized CFP I specifically to develop, own, and manage certain housing for students of the University. The Corporation is the sole member of CFP I. On June 9, 2010, the City of Bowling Green, Ohio issued $81,610,000 Student Housing Revenue Bonds (Series 2010 Bonds) and loaned the proceeds of the Series 2010 Bonds to CFP I for the purpose of providing funds to finance the cost of acquiring, constructing, furnishing, and equipping a 1,318-bed, two building student housing facility (the Series 2010 Project). CFP I is not expected to have assets other than the Series 2010 Project.

Because the proceeds of the Series 2010 Bonds can be used only for the Series 2010 Project and because the Series 2010 Project is for the exclusive benefit of the University, the Corporation and CFP I are considered a component unit of the University and are discretely presented in the University's financial statements.

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 is obligated to complete 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 is effective July 1, 2011.

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

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

Pursuant to an Amended and Restated Food Service Agreement, dated June 25, 2010 (Management Agreement), by and between Chartwells and the University, Chartwells agreed to provide funds for The Oaks in the amount of $10,350,000. CFP II is to provide funds in the amount of $1,000,000. Projected total cost to design, construct, and equip The Oaks is approximately $11,350,000.

Per the Management Agreement, Chartwells is obligated to complete The Oaks for occupancy in August 2011 and will operate The Oaks as part of the University's dining system.

CFP II is not expected to have assets other than The Oaks. The funding can be used only for The Oaks and because The Oaks is for the exclusive benefit of the University, the Corporation and CFP II are considered a component unit of the University and are discretely presented in the University's financial statements.

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 a full service dining facility on the main campus of the University, known as Carillon Place dining facility (Carillon). Carillon will replace the existing Commons dining facility.

On March 31, 2011 CFP III entered into a funding agreement with the manager of The Oaks, Chartwells. Pursuant to an Amended and Restated Food Service Agreement dated June 25, 2010 (Management Agreement), by and between Chartwells and the University, Chartwells agreed to provide funds for the Project in the amount of $6,062,000. The Corporation is to provide funds in the amount of $1,141,000, and CFP III is to provide funds in the amount of $1,756,000. Projected total cost to design, construct, and equip Carillon is approximately $8,959,000.

Chartwells is obligated to complete Carillon for occupancy in August 2011 and will operate Carillon as part of the University's dining system.

CFP III is not expected to have assets other than Carillon. The funding can be used only for Carillon and because Carillon is for the exclusive benefit of the University, the Corporation and CFP III are considered a component unit of the University and are discretely presented in the University's financial statements.

Basis of Accounting

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

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

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

Accounts Receivable

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

Inventories

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

Investments

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

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

Short-term Investments

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

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

Restricted Investments

Restricted investments are assets that have been set aside for restricted purposes.

Capital Assets

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

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

Deferred Revenue

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

Compensated Absences

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

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

Noncurrent Liabilities

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

Income Tax

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

Scholarship Discounts and Allowances

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

Eliminations

In preparing the financial statements, the University eliminates inter-fund assets and liabilities that would otherwise be reflected twice in the Statement of Net Assets. Similarly, revenues and expenses related to internal activities are also eliminated from the Statement of Revenues, Expenses and Changes in Net Assets.

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

Use of Estimates

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

Net Assets

The University's net assets are classified as follows:

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

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

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

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

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

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

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

Revenues

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

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

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

Auxiliary Enterprises

Auxiliary activities mainly represent revenues generated from Residence Halls and Dining Services, Intercollegiate Athletics, Bookstore, and various other activities that provide services to the student body, faculty, staff and general public.

Subsequent Events

The financial statements and related disclosures include evaluation of events through and including October 14, 2011, the date these financial statements were issued. The Series 2010 Project was completed and a permanent occupancy permit was granted in August 2011. The two-building housing facilities and the full-service dining facilities were opened August 19, 2011, on schedule for fall semester.

2. Cash and Investments

Deposits

Amounts available for deposit at June 30, 2011 and 2010 are as follows:

	2011	2010
Cash (carrying amounts)	**$ 13,185,681**	$ 1,822,516
Reconciling items (net) to arrive at bank balances of deposit	**(356,973)**	(199,760)
Total available for deposit and investment (Bank balances of deposits)	**$ 12,828,708**	$ 1,622,756

The carrying amount shown above does not include $259,130 and $237,756 held in cash funds at June 30, 2011 and 2010, respectively.

Any public depository, at the time it receives a University deposit or investment in a certificate of deposit, is required to pledge to the University as collateral eligible securities of aggregate market value that, when added to the portion of the deposit insured by the Federal Deposit Insurance Corporation, equals or exceeds the amount of University funds deposited. Of the bank balance, $507,845 and $215,078 at June 30, 2011 and 2010, respectively, was covered by federal depository insurance, and $12,320,861 and $1,407,678 at June 30, 2011 and 2010, respectively, was collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

Investments

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

- Obligations of the U.S. Treasury and other federal agencies and instrumentalities
- Municipal and state bonds
- State Treasury Asset Reserve (STAR Ohio)
- Certificates of deposit (domestic and foreign)
- Repurchase agreements
- Mutual funds
- Commercial paper

2. Cash and Investments (continued)

- Banker's acceptances
- Corporate bonds and notes
- Common and preferred stock
- Real estate
- Collateralized mortgage obligations
- Collective equity funds
- Asset-backed securities
- Private equity funds
- Hedge fund

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

All common stocks, corporate bonds, money market instruments, mutual funds and other investments are invested through a trust agreement with JP Morgan Worldwide Securities Services in 2011 and 2010, which is the custodian for all funds managed by external money managers. Short-term investments with Huntington Bank are secured with internally designated securities as pledged to the University.

The University invests in STAR Ohio, an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission (the SEC) as an investment company but does operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2011.

A public depository may at its option pledge a single pool of eligible securities to secure the repayment of all public monies held by the depository. The current market value of the pool of securities so pledged together with the amount covered by federal insurance must be at least equal to 110% of all public monies on deposit with the depository.

2. Cash and Investments (continued)

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

	2011	2010
Equity mutual funds	**$ 112,005,825**	$ 86,724,608
Money market funds	**60,827,747**	49,419,537
U.S. government agency obligations	**13,114,267**	26,890,689
Common and preferred stocks	**6,526,800**	4,841,675
STAR Ohio	**109,588**	109,470
Municipal bonds	**195,665**	214,364
Corporate bonds and notes	**–**	24,986,325
Foreign bonds	**–**	17,394
U.S. government obligations	**–**	5,208,197
Alternative investments:		
Collective equity funds	**22,672,811**	20,852,108
Hedge funds	**9,076,911**	–
Limited partnerships	**521,053**	1,321,389
Total	**$ 225,050,667**	$ 220,585,756

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

	2011	2010
Interest and dividends, net	**$ 3,614,575**	$ 3,572,027
Net appreciation in market value of investments	**17,941,177**	11,072,994
Total	**$ 21,555,752**	$ 14,645,021

Net appreciation (depreciation) in the fair value of investments includes both realized and unrealized gains and losses on investments. During the years ended June 30, 2011 and 2010, the University realized a net gain from the sale of investments of $3,436,993 and $324,432, respectively. The calculation of realized gains and losses is independent of the net appreciation (depreciation) in the fair value of investments held at year end. The net appreciation in the fair value of investments during the years ended June 30, 2011 and 2010, was $17,941,177 and $11,072,994, respectively. This amount includes all changes in fair value, both realized and unrealized, that occurred during the year. The unrealized appreciation during the years ended June 30, 2011 and 2010, was $14,504,184 and $10,748,562, respectively.

2. Cash and Investments (continued)

Westridge Capital Management Fund

At July 1, 2008, the University had approximately $14,570,000 invested in the Westridge Capital Management Fund. On February 25, 2009, the SEC took legal action against the fund managers of Westridge Capital Management and obtained a court order to freeze the assets of the fund as the fund managers are under investigation for misappropriation of funds in a complex investment scheme involving affiliated entities owned by the fund managers. On May 27, 2009, the court-appointed receiver in this legal action filed a preliminary report indicating that a substantial amount of assets had been recovered and are under the receiver's control.

In 2009, the University believed there would be a substantial recovery of assets in this legal action and was uncertain as to the final amount and timing of recovery. As a result of this significant uncertainty as to the realizability of the investment, the University recorded an adjustment to reduce the value of its investment to $0 as of June 30, 2009. At June 30, 2010, the University continued to carry the investment in Westridge Capital Management Fund at $0.

In April 2011, the University received an investment recovery payment in the amount of $12,336,890 and has recorded this amount as nonoperating income in the statement of revenues, expenses and changes in net assets for the year ended June 30, 2011. The potential for additional recoveries or amounts are uncertain at this time.

Interest Rate Risk

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

As of June 30, 2011, the University had the following interest-bearing investments and maturities:

Investment Type	Fair Value	Less than 1 year	Less than 1–5 years	Less than 6–10 years
U.S. government agency obligations	$ 13,114,267	$ 13,114,267	$ –	$ –
STAR Ohio	109,588	109,588	–	–
Municipal bonds	195,665	19,260	82,994	93,411
Total	$ 13,419,520	$ 13,243,115	$ 82,994	$ 93,411

2. Cash and Investments (continued)

As of June 30, 2010, the University had the following interest-bearing investments and maturities:

Investment Type	Fair Value	Less than 1 Year	Less than 1-5 Years	Less than 6-10 Years	More than 10 Years
U.S. government agency obligations	$26,890,689	$10,738,164	$16,152,525	$ –	$ –
U.S. government obligations	5,208,197	4,545,607	27,662	369,676	265,252
Corporate bonds and notes	24,986,325	22,789,579	158,309	498,612	1,539,825
STAR Ohio	109,470	109,470	–	–	–
Municipal bonds	214,364	18,699	80,577	90,690	24,398
Foreign bonds	17,394	–	17,394	–	–
Total	$57,426,439	$38,201,519	$16,436,467	$ 958,978	$ 1,829,475

Credit Risk

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

The credit ratings of the University's interest-bearing investments at June 30, 2011 are as follows:

Credit rating (Standard & Poor's)	U.S. Government Obligations	Other Investments	Total
AAA	**$ 13,114,267**	**$ 109,588**	**$ 13,223,855**
Not rated	**–**	**195,665**	**195,665**
Total	**$ 13,114,267**	**$ 305,253**	**$ 13,419,520**

2. Cash and Investments (continued)

The credit ratings of the University's interest-bearing investments at June 30, 2010 are as follows:

Credit rating (Standard & Poor's)	U.S. Government Obligations	U.S. Government Agency Obligations	Corporate Bonds	Other Investments	Total
AAA	$ 5,208,197	$26,890,689	$24,589,838	$ 109,470	$ 56,798,194
AA	–	–	127,198	–	127,198
A	–	–	136,907	–	136,907
BBB	–	–	27,356	17,394	44,750
BB	–	–	4,661	–	4,661
B	–	–	19,917	–	19,917
CCC	–	–	23,490	–	23,490
Not rated	–	–	56,958	214,364	271,322
Total	$ 5,208,197	$26,890,689	$24,986,325	$ 341,228	$ 57,426,439

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University facilitates several Study Abroad Programs in Austria, Spain, and France with a total cash balance of $283,318 and $170,378 at June 30, 2011 and 2010, respectively.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The University's investment in the State Treasurer's investment program that is not evidenced by securities that exist in physical or book entry form was $109,588 and $109,470 at June 30, 2011 and 2010, respectively. The remaining investments are uninsured and unregistered with securities held by the counterparty's trust department or agent in the University's name.

2. Cash and Investments (continued)

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

	2011	2010
Corporate bonds funds	**$ 40,706,163**	$ 36,355,457
Mutual funds	**37,783,186**	33,143,881
Corporate stocks	**11,260,442**	4,577,921
Money market funds	**2,139,498**	2,970,021
U.S. government and agency obligations	**187,679**	171,258
Alternative investments:		
Fund of funds	**8,470,082**	5,323,662
Private investment	**5,460,092**	7,234,043
Real estate	**2,002,615**	1,149,149
Total	**$ 108,009,757**	$ 90,925,392

The Foundation realized a net gain (loss) from the sale of investment securities amounted to $1,606,095 and ($2,167,171) for the years ended June 30, 2011 and 2010, respectively. The net appreciation in the fair value of investments approximated $11,254,402 and $10,646,308 for the years ended June 30, 2011 and 2010, respectively.

The Foundation has outstanding commitments to invest in various alternative investments at June 30, 2011 and 2010, amounting to approximately, $4,200,000 and $5,900,000, respectively.

Foundation assets held in charitable remainder trusts principally consist of corporate stocks and corporate bonds and debentures. Unrealized gains of approximately $329,000 and $197,000 at June 30, 2011 and 2010, respectively and realized losses of approximately $20,000 and $39,000 were recognized for the years ended June 30, 2011 and 2010, respectively.

Certain Foundation investment securities are held by independent custodial and management agents. Custodial and management fees paid approximated $145,000 and $185,000 in 2011 and 2010, respectively, and are reported as reductions to interest and dividends in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets.

The investment value of Funds Held by Trustee by the Corporation, which consists of Series 2010 Bond proceeds and capital contributions from the University, for the benefit of the Series 2010 Project of CFP I at June 30 are as follows:

	2011	2010
Money market funds	**$ 22,645,814**	$ 69,566,315

3. Accounts Receivable

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

	2011	2010
Student receivable for fees, room and board	**$ 11,689,074**	$ 9,404,354
Research and sponsored programs	**3,030,671**	3,354,728
Other	**1,968,070**	988,527
	16,687,815	13,747,609
Less allowance for doubtful accounts	**1,600,000**	1,280,000
Totals	**$ 15,087,815**	$ 12,467,609

4. Notes Receivable

Principal repayment and interest rate terms of federal and university loans vary considerably. Federal loan programs are funded principally with federal contributions to the University under the Perkins and Nursing Loan programs. All amounts recorded are believed collectible. Any uncollectible amounts are not expected to have a significant impact on the financial statements.

The University distributed $127,538,137 and $117,333,137 for student loans in 2011 and 2010, respectively, through the U.S. Department of Education federal direct lending program. These distributions and related funding sources are not included as revenues or expenses in the accompanying financial statements.

5. Capital Assets

Capital assets and accumulated depreciation and amortization of the University as of June 30, 2011, are summarized as follows:

	Beginning Balance	Additions	Retirements or Transfers	Ending Balance
Land	**$ 7,343,246**	**$ 1,093,067**	**$ –**	**$ 8,436,313**
Buildings	**405,175,705**	**4,351,636**	**–**	**409,527,341**
Infrastructure	**63,528,890**	**1,579,807**	**–**	**65,108,697**
Equipment	**85,215,743**	**4,407,653**	**2,398,705**	**87,224,691**
Library materials	**30,131,722**	**2,966,858**	**2,439,568**	**30,659,013**
Construction in progress	**51,415,160**	**48,446,113**	**1,808,606**	**98,052,667**
Capitalized interest	**1,722,525**	**3,474,699**	**575,580**	**4,621,644**
Total capital assets	**644,532,991**	**66,319,833**	**7,222,459**	**703,630,365**
Less accumulated depreciation and amortization	**302,317,999**	**24,760,176**	**4,789,656**	**322,288,519**
Net capital assets	**$ 342,214,992**	**$ 41,559,657**	**$ 2,432,803**	**$ 381,341,846**

Capital assets and accumulated depreciation and amortization of the University as of June 30, 2010, are summarized as follows:

	Beginning Balance	Additions	Retirements or Transfers	Ending Balance
Land	$ 6,066,970	$ 1,276,276	$ –	$ 7,343,246
Buildings	402,193,739	6,899,959	3,917,993	405,175,705
Infrastructure	63,527,107	1,783	–	63,528,890
Equipment	83,707,977	3,577,191	2,069,425	85,215,743
Library materials	29,947,012	2,350,399	2,165,689	30,131,722
Construction in progress	17,575,335	35,961,364	2,121,539	51,415,160
Capitalized interest	1,011,512	711,013	–	1,722,525
Total capital assets	604,029,652	50,777,985	10,274,646	644,532,991
Less accumulated depreciation and amortization	284,403,473	24,995,294	7,080,768	302,317,999
Net capital assets	$ 319,626,179	$ 25,782,691	$ 3,193,878	$ 342,214,992

5. Capital Assets (continued)

Capital assets of the Corporation as of June 30, 2011, are summarized as follows:

	Beginning Balance	Additions	Ending Balance
Construction in progress	**$ 11,079,437**	**$ 63,622,008**	**$ 74,701,445**

Capital assets of the Corporation as of June 30, 2010, are summarized as follows:

	Beginning Balance	Additions	Ending Balance
Construction in progress	$ –	$ 11,079,437	$ 11,079,437

6. Accounts Payable and Accrued Expenses

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

	2011	2010
Accounts payable	**$ 13,815,200**	$ 9,680,402
Accrued payroll and withholdings	**7,145,903**	7,755,254
Accrued health claims	**2,000,000**	2,000,000
Accrued interest on bonds	**589,032**	1,188,648
Accrued employee separation program	**–**	7,440,000
Total	**$ 23,550,135**	$ 28,064,304

University Employee Separation Program

In December 2009, the University approved a University Employee Separation Program (UESP) offered to eligible employees. The UESP is a one-time offer to full-time faculty, administrative and classified employees who achieved 15 or more years of service with the University as of June 30, 2010. Part-time employees and employees who had retired and were subsequently re-hired by the University were not eligible to participate in the plan. Eligible employees who chose the UESP will leave the University from the date of the plan through June 30, 2011, with a separation package that included a base payout amount plus an amount equivalent to a portion of the employee's accrued sick leave pay. The University contracted with Educators Preferred Corporation (EPC) to administer the leave plan. Totals costs, including the base payout, accrued sick leave, and administrative costs associated with the implementation and administration of the plan, were recorded as a liability as of June 30, 2011 and 2010, in the amount of $0 and $7,440,000, respectively.

