



FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION

Bowling Green State University  
Years Ended June 30, 2010 and 2009  
With Report of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**





# 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, 2009 through June 30, 2010. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 15, 2011

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# Bowling Green State University

## Financial Statements and Supplemental Information

Years Ended June 30, 2010 and 2009

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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 discretely presented component units as of and for the years ended June 30, 2010 and 2009, 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University and its aggregate discretely presented component units, as of June 30, 2010 and 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with US generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2010 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 10 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.

Our audits were performed 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 audits 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 15, 2010

BOWLING GREEN STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**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, 2010, 2009 and 2008. 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. (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.

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.



BOWLING GREEN STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Noteworthy Financial Activity**

The University was positively impacted in fiscal year 2010, as the investment markets began stabilizing and recovering from the prior year's significant declines.

The University continues its long term planning initiatives in improving capital facilities and related infrastructures. During 2010, the University issued debt totaling \$77,375,000, consisting of \$12,040,000 General Receipts Bonds, Series 2010A, Tax Exempt Bonds, and \$65,335,000 General Receipts Bonds, Series 2010B, Federally Taxable – Build America Bonds. The proceeds from these bonds are being utilized to finance the costs for construction, renovation and installation of certain energy efficiency projects for University facilities, partial renovation of several residence halls, construction and expansion of University parking lots, renovation of other existing University buildings, including roof replacements and basement renovations, and renovations of the ice arena.

The University's financial position, as a whole, improved during the fiscal year ended June 30, 2010 as compared to the previous year; key contributing factors are identified below:

- The University's total assets increased over the prior year by \$88.0 million, of which \$16.9 million is attributable to an increase in total current assets and is primarily due to the overall improvement in market values of investments. Total non-current assets increased by \$71.1 million, of which \$48.9 million is related to the net investment of bond proceeds, and \$22.6 million is due to the increase in capital assets related to various construction projects including the Stroh Center, the Wolfe Center for the Arts, Ice Arena renovations, and other renovation projects.
- Total liabilities increased by \$65.5 million. Long-term debt and other obligations increased by \$61.4 million due to debt issuance, offset by a net increase of \$3.9 million in accounts payable, accrued expenses, and deferred revenue
- The University's net assets are \$388.3 million, an increase of \$22.5 million compared to the prior year's decrease of \$23.6 million. As noted above, contributing to the change was the significant increase in investments and capital assets. Of the total net assets, \$263.6 million is invested in either capital assets or is restricted. Of the remaining \$124.6 million in unrestricted net assets, \$104.9 million has been designated or allocated for specific academic, research and support purposes, reserves, and quasi-endowments.
- Total operating revenues decreased by \$10.3 million compared to the prior year decrease of \$14.0, with \$5.9 million directly related to a decrease in student tuition and fees, \$1.9 million decrease in grants and contracts, and \$3.7 million related to a decrease in auxiliary enterprises, offset by an increase of \$714 thousand in other operating revenues.
- The University's operating expenses increased by \$8.0 million; approximately \$7.4 million of the increase is attributable to the University Employee Separation Program (UESP). Depreciation expense increased by \$2.7 million and student financial aid increased by \$3.3 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 \$5.7 million after removing the effect of UESP expenses. The overall decreases are primarily the result of reductions in salaries and related benefits.

BOWLING GREEN STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS

- Non-operating revenues increased by \$59.0 million over the prior year, primarily due to an increase in market value (realized and unrealized gains) on investments. Other changes in the non-operating revenue category consist of an overall reduction in state appropriations of \$1.9 million, 2010 receipts of Federal fiscal stabilization funds of \$13.0 million, and an increase in nonexchange grants and contracts of \$9.5 million, primarily attributable to Pell Grants.
- Total other changes increased by \$5.5 million attributable to an increase in funds of \$8.3 million received from the BGSU Foundation for capital projects, primarily the Wolfe Center for the Arts and the Stroh Center. A capital contribution was made to Centennial Falcon Properties, Inc. for \$2.2 million. Capital appropriations received from the State for construction projects were lower by approximately \$565 thousand compared to the prior year.

**Bowling Green State University  
Condensed Statement of Net Assets  
as of June 30, 2010, 2009 and 2008 (in thousands)**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Assets</b>			
Current assets	\$ 175,253	\$ 158,320	\$ 194,964
Non-current assets:			
Capital assets	342,215	319,626	309,403
Other	73,659	25,180	22,985
Total non-current assets	<u>415,874</u>	<u>344,806</u>	<u>332,388</u>
Total assets	<u>591,127</u>	<u>503,126</u>	<u>527,352</u>
<b>Liabilities</b>			
Current liabilities	54,358	50,298	48,261
Non-current liabilities	148,509	87,069	89,709
Total liabilities	<u>202,867</u>	<u>137,367</u>	<u>137,970</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	260,109	247,176	235,958
Restricted, expendable	3,518	5,625	11,846
Unrestricted	124,633	112,958	141,578
Total net assets	<u>\$ 388,260</u>	<u>\$ 365,759</u>	<u>\$ 389,382</u>

**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.

BOWLING GREEN STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, offset by the payment of the 2008 \$6 million master lease arrangement, and \$8.9 annual principle payment on previous outstanding debt. 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.