7. Long-Term Debt and Other Obligations

Long-term debt and other obligations of the University for June 30, 2011, are summarized as follows:

Bonds	Beginning Balance	Additions	Reductions	Ending Balance	Due In One Year
2003 General Receipts Bonds	$ 12,080,000	$ –	$ 1,100,000	$ 10,980,000	$ 1,145,000
2004 General Receipts Bonds	23,465,000	–	3,620,000	19,845,000	2,100,000
2005 General Receipts Bonds	28,345,000	–	4,040,000	24,305,000	4,420,000
2010 Series A Tax-Exempt	12,040,000	–	–	12,040,000	2,020,000
2010 Series B Build America	65,335,000	–	–	65,335,000	–
Bond premium and issuance costs	2,480,040	–	314,945	2,165,095	314,945
Total bonds payable	143,745,040	–	9,074,945	134,670,095	9,999,945
Other liabilities					
Vacation pay	7,494,091	4,618,956	4,935,987	7,177,061	5,685,000
Sick leave	4,251,000	–	285,000	3,968,000	466,000
Federal student loan deposits	8,318,432	–	–	8,318,432	–
Total other liabilities	20,063,523	4,618,956	5,220,987	19,463,493	6,151,000
Total long-term liabilities	$163,808,563	$ 4,618,956	$ 14,295,932	$154,133,588	$ 16,150,945

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

Long-term debt and other obligations of the University for June 30, 2010, are summarized as follows:

Bonds and Note Payable	**Beginning Balance**	**Additions**	**Reductions**	**Ending Balance**	**Due in One Year**
2000 General Receipts Bonds	$ 3,825,000	$ –	$ 3,825,000	$ –	$ –
2003 General Receipts Bonds	13,135,000	–	1,055,000	12,080,000	1,100,000
2004 General Receipts Bonds	26,950,000	–	3,485,000	23,465,000	3,620,000
2005 General Receipts Bonds	28,345,000	–	–	28,345,000	4,040,000
2010 Series A Tax Exempt	–	12,040,000	–	12,040,000	–
2010 Series B Build America	–	65,335,000	–	65,335,000	–
Bond premium and issuance costs	3,096,349	(76,911)	539,398	2,480,040	307,297
Note payable	6,000,000	–	6,000,000	–	–
Total bonds and note payable	81,351,349	77,298,089	14,904,398	143,745,040	9,067,297
Other liabilities					
Vacation pay	7,788,248	5,636,168	5,930,325	7,494,091	5,789,000
Sick leave	4,897,000	–	646,000	4,251,000	443,000
Federal student loan deposits	8,318,432	–	–	8,318,432	–
Total other liabilities	21,003,680	5,636,168	6,576,325	20,063,523	6,232,000
Total long-term liabilities	$102,355,029	$82,934,257	$21,480,723	$163,808,563	$ 15,299,297

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

The scheduled maturities and interest of the University's bonds for the five fiscal years subsequent to June 30, 2011, and subsequent periods thereafter are as follows:

	Principal	Interest	Total
2012	$ 9,685,000	$ 7,068,385	$ 16,753,385
2013	10,050,000	6,660,274	16,710,274
2014	10,530,000	6,249,371	16,779,371
2015	10,985,000	5,762,624	16,747,624
2016	11,875,000	5,210,047	17,085,047
2017–2021	40,205,000	19,034,465	59,239,465
2022–2026	9,450,000	11,699,998	21,149,998
2027–2031	9,835,000	8,678,854	18,513,854
2032–2036	12,590,000	5,013,177	17,603,177
2037–2041	7,300,000	969,119	8,269,119
Total	$ 132,505,000	$ 76,346,314	$ 208,851,314

On April 14, 2010, the University issued $12,040,000 General Receipts Bonds, Series 2010A to finance the repayment of existing short-term debt, parking lot expansions, renovations to existing buildings, and renovation to the ice arena. Interest rates range from 2.0% to 5.0% over the scheduled redemption period of June 1, 2012 to June 1, 2019.

On April 14, 2010, the University issued $65,355,000 General Receipts Bonds, Series 2010B (Series 2010B Bonds) to finance the construction of a new convocation center, residence hall renovations, campus-wide energy efficiency projects, parking lot expansions, renovations to existing buildings, and renovation to the ice arena. Interest rates range from 4.2% to 6.73% over the scheduled redemption period of June 1, 2012 to June 1, 2039.

In the trust agreement, the University irrevocably elected to designate the Series 2010B Bonds as Build America Bonds under the Internal Revenue Code of 1986, as amended (the Code), and will irrevocably elect to receive directly from the U.S. Treasury any credit payments allowed with respect to the Series 2010B Bonds as provided under Section 6431 of the Code. The cash subsidy payments will be payable by the U.S. Treasury directly to the University in an amount equal to 35% of the interest payable by the University on the Series 2010B Bond on each interest payment date. The cash subsidy will constitute general receipts of the University and accordingly, will be pledged as security for the Series 2010 Bonds and all other General Receipts Bonds of the University issued and outstanding from time to time under the trust agreement. The trust agreement neither requires the University to segregate the cash subsidy from other general receipts nor deposit the cash subsidy into the bond service fund.

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

On November 2, 2004, the University issued $40,570,000 General Receipt Bonds, Series 2004 to finance an information technology system, improvements to certain education and auxiliary facilities and partially advance refund $7,185,000 of the General Receipt Bonds, Series 1996. The General Receipt Bonds, Series 2004 has an average interest rate of 3.8%, and the General Receipt Bonds, Series 1996 have an average interest rate of 5.1% over the scheduled redemption period ending June 19, 2019.

The University had unspent bond proceeds, which are classified as restricted investments, at June 30, 2011 and 2010, of $44,288,843 and $65,803,625, respectively.

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

The University has an agreement with the City of Bowling Green whereby the City financed certain electrical improvements for the benefit of the University and is assessing the additional cost to the University. Under the terms of the agreement, the University may buy out the City at any time for $1 plus the outstanding note which at June 30, 2011 and 2010, was approximately $320,000 and $701,000, respectively.

In September 2008, the University entered into a master lease arrangement with a financial institution for $6,000,000. This agreement was paid in full during 2010 from the proceeds from the Series 2010A bonds.

Interest expense related to long-term debt of the University for the period ended June 30, 2011 and 2010, was $6,473,011 and $4,127,682, respectively. Of this amount, $3,474,699 and $711,013 was capitalized by the University at June 30, 2011 and 2010, respectively.

Long-term liabilities of the Corporation for June 30, 2011, are summarized as follows:

Bonds and Construction Funding Payable	Beginning Balance	Additions	Ending Balance	Due in One Year
Bonds payable	$ 81,610,000	$ –	$ 81,610,000	$ 320,000
Construction funding payable	–	11,639,586	11,639,586	486,582
Total long-term liabilities	**$ 81,610,000**	**$ 11,639,586**	**$ 93,429,586**	**$ 806,582**

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

Long-term liabilities of the Corporation for June 30, 2010, are summarized as follows:

Bonds and Construction Funding Payable	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Bonds payable	$ –	$81,610,000	$ –	$81,610,000	$ –

On June 9, 2010, the City of Bowling Green, Ohio issued $81,610,000 of Student Housing Revenue Bonds, Series 2010, and loaned the proceeds of the Series 2010 Bonds to CFP I for the purpose of providing funds to finance the cost of acquiring, constructing, furnishing, and equipping a 1,318-bed, two building student housing facility to serve students at the University. Interest rates range from 3.0% to 6.0% over the scheduled redemption period of June 1, 2012 to June 1, 2045.

The interest and scheduled maturities of the Series 2010 bonds for the five fiscal years subsequent to June 30, 2011, and subsequent periods thereafter are as follows:

	Interest Rate – %	Principal	Interest	Total
2012	3.00	$ 320,000	$ 4,718,113	$ 5,038,113
2013	4.00	480,000	4,708,512	5,188,512
2014	4.00	595,000	4,689,312	5,284,312
2015	4.00	710,000	4,665,513	5,375,513
2016	4.00	835,000	4,637,112	5,472,112
2017-2021	4.25-5.75	6,025,000	22,526,188	28,551,188
2022-2026	5.75	8,185,000	20,666,925	28,851,925
2027-2031	5.75	10,825,000	18,027,388	28,852,388
2032-2036	6.00	14,385,000	14,464,800	28,849,800
2037-2041	6.00	19,255,000	9,598,800	28,853,800
2042-2045	6.00	19,995,000	3,086,700	23,081,700
Total		$ 81,610,000	$ 111,789,363	$ 193,399,363

The trustee for the Series 2010 Bonds held unspent bond proceeds of $20,645,814 plus $2,000,000 capital contributions from the University, for a total of $22,645,814, as of June 30, 2011 which are classified as Funds Held by Trustee. As of June 30, 2010, the Trustee held unspent bond proceeds of $67,566,315 plus $2,000,000 capital contributions from the University for a total of $69,566,315, which are classified as Funds Held by Trustee.

Chartwells provided $11,639,586 of funding for The Oaks and the Carillon projects for the year ended June 30, 2011. The Corporation will commence repayment of the construction funding payable to Chartwells starting in fiscal year 2012. The Chartwells construction funding payable will be paid in annual installments, ranging from $409,000 to $577,000 over 27.5 years, through June 30, 2039.

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

The University can pay off the construction funding payable of $11,639,586 early without penalty. The University also has a Food Services Agreement with Chartwells, in which the University pays a management fee to Chartwells to manage the dining halls through fiscal year 2015.

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

8. Retirement Benefits

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

STRS Ohio and OPERS offer three separate retirement plans:

> Defined benefit plan – traditional pension plan. This is a cost-sharing, multiple employer plan. This plan provides disability, annual cost of living adjustments, death benefits, and health care benefits. Health care benefits are based on years of service.
>
> Defined contribution plan – member directed plan. Employee contributions are invested in self-directed investments. Benefits are dependent upon contributions and investment earnings. This plan does not include disability, annual cost of living adjustments, death benefits, or health care benefits.
>
> Combined plan – has elements of the traditional pension plan and member directed plan. Employee contributions are invested in self-directed investments. The employer contributions are used to fund a reduced defined benefit plan. This plan provides disability, annual cost of living adjustments, death benefits, and health care benefits. Health care benefits are based on years of service.

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

8. Retirement Benefits (continued)

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

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

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

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

	2011	2010	2009
STRS Ohio	**$ 7,049,000**	$ 7,963,000	$ 7,806,000
OPERS	**7,830,000**	8,541,000	9,155,000
ARP	**4,922,000**	4,810,000	4,851,000
Total	**$ 19,801,000**	$ 21,314,000	$ 21,812,000

Ohio Public Employees Deferred Compensation Program

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

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

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

8. Retirement Benefits (continued)

The amounts on deposit with the Program's Board at June 30, 2011 and 2010, approximated $7,208,000 and $5,373,000, respectively, which represents the fair value at such dates.

9. Post-Employment Health Care Benefits

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

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

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

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

Under Ohio law, post-employment health care benefits under OPERS are permitted, but not mandated; therefore, a portion of employer contributions are set aside for funding post-employment health care. Currently, this allocation is 5.0% – 5.5% of covered payroll for members in the defined benefit plan and 4.23% – 4.73% of covered payroll for members in the combined plan. Payment amounts vary depending on the number of covered dependents and coverage selected.

Employer contributions to the following retirement benefit program for June 30, 2011, 2010, and 2009 are summarized as follows:

	2011	2010	2009
STRS Ohio	**$ 70,500**	$ 76,900	$ 78,000
OPERS	**3,063,000**	3,357,000	4,500,000
Total	**$ 3,133,500**	$ 3,433,900	$ 4,578,000

10. Risk Management

The University self-insures its health care program up to a specific limit of $200,000 per individual event. The University has specific stop-loss coverage.

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

	2011	2010	2009
Unpaid claims, July 1	**$ 2,000,000**	$ 2,200,000	$ 2,200,000
Incurred claims	**17,912,518**	18,390,714	19,915,066
Paid claims	**(17,912,518)**	(18,590,714)	(19,915,066)
Unpaid claims, June 30	**$ 2,000,000**	$ 2,000,000	$ 2,200,000

This actuarially determined liability for estimates of losses retained by the University for outstanding claims and claims incurred but not reported is the University's best estimate based on past experience and current claims outstanding. Actual claims experience may differ from the estimate. Settlements have not exceeded insurance coverage in each of the past three years.

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

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

11. Contingencies

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

11. Contingencies (continued)

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

12. Foundation Net Assets

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

	2011	**2010**
General support of colleges and departments	**$ 21,368,572**	$ 20,863,147
Student aid	**15,045,930**	7,747,918
Property and equipment	**3,839,840**	2,480,609
Endowed chairs and professorships	**2,824,990**	1,287,326
Research	**986,765**	701,726
Fellowship	**489,143**	131,997
Faculty and staff	**386,220**	381,393
Total	**$ 44,941,460**	$ 33,594,116

The Foundation's summary of the net assets released from restrictions during the years ended June 30, 2011 and 2010 are as follows:

	2011	**2010**
General support of colleges and departments	**$ 4,177,323**	$ 4,582,403
Student aid	**2,209,192**	1,813,335
Property and equipment	**6,687,408**	6,460,009
Endowed chairs and professorships	**175,672**	29,000
Research	**89,674**	78,049
Faculty and staff	**79,520**	96,004
Fellowship	**73,890**	169,393
Total	**$ 13,492,679**	$ 13,228,193

12. Foundation Net Assets (continued)

The Foundation's permanently restricted net assets at June 30, 2011 and 2010 are investments in perpetuity, the income from which is expendable to support the following purposes:

	2011	2010
Student aid	**$ 49,354,949**	$ 42,036,581
General support of colleges and departments	**11,466,831**	16,063,136
Endowed chairs and professorships	**8,869,097**	8,919,460
Property and equipment	**1,818,317**	1,805,648
Faculty and staff	**1,592,974**	1,582,991
Research	**1,131,090**	1,130,540
Fellowship	**189,334**	189,334
Total	**$ 74,422,592**	$ 71,727,690

13. Related Party Transactions

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

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

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

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

13. Related Party Transactions (continued)

The University incurred costs during different stages of start-up and implementation of the Corporation. The University also incurred costs on behalf of the Corporation for various outside services related to the Series 2010 Project, The Oaks, and Carillon. These outside services include consulting, legal, engineering, architectural and construction. Additionally, certain salaries and fringe benefits of financial, accounting and development personnel are incurred by the University, yet relate to the Corporation. These expenses are paid by the University on behalf of the Corporation. The University approximates the value of these items at $4,230,000 and $2,356,000 for the years ended June 30, 2011 and 2010, respectively.

The Oaks and Carillon construction projects were funded by contributions made by the University of $3,936,458 and $250,000 for years ended June 30, 2011 and June 30, 2010, respectively.

Because of the existing food service management relationship between Chartwells and the University, Chartwells committed to fund construction of two new dining facilities in the total amount of $16,412,000. Construction advances for CFP II and CFP III totaled $11,639,586 for June 30, 2011. The Oaks and Carillon Chartwells construction funding debt repayments will begin in fiscal year 2012. The Chartwells investment will be amortized on a straight line basis, with no stated or imputed interest, in annual installments over 27.5 years, through June 30, 2039.

Supplemental Information

Bowling Green State University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures
Student Financial Assistance Cluster			
U.S. Department of Education:			
Direct awards:			
Federal Supplemental Educational Opportunity Grants	84.007		$ 589,219
Federal Work-Study Program	84.033		708,808
Federal Perkins Loans	84.038		9,129,643
Federal Pell Grant Program	84.063		31,391,680
Federal Direct Subsidized Student Loans	84.268		49,973,989
Federal Direct Unsubsidized Student Loans	84.268		48,659,834
Federal Direct Parent PLUS Loans	84.268		30,493,820
Academic Competitiveness Grant	84.375		1,300,802
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376		366,042
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		259,604
Federal Nursing Student Loans	93.364		584,506
Total Student Financial Assistance Cluster			173,457,947
Research and Development Cluster			
U.S. Department of Agriculture:			
Agriculture and Food Research Initiative:			
Pass-through from:			
Virginia Polytechnic Institute and State University:			
Integrated Management of Oomycete Diseases of Soybean and Other Crop Plants	10.310	(1)	9,558
Total U.S. Department of Agriculture			9,558
U.S. Department of Commerce:			
Economic Development – Technical Assistance:			
Direct award:			
University Economic Development Center	11.303		166,916
			166,916
Sea Grant Support:			
Pass-through from:			
Ohio State University Research Foundation:			
Winter Assessment of Microbial Biomass and Metabolism in Lake Erie	11.417	RF01204134	33,791
Socio-Economic Impacts of Bird Watching Along Great Lakes	11.417	RF01200477	39,979
Direct award:			
Department of Commerce NOAA National Sea Grant Program:			
Monitoring Lake Erie Water Quality with Remote Sensing I	11.417		165,694
			239,464

Bowling Green State University

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures
Research and Development Cluster (continued)			
U.S. Department of Commerce (continued):			
Special Oceanic and Atmospheric Projects:			
Direct awards:			
Monitoring Great Lakes Water Quality w/ Remote Sensing III	11.460		$ 37,105
Monitoring Great Lakes Water Quality w/ Remote Sensing IV	11.460		298,880
			335,985
Pass-through from:			
Ohio State University Research Foundation:			
Phosphonates in Lake Erie: Unrecognized P Source Phytop	11.NA06OAR4170020	R/ER-080 RF0111664	4,825
Total U.S. Department of Commerce			747,190
U.S. Department of Defense:			
Basic and Applied Scientific Research:			
Direct award:			
International Congress on Flow Sensing in Air and Water	12.300		5,558
			5,558
Basic Scientific Research			
Direct award:			
Materials Science: Controlling Protein Conformations	12.431		126,488
			126,488
Air Force Defense Research Sciences Program:			
Direct awards:			
Metal-Organic Chromophores	12.800		16,250
Prgmble Triplet Frmtion Decay Metal Organic Chromophores	12.800		253,823
Prgmble Triplet Frmtion Decay Metal Organic Chromophores	12.800		80,556
Pass-through from:			
University of Toledo:			
Next Generation Solar Energy Materials for Hydrogen Gene	12.800	FA9453-08-C-0172	36,838
Infoscitex Corporation:			
Human Size, Shape, and Motion Measurements for Dynamic 3	12.800	5002-S001	13,520
			400,987
Total U.S. Department of Defense			533,033
U.S. Department of the Interior:			
Water Reclamation and Reuse Program:			
Pass-through from:			
Central State University:			
Validation and Calibration of Remote Sensing Data	15.504	04FC811041	271
Total U.S. Department of Interior			271