**2009 versus 2008:**

At June 30, 2009, total University assets were \$503.1 million, compared to \$527.3 million at June 30, 2008. The University's largest asset is its investment in capital assets of \$319.6 million at June 30, 2009 compared to \$309.4 million at June 30, 2008.

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). In fiscal year 2008, the University's current assets of \$195.0 million were sufficient to cover current liabilities of \$48.3 million (current ratio of 4.0). Cash increased by \$1.8 million in 2009 compared to an increase of \$2.8 million in 2008 primarily due to the timing of normal operations. At June 30, 2009, University investments were \$131.5 million, or 26.1% of total assets, and decreased by \$38.0 million due primarily to the market depreciation of investments. Capital assets (net of depreciation) of \$319.6 million represent 63.5% of the University's total assets.

University liabilities totaled \$137.4 million at June 30, 2009, 27.3% of total assets and \$603 thousand less than the prior year. Long-term debt decreased \$2.6 million to \$87.1 million in 2009; a reduction of \$8.6 million due to the principle payments of outstanding debt, and an increase of \$6.0 million for a master lease agreement. University liabilities totaled \$138.0 million at June 30, 2008, 26.2% of total assets and \$10.4 million less than the prior year

Total net assets decreased by \$23.6 million to \$365.8 million in 2009. Unrestricted net assets total \$113.0 million in 2009 of which \$88.7 million was designated or allocated for specific ongoing academic, research and support purposes, reserves, and quasi-endowments.

BOWLING GREEN STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Bowling Green State University**  
**Condensed Statement of Revenues, Expenses and Changes in Net Assets**  
**as of June 30, 2010, 2009 and 2008 (in thousands)**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Operating revenues:</b>			
Student tuition and fees	\$ 135,513	\$ 141,371	\$ 151,895
Auxiliary enterprises	66,360	70,065	70,765
Grants and contracts	14,948	16,845	19,249
Sales and service	5,454	4,977	5,120
Other operating revenues	6,370	5,656	5,928
Total operating revenues	<u>228,645</u>	<u>238,914</u>	<u>252,957</u>
<b>Operating expenses:</b>			
Educational and general	279,764	272,272	280,474
Auxiliary enterprises	74,103	74,468	76,570
Other expenses	4,037	3,131	6,616
Total operating expenses	<u>357,904</u>	<u>349,871</u>	<u>363,660</u>
Operating loss	<u>(129,259)</u>	<u>(110,957)</u>	<u>(110,703)</u>
<b>Non-operating revenues:</b>			
State appropriations	79,170	94,020	86,863
Other non-operating revenues and expenses	54,448	(19,354)	14,559
Total non-operating revenues	<u>133,618</u>	<u>74,666</u>	<u>101,422</u>
Income (loss) before other changes	4,359	(36,291)	(9,281)
Capital appropriations, grants and gifts	18,142	12,668	3,631
Change in net assets	22,501	(23,623)	(5,650)
Net assets at the beginning of the year	<u>365,759</u>	<u>389,382</u>	<u>395,032</u>
Net assets at the end of year	<u>\$ 388,260</u>	<u>\$ 365,759</u>	<u>\$ 389,382</u>

**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).

BOWLING GREEN STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

**2009 versus 2008:**

The most significant sources of operating revenues for the University are tuition and fees of \$141.4 million for 2009, a decrease of \$10.5 million, or 6.9% over 2008, which is attributable to an overall reduction in enrollments during the year.

Total operating expenditures of \$349.9 million decreased by \$13.8 million, or 3.8% in 2009. Educational and General Expenses decreased by \$5.7 million and is primarily attributable to overall decreases in salaries and benefits.

State appropriations, the most significant non-operating revenue, totaled \$94.0 million in 2009, an increase of \$7.2 million from 2008.

**Capital Assets and Debt Administration**

At June 30, 2010, the University had \$342.2 million of capital assets, net of accumulated depreciation of \$301.7 million, compared to \$319.6 million of capital assets for the prior fiscal year. The charge for depreciation included in the Statement of Revenues, Expenses, and Changes in Net Assets was \$25.0 million for 2010 and \$22.3 million for 2009. 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. During 2010, construction is well underway on these various projects.

**Economic Factors That Will Affect the Future**

The ability of Bowling Green State University to 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.

In July of 2009, the state of Ohio passed its biennial budget bill for fiscal years 2010 and 2011 which included a planned increase in operating appropriations to public colleges and universities of 6.3% in fiscal year 2010 and a planned decrease of 7.9% in fiscal year 2011. Additionally, the budget bill permitted public colleges and universities to increase tuition and fees up to 3.5% in each of the fiscal years.

BOWLING GREEN STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Although the biennial budget bill described above provided for an overall increase to public higher education in fiscal year 2010, the University's proportional share of the appropriation was based primarily upon an enrollment driven formula. Since BGSU has experienced several consecutive years of enrollment decline, while other institutions have experienced several consecutive years of enrollment increases, the amount of appropriations actually received by BGSU during fiscal year 2010 represented a decrease of almost \$1.9 million. Of the total \$92.1 million state operating appropriations received by BGSU during fiscal year 2010, \$13.0 million (14.1%) was provided as a pass through of one-time federal stimulus funding.

The University expects an additional decrease in state appropriation funding during fiscal year 2011 of \$9.2 million (9.6%) of which 14-16% is again expected to be provided as a pass through of one-time federal stimulus funding.

Ohio's economic picture remains mixed. According to the recent monthly financial report released by Ohio's Office of Budget and Management, unemployment and job creation rates in Ohio have continued to improve through August 2010. However, other leading national indicators of economic activity have deteriorated recently which may indicate a significant slowdown ahead.

The University formally embarked upon a significant enrollment and recruitment effort during fiscal year 2010 under the direction of the Senior Vice President for Academic Affairs and Provost along with other senior University leaders. A comprehensive plan was created which included ten significant benchmarks for measuring progress and success. Initial results are promising. BGSU experienced the largest applicant pool for incoming freshman in its 100-year history for academic year 2010-11, with 14,000 applications. The University enrolled its second largest incoming freshman class (increase of 24% over prior year) in the fall of 2010 with more than 20% of the incoming freshman class comprised by students of color. Continued efforts to refine and strengthen undergraduate enrollment and recruitment strategies are ongoing and expected to continue to yield improved results in fiscal year 2012 and beyond. The University also began several new initiatives aimed at improving student retention during fiscal year 2010 resulting in an improved freshman to sophomore retention rate of 77% from 74% in the prior year. Additional retention initiatives are being developed and the University expects to see consistent improvement in retention and 6 year graduation rates over the next three to five years.

In addition to the renewed focus on undergraduate enrollment and recruitment, a companion effort is being developed for revitalizing graduate recruitment and enrollment during fiscal year 2011. Traditionally, BGSU has not pursued a centralized enrollment and recruitment strategy related to graduate programs but has relied primarily on the efforts and communication strategies of the respective departments and programs to connect with prospective graduate students. The renewed focus is intended to establish active strategies to connect interested, successful undergraduates with BGSU's graduate programs of regional and national distinction earlier in their undergraduate programs, and to provide opportunities for engagement with specific faculty and their research programs.

The University's recent debt issue of \$77.4 million has provided the funding for a significant amount of new construction and facility renovations. The proceeds from the debt are being used to fund construction of a replacement convocation center, renovation and renewal of several residence halls, installation of the University's first significant energy conservation system, parking lot renovations, and a number of other smaller facility renovations such as roofs and mechanical system upgrades.

BOWLING GREEN STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS

During fiscal year 2010, the University created a separate, 501(c)(3) development corporation, Centennial Falcon Properties, Inc. ("Falcon"). Falcon's purpose is to support the charitable, scientific, and educational purposes of the University. Under Falcon, the University recently entered into an agreement, through a competitive selection process, with a nationally-recognized student housing developer to lead the effort to design and build two new residence halls to open in fall 2011. While the residence halls will be new, the bed space of 1,300 beds will be replacement beds. Utilizing the development corporation has enabled the University to provide the needed replacement bed space in significantly less time than would be possible under normal circumstances. Falcon-issued debt of approximately \$82.0 million provided the funding for this capital project. These residence halls will be operated as part of the University's overall housing inventory and are intended to be marketed and offered to students in the same fashion as other University-provided housing. Approximately 800 beds in older residence hall buildings have already been taken off line and an additional 400-500 beds or more are expected to be taken off line as the new residence halls are completed. No net increase in bed capacity will be created by this project.

In addition to the capital projects described above, the University has other noteworthy state-funded capital projects underway. The new Wolfe Center for the Arts is progressing and expected to be complete and ready for occupancy in late fall 2011. The internationally renowned architectural firm, Snøhetta, based in Oslo, Norway, designed the structure to provide a place for students and faculty to learn and work on theatrical, dance, musical, film and digital arts productions, as well as space for the community to gather in an exceptional venue to experience a wide range of artistic performances. In addition, the University's first central chilling plant is also under construction nearby and will serve the Wolfe Center as well as three other significant academic buildings located in the heart of campus.

The University's Board of Trustees formally launched the search for BGSU's 11th president in August of 2010. A nationally-recognized search firm has been selected to lead the search effort. A new president is expected to be named by early summer of 2011.