Bowling Green State University

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures
Research and Development Cluster (continued)			
U.S. Department of Justice:			
National Institute of Justice:			
Direct awards:			
Life Course, Relationship, and Situational Contexts of Teen Dating Violence	16.560		$ 208,927
Life Course, Relationship, and Situational Contexts of Teen Dating Violence	16.560		71,166
Total U.S. Department of Justice			280,093
U.S. Office of Personnel Management:			
Intergovernmental Personnel Act (IPA) Assignment			
Direct award:			
Intergovernmental Personnel Act (IPA) Assignment	27.011		128,893
Total U.S. Office of Personnel Management			128,893
The National Endowment for the Humanities:			
Promotion of the Humanities Fellowships and Stipends			
Direct award:			
The Political Economy of Hunger in Bourbon Mexico	45.160	FB-54859	41,144
Total National Endowment for the Humanities			41,144
National Science Foundation:			
Mathematical and Physical Sciences:			
Direct awards:			
Photocatalytic Approaches to Hydrogen Production	47.049		150,255
Materials and Devices for Fast Detection of Explosives	47.049		183,243
Intramolecular Indicator-Displacement Assays (IIDA)	47.049		79,759
Single-Molecule and Single-Nanoparticle Interfacial Electron Trans	47.049		97,559
Molecular-Wire Energy Transfer and Exciton Diffusion in Self-Assembled Photonic Materials	47.049		15,082
			525,898
Geosciences:			
Direct awards:			
Design/Character of Cyanobac Bioreporters to Measure	47.050		93,490
Lake El'gygytgyn, NE Russia	47.050		50,567
			144,057
Biological Sciences:			
Direct awards:			
Magnetic Sense of Homing Pigeons and its Use in Map Navigation	47.074		105,410
Dissertation Research: A Multidisciplinary Approach to the Conservation of Bat Species in the Oak Openings Region	47.074		9,337
RCN: RNA Ontology Consortium	47.074		64,597
			179,344

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures
Research and Development Cluster (continued)			
Education and Human Resources:			
Direct award:			
Improving Students Visual Penetration Ability and Substrata Visualization in the Geologic Sciences with 3D Interactive Anima	47.076		$ 30,697
			30,697
Polar Programs:			
Direct awards:			
Late Cenozoic Volcanism Glaciation, ANT – Minna Bluff	47.078		9,506
Petrology and Geochemistry of Miocene Volcanic Rocks	47.078		2,078
20 Million Year Record of Volcanism in the AND-2A Core	47.078		43,421
Geochemical Transect from Oceanic Adare Basin to Adjacent Continental Adare Peninsula: Implications for the Origin of Cenozoic Magmas in Antarctica	47.078		7,814
			62,819
Trans-NSF Recovery Act Research Support:			
Direct awards:			
ARRA – Regulation of 5-Aminolevulinic Acid Biosynthesis	47.082		111,897
ARRA – Sources and Sinks of Stoichiometrically Imbalanced Nitra	47.082		82,407
ARRA – Monitoring Ultrafast Excited-State Selective Dynamics	47.082		83,043
ARRA – Equipment Enhancing the Ultrafast Spectroscopy	47.082		177,342
			454,689
Total National Science Foundation			1,397,504
Department of Veteran Affairs:			
Direct award:			
Stress and Motivated Behavior	64.016		75
Total Department of Veteran Affairs			75
Enviornmental Protection Agency:			
Direct award:			
Wet Prairie Restoration in the Maumee AOC	66.469		19,238
Total Enviornmental Protection Agency			19,238
Department of Energy:			
General Department of Energy:			
Direct award:			
ARRA - Chemical Imaging Studies	81.049		327,354
			327,354
Renewable Energy Research and Development:			
Direct award:			
Coastal Wind Project	81.087		671,106
			671,106
Pass-through from:			
Ohio Department of Development:			
ARRA - G3: Invest Green, Save Green at Bowling Green	81.128	ARRA-EECBG-10-28	23,984
Total Department of Energy			1,022,444

Bowling Green State University

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures
Research and Development Cluster (continued)			
U.S. Department of Education:			
Safe and Drug-free Schools and Communities – National Programs:			
Direct awards:			
Evaluation Wood ESC – School-Based Student Drug-Testing	84.184		$ 4
Evaluation Wood ESC – School-Based Student Drug-Testing	84.184		683
Evaluation Wood ESC – School-Based Student Drug-Testing	84.184		9,313
Total U.S. Department of Education			10,000
U.S. Department of Health and Human Services:			
Education:			
Direct award:			
HHS NIH NIEHS:			
In Vivo Characterization of Bacteria-Mediated Extracellular	93.143		304,527
Research Related to Deafness and Communication Disorders:			
Direct award:			
Aerodynamic and Acoustic Models of Phonation	93.173		2,353
Policy Research and Evaluation Grants:			
Direct awards:			
National Center for Marriage Research	93.239		606,606
National Center for Marriage Research	93.239		22,909
African American Marriage and Family Stability	93.239		16,113
			645,628
Occupational Safety and Health Program:			
Pass-through from:			
University of Cincinnati:			
Cyber and Face-to-Face Incivility and Employee Well-Being: A Daily Investigation	93.262	1147	6,874

Bowling Green State University

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures
Research and Development Cluster (continued)			
U.S. Department of Health and Human Services (continued):			
Trans_NIH Recovery Act Research Support:			
Direct awards:			
ARRA – Single-Molecule Three-Dimensional Snapshots of Nuclea	93.701		$ 100,109
ARRA – Self-Luminant Micro-Arrays and Reader for Rapid	93.701		73,219
ARRA – Basal Ganglia and Relative Reward Effect	93.701		27,368
ARRA – Demographic Analysis of Children of Immigrants	93.701		166,134
			366,830
Medical Assistance Program			
Pass-through from:			
Ohio State University Research Foundation:			
Demographic Analysis of Low-Income Adults Without Dependent Children: Implications for the Expansion of Medicaid	93.778	RF01237231-60024076	36,120
Biomedical Research and Research Training:			
Direct awards:			
Influence of HMGB1, Nucleosomes and SWI/SNF on Estrogen	93.859		98,881
Classification, Characterization and Database Searching	93.859		51,957
Manipulating Single-Molecule Enzyme Conformations and Activitie	93.859		272,183
RNA 3D Motif Search, Atlas, and Prediction from Sequence	93.859		213,977
			636,998
Child Health and Human Development Extramural Research:			
Direct awards:			
Center for Family and Demographic Research	93.865		138,152
Children's Developmental Outcomes in Cohabitating Unions	93.865		2,798
Sexual Risk-Taking in Youth	93.865		6,577
Effects of PCBs on Social Behavioral Development	93.865		32,057
Counting Families: Household Matrices with Multiple Family Members	93.865		13,237
Center for Family and Demographic Research Year 6	93.865		14,032
Nonmaternal Care, Role Strain, and Maternal Sensitivity	93.865		4,475
Pass-through from:			
The University of Michigan:			
Effects on Children of Exposure to Political Violence	93.865	3000609459	34,710
The University of California, San Diego:			
Expectation Generation in Sentence Processing	93.865	10202962-008	64,923
Cornell University:			
Timing and Circumstances of Transition to Fatherhood	93.865	1 R03 HD066009-01	22,580
			333,541
Pass-through from:			
The University of South Carolina:			
Efficacy of Laryngeal High-Speed Videoendoscopy	93.173	USC Sub No. 07-1434	16,450
Total U.S. Department of Health and Human Services			2,349,321
Total Research and Development Cluster			6,538,764

Bowling Green State University

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures
Other Grants and Contracts			
U.S. Department of Defense:			
Basic and Applied Scientific Research:			
Pass through from:			
Academy of Applied Science:			
Ohio Junior Science and Humanities Symposium	12.300	W911NF-04-1-0001	$ 3,018
Total U.S. Department of Defense			3,018
Bureau of Educational and Cultural Affairs, Department of State:			
Professional and Cultural Exchange Programs – Citizen Exchanges:			
Direct awards:			
Partners for a Sustainable Future: Aiding Practitioners	19.415	S-ECAPE-07-GR-211	4,798
Partners for a Sustainable Future: Aiding Practitioners	19.415	S-ECAPE-07-GR-212	38,081
Total Bureau of Educational and Cultural Affairs, Department of State			42,879
National Endowment for the Arts:			
Promotion of the Arts-Grants to Organizations and Individuals:			
Direct awards:			
Residency at the Toledo School of Arts	45.024	10-5900-8072	597
Total National Endowment for the Arts			597
National Science Foundation:			
Mathematical and Physical Sciences:			
Pass-through from:			
Ohio State University Research Foundation:			
Ohio Consortium for Undergraduate Research	47.049	RF01046308	6,054
			6,054
National Science Foundation (continued):			
Biological Sciences:			
Pass-through from:			
Virginia Tech:			
Directed Annotation of Oomycete Genomes	47.074	CR-19755-477772	5,130
Education and Human Resources:			
Direct awards:			
SET-GO: Science, Engineering & Technology Gateway Ohio	47.076		169,760
SET-GO: Science, Engineering & Technology Gateway Ohio	47.076		248,085
GRAMS: Granting Access to Mathematics and Science	47.076		73,308
GRAMS: Granting Access to Mathematics and Science	47.076		6,370
GRAMS: Granting Access to Mathematics and Science	47.076		5,864
GRAMS II: Granting Access to Mathematics and Science	47.076		32,270
GRAMS II: Granting Access to Mathematics and Science	47.076		2,350
GRAMS II: Granting Access to Mathematics and Science	47.076		4,023
			542,030
Total National Science Foundation			553,214

Bowling Green State University

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures
Other Grants and Contracts (continued)			
U.S. Department of Education:			
Overseas Programs- Group Projects Abroad:			
Pass-through from:			
Post Secondary Education:			
Multiculturalism and Arab Identities	84.021	P021A100062	$ 4,371
TRIO Cluster:			
Direct awards:			
Student Support Services	84.042		77,054
Student Support Services	84.042		413,054
			490,108
Talent Search	84.044		292,707
Upward Bound	84.047A		281,120
Upward Bound	84.047A		99,846
			380,966
McNair Post-Baccalaureate Achievement	84.217		191,114
McNair Post-Baccalaureate Achievement	84.217		14,911
			206,025
Total TRIO Cluster			1,369,806
Career and Technical Education - Basic Grants to State:			
Pass-through from:			
Ohio Department of Education:			
Career-Technical Education (CTE) Teacher Education Preparation and Retention FY2012	84.048	VEPD-CB-11-062893	74,362
Safe and Drug-Free Schools and Communities National Programs:			
Pass-through from:			
Putnam County Educational Service Center:			
Evaluation of Project SAFE – Year 2	84.184	(1)	6,146
Evaluation of Project SAFE – Year 3	84.184	(1)	69,590
			75,736
Gaining Early Awareness and Readiness for Undergraduate Programs:			
Pass-through from:			
Western Michigan University:			
MERC GearUp Learning Centers 2	84.334A	(1)	453,414
MERC GearUp Learning Centers 2	84.334A	(1)	107,135
			560,549
Teacher Quality Partnership Grants:			
Pass-through from:			
Ohio Department of Education:			
DREAMS FY2010	84.336	(1)	32,762
			32,762
Transition to Teaching:			
Direct awards:			
Project CUE: Consortium for Urban Education	84.350		130,925
Project CUE: Consortium for Urban Education	84.350		112,221
			243,146

Bowling Green State University

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures
Other Grants and Contracts (continued)			
Improving Teacher Quality State Grants:			
Pass-through from:			
Ohio Board of Regents:			
Research-Based Inquiry Physics Experience IV (RIPE IV)	84.367	09-05	$ 108,056
Partners in Inquiry Resources and Research Two (Project pi r-squared Two)	84.367	10-06	13,051
Common Core for Reasoning and Sense Making (CO)^2RES	84.367	10-08	74,432
Project STAMPS (Science Teaching Advancement through Modeling Physical Science)	84.367	10-05	7,070
			202,609
State Fiscal Stabilization Fund-Education State Grants, Recovery Act:			
Pass-through from:			
Ohio Board of Regents:			
ARRA – State Fiscal Stabilization Fund	84.394	(1)	12,224,730
ARRA – State Fiscal Stabilization Fund	84.394	(1)	758,094
			12,982,824
Total U.S. Department of Education			15,546,165
U.S. Department of Health and Human Services:			
Substance Abuse and Mental Health Services Projects of Regional and National Significance			
Pass-through from:			
Wood County Educational Service Center:			
High-Risk Drinking and Prescription Drug Abuse Prevention Program	93.243	(1)	3,425
Child Care and Development Block:			
Pass-through from:			
Ohio Educational Telecommunications Network:			
Ohio Ready to Learn	93.575	G-1011-06-0021	98,104
HIV Prevention Activities – Health Department Based:			
Pass-through from:			
Ohio Department of Health:			
Collegiate AIDS Network	93.940	08740012HP0310	20,905
AIDS Education in Ohio Colleges and Universities	93.940	(1)	13,672
			34,577
Block Grants for Prevention and Treatment of Substance Abuse:			
Pass-through from:			
Ohio Department of Alcohol and Drug Addiction Services:			
BGSU High-Risk Drinking Prevention Program	93.959	(1)	20,456
			20,456
Total U.S. Department of Health and Human Services			156,562
Total Other Grants and Contracts			16,302,435
Total Federal Expenditures			$ 196,299,146

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

See accompanying notes to schedule of expenditures of federal awards.

Bowling Green State University

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2011

1. Basis of Presentation

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

2. Loans Outstanding

The University administers the Federal Perkins Loan Program (CFDA No. 84.038) and Nursing Student Loan Program (CFDA No. 93.364). The following information details the amounts shown on the schedule of expenditures of federal awards at June 30, 2011:

	Federal Perkins Loan Program	Federal Nursing Loan Program
Outstanding balance as of June 30, 2010	$ 7,917,022	$ 488,242
2011 advances	1,154,878	96,264
Administrative allowances	57,743	–
Amount of expenditures per the schedule of expenditures of federal awards	$ 9,129,643	$ 584,506
Outstanding balance as of June 30, 2011	$ 7,998,354	$ 491,883

3. Subrecipients

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

Sub-Grantee	Federal CFDA Number	Amount Provided
Ohio University	**11.303**	$ 90,775
Central State University	**11.460**	8,065
Heidelburg College	**11.460**	74,973
Lorain County Community College	**47.050**	8,454
Owens Community College	**47.076**	74,049
University of Toledo	**81.087**	519,832
East Toledo Family Center	**84.334A**	34,810
University of Toledo	**84.334A**	33,186
Wayne State University	**84.350**	155,116
Battelle	**93.143**	188,191
Pennsylvania State University	**93.239**	20,000
University of Arizona	**93.239**	19,986
Indiana University	**93.239**	20,000
Miami University	**93.239**	19,978
Pennsylvania State University	**93.701**	118,057
Michigan State University	**93.859**	65,685
Rutgers University	**93.859**	87,955
Research Foundation of the State University of New York	**93.859**	84,450
Utica College	**93.865**	10,493
		$ 1,634,055

4. Indirect Costs

The University recovers indirect costs by means of a predetermined fixed indirect cost rates. The predetermined fixed rates are a result of negotiated agreements with the U.S. Department of Health and Human Services. The predetermined fixed rate for on-campus research is 39% of modified total direct costs and the off-campus predetermined rate is 20% of modified total direct costs effective July 1, 2007 until June 30, 2011.

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

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

We have audited the financial statements of Bowling Green State University (the University) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the University in a separate letter dated October 14, 2011.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

October 14, 2011

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Report of Independent Auditors on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited Bowling Green State University's (the University) compliance with the types of compliance requirements described in the US Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's programs for the year ended June 30, 2011. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 11-01, 11-03, and 11-04.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as 11-01, 11-02, 11-03, and 11-04. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

October 14, 2011

Bowling Green State University

Schedule of Findings and Questioned Costs

Part I – Summary of Auditor's Results

Financial Statements Section

Type of auditor's report issued (unqualified, qualified, adverse, or disclaimer):	Unqualified			
Internal control over financial reporting:				
Material weakness(es) identified?		**Yes**	X	**No**
Significant deficiency(ies) identified		**Yes**	X	**None reported**
Noncompliance material to financial statements noted?		**Yes**	X	**No**

Federal Awards Section

Internal control over major programs:				
Material weakness(es) identified?		**Yes**	X	**No**
Significant deficiency(ies) identified	X	**Yes**		**None reported**
Type of auditor's report issued on compliance for major programs (unqualified, qualified, adverse, or disclaimer):	Unqualified			
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	X	**Yes**		**No**

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
Various	Student Financial Assistance Cluster
84.042, 84.044, 84.047A, and 84.217	TRIO
84.394	State Fiscal Stabilization Fund
Various	Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $685,236

Auditee qualified as low-risk auditee? X **Yes** ____ **No**

Part II – Financial Statement Findings Section

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

None.

Part III – Federal Award Findings and Questioned Costs Section

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

Federal Program Information:	**11-01 - Student Financial Assistance Cluster**
Criteria or specific requirement:	In accordance with and to comply with OMB Circular A-133, Section .300 (b), the entity should "maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts of grant agreements that could have a material effect on each of its Federal programs." In accordance with 34CFR section 668.173(b), returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to the Department of Education or the appropriate FFEL lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew. Also, in accordance with 34CFR section 668.22(g), the institution must return the lesser of: (1) the total amount of unearned Title IV assistance to be returned or (2) an amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance that has not been earned by the student. If, for a non-term program an institution chooses to calculate the treatment of Title IV assistance on a payment period basis, but the institution charges for a period that is longer than the payment period, "total institutional charges incurred by the student for the payment period" is the greater of: (1) the prorated amount of institutional charges for the longer period, or (2) the amount of Title IV assistance retained for institutional charges as of the student's withdrawal date.

Condition:	The University does not have sufficient internal controls in accordance with 34CFR section 668.173(b) to ensure that funds are returned within 45 days of a student withdrawal. Also, the University does not have sufficient internal controls to return the correct amounts to be returned in accordance with the Title IV requirements. While the University calculated the correct amount to be returned based on the student's withdrawal date, the amount calculated was not what was refunded; the amount that was refunded was less than the calculated amount by $4,218.
Questioned Costs:	$4,218
Context:	We selected 40 students who withdrew during the year to test the amount and timing of the amount of student financial aid funds to be returned to the Department of Education based on the student's withdrawal date. During our testing, we noted two instances where the University did not refund the correct amount of Title IV funds to the federal government. In addition, we noted one instance where the Title IV funds were returned in excess of the 45 day limit.
Effect:	The University was not in compliance with the requirements outlined in 34CFR section 668.173(b) and 668.22(g) during the 2010-2011 school year. As a result of funds not being returned timely and in the incorrect amounts, the University held excess cash.