**Bowling Green State University**  
**Statements of Net Assets**  
**June 30**

	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 2,060,272	\$ 6,717,751
Investments	154,782,131	131,521,140
Accounts receivable, net	12,467,609	13,924,944
Inventories	3,871,897	4,297,287
Notes receivable	1,060,121	1,087,857
Prepaid and other assets	1,011,202	647,554
Accrued interest receivable	—	123,711
Total current assets	<u>175,253,232</u>	<u>158,320,244</u>
<b>Noncurrent assets:</b>		
Restricted investments	65,803,625	16,953,289
Cash surrender value of life insurance and annuities	383,023	378,137
Notes receivable	7,472,213	7,848,661
Capital assets, net	<u>342,214,992</u>	<u>319,626,179</u>
Total noncurrent assets	<u>415,873,853</u>	<u>344,806,266</u>
Total assets	<u>591,127,085</u>	<u>503,126,510</u>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	28,064,304	25,298,174
Deferred revenue	10,078,705	8,940,254
Deposits	915,950	774,005
Current portion of long-term debt and other obligations	<u>15,299,297</u>	<u>15,285,398</u>
Total current liabilities	54,358,256	50,297,831
<b>Noncurrent liabilities:</b>		
Long-term debt and other obligations	<u>148,509,266</u>	<u>87,069,631</u>
Total liabilities	<u>202,867,522</u>	<u>137,367,462</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	260,109,001	247,176,148
Restricted for expendable:		
Loans	1,228,143	1,032,088
Capital projects and debt service	2,289,569	4,592,736
Unrestricted	<u>124,632,850</u>	<u>112,958,076</u>
Total net assets	<u>\$ 388,259,563</u>	<u>\$ 365,759,048</u>

*See accompanying notes*



**Bowling Green State University**  
**Statements of Revenues, Expenses, and Changes in Net Assets**  
**Years Ended June 30**

	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
<b>Operating revenues</b>		
Student tuition and fees (net of scholarship allowances of \$60,175,039 for 2010 and \$58,796,363 for 2009)	\$ 135,513,174	\$ 141,371,389
Federal grants and contracts	5,755,863	6,387,563
State grants and contracts	1,997,669	2,394,924
Local grants and contracts	54,371	33,877
Nongovernmental grants and contracts	7,139,588	8,029,251
Sales and services of educational departments	5,454,294	4,976,929
Auxiliary enterprises (net of scholarship allowances of \$2,305,245 for 2010 and \$1,494,268 for 2009)	66,360,028	70,064,654
Other operating revenues	6,370,004	5,655,607
Total operating revenues	<u>228,644,991</u>	<u>238,914,194</u>
<b>Expenses</b>		
<b>Operating expenses</b>		
Educational and General		
Instruction	127,824,733	127,646,124
Research	5,423,969	5,800,657
Public services	7,207,459	7,504,047
Academic support	25,166,726	26,727,642
Student services	19,210,075	17,231,099
Institutional support	30,173,161	28,440,846
Operations and maintenance of plant	16,916,374	17,131,792
Depreciation and amortization	24,995,294	22,289,226
Student aid	22,847,122	19,499,587
Auxiliary enterprises	74,102,602	74,468,353
Other expenses	4,037,024	3,131,430
Total operating expenses	<u>357,904,539</u>	<u>349,870,803</u>
Operating loss	<u>(129,259,548)</u>	<u>(110,956,609)</u>
<b>Nonoperating revenues (expenses)</b>		
State appropriations	79,170,302	94,019,913
Federal fiscal stabilization funds	12,961,965	-
Nonexchange grants and contracts	30,181,785	20,611,062
Investment income, net	14,645,021	(37,688,928)
Interest on capital asset-related debt	(3,416,668)	(2,427,564)
Other nonoperating revenues	75,618	151,545
Net nonoperating revenues	<u>133,618,023</u>	<u>74,666,028</u>
Income (loss) before other changes	<u>4,358,475</u>	<u>(36,290,581)</u>
<b>Other changes</b>		
Capital appropriations	14,654,632	6,364,754
Capital grants and gifts	5,737,408	6,302,579
Capital contribution to Centennial Falcon Properties, Inc.	(2,250,000)	-
Total other changes	<u>18,142,040</u>	<u>12,667,333</u>
Change in net assets	<u>22,500,515</u>	<u>(23,623,248)</u>
<b>Net assets</b>		
Net assets at the beginning of year	365,759,048	389,382,296
Net assets at the end of year	<u>\$ 388,259,563</u>	<u>\$ 365,759,048</u>