Cause:	The University does not have sufficient internal controls in place to return the correct amounts of refunds and to return the funds to the Department of Education within the 45 day limit for students who are no longer attending school.
Recommendation:	The University should implement internal controls to return the correct amount of federal funds to the Department of Education and to return the funds within 45 days of the student's withdrawal date.
Views of responsible officials and planned corrective actions:	We concur. Student Financial Aid has implemented an internal audit review process that will be conducted on 100% of the records for which a Return to Title IV calculation has been performed. All dates, aid recalculations, allowable institutional charges, and aid adjustments will be reviewed and acknowledged on an internal audit worksheet that will be retained as part of the R2T4 record.

Federal Program Information:	**11-02 TRIO Cluster (CFDA # 84.042, 84.044, 84.047A, and 84.217)**
Criteria or specific requirement:	In accordance with and to comply with OMB Circular A-133, Section .300 (b), the entity should "maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts of grant agreements that could have a material effect on each of its Federal programs." Circular A-110 Section 48e and Appendix A paragraph 8 states internal controls are required over the suspension and debarment process. Further, no contract shall be made to entities on the General Services Administration's List of Parties Excluded from Federal Procurement.
Condition:	The University does not have sufficient internal controls in accordance with section 48e and Appendix A paragraph 8 of Circular A-110 over suspension and debarment to check its vendor list with the EPLS website.
Questioned Costs:	$0
Context:	During our testing of TRIO's internal controls over suspension and debarment process, the University's purchasing department represented that they did not have procedures in place to test existing vendors against the EPLS database. The University's current internal controls only require a vendor be checked against the EPLS data base when they are initially set up as a vendor.

Effect:	The University was not in compliance with the requirements outlined in Section 48e and Appendix A paragraph 8 during the 2010-2011 school year. As a result, the University may contract with vendors that are suspended or debarred.
Cause:	The University does not have sufficient internal controls in place to check their vendors periodically with the EPLS website.
Recommendation:	The University should implement a policy to check their vendor list annually on the EPLS website to ensure an existing vendor has not been added to the listing of debarred and suspended vendors.
Views of responsible officials and planned corrective actions:	We concur. An automated system process will be developed in cooperation with Information Technology Services (ITS) to perform the required vendor comparison and validation on at least an annual basis.

Federal Program Information:	**11-03 - CFDA # 84.217 – McNair Post-Baccalaureate Achievement – Award Number P217A070290 and CFDA # 84.042 – Student Support Services – Award Number P042A050760**
Criteria or specific requirement:	34CFR sections 647.10 and 647.70 require that at least two-thirds of the students served by a McNair project must be low-income individuals who are first-generation college students. The remaining students must be members of groups underrepresented in graduate education. 34CFR sections 646.7 and 646.11 require that not less than one third of individuals with disabilities must also be low income individuals in the Student Support Services program.
Condition:	The University does not have sufficient internal controls to ensure that the McNair and Student Support Services programs meet the required earmarking requirements in accordance with 34CFR sections 647.10 and 647.70, and 646.7 and 646.11.
Questioned Costs:	$0
Context:	In conjunction with our earmarking compliance testing, we obtained the participant listings for the award year ending August 31, 2010 to test the University's compliance with the earmarking requirements. We calculated the percentage of participants that were low-income and first-generation students and noted that they represented 63% of the total population which is below the required earmark of 66% for McNair.

	For Student Support Services we calculated the percentage of disabled students who were also low income and noted that they only represented 30% of the total which is below the required earmark for Student Support Services of 33%.
Effect:	The University was not in compliance with the requirements outlined in 34CFR sections 647.10 and 647.70, and 646.7 and 646.11 for the award year ending August 31, 2010.
Cause:	The University does not have sufficient internal controls in place to ensure that earmarking requirements are met for the McNair or Student Support Services programs.
Recommendation:	Management should implement procedures to monitor that the McNair and Student Support Services programs meet the earmarking compliance requirements.
Views of responsible officials and planned corrective actions:	We concur. Management has made adjustments to the identification, selection and recruitment process for each TRIO program which includes the McNair and Student Support Services awards. Procedures have been established to monitor earmarking.

Federal Program Information:	**11-04 - TRIO Cluster (CFDA # 84.042, 84.044, 84.047A, and 84.217) – McNair Post-Baccalaureate Achievement (McNair) – Award Number P217A070290.**
Criteria or specific requirement:	The University entered into an agreement with the Department of Education related to the McNair program that required the University to cost share.
Condition:	The University does not have sufficient internal controls to ensure that the cost share component of the grant agreement is being met.
Questioned Costs:	$89,477
Context:	We reviewed the grant agreement for the 2010 -2011 McNair project period and noted that the agreement requires a cost share of 43.43%. We noted that the University did not cost share on the McNair project.
Effect:	The University was not in compliance with the requirements outlined in section G of the compliance supplement during the 2010-2011 school year. As a result, the cost share of 43.43% listed on the McNair award documents was not met. The required cost share based on 2011 federal expenditures should have been $ 89,477.
Cause:	The University does not have sufficient internal controls in place to ensure that they are in compliance with the cost share terms of the McNair award agreement.

Recommendation:	The University should develop internal controls to ensure to track compliance against the terms of its agreements.
Views of responsible officials and planned corrective actions:	Management has established cost share procedures which outline specific processes for establishing cost share agreements, monitoring project-by-project cost sharing, and related reporting to sponsoring agencies. In addition, the recent re-implementation of the PeopleSoft Financial Management System and chart of accounts redesign allow for a more efficient process within the system with regard to managing cost share agreements.

Summary Schedule of Prior Audit Findings

Finding 09-01

Criteria or specific requirement:	Per the Project Agreement between the University and Western Michigan University (WMU), the University is to invoice WMU, within ten (10) days after the end of each period, at least quarterly, but no more frequently than monthly. Federal and cost share expenditures shall be reported using WMU's Subcontractor Agreement. The University has a required dollar for dollar cost share match.
Condition:	The University does not have the proper controls in place to ensure that the federal expenditures and cost share reports are compiled and submitted timely to WMU.
Management Status:	Management has ensured that the reconciling, reporting, and billing occurs on a timely basis, and not less than on a quarterly basis. Cost share information is tracked as incurred and reported during the same billing cycle.

Finding 09-02

Criteria:	OMB Circular A-21 (2 CFR Parts 215 and 220) outlines cost principles of educational institutions. • Part 220, Section B.3 Reasonable costs states that a cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person who have taken under the circumstances prevailing at the time the decisions to incur the cost was made and whether or not the cost is necessary for the operation or the performance of the sponsored agreement. • Appendix A, Section J.17 Entertainment costs states that costs of entertainment, including amusement, diversion, and social activities and any costs directly associate with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable. The University's expense policy states that an overnight stay is required for meal reimbursements. Meals reimbursed for meetings are deemed entertainment by the University.

Finding 09-02 (continued)

Condition:	We selected a sample of 40 journal entries (includes multiple expenditures within each financial system line item) charged to the GEAR-UP grant during the 2009 fiscal year. We noted that 14 of the 40 journal entries are identified as questioned costs for the following reasons: • 2 entries, included expenditures for planning meeting meals ($107) • 1 entry, was an additional charge for excess luggage, but there was no documentation that a charge was incurred for GEAR-UP program ($25) • 3 entries, included expenditures for meals incurred while in travel status in excess of the per diem rates established in the University's travel policy and consistent with federal guidelines ($133) • 1 entry, represented the purchase of $25 gift cards given to teachers who attended a grant writing workshop ($1,150) • 2 entries, represented salary and fringes for outside entities; however, expenditures incurred were greater than budgeted amounts and no re-budgeting was done at the time of the expenditure ($998) • 1 entry, include an expenditure where the mileage reimbursement was improperly calculated and the expenditure was twice the amount actually incurred ($57)
Management Status:	The University has ensured all expenses paid by the grant are in accordance with the grant agreement and OMB Circular A-21's definition of allowance costs and

	activities.

Finding 08-01

Criteria or specific requirement:	The University should analyze the percentage used to calculate the allowance for doubtful accounts to ensure it is based on historical data.
Condition:	The percentages used by the University to calculate the allowance for doubtful accounts are not based on actual historical information such as the aging of the accounts receivable and a historical look-back analysis of the amount that is actually collected on delinquent student fee accounts by aging category.
Management Status:	Management has developed multiple analyses used to estimate the allowance for doubtful accounts based on historical write-offs. Management has also developed a student accounts receivable aging that allows management to better analyze their accounts receivable trends.

Finding 08-02

Criteria:	Transition to Teaching (CFDA # 84.350) – "Close the Gaps" – Award Number S350A020128-06 Section 75.562 of the Education Department General Administrative Regulations (EDGAR) limits the indirect cost rate of 8% for modified total direct costs for training grants, regardless of the rate negotiated with the University's cognizant agency. In accordance with Section 75.562, a modified total direct cost base is defined as total direct costs less stipends, tuition and related fees, and capital expenditures of $5,000 or more.
Condition:	We reviewed the indirect costs charged to the University's "Close the Gap" grant and noted that the University's PeopleSoft system had not been properly set up to calculate indirect costs based on the modified total direct costs. The PeopleSoft system did not properly exclude the tuition and related fees incurred for this grant from the indirect cost base as it was set up to calculate the indirect costs based on total direct costs.
Conclusion:	Management corrected the amount of indirect costs charged to the "Close the Gaps" grant to ensure they were calculated using the modified total direct costs, which properly excludes participant costs related to tuition and fees, during the close-out procedures of the grant.

Finding 08-03

Criteria:	TRIO Cluster (CFDA # 84.042, 84.044, 84.047A, and 84.217) – McNair Post-Baccalaureate Achievement – Award Number P217A070290. 34 CFR Sections 647.10 and 647.7 require that at least two-thirds of the students served by a McNair project must be low-income individuals who are first-generation college students. The remaining students must be members of groups underrepresented in graduate education.
Condition:	We reviewed listing of students served by the McNair project and noted that less than two-thirds of the students met the requirement of being both a first-generation and low-income individual.
Conclusion:	Management added additional participants in August 2008 to ensure that they were in compliance with the grant's earmarking requirement. Additionally, management continues to monitor their earmarking compliance.

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Report of Independent Accountants On Applying Agreed-Upon Procedures

Dr. Mary Ellen Mazey, President
Bowling Green State University

We have performed the procedures enumerated below, which were agreed to by the chief executive of Bowling Green State University (the University), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (Statement I) and Statement of Intercollegiate Athletics Program Support by Booster Organization (Statement II) of the University are in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.16 for the year ended June 30, 2011. The University's management is responsible for the accompanying Statement of Revenues and Expenses and the Statement of Intercollegiate Athletics Program Support by Booster Organization and the Statement I and Statement II's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purposes for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

I. Statement of Revenues and Expenses

1. We obtained the Statement of Revenues and Expenses (Statement I) for the Intercollegiate Athletics Department (the Department) for the year ended June 30, 2011, as prepared by management. We recomputed the subtotal and total line items on the Statement I and agreed all amounts on the Statement I to management's detailed worksheets and to the appropriate general ledger accounts. We found no exceptions as a result of these procedures.

2. We performed a comparison of the revenues and expenses per Statement I for fiscal years 2011 and 2010. We obtained management's explanations for variations greater than $50,000 and 10% of each revenue and expense line item in the aggregate as follows:

   a. Football ticket sales revenue increased $257,000 or approximately 33%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to an allocation of the general fee paid by all students of $500,000. However, this increase was offset by a decline in overall ticket sales of approximately $240,000.

   b. Football game guarantees revenue decreased $775,000 or 207%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease was due to a nonrecurring guarantee paid by the University of Michigan in the prior year.

c. Football NCAA Distribution revenue decreased $230,000 or 100%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease was due to a nonrecurring distribution received in the prior year related to the Humanitarian Bowl game for the 2009 – 2010 season.

d. Other football salaries expense increased approximately $108,000 or 192%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to supplemental payments related to the restructuring of the head coach's pay during fiscal year 2011.

e. Football staff benefits expense increased approximately $51,000 or 15%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to an increase in the cost of insurance and benefits, highlighted by the change in individuals working for the football program.

f. Football financial aid expense increased approximately $227,000 or 12%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this increase was due additional expense allocated to football in fiscal year 2011, compared to fiscal year 2010 in which most of the expense was allocated to the non-program specific department. There was not a significant change in financial aid across all sports in total.

g. Football equipment expense increased approximately $58,000 or 24%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this increase was due to the purchase of communications equipment.

h. Football game guarantee expense decreased $200,000 or approximately 50%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease was due to one fewer guarantee payout for a home game in fiscal year 2011, as compared to fiscal year 2010.

i. Men's basketball financial aid expense increased approximately $51,000 or 16%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to additional expense allocated to basketball in fiscal year 2011, compared to fiscal year 2010 in which most of the expense was allocated to the non-program specific department. There was not a significant change in financial aid across all sports in total.

j. Basketball game guarantee expense increased approximately $50,000 or 92%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to additional guarantee payouts for home games in fiscal year 2011, as compared to fiscal year 2010.

k. Non-program specific NCAA distribution revenue increased approximately $233,000 or 24%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due primarily to the University's hosting of a track and field competition, not held in the previous year.

l. Non-program specific licensing and sponsorship revenue decreased by approximately $108,000 or 21%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease relates to an overall decrease in sponsorships in fiscal year 2011.

m. Non-program specific gift revenue increased by approximately $347,000 or 125%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase in gifts revenue was due to increased efforts to find donors in the current year. It was further noted that there were a record number of members who had joined the Falcon Club.

n. Non-program specific staff benefits expense increased approximately $80,000 or 17%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was primarily due to increased health care costs.

o. Non-program specific financial aid decreased by approximately $100,000 or 79%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease was due to additional expenses allocated to the other departments. There was not a significant change in financial aid in total.

p. Non-program specific equipment expense increased approximately $100,000 8,781%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase is a result of several items, including: new game staging, change in expense allocation, additional special games expense, and additional weight room expenses.

q. Non-specific facility rental expense decreased by approximately $91,000 or 46%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease is a result of a decrease in the total rental agreement cost for the ice arena.

r. Non-program specific other allocated expenses increased by approximately $143,000 or 24%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters the increase in expense primarily relates to the Perry Stadium video score board upgrade.

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

   a. The actual amount of intercollegiate athletics account revenue was above budget by approximately $1,168,000 or 9%. While this is below the threshold, we noted that the student opportunity fund account revenue was initially budgeted with the intercollegiate athletics account and broken out separately for internal tracking purposes. The actual amount of student opportunity fund revenue was above budget by approximately $199,000 or 100%. Considering both together, the combined revenue was above budget by $1,367,000 or 11%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase is primarily due to other types of revenues that were budgeted in student athlete services of $410,000, marketing and promotions of $345,000, and development $441,000 but classified in intercollegiate athletics account revenue.

   b. The actual amount of student athlete services revenue was approximately $410,000 or 100% lower than budget. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to student athlete services revenue being budgeted at $410,000 but classified in the intercollegiate athletics account revenue.

   c. The actual amount of marketing and promotions revenue was under budget by approximately $345,000 or 100%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to marketing and promotions revenue being budgeted at $345,000 but classified in the intercollegiate athletics account revenue.

   d. The actual amount for development revenue was lower than budget by approximately $218,000 or 55%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to development revenue being budgeted at $400,000 and $441,000 was actually recorded in the intercollegiate athletics account revenue. This differential between budgeted and actual is partially offset by gifts received from the Bowling Green State University Foundation and recorded in the development revenue account.

e. Actual sports camp revenue was over budget by approximately $91,000 or 100%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the University does not budget for sports camp revenue, as camps consistently cross fiscal years and become difficult to budget.

f. Actual student opportunity fund expense was under budget by approximately $74,000 or 67%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to amounts budgeted in the student opportunity fund account were recorded in sport specific accounts.

g. Actual basketball operations expenditures were approximately $146,000 or 15% over budget. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to higher team travel expenses due to a higher volume of flights than originally anticipated, as well as higher Grant in Aid expenses.

h. Actual football video expense was over budget by approximately $54,000 or 85%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was primarily due to additional expenses related to upgrading their video equipment not included in the budget.

i. Actual men's baseball expenditures were approximately $55,000 or 11% over budget. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to higher than expected travel and equipment expenses.

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

5. We reviewed the extent of documentation of accounting systems and procedures. We also made certain inquires of management regarding control consciousness, competence of personnel and protection of records and equipment. We tested specific elements of control environment that were unique to intercollegiate athletics by randomly selecting 15 items in the cash receipts log from July 1, 2010 to June 30, 2011, and noted that each day's cash receipts log reconciled to the amount of the deposit and noted that the deposit was made in a timely manner. No exceptions were noted as a result of this procedure.

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

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

	Principal	Interest	Total
2012	$ 198,654	$ 21,556	$ 220,210
2013	$ 199,743	$ 15,467	$ 215,210
2014	$ 207,732	$ 12,478	$ 220,210
2015	$ 104,211	$ 4,168	$ 108,379

8. We obtained all the listings of ticket sales for football, hockey, and men's basketball. We agreed the ticket revenue per Statement I to the total of the event sales report, in which we recomputed the revenue based on ticket prices, considering complementary and unsold tickets. We found a $(2,098) or (0.2)% difference in football, $20,059 or 7.3% difference in men's basketball, and a $1,169 or 0.6% difference in hockey tickets sales revenue compared to Statement I.

9. We obtained the 2010-2011 general fee and related auxiliary budget report prepared by the Finance and Administration office and agreed the budgeted allocation to the amount reported by the University in Statement I. We gained an understanding of the University's allocation method and noted an additional $600,000 allocation based on internal correspondence.

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

11. We obtained support for 100% of institutional support revenue recorded. We agreed transaction detail to journal entries and management's approval of the transfer from the University to the Athletic Department. We found no exceptions as a result of these procedures.

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

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

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

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

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

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

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

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

20. We randomly selected a sample of twenty-five student aid recipients from various men's and women's sports. We agreed the amount per the Financial Aid list to the NCAA student record website. We agreed these NCAA records to a listing of transactions for each student from the Bursar's office, ensuring the amount was given to the student athlete. We recalculated the totals and agreed the total aid to the statement of revenues and expenses. We found no exceptions as a result of these procedures.