See accompanying notes

**Bowling Green State University**  
**Statements of Cash Flows**  
**Years Ended June 30**

	<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities</b>		
Tuition and fees	\$ 133,156,472	\$ 141,802,305
Research grants and contracts	20,113,195	16,650,261
Payments to vendors for supplies and services	(98,512,753)	(89,163,510)
Payments to employees and benefits	(210,486,655)	(215,002,081)
Payments for scholarships and fellowships	(22,847,122)	(19,499,587)
Student loans granted, net of repayments	592,258	255,573
Auxiliary enterprises	66,521,776	68,399,825
Sales and services of educational departments	5,454,294	4,976,929
Other receipts	5,339,623	4,945,399
Net cash used in operating activities	<u>(100,668,912)</u>	<u>(86,634,886)</u>
<b>Cash flows from noncapital financing activities</b>		
State appropriations	79,170,302	94,019,913
Federal fiscal stabilization funds	12,961,965	-
Direct lending receipts	117,333,137	89,761,902
Direct lending disbursements	(117,333,137)	(89,761,902)
Grants received for other than capital purposes	30,181,785	20,611,062
Net cash provided by noncapital financing activities	<u>122,314,052</u>	<u>114,630,975</u>
<b>Cash flows from capital financing activities</b>		
Proceeds from capital debt	77,807,029	6,000,000
Capital appropriations	14,654,632	6,364,754
Capital grants received	5,813,026	4,279,124
Purchases of capital assets	(47,584,107)	(33,693,421)
Principal paid on long-term debt	(14,365,000)	(8,035,000)
Interest paid on long-term debt	(3,232,791)	(3,420,983)
Capital contribution to Centennial Falcon Properties, Inc	(2,250,000)	-
Bond financing fees paid	(508,940)	-
Net cash provided (used) provided in capital financing activities	<u>30,333,849</u>	<u>(28,505,526)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sales and maturities of investments	423,921,470	377,188,893
Investment income	3,426,120	4,466,404
Purchase of investments	(483,984,058)	(379,314,336)
Net cash (used) provided by investing activities	<u>(56,636,468)</u>	<u>2,340,961</u>
Net (decrease) increase in cash	(4,657,479)	1,831,524
Cash at beginning of year	6,717,751	4,886,227
Cash at end of year	<u>\$ 2,060,272</u>	<u>\$ 6,717,751</u>

**Bowling Green State University**  
**Statements of Cash Flows (continued)**  
**Years Ended June 30**

	<u>2010</u>	<u>2009</u>
<b>Reconciliation of operating loss to net cash used</b>		
<b>by operating activities:</b>		
Operating loss	\$ (129,259,548)	\$ (110,956,609)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	24,995,294	22,289,226
Increase in allowance for doubtful accounts	350,075	280,000
Amortization of bond premium	(539,398)	(539,398)
Changes in assets and liabilities:		
Accounts receivable, net	1,401,018	626,641
Inventories	425,390	(900,355)
Other assets	(363,648)	51,855
Accounts payable and accrued liabilities	1,577,482	4,555,377
Deferred revenue	1,138,451	(3,092,501)
Deposits held for others	141,945	247,299
Compensated absences	(940,157)	261,377
Loans to students	404,184	542,202
Net cash used by operating activities	<u>\$ (100,668,912)</u>	<u>\$ (86,634,886)</u>
 Noncash capital financing activity:		
Donated building	<u>\$ —</u>	<u>\$ 2,175,000</u>

*See accompanying notes*

**Bowling Green State University Foundation, Inc. and Subsidiary**  
**Consolidated Statements of Financial Position**  
**June 30**

	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 287,776	\$ 929,200
Contributions receivable, net	1,597,826	6,629,326
Interest receivable	3,472	29,840
Total current assets	<u>1,889,074</u>	<u>7,588,366</u>
<b>Noncurrent assets:</b>		
Investments	90,925,392	81,238,680
Prepaid and other assets	171,157	4,200
Long-term contributions receivable, net	11,716,825	8,597,518
Cash value of life insurance	1,428,416	1,373,855
Total noncurrent assets	<u>104,241,790</u>	<u>91,214,253</u>
Total assets	<u>\$ 106,130,864</u>	<u>\$ 98,802,619</u>
<b>Liabilities and net assets</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 215,495	\$ 318,662
Total current liabilities	<u>215,495</u>	<u>318,662</u>
<b>Noncurrent liabilities:</b>		
Annuities payable	1,350,574	1,350,345
Total liabilities	<u>1,566,069</u>	<u>1,669,007</u>
<b>Net assets:</b>		
Unrestricted	(757,011)	(6,181,132)
Temporarily restricted	33,594,116	34,682,245
Permanently restricted	71,727,690	68,632,499
Total net assets	<u>104,564,795</u>	<u>97,133,612</u>
Total liabilities and net assets	<u>\$ 106,130,864</u>	<u>\$ 98,802,619</u>

*See accompanying notes*

**Bowling Green State University Foundation, Inc. and Subsidiary**  
**Consolidated Statement of Activities**  
**Year Ended June 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support, revenue, and gains</b>				
Contributions and gifts, net	\$ 553,033	\$ 5,971,067	\$ 2,593,497	\$ 9,117,597
Interest and dividends	267,187	2,072,215	-	2,339,402
Net realized and unrealized gains	5,261,259	3,217,878	-	8,479,137
Other revenue	1,172,498	219,869	51,376	1,443,743
Transfers	-	(450,318)	450,318	-
Net assets released from restriction	12,118,840	(12,118,840)	-	-
Total support, revenue, and gains	<u>19,372,817</u>	<u>(1,088,129)</u>	<u>3,095,191</u>	<u>21,379,879</u>
<b>Expenses</b>				
Program services	12,348,549	-	-	12,348,549
Fund raising	1,017,862	-	-	1,017,862
Operating	582,285	-	-	582,285
Total expenses	<u>13,948,696</u>	<u>-</u>	<u>-</u>	<u>13,948,696</u>
Change in net assets	5,424,121	(1,088,129)	3,095,191	7,431,183
Net assets at the beginning of year	<u>(6,181,132)</u>	<u>34,682,245</u>	<u>68,632,499</u>	<u>97,133,612</u>
Net assets at the end of year	<u>\$ (757,011)</u>	<u>\$ 33,594,116</u>	<u>\$ 71,727,690</u>	<u>\$ 104,564,795</u>