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

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

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

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

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

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

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

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

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

30. We randomly selected a sample of five facility rental expenses, agreeing them to the general ledger, approved journal entries for cross-charges, and invoices for external expenses. We noted one inappropriate classification of recruiting fees being recorded in facility rental expenses in the amount of $2,803.37; however, this was appropriately reclassified to recruiting expenses.

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

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

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

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

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

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

37. We compared contributions, received directly by the Athletic Department in excess of 10% of total contributions for the year ended June 30, 2011, to the accounting records of the University. We identified two significant contributions from the Bowling Green State University Foundation (the Foundation); one is for $147,821 for the stadium suite project and one is for $135,075 for the Falcon Club project. These contributions made up 26% of total Booster Organization Support for the fiscal year. We agreed these items to proof of payment and approved disbursement forms from the Foundation, noting no exceptions.

II. Statement of Intercollegiate Athletics Program Support by Booster Organization

1. We obtained the Statement of Intercollegiate Athletics Program Support by Booster Organizations for the year ended June 30, 2011 (Statement II) from the Foundation.

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

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

4. We received the audited financial statements of the Foundation, which administers the booster organizations, for the year ended June 30, 2011, which reflected an unqualified opinion.

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

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

Ernst & Young LLP

October 14, 2011

Statement I

Bowling Green State University
Intercollegiate Athletics Department
Statement of Revenues and Expenses
Year Ended June 30, 2011

	Men's Football	Men's Basketball	Men's Hockey	Other Sports	Non-Program Specific	Total
Revenues:						
Ticket Sales	$ 1,044,544	$ 144,059	$ 181,901	$ 134,926	$ -	$ 1,505,430
Concessions	$ -	$ -	$ -	$ -	$ 58,272	$ 58,272
Student Activity Fees	$ -	$ -	$ -	$ -	$ 10,276,604	$ 10,276,604
Instituitional Support	$ -	$ -	$ -	$ -	$ 410,337	$ 410,337
Game Guarantees	$ 1,150,000	$ 100,000	$ -	$ -	$ -	$ 1,250,000
NCAA Distribution	$ -	$ -	$ 18,359	$ -	$ 1,220,182	$ 1,238,541
Licensing/Sponsorships	$ -	$ -	$ -	$ -	$ 395,461	$ 395,461
Parking	$ 33,735	$ 9,340	$ 3,500	$ 9,865	$ 35,245	$ 91,685
Stadium Suites	$ -	$ -	$ -	$ -	$ 198,031	$ 198,031
Gifts	$ -	$ -	$ -	$ -	$ 622,880	$ 622,880
Sports Schools & Camps	$ -	$ -	$ -	$ -	$ 350,979	$ 350,979
Miscellaneous	$ -	$ -	$ 3,000	$ -	$ 256,099	$ 259,099
Total Revenues	$ 2,228,279	$ 253,399	$ 206,760	$ 144,791	$ 13,824,090	$ 16,657,319
Expenses:						
Coaches' Salaries	$ 963,503	$ 337,187	$ 288,583	$ 1,225,564	$ -	$ 2,814,837
Other Salaries	$ 164,808	$ 31,700	$ 42,000	$ 41,500	$ 1,635,998	$ 1,916,006
Staff Benefits	$ 383,193	$ 94,149	$ 95,243	$ 366,916	$ 562,224	$ 1,501,724
Non-Employee Comp. (Game Officials)	$ 55,337	$ 66,150	$ 38,325	$ 94,660	$ 92,308	$ 346,780
Films	$ 92,610	$ -	$ -	$ -	$ 1,595	$ 94,206
Travel:						$ -
Team	$ 414,834	$ 131,097	$ 108,761	$ 540,763	$ -	$ 1,195,455
Other	$ 180,884	$ 35,284	$ 37,004	$ 107,246	$ 139,515	$ 499,933
Recruiting	$ 118,532	$ 32,816	$ 41,545	$ 120,594	$ -	$ 313,488
Financial Aid	$ 2,045,045	$ 367,879	$ 434,290	$ 2,819,292	$ 17,938	$ 5,684,444
Equipment	$ 349,134	$ 35,785	$ 141,324	$ 198,568	$ 100,841	$ 825,652
Facility Rental	$ -	$ -	$ -	$ 200	$ 106,500	$ 106,700
Game Guarantees	$ 200,000	$ 105,410	$ -	$ 20,000	$ -	$ 325,410
Stadium Suites Internal Financing	$ -	$ -	$ -	$ -	$ 120,392	$ 120,392
Sports Camps	$ -	$ -	$ -	$ -	$ 298,446	$ 298,446
Memberships	$ 160	$ -	$ 330	$ 5,344	$ 264,889	$ 270,723
Telephone	$ 13,011	$ 3,030	$ 8,345	$ 19,370	$ 78,286	$ 122,041
Allocated Expenses	$ 64,459	$ 10,069	$ 9,498	$ 51,488	$ 742,034	$ 877,548
Total Expenses	$ 5,045,511	$ 1,250,555	$ 1,245,249	$ 5,611,505	$ 4,160,965	$ 17,313,785
Revenues over (under) Expenses	$ (2,817,232)	$ (997,156)	$ (1,038,489)	$ (5,466,714)	$ 9,663,125	$ (656,466)

BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC.
Statement of Intercollegiate Athletics Program Support by Booster Organization
FY ENDED 06/30/11

Booster Organization	Beginning Fund Balance	Gift Contributions	Non-contributions and other adjustments	Disbursement on behalf of program	Ending Fund Balance
Alumni/Athletics Endowment	$ 74,797.94	$ -	$ 9,910.58	$ -	$ 84,708.52
HPER/Athletic Archives	$ 3,270.03	$ -	$ (42.77)	$ -	$ 3,227.26
Don Cunningham Memorial	$ 50,357.66	$ 250.00	$ 7,949.25	$ (1,000.00)	$ 57,556.91
Intercollegiate Athletics Dept.	$ (123.97)	$ -	$ 206,903.98	$ (131,335.31)	$ 75,444.70
Perry Stadium Enhancement	$ 5,881.77	$ 15.00	$ 716.65	$ (3,553.85)	$ 3,059.57
Gregory I. Brooks Soccer Schol	$ 21,562.37	$ -	$ 3,475.33	$ -	$ 25,037.70
Athletic Fitness & Weight Room	$ 312.10	$ -	$ (4.07)	$ -	$ 308.03
Men's Basketball International Travel	$ 362.62	$ -	$ (4.74)	$ -	$ 357.88
Carl C. Bachman Schol	$ 47,845.42	$ -	$ 7,415.52	$ (1,500.00)	$ 53,760.94
Athletics Special Events	$ 1,802.77	$ 34,830.00	$ 30,195.16	$ (59,378.60)	$ 7,449.33
Men's Basketball	$ 139,544.74	$ 54,193.04	$ 59,483.08	$ (103,224.78)	$ 149,996.08
Football	$ 26,307.92	$ 137,850.79	$ 9,379.65	$ (87,689.90)	$ 85,848.46
Ice Hockey	$ 66,584.36	$ 63,906.75	$ 5,230.42	$ (61,655.28)	$ 74,066.25
Women's Basketball	$ 150,151.13	$ 100,080.50	$ 6,201.89	$ (89,257.66)	$ 167,175.86
Women's Golf	$ 7,360.56	$ 9,503.79	$ 15,878.57	$ (24,669.53)	$ 8,073.39
Gymnastics Fund	$ 16,895.76	$ 6,350.75	$ 1,088.08	$ (23,019.40)	$ 1,315.19
Women's Tennis	$ 15,301.69	$ 21,221.00	$ 1,090.41	$ (11,914.93)	$ 25,698.17
Women's Track	$ 13,193.24	$ 850.00	$ 7,556.34	$ (20,950.53)	$ 649.05
Volleyball	$ 32,689.49	$ 19,275.19	$ 487.74	$ (22,512.55)	$ 29,939.87
Softball	$ 15,689.85	$ 2,150.00	$ 17,075.78	$ (28,412.83)	$ 6,502.80
Mel Brodt Track & Cross Country Schol.	$ 46,321.91	$ 2,050.00	$ 7,667.16	$ -	$ 56,039.07
Women's Soccer	$ 12,760.17	$ 3,915.00	$ 4,122.85	$ (5,707.53)	$ 15,090.49
Baseball	$ 45,173.78	$ 22,778.52	$ 40,393.42	$ (62,523.39)	$ 45,822.33
Men's Golf	$ 9,535.50	$ 39,256.23	$ 15,001.75	$ (42,337.54)	$ 21,455.94
Men's Soccer	$ 40,819.99	$ 37,711.66	$ 2,668.54	$ (41,212.43)	$ 39,987.76
Swimming	$ 13,402.37	$ 11,916.00	$ 2,272.73	$ (7,188.13)	$ 20,402.97
Men's Tennis	$ 135.37	$ -	$ (1.77)	$ -	$ 133.60
Men's Track	$ 1.35	$ -	$ -	$ -	$ 1.35
Men's Cross Country	$ 8,939.84	$ 300.00	$ 1,900.02	$ (4,925.63)	$ 6,214.23
Women's Cross Country	$ 15,040.77	$ 875.00	$ 8,025.61	$ (18,594.66)	$ 5,346.72
Glenn Sharp Schol.	$ 22,408.50	$ 13,540.00	$ 1,665.07	$ (33,629.33)	$ 3,984.24
BGSU Cheerleading	$ 10,091.16	$ -	$ -	$ -	$ 10,091.16
Bob & Karen Sebo Schol.	$ 201,816.66	$ -	$ 32,528.62	$ -	$ 234,345.28
Clarence & Sally Metzger Schol	$ 56,054.43	$ 2,250.00	$ 8,974.75	$ (1,500.00)	$ 65,779.18
Coaches Excellence	$ 268,350.05	$ 9,983.45	$ 40,588.74	$ (10,000.00)	$ 308,922.24
Mickey & Patricia Cochrane Schol.	$ 36,471.94	$ -	$ 5,977.89	$ -	$ 42,449.83
Samuel M. Cooper Athletic Schol.	$ 25,068.18	$ -	$ 4,040.96	$ -	$ 29,109.14
Athletic Golf Fund	$ 141,044.94	$ -	$ 20,953.42	$ -	$ 161,998.36
Falcon Club	$ 34,974.87	$ 144,125.16	$ 418.02	$ (135,145.80)	$ 44,372.25
Falcon Club-Designated	$ 2,324.05	$ -	$ 21,847.43	$ (20,803.54)	$ 3,367.94
Falcon Club-Operating	$ (400.88)	$ 1,230.00	$ 18,094.81	$ (18,821.51)	$ 102.42
Falcon Club-Reserve	$ (1,268.70)	$ -	$ (16.49)	$ -	$ (1,285.19)
Falcon Club Athletic Schol.	$ 142,377.07	$ 20.00	$ 22,950.39	$ -	$ 165,347.46
Dewey & Ellen Fuller Schol.	$ 46,682.37	$ -	$ 7,240.30	$ (1,500.00)	$ 52,422.67
Harms Cross Country Schol.	$ 36,127.74	$ -	$ 5,478.78	$ (768.15)	$ 40,838.37
Mark A. Brecklen Athletics/Football	$ 8,695.62	$ -	$ -	$ -	$ 8,695.62
Barb Veselich Award	$ -	$ -	$ -	$ -	$ -
Hockey Renovation Fund	$ 55.93	$ -	$ -	$ -	$ 55.93
Hodge Family Soccer Schol.	$ 12,724.04	$ -	$ 1,914.12	$ (500.00)	$ 14,138.16
Joyce S. Hof Schol.	$ 35,606.06	$ 350.00	$ 5,580.38	$ (1,000.00)	$ 40,536.44
William J. Lloyd Athletic Award	$ 79,622.20	$ -	$ 10,343.69	$ (10,000.00)	$ 79,965.89
John & Diane McNutt Schol.	$ 10,285.40	$ -	$ 1,567.91	$ -	$ 11,853.31
Lanny L. Miles Memorial Schol.	$ 78,882.77	$ -	$ 12,161.25	$ -	$ 91,044.02
Leslie Ann Dawley Memorial Fund	$ 223.07	$ 100.00	$ (3.56)	$ -	$ 319.51
Scholar Athlete Recognition Fund	$ 75,893.07	$ 500.00	$ 9,216.71	$ (1,500.00)	$ 84,109.78
Training Room Enhancement	$ 445.33	$ 1,720.83	$ 1,082.62	$ (1,137.79)	$ 2,110.99
Medical Mutual of Ohio CHAMPS Endow.	$ 99,163.36	$ -	$ 15,627.61	$ (717.97)	$ 114,073.00
Verlin Lee Science Educators Schol in ICA	$ 70,889.08	$ 640.00	$ 11,585.18	$ -	$ 83,114.26
University Athletic Endowment	$ 701,879.53	$ -	$ 134,852.01	$ (19,556.69)	$ 817,174.85
Doyt & Loretta Perry Schol.	$ 186,690.91	$ 25.00	$ 27,857.22	$ (10,000.00)	$ 204,573.13
Bernard A. Frick Endow. For Athl. Training	$ 53,385.79	$ 7,000.00	$ 9,169.25	$ -	$ 69,555.04
Creason-Piper Endowed Scholarship	$ 181,596.08	$ 500.00	$ 23,605.51	$ (10,000.00)	$ 195,701.59
George H. & Ruthanna Frack Endwd Schol	$ 85,613.15	$ -	$ 13,798.62	$ -	$ 99,411.77
Earl E. Rupright Basketball Schol.	$ 21,970.80	$ -	$ 3,379.96	$ (500.00)	$ 24,850.76
Helen & Willard Schaller Schol.	$ 16,275.84	$ -	$ 2,536.69	$ (500.00)	$ 18,312.53
Mary E. Crawford Memorial Scholarship	$ 25,245.52	$ -	$ 4,069.05	$ -	$ 29,314.57
Soccer Stadium	$ 32,304.97	$ -	$ -	$ (31,785.39)	$ 519.58
Stadium Club	$ 26,033.98	$ 36,623.00	$ 14,156.93	$ (67,771.69)	$ 9,042.22
Stadium Scoreboard Fund	$ 39.10	$ -	$ -	$ -	$ 39.10
Stadium Suites	$ 58,585.24	$ 55,548.00	$ 77,702.63	$ (191,703.07)	$ 132.80
Sebo Athletic Center	$ 100,048.47	$ 68,104.44	$ (98,384.99)	$ (63,770.00)	$ 5,997.92
Falcon Women's Ldrship Athletic Fund	$ (4,538.31)	$ 110.00	$ (58.28)	$ -	$ (4,486.59)
John Weinert Schol.	$ 14,855.74	$ 100.00	$ 2,318.59	$ (500.00)	$ 16,774.33
Cara Whelan Wilson Schol.	$ -	$ -	$ -	$ -	$ -

BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC.
Statement of Intercollegiate Athletics Program Support by Booster Organization
FY ENDED 06/30/11

Booster Organization	Beginning Fund Balance	Gift Contributions	Non-contributions and other adjustments	Disbursement on behalf of program	Ending Fund Balance
Chet Boyer Memorial Fund	$ 1,166.02	$ -	$ (15.25)	$ -	$ 1,150.77
Sandy & Dick Young Athletic Scholarship	$ -	$ -	$ -	$ -	$ -
Larry & Sharon Barnett Schol.	$ 50,483.85	$ -	$ 6,515.89	$ (5,000.00)	$ 51,999.74
Gary Palmisano Men's Soccer Fund	$ 25,026.38	$ 100.00	$ 4,041.41	$ -	$ 29,167.79
Jeff & Lisa Lambert Bsktbl Coach Award	$ -	$ -	$ -	$ -	$ -
Convocation Center	$ -	$ -	$ -	$ -	$ -
Falcon Club Endw for Womens Athletics	$ 51,830.65	$ 100.00	$ 7,685.58	$ -	$ 59,616.23
Varsity BG Club	$ 27,043.47	$ -	$ 4,312.87	$ -	$ 31,356.34
Vivian Endowed Hockey Schol.	$ 122,625.61	$ -	$ 16,872.70	$ (10,000.00)	$ 129,498.31
Baseball/Softball Locker Room Project	$ 10,390.76	$ 32,577.75	$ (8,156.16)	$ (21,471.80)	$ 13,340.55
Edway & Geraldine Johnson Schol for Sci	$ 23,724.72	$ -	$ 3,824.44	$ -	$ 27,549.16
Men's Basketball Summer Schol Pgm	$ 996.70	$ -	$ (13.04)	$ -	$ 983.66
Stroh Capital Project Fund	$ 31,839.30	$ 696,607.64	$ 810.00	$ -	$ 729,256.94
Wilcox Athletic Schol	$ -	$ -	$ -	$ -	$ -
Wilcox Outstanding Coaches Award	$ -	$ -	$ -	$ -	$ -
Dr. Richard Barker Schol for Athl Trng	$ -	$ -	$ -	$ -	$ -
Defending Our Turf Campaign Fund	$ 13,921.06	$ 10,000.00	$ (202.24)	$ (7,099.13)	$ 16,619.69
Bill Bradshaw Athletic Memorial Fund	$ -	$ -	$ -	$ -	$ -
Blackburn Student Athlete Avd Cmte Awrd	$ 16,655.73	$ 7,382.08	$ -	$ (2,668.49)	$ 21,369.32
L. Eugene & Janet Farison Football Schol	$ 22,696.38	$ -	$ 3,471.47	$ -	$ 26,167.85
Women's Basketball Endowment	$ 43,661.46	$ 7,500.00	$ 7,438.65	$ -	$ 58,600.11
Student-Athlete Academic Support Service	$ 13,725.37	$ 9,693.97	$ 23,872.39	$ (26,464.14)	$ 20,827.59
Falcon Invitational Fund	$ (1,182.54)	$ -	$ (15.27)	$ -	$ (1,197.81)
Falcon Club Bash Fund	$ 1,067.06	$ 21,085.00	$ 24,096.97	$ (46,408.18)	$ (159.15)
Falcons Barnstorming Tour Fund	$ 2,008.52	$ -	$ 4,299.47	$ (5,649.00)	$ 658.99
Ron Thompson Scholarship	$ -	$ -	$ -	$ -	$ -
Ice Arena Renovation	$ 59,563.46	$ 23,900.00	$ (932.35)	$ -	$ 82,531.11
Golf Training Center Fund	$ 9,199.05	$ 3,000.00	$ 3,433.49	$ (11,151.37)	$ 4,481.17
Elizabeth M. Bacso Women's Athletic Fund	$ -	$ -	$ -	$ -	$ -
Women's Basketball Internat'l Travel	$ 377.41	$ -	$ (4.94)	$ -	$ 372.47
Hockey Endowment Fund (Schlshp)	$ 43,769.54	$ 90,630.00	$ 15,338.44	$ -	$ 149,737.98
Gregory A. Gettum Women's Golf Fund	$ -	$ -	$ -	$ -	$ -
Peter J. Winovich III Scholarship	$ -	$ -	$ -	$ -	$ -
S Hamilton '94 Varsity Ice Hockey Schol	$ 542,362.78	$ -	$ 85,000.57	$ (15,000.00)	$ 612,363.35
Karen Merrels Hockey Fund	$ -	$ -	$ -	$ -	$ -
Janna Blais Student Athlete Scholarship	$ 8,675.00	$ 4,287.05	$ -	$ -	$ 12,962.05
A.A. Green Family Varsity Hockey Schol.	$ 52,651.82	$ -	$ 8,486.95	$ -	$ 61,138.77
Howick Family Hockey Scholarship	$ 10,000.00	$ 6,000.00	$ -	$ -	$ 16,000.00
Pikul Family Varsity Hockey Scholarship	$ -	$ 10,000.00	$ -	$ -	$ 10,000.00
Class of 1985 Hockey Scholarship	$ 3,575.00	$ 2,735.00	$ -	$ -	$ 6,310.00
Slater Family Varsity Hockey Scholarship	$ -	$ 5,000.00	$ -	$ -	$ 5,000.00
Legacy Varsity Hockey Scholarship	$ 1,391.60	$ -	$ 165.65	$ -	$ 1,557.25
Reichenbach-Burtch Family Varsity Hockey Scholarship	$ -	$ 1,200.00	$ -	$ -	$ 1,200.00
Kunstmann Family Varsity Hockey Scholarship	$ -	$ 11,000.00	$ -	$ -	$ 11,000.00
Walker Family Varsity Hockey Scholarship	$ -	$ 1,020.00	$ (13.26)	$ -	$ 1,006.74
Wojciechowski Family Varsity Hockey Book Award	$ -	$ 1,100.00	$ -	$ -	$ 1,100.00
Warren Scholler Scholarship Endowment	$ -	$ 1,230.00	$ -	$ -	$ 1,230.00
Yves Pelland Memorial Hockey Scholarship Endowment	$ -	$ 5,000.00	$ -	$ -	$ 5,000.00
TOTAL SUPPORT THRU FDN.	$ 5,065,759.78	$ 1,862,897.59	$ 1,157,173.38	$ (1,636,587.50)	$ 6,449,243.25

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FINANCIAL STATEMENTS

CFP I LLC
Year Ended June 30, 2011 and Period From
December 17, 2009 through June 30, 2010
With Report of Independent Auditors

CFP I LLC

Financial Statements

Year Ended June 30, 2011 and Period From
December 17, 2009 through June 30, 2010

Contents

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Report of Independent Auditors

The Board of Directors
CFP I LLC

We have audited the accompanying statements of financial position of CFP I LLC (CFP I) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the year ended June 30, 2011 and the period from December 17, 2009 through June 30, 2010. These financial statements are the responsibility of the CFP I's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CFP I, as of June 30, 2011 and 2010, and the changes in their net assets and their cash flows for the year ended June 30, 2011 and the period from December 17, 2009 through June 30, 2010 in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2011, on our consideration of CFP I's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Ernst & Young LLP

October 14, 2011

CFP I LLC

Statements of Financial Position

	June 2011	June 2010
Assets		
Current assets		
Cash and cash equivalents	**$ –**	$ –
Prepaid expense	**6,514**	–
Total current assets	**6,514**	–
Other assets		
Funds held by trustee	**22,645,814**	69,566,315
Deferred bond issuance costs, net of accumulated amortization of $129,012 and $5,135	**2,855,371**	2,964,248
Construction in progress	**61,300,403**	11,079,437
Total other assets	**86,801,588**	83,610,000
Total assets	**$ 86,808,102**	$ 83,610,000
Liabilities and net assets		
Short-term liabilities		
Accrued interest payable	**380,070**	–
Accrued construction costs payable	**2,818,032**	–
Bonds payable - current portion	**320,000**	–
Total short-term liabilities	**3,518,102**	–
Long-term liabilities		
Bonds payable - net of current portion	**81,290,000**	81,610,000
Total long-term liabilities	**81,290,000**	81,610,000
Total liabilities	**84,808,102**	81,610,000
Net assets		
Temporarily restricted	**2,000,000**	2,000,000
Total liabilities and net assets	**$ 86,808,102**	$ 83,610,000

See accompanying notes

CFP I LLC

Statement of Activities

Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total
Revenues			
Operating	$ –	$ –	$ –
Expenses			
	–	–	–
Total operating expenses	–	–	–
Operating income	–	–	–
Other changes			
Capital contributions from Bowling Green State University	–	–	–
Total other changes	–	–	–
Change in net assets	–	–	–
Net assets			
Net assets at the beginning of year	–	2,000,000	2,000,000
Net assets at the end of year	$ –	$ 2,000,000	$ 2,000,000

See accompanying notes

CFP I LLC

Statement of Activities

Period from December 17, 2009 through June 30, 2010

	Unrestricted	Temporarily Restricted	Total
Revenues			
Operating	$ –	$ –	$ –
Expenses			
	–	–	–
Total operating expenses	–	–	–
Operating income	–	–	–
Other changes			
Capital contributions from Bowling Green State University	–	2,000,000	2,000,000
Total other changes	–	2,000,000	2,000,000
Change in net assets	–	2,000,000	2,000,000
Net assets			
Net assets at the beginning of period	–	–	–
Net assets at the end of period	$ –	$ 2,000,000	$ 2,000,000

See accompanying notes

CFP I LLC

Statements of Cash Flows

	Year Ended June 30, 2011	Period From December 17, 2009 through June 30, 2010
Cash flows from operating activities		
	$ –	$ –
Net cash used by operating activities	–	–
Cash flows from capital financing activities		
Construction in progress	**(42,642,926)**	(11,079,437)
Interest paid on long-term liabilities	**(4,521,525)**	–
Bond issuance costs paid	**(15,000)**	(2,964,248)
Proceeds from bond issue	–	81,610,000
Capital contributions received from Bowling Green State University	–	2,000,000
Net cash (used) provided by capital financing activities	**(47,179,451)**	69,566,315
Cash flows from investing activities		
Proceeds from sale of investments	**46,920,500**	–
Interest received	**258,951**	–
Purchase of investments	–	(69,566,315)
Net cash provided (used) by investing activities	**47,179,451**	(69,566,315)
Net change in cash	–	–
Cash at beginning of period		
Cash at end of period	**$ –**	$ –

See accompanying notes

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

Nature of Operations

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

Reporting Entity

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

The Corporation is the sole member of CFP I LLC (CFP I). On June 9, 2010, the City of Bowling Green, Ohio issued $81,610,000 Student Housing Revenue Bonds (Series 2010 Bonds) and loaned the proceeds of the Series 2010 Bonds to CFP I for the purpose of providing funds to finance the cost of acquiring, constructing, furnishing, and equipping an approximately 1,318-bed, two-building student housing facility (the Series 2010 Project). CFP I is not expected to have assets other than the Series 2010 Project. The proceeds of the Series 2010 Bonds can be utilized only for the Series 2010 Project and because the Series 2010 Project is for the exclusive benefit of the University, the Corporation and CFP I are considered a component unit of the University and are discretely presented in the University's financial statements.

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 is obligated to complete 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 is effective July 1, 2011.

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

Financial Statement Presentation

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

Basis of Accounting

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

Use of Estimates

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

Income Tax

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

Cash and Cash Equivalents

CFP I considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. There was no cash or cash equivalents held at June 30, 2011. Funds Held by Trustee in the amount of $22,645,814, which includes $2,000,000 capital contributions from the University, are considered temporarily restricted other assets, designated for the Series 2010 Project.

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

Capital Assets

Construction in progress is stated at cost and not depreciated. The asset will be reclassified to “Building and Equipment” when placed in service and depreciated. Amortization of deferred bond issuance costs is computed using the straight-line method over the duration of the bond indenture of 35 years.

Amortization expense totaled $123,877 and $5,135 for the period ended June 30, 2011 and the period from December 17, 2009 through June 30, 2010, respectively, and was included in Construction in Progress due to the corresponding asset being constructed and not yet in service. Amortization expense for the next five fiscal years, 2012 – 2016, is approximately as follows: $124,000, $123,000, $123,000, $122,000 and $121,000.

Fair Value Measurements

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

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

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

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

See Note 2 for further discussion of fair value measurements.

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

Net Asset Classifications

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

- Permanently restricted net assets represent funds received whereby the corpus is to be maintained permanently, but CFP I is allowed to use or expend part or all of the income for either specified or unspecified purposes. The unexpended income from these assets is classified as temporarily restricted net assets.

- Temporarily restricted net assets contain restrictions that permit CFP I to use or expend the assets as specified in contractual agreements. The restrictions are satisfied either by the passage of time or by actions of CFP I.

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

Subsequent Events

Subsequent events have been evaluated through October 14, 2011, the date the financial statements were available to be issued. The Series 2010 Project was completed and a permanent occupancy permit was granted in August 2011. The two-building housing facilities were opened August 19, 2011, on schedule for fall semester.

2. Investments

The investment value of Funds Held by Trustee, which consists 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:

	2011	**2010**
Money market funds – Level 1	$ 22,645,814	$ 69,566,315

2. Investments (continued)

CFP I records its investments in money market funds at their current fair value based on quoted market prices in active markets for identical assets, which is consistent with Level 1 in the hierarchy.

3. Capital Assets

Capital assets as of June 30, 2011 are summarized as follows:

	Beginning Balance	Additions	Ending Balance
Construction in progress	**$ 11,079,437**	**$ 50,220,966**	**$ 61,300,403**

Capital assets as of June 30, 2010 are summarized as follows:

	Beginning Balance	Additions	Ending Balance
Construction in progress	$ –	$ 11,079,437	$ 11,079,437

Capitalized interest associated with construction in progress as of June 30, 2011 was $4,642,644. Actual interest paid for the period ended June 30, 2011 was $4,521,525. Capitalized interest also includes accrued interest of $380,070 and reduced by interest income of $258,951.

4. Bonds Payable

Bonds payable of CFP I for June 30, 2011, are as follows:

	Beginning Balance	Additions	Ending Balance	Due in One Year
Bonds payable	**$ 81,610,000**	**$ –**	**$ 81,610,000**	**$ 320,000**

4. Bonds Payable (continued)

Bonds payable of CFP I for June 30, 2010, are as follows:

	Beginning Balance	Additions	Ending Balance	Due in One Year
Bonds payable	$ –	$ 81,610,000	$ 81,610,000	$ –
Total	$ –	$ 81,610,000	$ 81,610,000	$ –

On June 9, 2010, the City of Bowling Green, Ohio issued $81,610,000 of Student Housing Revenue Bonds, Series 2010, 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 to serve students at the University. Interest rates range from 3.0% to 6.0% over the scheduled redemption period of December 1, 2011 to June 1, 2045.

Interest expense related to bonds payable for the period ending June 30, 2011 was $0 as interest was capitalized as part of construction in progress (see Note 3).

The interest and scheduled maturities of the Series 2010 bonds for the five fiscal years subsequent to June 30, 2011, and subsequent periods thereafter are as follows:

	Interest Rate - %	Principal	Interest	Total
2012	3.00	$ 320,000	$ 4,718,113	$ 5,038,113
2013	4.00	480,000	4,708,512	5,188,512
2014	4.00	595,000	4,689,312	5,284,312
2015	4.00	710,000	4,665,513	5,375,513
2016	4.00	835,000	4,637,112	5,472,112
2017-2021	4.25 – 5.75	6,025,000	22,526,188	28,551,188
2022-2026	5.75	8,185,000	20,666,925	28,851,925
2027-2031	5.75	10,825,000	18,027,388	28,852,388
2032-2036	6.00	14,385,000	14,464,800	28,849,800
2037-2041	6.00	19,255,000	9,598,800	28,853,800
2042-2045	6.00	19,995,000	3,086,700	23,081,700
Total		$ 81,610,000	$ 111,789,363	$ 193,399,363

4. Bonds Payable (continued)

The trustee for the Series 2010 Bonds held unspent bond proceeds of $20,645,814 plus $2,000,000 capital contributions from the University, for a total of $22,645,814, as of June 30, 2011 which are classified as Funds Held by Trustee. At June 30, 2010, the trustee held unspent bond proceeds of $67,566,315, plus $2,000,000 capital contributions from the University, for a total of $69,566,315 which are classified as Funds Held by Trustee.

Fair values at June 30, 2011 of the Corporation's fixed rate debt obligations were as follows:

Year	Outstanding	Bond Price	Market Value
2012	$ 320,000	100.92	$ 323,000
2016	2,620,000	103.61	2,700,000
2017	965,000	101.62	981,000
2016	2,365,000	100.53	2,377,000
2010	1,315,000	101.01	1,329,000
2030	20,390,000	97.22	19,824,000
2045	53,635,000	95.95	51,461,000
	$ 81,610,000		$ 78,995,000

5. Related Party Transactions

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

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

The University incurred costs during different stages of start-up and implementation of CFP I for various outside services related to the Series 2010 Project. These outside services include consulting, legal, engineering, architectural and construction. Additionally, certain salaries and fringe benefits of financial, accounting and development personnel are incurred by the University, yet relate to CFP I. These expenses are paid by the University on behalf of CFP I and are not shown in the accompanying financial statements. CFP I approximates the value of these items at $371,000 for the year ended June 30, 2011 and $2,339,000 for the period from December 17, 2009 through June 30, 2010.

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

The Board of Directors and Management
CFP I LLC

We have audited the financial statements of CFP I LLC (CFP I) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, board of directors, and others within CFP I and is not intended to be, and should not be, used by anyone other than these specified parties.

Ernst & Young LLP

October 14, 2011

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FINANCIAL STATEMENTS

WBGU-TV
Years Ended June 30, 2011 and 2010
With Report of Independent Auditors

WBGU-TV

Financial Statements

Years Ended June 30, 2011 and 2010

Contents

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Report of Independent Auditors

The Board of Directors of WBGU-TV

We have audited the accompanying statements of net assets of WBGU-TV, licensed to Bowling Green State University, as of June 30, 2011 and 2010, and the related statements of revenues, expenses, and changes in net asset and cash flows for the years then ended. These financial statements are the responsibility of WBGU-TV's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

As discussed in Note 1, the financial statements of WBGU-TV are intended to present the financial position and the changes in financial position and cash flows, where applicable, of only that portion of Bowling Green State University that is attributable to the transactions of WBGU-TV. They do not purport to, and do not, present fairly the financial position of Bowling Green State University as of June 30, 2011 and 2010, and the changes in its financial position or its cash flows, where applicable, for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of WBGU-TV as of June 30, 2011 and 2010, and the changes in its financial position and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011, on our consideration of WBGU-TV's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Ernst & Young LLP

December 12, 2011

Overview of the Financial Statements and Financial Analysis

This section of the WBGU-TV annual financial report presents management's discussion and analysis of the financial performance of the Television Station during the fiscal years ended June 30, 2011, 2010, and 2009. This discussion provides an overview of the financial activities and should be read in conjunction with the accompanying financial statements and footnotes.

Using the Annual Financial Statement

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

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

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

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

Noteworthy Financial Activity

WBGU-TV's financial position, as a whole, improved during the fiscal year ended June 30, 2011 as compared to the previous year; key contributing factors are indentified below:

- WBGU's total assets decreased over the prior year by approximately $415,000, of which $368,000 is attributed to a decrease in total current assets and is primarily due to a decrease in cash and cash equivalents due to payment for the University Employee Separation Program (UESP).

- Total liabilities decreased by approximately $572,000, of which $547,000 is attributed to a decrease in current liabilities, with $368,000 related to the UESP and $100,000 related to a reduction in future grant revenues.

- WBGU-TV's net assets are approximately $5,821,000 which is an increase of $156,000 from the prior year. As noted above, contributing to the change was the decrease in cash and the decrease in current liabilities. Of the total net assets, $3,070,000 is invested in either capital equipment or is restricted.

- WBGU-TV's total operating revenues decreased by $437,000 from the prior year, with $474,000 related to a reduction in grant funds primarily due to a decrease in funds for the digital conversion capital project and $59,000 related to a decrease in fees and services due to less production activity. This was offset by an increase of $94,000 in contributed services from eTech Ohio.

- WBGU's total operating expenses decreased by $1,042,000 from the prior year, with $998,000 related to the reduction in staffing levels as a result of the UESP.

- Non-operating revenues decreased by $185,000 from the prior year, with $185,000 and $80,000 due to a decrease in operating subsidy and donated facilities and support, respectively, from Bowling Green State University. These decreases were offset by an increase of $49,000 in investment income and $31,000 in capital grants and gifts.

Condensed Statements of Net Assets
as of June 30, 2011, 2010, and 2009

	2011	2010	2009
Assets			
Current assets	$ 4,138,430	$ 4,506,854	$ 4,819,432
Non-current assets:			
Capital assets	1,907,962	2,088,963	2,043,334
Other	1,162,353	1,028,052	946,281
Total non-current assets	3,070,315	3,117,015	2,989,615
Total assets	7,208,745	7,623,869	7,809,047
Liabilities			
Current liabilities	1,321,786	1,869,130	1,765,373
Non-current liabilities	65,713	90,221	116,164
Total liabilities	1,387,499	1,959,351	1,881,537
Net assets			
Invested in capital assets	1,907,962	2,088,963	2,043,334
Unrestricted	2,750,931	2,547,503	2,937,895
Restricted for:			
Nonexpendable endowments	724,807	724,807	724,807
Expendable	437,546	303,245	221,474
Total net assets	$ 5,821,246	$ 5,664,518	$ 5,927,510

2011 versus 2010:

At June 30, 2011, WBGU-TV's total assets were approximately $7,208,000 compared to $7,623,000 at June 30, 2010. WBGU-TV's largest asset is its cash and cash equivalents of approximately $4,058,000 at June 30, 2011 compared to $4,332,000 at June 30, 2010.