*See accompanying notes*

**Bowling Green State University Foundation, Inc. and Subsidiary**  
**Consolidated Statement of Activities**  
**Year Ended June 30, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support, revenue, and gains</b>				
Contributions and gifts, net	\$ 555,708	\$ 6,973,207	\$ 1,388,784	\$ 8,917,699
Interest and dividends	358,218	2,263,872	-	2,622,090
Net realized and unrealized gains	(8,862,988)	(13,486,557)	-	(22,349,545)
Other revenue	1,085,145	372,675	35,098	1,492,918
Transfers	-	(190,500)	190,500	-
Net assets released from restriction	11,541,770	(11,541,770)	-	-
Total support, revenue, and gains	<u>4,677,853</u>	<u>(15,609,073)</u>	<u>1,614,382</u>	<u>(9,316,838)</u>
<b>Expenses</b>				
Program services	12,198,521	-	-	12,198,521
Fund raising	865,335	-	-	865,335
Operating	675,124	-	-	675,124
Total expenses	<u>13,738,980</u>	<u>-</u>	<u>-</u>	<u>13,738,980</u>
Change in net assets	(9,061,127)	(15,609,073)	1,614,382	(23,055,818)
Net assets at the beginning of year	2,879,995	50,291,318	67,018,117	120,189,430
Net assets at the end of year	<u>\$ (6,181,132)</u>	<u>\$ 34,682,245</u>	<u>\$ 68,632,499</u>	<u>\$ 97,133,612</u>

*See accompanying notes*

**Centennial Falcon Properties, Inc. and Subsidiary**  
**Consolidated Statement of Financial Position**  
**June 30, 2010**

**Assets**

**Current asset:**

Cash	\$	250,000
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**Other assets:**

Trustee held funds		69,566,315
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Deferred bond issuance costs		2,969,383
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Construction in progress		11,074,302
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Total other assets		83,610,000
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Total assets	\$	83,860,000
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**Liabilities and net assets**

**Long-term liabilities:**

Bonds payable	\$	81,610,000
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**Net assets:**

Unrestricted		2,250,000
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Total liabilities and net assets	\$	83,860,000
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*See accompanying notes*

**Centennial Falcon Properties, Inc. and Subsidiary**  
**Consolidated Statement of Activities**  
**From the date of inception December 17, 2009 through June 30, 2010**

<b>Revenues</b>		
Operating	\$	—
<b>Expenses</b>		
Operating		—
		<hr/>
Operating income		—
<b>Other changes</b>		
Capital contribution from Bowling Green State Univeristy		2,250,000
		<hr/>
Change in net assets		2,250,000
Net assets at the beginning of year		—
		<hr/>
Net assets at the end of year	\$	<u><u>2,250,000</u></u>

*See accompanying notes*



BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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 (the "Foundation"), and Centennial Falcon Properties, Inc. and Subsidiary (the "Corporation"). GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statements No. 14, *The Reporting Entity*, require the University to reflect the Foundation and the Corporation, respectively, 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) topics, ASC Topic No. 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 thereon that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

During the year ended June 30, 2010 and 2009, the Foundation distributed \$10,214,611 and \$9,359,751, respectively, to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Assistant Vice President for Advancement Services/Controller at Mileti Alumni Center, Bowling Green, Ohio 43403.

BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

1. ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Centennial Falcon Properties, Inc. (the Corporation) is a legally separate component unit of the University formed in fiscal year 2010 as a non-profit 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's financial statements include the accounts of the Corporation and its wholly owned subsidiary, CFP I LLC. The Corporation was organized for the benefit of the University for various purposes, including to acquire, develop and maintain property to be used for University purposes. The Corporation organized CFP I LLC specifically to develop, own, and manage certain housing for students of the University (referred to below as the Series 2010 Project). The Corporation is the sole member of CFP I LLC. During the year ended June 30, 2010, the University contributed \$2,250,000 to the Corporation.

CFP I LLC is a non-profit 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 LLC 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 LLC is not expected to have assets other than the Series 2010 Project. Because the University is financially accountable for the Corporation, and because the Series 2010 Project is for the benefit of students as well as the University, the Corporation with its consolidated subsidiary, CFP I LLC is considered a component unit of the University and is discretely presented in the University's financial statements.

The University leased the land comprising the two sites on which the Series 2010 Project facilities are to be constructed to the Corporation under a Ground Lease dated May 3, 2010 between the State of Ohio, acting by, through and for the University, as lessor, and the Corporation, as lessee. The Corporation subleased that land to CFP I LLC in consideration of the agreement of CFP I LLC to develop the Series 2010 Project on that land and the payment of nominal lump sum rent.

On May 3, 2010, CFP I LLC 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 LLC and the University entered into a Management Agreement with Capstone On-Campus Management, LLC to manage, operate, and maintain the 2010 Project. This Management Agreement is effective July 1, 2011.

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.

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.

BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

1. ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable: Accounts receivable consists 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 which represent the net asset value of shares held by the University or based on periodic financial information (including annual audited financial statements) obtained from the funds. The University believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because these investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may significantly differ from the value that would have been used had a ready market for such investments existed.

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

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

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 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, 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.

BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

1. ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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 which 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, which 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 Foundation to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Foundation.

*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 Foundation to use or expend part or all of the income for either specified or unspecified purposes. The unexpended income from these donated assets are 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.

BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

1. ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 nonexchange transactions that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No 34, such as State appropriations and investment 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 nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

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.

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.

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. Student tuition and residence fees are presented net of scholarships and fellowships applied to student accounts where the University has discretion over such expenses, while stipends and other payments made directly to students are presented as scholarships and fellowships expenses.

BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

2. CASH AND INVESTMENTS

Deposits

Amounts available for deposit at June 30, 2010 and 2009 were as follows:

	2010	2009
Cash (carrying amounts)	\$ 1,822,516	\$ 6,471,612
Reconciling items (net) to arrive at bank balances of deposit	(199,760)	(3,071,870)
Total available for deposit and investment (Bank balances of deposits)	\$ 1,622,756	\$ 3,399,742

The carrying amount shown above does not include \$237,756 and \$246,139 held in cash funds at June 30, 2010 and 2009, 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, \$215,078 and \$172,400 at June 30, 2010 and 2009, respectively, was covered by federal depository insurance, and \$1,407,678 and \$3,227,342 at June 30, 2010 and 2009, 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 US Treasury and other federal agencies and instrumentalities
- Municipal and state bonds
- State treasury asset reserve (STAR Ohio)
- Certificates of deposit (domestic and foreign)
- Repurchase agreements
- Mutual funds
- Commercial paper
- Banker's acceptances
- Corporate bonds and notes
- Common and preferred stock
- Real estate
- Collateralized mortgage obligations
- Collective equity funds
- Asset-backed securities
- Private equity funds
- Hedge funds

BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

2. CASH AND INVESTMENTS (Continued)

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

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 2010 and Fifth Third Bank in 2009 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. At June 30, 2009, the University also held land on N. Enterprise Street in Bowling Green as an investment recorded at cost.

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 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, 2010.

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.

The values of investments held by the University at June 30, 2010 and 2009 are as follows:

	2010	2009
Money market funds	\$ 49,419,537	\$ 26,075,629
Equity mutual funds	86,724,608	53,504,469
Common and preferred stocks	4,841,675	19,401,069
Alternative investments:		
Limited partnerships	1,321,389	9,968,213
Collective equity funds	20,852,108	10,042,694
Real estate	-	2,791,674
US government agency obligations	26,890,689	14,156,644
US government obligations	5,208,197	6,396,363
Corporate bonds and notes	24,986,325	5,671,619
STAR Ohio	109,470	109,341
Municipal bonds	214,364	232,518
Foreign bonds	17,394	124,196
	<u>\$ 220,585,756</u>	<u>\$ 148,474,429</u>

BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

2. CASH AND INVESTMENTS (Continued)

The components of net investment income are as follows:

	2010	2009
Interest and dividends, net	\$ 3,572,027	\$ 4,612,309
Net appreciation (depreciation) in market value of investments	11,072,994	(42,301,237)
	\$ 14,645,021	\$ (37,688,928)

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, 2010 and 2009, the University realized a net gain (loss) from the sale of investments of \$324,432 and (\$18,168,669), respectively. The calculation of realized gains and losses is independent of the net appreciation (depreciation) in the fair value of investments held at year end. The net appreciation (depreciation) in the fair value of investments during the years ended June 30, 2010 and 2009 was \$11,072,994 and (\$42,301,237), respectively. This amount includes all changes in fair value, both realized and unrealized, that occurred during the year. The unrealized appreciation (depreciation) during the years ended June 30, 2010 and 2009 was \$10,748,562 and (\$24,132,568), respectively.

At June 24, 2010, the University had entered into a commitment to invest in a hedge fund with Hammond Associates Access Hedge Fund Investors in the amount of \$5,800,000 with a purchase date of July 1, 2010.

*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.

The University believes there will be a substantial recovery of assets in this legal action, however, the University is uncertain as to the ultimate amount of recovery as it will be subject to the results of the investigation which could take a significant amount of time to complete. As a result of this significant uncertainty as to the realizability of the investment, the University has recorded an adjustment to reduce the value of its investment to \$0 as of June 30, 2009. As of June 30, 2010, the University continues to carry the investment in Westridge Capital Management Fund at \$0 and there has been no subsequent recoveries.



BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

2. CASH AND INVESTMENTS (Continued)

*Common Fund*

Effective September 29, 2008, Wachovia Bank, N.A., as Trustee of the Common Fund for Short Term Investments (the "Short Term Fund"), included in money market funds in the 2009 table above, announced its decision to terminate and liquidate the Short Term Fund. No additional contributions to the Short Term Fund will be accepted. Under the liquidation plan, investors in the Short Term Fund will be allowed to withdraw balances based on their proportional interest in the Short Term Fund as assets mature or are sold. The value of the liquidation proceeds received by the University is not expected to vary significantly from the fair value carried on the University's books based on the current net asset value of the Short Term Fund. However, the realization of this value will depend upon market conditions including the liquidity of the Short Term Fund's assets during the liquidation period.