In fiscal year 2011, WBGU-TV's current assets of approximately $4,138,000 were sufficient to cover current liabilities of approximately $1,322,000 (current ratio of 3.13). In fiscal year 2010, WBGU-TV's current assets of approximately $4,507,000 were sufficient to cover current liabilities of approximately $1,869,000 (current ratio of 2.41). Cash and cash equivalents decreased by $275,000 in 2011 due to timing differences in normal operations. At June 30, 2011, WBGU-TV's interest in investments were $1,162,000, or 16.1% of total assets, and increased by $134,000 in 2011 due primarily to market appreciation. Capital assets (net of depreciation) of $1,908,000 represent 26.5% of WBGU-TV's total assets.

WBGU-TV's liabilities totaled $1,387,000 at June 30, 2011, 19.2% of total assets and $572,000 less than the prior year. Accounts payable and accrued expenses decreased overall by $392,000 to $23,000 in 2011 due to the UESP. Additionally deferred revenue decreased by $114,000 due to a reduction in future grant revenue. WBGU-TV liabilities totaled $1,959,000 at June 30, 2010, or 25.7% of total assets.

Total net assets increased by $156,000 to $5,821,000 in 2011 primarily due to an increase of investments through realized and unrealized gains. Unrestricted net assets total $2,751,000 in 2011.

2010 versus 2009:

At June 30, 2010, WBGU-TV's total assets were approximately $7,624,000 compared to $7,809,000 at June 30, 2009. WBGU-TV's largest asset is its cash and cash equivalents of approximately $4,333,000 at June 30, 2010 compared to $4,656,000 at June 30, 2009.

In fiscal year 2010, WBGU-TV's current assets of approximately $4,507,000 were sufficient to cover current liabilities of approximately $1,959,000 (current ratio of 2.30). In fiscal year 2009, WBGU-TV's current assets of approximately $4,819,000 were sufficient to cover current liabilities of approximately $1,765,000 (current ratio of 2.73). Cash and cash equivalents decreased by $323,000 in 2010 due to timing differences in normal operations. At June 30, 2010, WBGU-TV investments were $1,028,000, or 13.5% of total assets, and increased by $82,000 in 2010 due primarily to market appreciation. Capital assets (net of depreciation) of $2,089,000 represent 27.4% of WBGU-TV's total assets.

WBGU-TV's liabilities totaled $1,959,000 at June 30, 2010, 25.7% of total assets and $78,000 higher than the prior year. Accounts payable and accrued expenses increased overall by $371,000 to $415,000 in 2010 due to the UESP. This increase was offset by a decrease of $257,000 in deferred revenue due to a reduction in future grant revenue. WBGU-TV liabilities totaled $1,882,000 at June 30, 2009, or 24.7% of total assets.

Total net assets decreased by $263,000 to $5,665,000 in 2010 primarily due to decreased cash and cash equivalents. This decrease was partially offset by recoveries of investments through realized and unrealized gains. Unrestricted net assets total $2,548,000 in 2010.

Condensed Statements of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2011, 2010, and 2009

	2011	2010	2009
Operating revenues:			
Contributions and memberships	$ 426,781	$ 432,051	$ 402,704
Contributed services	313,006	218,905	253,829
Fees and services	322,220	381,726	466,766
Grants and contracts	1,468,070	1,942,401	1,541,158
Other operating revenue	34,012	26,262	24,399
Total operating revenues	2,564,089	3,001,345	2,688,856
Operating expenses:			
Program services	3,365,645	4,035,493	3,944,128
Supporting services	1,040,853	1,413,165	1,352,539
Total operating expenses	4,406,498	5,448,658	5,296,667
Operating loss	(1,842,409)	(2,447,313)	(2,607,811)
Non-operating revenues:			
Operating subsidies	1,375,294	1,559,976	1,678,898
Donated facilities and support	426,770	507,516	510,826
Investment loss, net	165,703	116,684	(274,575)
Other non-operating revenues	31,370	145	14,403
Total non-operating revenues	1,999,137	2,184,321	1,929,552
Change in net assets	156,728	(262,992)	(678,259)
Net assets at the beginning of the year	5,664,518	5,927,510	6,605,769
Net assets at the end of year	$ 5,821,246	$ 5,664,518	$ 5,927,510

2011 versus 2010:

The most significant sources of operating revenue for WGBU-TV are grants and contracts of $1,468,000, a decrease of $474,000, or 24.4% over 2010, which is primarily attributable to a $398,000 decrease in receipts for a capital grant to convert the television station to digital capabilities where $255,000 was received in 2011 compared to $653,000 in 2010.

Total operating expenditures of $4,406,000 decreased overall by $1,043,000. The decrease is primarily attributable to the UESP where $0 was recorded in 2011 compared to approximately $368,000 in 2010 and approximately $630,000 in salary and benefit cost savings related to the reduction in staffing levels as a result of the UESP.

Operating subsidies, the most significant non-operating revenue, totaled $1,375,000 in the current year, reflecting a decrease of $185,000, or 11.9% over 2010. This decrease is primarily due to the reduction in salaries, which the operating subsidy covers.

2010 versus 2009:

The most significant sources of operating revenue for WGBU-TV are grants and contracts of $1,942,000, an increase of $401,000, or 26.0% over 2009, which is attributable to the receipt of a capital grant in 2010 to convert the television station to digital capabilities.

Total operating expenditures of $5,449,000 increased overall by $152,000. The increase is primarily attributable to the UESP where approximately $368,000 in expense was recorded and uncapitalized equipment expenses of $103,000 were recorded, primarily due to the digital conversion project. Offsetting these increases were decreases of $189,000 in program acquisitions due to decreased production activity, $61,000 in reduction of salaries related to planned personnel savings, and $39,000 in depreciation expense.

Operating subsidies, the most significant non-operating revenue, totaled $1,560,000 in 2010, reflecting a decrease of $119,000, or 7.1% over 2009. This decrease is primarily due to the reduction in salaries, which the operating subsidy covers.

Economic Factors that will affect Future Economic Position and Results of Operations

WBGU-TV began its FCC mandated transition to digital broadcasting in 2004, ceased analog broadcasting in December 2008, and completed its expansion to full power digital in June 2009. This transition has required significant capital expenditures for both transition of transmission facilities and production facilities which are still being made at this time. Bowling Green State University has not been asked or required to provide any capital funds toward this mandated conversion. WBGU-TV has been able to capitalize more than $3 million of this transition through private fund-raising, competitive federal grants, and designated appropriations from the Ohio General Assembly.

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

The economy of Ohio has had a very negative impact on WBGU-TV leading into the current year. Private annual giving was successful last year in remaining close to even on a net basis, but may be more challenged in the current year. Just as the WBGU-TV investments in the Bowling Green State University Foundation have been heavily damaged, both in principal and income, most donors have also had negative changes in their disposable income and investments. We will strive to be even again in the coming year with the FY 2011 net donative dollars. The same Ohio economic conditions have created cuts in state support to Bowling Green State University which in turn has again reduced support for WBGU-TV. These reductions and potential future reductions will place greater emphasis on the need for WBGU-TV to become more self-reliant.

WBGU-TV
Statements of Net Assets
June 30

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	$ 4,058,019	$ 4,332,998
Receivables:		
Accounts receivable	8,691	1,095
Grants and contracts	18,069	118,532
Costs incurred for programs not yet broadcast	53,651	54,229
Total current assets	4,138,430	4,506,854
Non-current assets:		
Endowment investments	1,162,353	1,028,052
Capital assets, net	1,907,962	2,088,963
Total non-current assets	3,070,315	3,117,015
Total assets	7,208,745	7,623,869
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	22,906	414,517
Deferred revenue	1,201,782	1,315,613
Current portion of accrued compensated balances	97,098	139,000
Total current liabilities	1,321,786	1,869,130
Non-current liabilities:		
Accrued compensated absences (net of current portion)	65,713	90,221
Total liabilities	1,387,499	1,959,351
Net assets:		
Invested in capital assets	1,907,962	2,088,963
Unrestricted	2,750,931	2,547,503
Restricted for:		
Non-expendable endowments	724,807	724,807
Expendable	437,546	303,245
Total net assets	$ 5,821,246	$ 5,664,518

See accompanying notes.

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

	2011	2010
Revenues		
Operating revenues:		
Contributions and memberships	$ 426,781	$ 432,051
Contributed services	313,006	218,905
Fees and services:		
Public broadcasting services	215,644	283,854
Business and industry	106,576	97,872
Federal grants	–	(15,447)
State and local grants	706,221	924,732
Private and other grants	761,849	1,033,116
Royalties	16,709	12,605
Miscellaneous	17,303	13,657
Total operating revenues	2,564,089	3,001,345
Expenses		
Operating expenses:		
Program services:		
Programming and production	2,006,118	2,451,810
Broadcasting	1,167,890	1,304,471
Public information and promotion	191,637	279,212
Supporting services:		
Management and general	443,969	848,591
Fundraising and membership development	596,884	564,574
Total operating expenses	4,406,498	5,448,658
Operating loss	(1,842,409)	(2,447,313)
Non-operating revenues		
Operating subsidies	1,375,294	1,559,976
Donated facilities and support	426,770	507,516
Investment income, net	165,703	116,684
Capital grants and gifts	31,370	145
Net non-operating revenues	1,999,137	2,184,321
Change in net assets	156,728	(262,992)
Net assets		
Net assets at the beginning of year	5,664,518	5,927,510
Net assets at the end of year	$ 5,821,246	$ 5,664,518

See accompanying notes

WBGU-TV
Statements of Cash Flows
Years Ended June 30

	2011	2010
Cash flows from operating activities		
Contributions and memberships	$ 426,781	$ 432,051
Fees and services	318,749	398,880
Grants	1,450,797	1,827,695
Royalties	16,709	12,605
Other receipts	17,303	63,657
Payments to vendors for supplies and services	(1,678,092)	(1,760,814)
Payments to employees and benefits	(2,011,439)	(2,245,938)
Net cash used in operating activities	(1,459,192)	(1,271,864)
Cash flows from non-capital financing activities		
Operating subsidies	1,375,294	1,559,976
Net cash provided by non-capital financing activities	1,375,294	1,559,976
Cash flows from capital financing activities		
Purchase of capital assets	(222,603)	(646,492)
Capital grants	120	145
Net cash used in capital financing activities	(222,483)	(646,347)
Cash flows from investing activities		
Investment income	31,402	34,913
Net cash provided by investing activities	31,402	34,913
Net decrease in cash	(274,979)	(323,322)
Cash at beginning of year	4,332,998	4,656,320
Cash at end of year	$ 4,058,019	$ 4,332,998
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (1,842,409)	$ (2,447,313)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	431,841	600,541
Donated facilities and support	426,770	507,516
In-kind donation of equipment	3,013	–
Loss on retirement of asset	–	322
Changes in assets and liabilities:		
Accounts receivable, net	92,866	14,016
Costs incurred for programs not yet broadcast	578	(24,760)
Accounts payable	(393,704)	3,505
Accrued wages and vacation pay	(64,317)	331,572
Deferred revenue	(113,830)	(257,263)
Net cash used by operating activities	$ (1,459,192)	$ (1,271,864)

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

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

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

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

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

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

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

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

Endowment Investments: Endowment funds are administered by the Foundation and are commingled with other Foundation endowment funds in its pooled investment portfolio. Earned investment income is allocated to each fund based on its share of the total funds invested in the pool. The unrestricted donor contributions to the endowment are recorded as non-operating revenues in the statements of revenues, expenses, and changes in net assets. Investments are recorded at their fair value. Limited partnerships, real estate investment trusts, and other private investments make up a portion of the endowment investments and are not necessarily readily marketable. The components of the individual investments within these funds are not readily determinable. The value is based on valuations provided by external investment managers. The valuation is based on independent appraisals and estimates that represent the net asset value of shares based on periodic financial information obtained from the funds. Management believes the carrying amount of these financial instruments is a reasonable estimate of their fair value. Because these investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may significantly differ from the value that would have been used had a ready market for such instruments existed. Endowment income is unrestricted by the donors and, therefore, included in unrestricted net assets.

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

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

WBGU-TV records the annual income of the endowment as non-operating revenue which is restricted for expenditure upon meeting donor stipulations. The net appreciation on investments of donor-restricted endowments that are available for expenditure were $437,546 and $303,245 at June 30, 2011 and 2010, respectively.
The Foundation has adopted a spending policy with respect to amounts available for distribution on all endowed funds. The spending policy provides for a range of 3% to 7% of the three-year rolling average market value of endowed fund balances, with the Board of Directors approving 3% for 2011 and 2010.

The Foundation has adopted a policy of charging an administrative fee on all endowed funds, unless prohibited by the guidelines of the funds. The fee is based on the prior two-year average market value balance for the endowed funds and certain non-endowed funds. The administrative fee charged to WBGU-TV amounted to approximately $14,536 and $13,983 in 2011 and 2010, respectively, and has been netted with the investment income included in non-operating revenues on the statements of revenues, expenses, and changes in net assets.

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

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

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

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

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

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

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

Revenue Recognition: All revenues from programmatic sources are considered to be operating revenues. Included in non-operating revenues are University support, investment income, endowed, and capital grants and gifts.

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

Subsequent Events: The financial statements and related disclosures include evaluation of events through and including December 12, 2011, the date these financial statements were issued.

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

The value of donated personal services of volunteers has been excluded from both revenue and expense. The volunteer support for the years ended June 30, 2011 and 2010, consisted of:

	2011		2010	
	Hours	Total	Hours	Total
Programming and production	605	$ 12,923	958	$ 19,974
Public information and promotion	226	4,827	11	236
Fundraising	285	6,088	572	11,920
Management and general	375	8,010	320	6,672
Total	1,491	$ 31,848	1,861	$ 38,802

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

Administrative Support and Donated Facilities from the University: Administrative support and donated facilities are calculated and recorded as both revenue and expense based upon the University's "modified other sponsored activities indirect cost rate" as defined by the Corporation for Public Broadcasting (CPB), which was 1.1% and 1.2% for fiscal years ended June 30, 2011 and 2010, respectively. Donated facilities and administrative support from the University consists of allocated overhead costs related to financial, student, and development department costs and certain other expenses incurred by the University on behalf of WBGU-TV. All support received from the University is recorded as non-operating revenues.

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

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

2. Cash and Investments

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

The cash balances as of June 30, 2011 and 2010 are pooled funds that are held and managed by the University and Foundation.

Endowment investments represent WBGU-TV's share of pooled investment funds held and managed by the Foundation. The values of these investments held by the Foundation as of June 30, 2011 and 2010 were as follows:

	2011	2010
WBGU-TV Silver Anniversary	$ 1,103,655	$ 976,917
WBGU-TV Programming Endowment Fund	34,253	29,498
WBGU-TV Equipment	24,445	21,637
Total	$ 1,162,353	$ 1,028,052

3. Capital Assets

The property and equipment reported below are titled to the University but are utilized by WBGU-TV. Capital asset and accumulated depreciation activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	$ 40,000	$ –	$ –	$ 40,000
Buildings	2,410,108	–	–	2,410,108
Equipment	9,345,383	250,839	–	9,596,222
Total capital assets	11,795,491	250,839	–	12,046,330
Less accumulated depreciation	9,706,528	431,840	–	10,138,368
Capital assets, net	$ 2,088,963	$ (181,001)	$ –	$ 1,907,962

3. Capital Assets (continued)

The property and equipment reported below are titled to the University but are utilized by WBGU-TV. Capital asset and accumulated depreciation activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	$ 40,000	$ –	$ –	$ 40,000
Buildings	2,410,108	–	–	2,410,108
Equipment	8,943,013	646,492	244,122	9,345,383
Total capital assets	11,393,121	646,492	244,122	11,795,491
Less accumulated depreciation	9,349,787	600,541	243,800	9,706,528
Capital assets, net	$ 2,043,334	$ 45,951	$ 322	$ 2,088,963

4. Accounts Payable and Accrued Expenses

The composition of accounts payable and accrued expenses at June 30, 2011 and 2010 was as follows:

	2011	2010
Accounts payable	$ 2,596	$ 28,792
Accrued payroll	20,310	18,218
Employee separation program	-	367,507
Total	$ 22,906	$ 414,517

University Employee Separation Program: In December 2009, the University approved a University Employee Separation Program (UESP) offered to eligible employees. The UESP is a one-time offer to full-time faculty, administration, and classified employees who achieved 15 or more years of service with the University as of June 30, 2010. Part-time employees and employees who had retired and were subsequently re-hired by the University were not eligible to participate in the plan. Eligible employees who choose the UESP will leave the University from the date of the plan through June 30, 2011 with a separation package that included a base payout amount plus an amount equivalent to a portion of the employee's accrued sick leave pay. The University contracted with Educators Preferred Corporation (EPC) to administer the leave plan. Total costs, including the base payout, accrued sick leave, and administrative costs associated with the implementation and administration of the plan, were recorded as a liability as of June 30, 2011 and 2010 in the amount of $0 and $367,507, respectively.

5. Compensated Absences

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

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

Compensated absences for June 30, 2011, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Vacation pay	$ 172,481	$ 55,606	$ 112,463	$ 115,624	$ 91,574
Sick leave	56,740	-	9,553	47,187	5,524
Total	$ 229,221	$ 55,606	$ 122,016	$ 162,811	$ 97,098

Compensated absences for June 30, 2010, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Vacation pay	$ 185,017	$ 80,797	$ 93,333	$ 172,481	$ 133,000
Sick leave	80,147	-	23,407	56,740	6,000
Total	$ 265,164	$ 80,797	$ 116,740	$ 229,221	$ 139,000

6. Retirement Benefits

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

OPERS offers three separate retirement plans:

> Defined benefit plan – traditional pension plan. This is a cost-sharing, multiple employer plan. This plan provides disability, annual cost of living adjustments, death benefits, and health care benefits. Health care benefits are based on years of service.
>
> Defined contribution plan – member directed plan. Employee contributions are invested in self-directed investments. Benefits are dependent upon contributions and investment earnings. This plan does not include disability, annual cost of living adjustments, death benefits, or health care benefits.
>
> Combined plan – has elements of the traditional pension plan and member directed plan. Employee contributions are invested in self-directed investments. The employer contributions are used to fund a reduced defined benefit plan. This plan provides disability, annual cost of living adjustments, death benefits, and health care benefits. Health care benefits are based on years of service.

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

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

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

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

	2011	2010	2009
OPERS	$ 131,236	$ 202,391	$ 201,250
ARP	20,284	24,052	22,118
Total	$ 151,520	$ 226,443	$ 223,368

7. Post-Employment Health Care Benefits

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

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

Under Ohio law, post-employment health care benefits under OPERS are permitted, but not mandated; therefore, a portion of employer contributions are set aside for funding post-employment health care. Currently, this allocation is 5.0% – 5.5% of covered payroll for members in the defined benefit plan and 4.23% – 4.73% of covered payroll for members in the combined plan. Payment amounts vary depending on the number of covered dependents and coverage selected.

Employer contributions to the OPERS retirement benefit program for June 30, 2011, 2010, and 2009 are $51,338, $79,722, and $100,620, respectively.

8. Corporation for Public Broadcasting Grants

The Corporation for Public Broadcasting (CPB) is a private, non-profit grantmaking organization responsible for funding more than 1,000 television and radio stations. WBGU-TV receives grant funds from the CPB to assist in the operations of the station. During 2011 and 2010, the grant funds recorded as revenue were as follows:

	2011	2010
Community Service Grant	$ 732,155	$ 808,920
Interconnection Grant	16,855	24,573
Digital Conversion Grant	254,891	119,094
Total	$ 1,003,901	$ 952,587

9. University Support

The WBGU-TV operations are supported in part by the general revenues of the University. The University provides for the general operating costs of WBGU-TV's operations. The University's direct support for the years ended June 30, 2011 and 2010 amounted to $1,375,294 and $1,559,976, respectively. In addition, the University provided for the years ended June 30, 2011 and 2010 an estimated $426,770 and $507,516 of indirect administrative support, respectively. The indirect administrative support revenue was calculated using the University's "modified other sponsored activities indirect costs rate" of 1.1% and 1.2%, respectively.

10. Contingencies

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

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

The Board of Directors of WBGU-TV

We have audited the financial statements of WBGU-TV as of and for the year ended June 30, 2011 and have issued our report thereon dated December 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal control over financial reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements, on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Ernst & Young

Compliance and other matters

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

This report is intended solely for the information and use of management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

December 12, 2011

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CONSOLIDATED FINANCIAL STATEMENTS

Centennial Falcon Properties, Inc. and Subsidiaries
Year Ended June 30, 2011 and Period From
December 17, 2009 through June 30, 2010
With Report of Independent Auditors

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Financial Statements

Year Ended June 30, 2011 and Period From
December 17, 2009 through June 30, 2010

Contents

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Report of Independent Auditors

The Board of Directors
Centennial Falcon Properties, Inc. and Subsidiaries

We have audited the accompanying consolidated statements of financial position of Centennial Falcon Properties, Inc. and Subsidiaries ("Falcon") as of June 30, 2011 and 2010, and the related consolidated statements of activities and cash flows for the year ended June 30, 2011 and the period from December 17, 2009 through June 30, 2010. These financial statements are the responsibility of Falcon's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Centennial Falcon Properties, Inc. and Subsidiaries as of June 30, 2011 and 2010, and the changes in their net assets and their cash flows for the year ended June 30, 2011 and the period from December 17, 2009 through June 30, 2010 in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2011, on our consideration of Falcon's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Ernst + Young LLP

October 14, 2011

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Financial Position

	June 30	
	2011	**2010**
Assets		
Current assets		
Cash and cash equivalents	**$ 3,484,800**	$ 250,000
Restricted cash and cash equivalents	**1,295,425**	–
Prepaid expense	**6,514**	–
Total current assets	**4,786,739**	250,000
Other assets		
Funds held by trustee	**22,645,814**	69,566,315
Deferred bond issuance costs, net of accumulated amortization of $129,012 and $5,135	**2,855,371**	2,964,248
Construction in progress	**74,701,445**	11,079,437
Total other assets	**100,202,630**	83,610,000
Total assets	**$ 104,989,369**	$ 83,860,000
Liabilities and net assets		
Short-term liabilities		
Accrued interest payable	**380,070**	–
Accrued construction costs payable	**5,176,948**	–
Bonds and construction payable- current portion	**806,582**	–
Total short-term liabilities	**6,363,600**	–
Long-term liabilities		
Bonds payable - net of current portion	**81,290,000**	81,610,000
Construction funding payable - net of current portion	**11,153,004**	–
Total long-term liabilities	**92,443,004**	81,610,000
Total liabilities	**98,806,604**	81,610,000
Net assets		
Unrestricted	**4,182,765**	250,000
Temporarily restricted	**2,000,000**	2,000,000
Total net assets	**6,182,765**	2,250,000
Total liabilities and net assets	**$ 104,989,369**	$ 83,860,000

See accompanying notes

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statement of Activities

Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total
Revenues			
Operating	$ –	$ –	$ –
Expenses			
Bank fees	1,193	–	1,193
Professional fees	2,500	–	2,500
Total operating expenses	3,693		3,693
Operating loss	(3,693)	–	(3,693)
Other changes			
Capital contributions from Bowling Green State University	3,936,458	–	3,936,458
Total other changes	3,936,458	–	3,936,458
Change in net assets	3,932,765	–	3,932,765
Net assets			
Net assets at the beginning of year	250,000	2,000,000	2,250,000
Net assets at the end of year	$ 4,182,765	$ 2,000,000	$ 6,182,765

See accompanying notes

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statement of Activities

Period from December 17, 2009 through June 30, 2010

	Unrestricted	Temporarily Restricted	Total
Revenues			
Operating	$ –	$ –	$ –
Expenses	–	–	–
Total operating expenses	–	–	–
Operating loss	–	–	–
Other changes			
Capital contributions from Bowling Green State University	**250,000**	**2,000,000**	2,250,000
Total other changes	**250,000**	**–**	2,250,000
Change in net assets	**250,000**	**–**	2,250,000
Net assets			
Net assets at the beginning of period	–	–	–
Net assets at the end of period	**$ 250,000**	**$ 2,000,000**	$ 2,250,000

See accompanying notes

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year ended June 30, 2011	Period From December 17, 2009 through June 30, 2010
Cash flows from operating activities		
Payments to vendors for services	**$ (3,693)**	$ –
Net cash used by operating activities	**(3,693)**	–
Cash flows from capital financing activities		
Construction in progress	**(46,045,223)**	(11,079,437)
Interest paid on bonds payable	**(4,521,525)**	–
Proceeds from construction manager	**3,999,757**	–
Capital contributions received from Bowling Green State University	**3,936,458**	2,250,000
Net change in restricted cash and cash equivalents	**(1,295,425)**	–
Bond issuance costs paid	**(15,000)**	(2,964,248)
Proceeds from bond issue	**–**	81,610,000
Net cash (used) provided by capital financing activities	**(43,940,958)**	69,816,315
Cash flows from investing activities		
Proceeds from sale of investments	**46,920,500**	–
Interest received	**258,951**	–
Purchase of investments	**–**	(69,566,315)
Net cash provided (used) by investing activities	**47,179,451**	(69,566,315)
Net increase in cash	**3,234,800**	**250,000**
Cash at beginning of period	**250,000**	–
Cash at end of period	**$ 3,484,800**	$ 250,000

See accompanying notes

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

Nature of Operations

Centennial Falcon Properties, Inc. and subsidiaries (the Corporation) was organized for the benefit of the Bowling Green State University (the University) for various purposes, which includes acquiring, developing and maintaining property to be used for charitable, scientific and educational purposes. Current projects include construction of student housing and dining facilities.

Reporting Entity

The Corporation is a legal, separate component unit of the University formed in 2010 as a nonprofit corporation under the laws of the State of Ohio and determined by the Internal Revenue Service to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. To ensure the Corporation works in harmony with the University's priorities, the board of directors of the Corporation is comprised of four members of the University's cabinet and a member from the 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. The proceeds of the Series 2010 Bonds can be utilized only for the Series 2010 Project and because the Series 2010 Project is for the exclusive benefit of the University, the Corporation and CFP I are considered a component unit of the University and are discretely presented in the University's financial statements.

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 is obligated to complete 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 is effective July 1, 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 will replace the existing McDonald Hall dining facility.

Pursuant to an Amended and Restated Food Service Agreement, dated June 25, 2010 (Management Agreement), by and between Chartwells and the University, Chartwells agreed to provide funds for The Oaks in the amount of $10,350,000. CFP II is to provide funds in the amount of $1,000,000. Projected total cost to design, construct, and equip The Oaks is approximately $11,350,000.

Per the Project Agreement, Chartwells is obligated to complete The Oaks for occupancy in August 2011 and will operate The Oaks as part of the University's dining system.

CFP II is not expected to have assets other than The Oaks. The funding can be utilized only for The Oaks and because The Oaks is for the exclusive benefit of the University, the Corporation and CFP II are considered a component unit of the University and are discretely presented in the University's financial statements.

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 a full service dining facility on the main campus of the University, known as Carillon Place dining facility (Carillon). Carillon will replace the existing Commons Dining facility.

On March 31, 2011 CFP III entered into a funding agreement with the manager of The Oaks, Chartwells. Pursuant to an Amended and Restated Food Service Agreement, dated June 25, 2010 (Management Agreement), by and between Chartwells and the University, Chartwells agreed to provide funds for the Project in the amount of $6,062,000. The Corporation is to provide funds in the amount of $1,141,000 and CFP III is to provide funds in the amount of $1,756,000. Projected total cost to design, construct, and equip Carillon is approximately $8,959,000.

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

Chartwells is obligated to complete Carillon for occupancy in August, 2011 and will operate Carillon as part of the University's dining system.

CFP III is not expected to have assets other than Carillon. The funding can be utilized only for Carillon and because Carillon is for the exclusive benefit of the University, the Corporation and CFP III are considered a component unit of the University and are discretely presented in the University's financial statements.

Financial Statement Presentation

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

Basis of Accounting

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

Use of Estimates

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

Income Tax

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

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

Eliminations

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

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds held by trustee in the amount of $22,645,814, which includes $2,000,000 capital contributions from the University, are considered temporarily restricted other assets, designated for the Series 2010 Project.

Restricted Cash and Cash Equivalents

The restricted cash and cash equivalents balance includes net construction funding from Chartwells in the amount of $1,295,425 that is designated specifically for the Carillon project.

Capital Assets

Construction in progress is stated at cost and not depreciated. The asset will be reclassified to "Building and Equipment" when placed in service and depreciated. Amortization of deferred bond issuance costs is computed using the straight-line method over the duration of the bond indenture of 35 years.

Amortization expense totaled $123,877 and $5,135 for the year ended June 30, 2011 and for the period from December 17, 2009 through June 30, 2010, respectively, and was included in Construction in Progress due to the corresponding asset being constructed and not yet in service. Amortization expense for the next five fiscal years, 2012 – 2016, is approximately as follows: $124,000, $123,000, $123,000, $122,000, and $121,000.

Reclassifications

Certain amounts in the 2010 financial statements have been reclassified to conform to the 2011 presentation.

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

Subsequent Events

Subsequent events have been evaluated through October 14, 2011, the date the consolidated financial statements were available to be issued. The Series 2010 Project, The Oaks and Carillon, were completed and a permanent occupancy permit was granted in August 2011. The two-building housing facility and the full service dining facilities were opened August 19, 2011, on schedule for fall semester.

Fair Value Measurements

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

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

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

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

See Note 2 for further discussion of fair value measurements.

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. The unexpended income from these assets is classified as temporarily restricted net assets.

- Temporarily restricted net assets contain restrictions that permit the Corporation to use or expend the assets as specified in contractual agreements. The restrictions are satisfied either by the passage of time or by actions of the Corporation.

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

2. Investments

The investment value of Funds Held by Trustee, which consists 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:

	2011	2010
Money market funds – Level 1	$ 22,645,814	$ 69,566,315

The Corporation records its investments in money market funds at their current fair value based on quoted market prices in active markets for identical assets, which is consistent with Level 1 in the hierarchy.

3. Capital Assets

Capital assets as of June 30, 2011 are summarized as follows:

	Beginning Balance	Additions	Ending Balance
Construction in progress	$ 11,079,437	$ 63,622,008	$ 74,701,445

Capital assets as of June 30, 2010 are summarized as follows:

	Beginning Balance	Additions	Ending Balance
Construction in progress	$ -	$ 11,079,437	$ 11,079,437

Capitalized interest associated with construction in progress as of June 30, 2011 was $4,642,644. Actual interest paid for the period ended June 30, 2011 was $4,521,525. Capitalized interest also includes accrued interest of $380,070 and reduced by interest income for the period of June 30, 2011 of $258,951.

4. Long-Term Liabilities

Long-term liabilities of the Corporation for June 30, 2011, are as follows:

	Beginning Balance	Additions	Ending Balance	Due in One Year
Bonds payable	$ 81,610,000	$ –	$ 81,610,000	$ 320,000
Construction funding payable	–	11,639,586	11,639,586	486,582
Total	$ 81,610,000	$ 11,639,586	$ 93,249,586	$ 806,582

4. Long-Term Liabilities (continued)

Long-term liabilities of the Corporation for June 30, 2010, were as follows:

	Beginning Balance	Additions	Ending Balance	Due in One Year
Bonds payable	$ –	$ 81,610,000	$ 81,610,000	$ –
Total	$ –	$ 81,610,000	$ 81,610,000	$ –

On June 9, 2010, the City of Bowling Green, Ohio issued $81,610,000 of Student Housing Revenue Bonds, Series 2010, 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 to serve students at the University. Interest rates range from 3.0% to 6.0% over the scheduled redemption period of December 1, 2011 to June 1, 2045.

Interest expense related to bonds payable for the period ending June 30, 2011 was $0 as interest was capitalized as part of construction in progress (see Note 3).

The interest and scheduled maturities of the Series 2010 bonds for the five fiscal years subsequent to June 30, 2011, and subsequent periods thereafter are as follows:

	Interest Rate - %	Principal	Interest	Total
2012	3.00	$ 320,000	$ 4,718,113	$ 5,038,113
2013	4.00	480,000	4,708,512	5,188,512
2014	4.00	595,000	4,689,312	5,284,312
2015	4.00	710,000	4,665,513	5,375,513
2016	4.00	835,000	4,637,112	5,472,112
2017-2021	4.25 – 5.75	6,025,000	22,526,188	28,551,188
2022-2026	5.75	8,185,000	20,666,925	28,851,925
2027-2031	5.75	10,825,000	18,027,388	28,852,388
2032-2036	6.00	14,385,000	14,464,800	28,849,800
2037-2041	6.00	19,255,000	9,598,800	28,853,800
2042-2045	6.00	19,995,000	3,086,700	23,081,700
Total		$ 81,610,000	$ 111,789,363	$ 193,399,363

4. Long-Term Liabilities (continued)

The trustee for the Series 2010 Bonds held unspent bond proceeds of $20,645,814 plus $2,000,000 capital contributions from the University, for a total of $22,645,814, as of June 30, 2011 which are classified as Funds Held by Trustee. At June 30, 2010, the trustee had unspent bond proceeds of $67,566,315, plus $2,000,000 capital contributions from the University, for a total of $69,566,315 which are classified as Funds Held by Trustee.

Fair values at June 30, 2011 of the Corporation’s fixed rate debt obligations were as follows:

Maturity	Outstanding	Bond Price	Market Value
6/1/2012	$ 320,000	100.92	$ 323,000
6/1/2016	2,620,000	103.61	2,700,000
6/1/2017	965,000	101.62	981,000
6/1/2016	2,365,000	100.53	2,377,000
6/1/2010	1,315,000	101.01	1,329,000
6/1/2030	20,390,000	97.22	19,824,000
6/1/2045	53,635,000	95.95	51,461,000
	$ 81,610,000		$ 78,995,000

Chartwells provided $11,639,586 of funding for The Oaks and Carillon for the year ended June 30, 2011. The Corporation will commence repayment of the construction funding payable to Chartwells starting in fiscal year 2012. The Chartwells construction funding payable will be paid in annual installments, ranging from $409,000 to $577,000 over 27.5 years, through June 30, 2039.

The construction funding payable amounts for the next five years and thereafter are as follows:

Year	The Oaks (CFP II)	Carillon (CFP III)	Total Due
2012	$ 376,364	$ 110,218	$ 486,582
2013	376,364	220,436	596,800
2014	376,364	220,436	596,800
2015	376,364	220,436	596,800
2016	376,364	220,436	596,800
Thereafter	5,758,009	3,007,795	8,765,804
	$ 7,639,829	$ 3,999,757	$ 11,639,586

5. Related Party Transactions

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

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

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

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

The University incurred costs during different stages of start-up and implementation of the Corporation and its subsidiaries. The University also incurred costs on behalf of the Corporation and its subsidiaries for various outside services related to the Series 2010 Project, The Oaks, and Carillon. These outside services include consulting, legal, engineering, architectural and construction. Additionally, certain salaries and fringe benefits of financial, accounting and development personnel are incurred by the University, yet relate to the Corporation. These expenses are paid by the University on behalf of the Corporation and are not shown in the accompanying financial statements. The Corporation approximates the value of these items at $4,230,000 for the year ended June 30, 2011 and $2,356,000 for the period from December 17, 2009 through June 30, 2010.

5. Related Party Transactions (continued)

The Oaks and Carillon construction projects were funded by contributions made by the University of $3,936,458 for the year ended June 30, 2011 and $250,000 for the period December 17, 2009 through June 30, 2010.

Chartwells provided $11,639,586 of funding for these projects for the year ended June 30, 2011. The Corporation will commence repayment of the construction funding payable to Chartwells starting in fiscal year 2012. The University can pay off the construction funding payable of $11,639,586 early without penalty. The University also has a Food Services Agreement with Chartwells in which BGSU pays a management fee to Chartwells to manage the dining halls through fiscal year 2015. The Food Services Agreement can be renewed for two additional successive five year periods. If the Food Services Agreement with Chartwells is terminated or not renewed, the University would be required to pay Chartwells interest on the construction funding payable until full payoff at a rate equal to the 12-month U.S. Treasury rate. Payment in full of the construction funding payable would be required in one year from termination of agreement or within 30 days after the University hires another third party to run their dining services.

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

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

We have audited the consolidated financial statements of Centennial Falcon Properties, Inc. and Subsidiaries (Falcon) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, board of directors, and others within Falcon and is not intended to be, and should not be, used by anyone other than these specified parties.

Ernst & Young LLP

October 14, 2011

Dave Yost • Auditor of State

BOWLING GREEN STATE UNIVERSITY

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 14, 2012

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