The University's balance in the Short Term Fund as of June 30, 2010 and 2009 was \$0 and \$4,413,011, respectively.

The University follows GASB Statement No. 40, *Deposits and Investment Risk Disclosure*, which requires certain disclosures related to the interest rate, credit, foreign currency and custodial risks associated with interest-bearing investments. At the present time, the University does not have formal policies addressing these types of risks.

*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, 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
US gov't agency obligations	\$ 26,890,689	\$ 10,738,164	\$ 16,152,525	\$ -	\$ -
US 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	<u>\$ 57,426,439</u>	<u>\$ 38,201,519</u>	<u>\$ 16,436,467</u>	<u>\$ 958,978</u>	<u>\$ 1,829,475</u>

BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

1. CASH AND INVESTMENTS (Continued)

*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, 2010 are as follows:

Credit rating (Standard & Poor)	Total	US government obligations	US government agency obligations	Corporate bonds	Other investments
AAA	\$ 56,798,194	\$ 5,208,197	\$ 26,890,689	\$ 24,589,838	\$ 109,470
AA	127,198	-	-	127,198	-
A	136,907	-	-	136,907	-
BBB	44,750	-	-	27,356	17,394
BB	4,661	-	-	4,661	-
B	19,917	-	-	19,917	-
CCC	23,490	-	-	23,490	-
Not rated	271,322	-	-	56,958	214,364
<b>Total</b>	<b>\$ 57,426,439</b>	<b>\$ 5,208,197</b>	<b>\$ 26,890,689</b>	<b>\$ 24,986,325</b>	<b>\$ 341,228</b>

*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 \$170,378 and \$348,543 at June 30, 2010 and 2009, respectively. The University also has investments in foreign bonds whose fair market value was \$17,394 and \$124,196 at June 30, 2010 and 2009, 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 which is not evidenced by securities that exist in physical or book entry form was \$109,470 and \$109,341 at June 30, 2010 and 2009, respectively. The remaining investments are uninsured and unregistered with securities held by the counter party's trust department or agent in the University's name.

BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

2. CASH AND INVESTMENTS (Continued)

The values of investments held by the Foundation at June 30, 2010 and 2009 are as follows:

	2010	2009
Corporate bond funds	\$ 36,355,457	\$ 26,019,490
Mutual funds	33,143,881	27,787,633
Corporate stocks and money market funds	4,577,921	15,945,376
Money market funds	2,970,021	3,773,012
US government and agency obligations	171,258	226,505
Alternative investments:		
Private investment	7,234,043	4,309,441
Fund of funds	5,323,662	661,910
Real estate funds	1,149,149	2,515,313
	<u>\$ 90,925,392</u>	<u>\$ 81,238,680</u>

The Foundation's realized a net gain (loss) from the sale of investment securities amounted to (\$2,167,171) and (\$3,760,747) for the years ended June 30, 2010 and 2009, respectively. The net appreciation (depreciation) in the fair value of investments approximated \$10,646,308 and (\$18,588,798) for the years ended June 30, 2010 and 2009, respectively.

The Foundation has outstanding commitments to invest in various alternative investments at June 30, 2010 and 2009, amounting to approximately, \$5,900,000 and \$6,100,000, respectively.

Foundation assets held in charitable remainder trusts are principally comprised of corporate stocks and corporate bonds and debentures. Unrealized gain (loss) amounts to approximately \$197,000 and (\$337,000) at June 30, 2010 and 2009, respectively and realized losses of approximately \$39,000 and \$114,000 were recognized for the years ended 2010 and 2009, respectively.

Certain Foundation investment securities are held by independent custodial and management agents. Custodial and management fees paid approximated \$185,000 and \$188,000 in 2010 and 2009, respectively, and are reported as reductions to interest and dividends in the accompanying statements of revenues, expenses and changes in net assets.

The values of investments of the proceeds of the Series 2010 Bonds held by a trustee for the benefit of the Series 2010 Project of CFP I LLC (see Note 1) at June 30, 2010 are as follows:

Money market funds	\$ 69,566,315
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BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

3. ACCOUNTS RECEIVABLE

The composition of accounts receivable for the University at June 30, 2010 and 2009 was as follows:

	<u>2010</u>	<u>2009</u>
Student receivables for fees, room and board	\$ 9,404,354	\$ 7,233,432
Research and sponsored programs	3,354,728	7,088,594
Other	<u>988,527</u>	<u>532,843</u>
	13,747,609	14,854,869
Less allowance for doubtful accounts	<u>1,280,000</u>	<u>929,925</u>
TOTALS	<u>\$ 12,467,609</u>	<u>\$ 13,924,944</u>

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 \$117,333,137 and \$89,761,902 for student loans in 2010 and 2009, 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, 2010 are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Ending Balance</u>
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	84,701,396	3,577,191	2,069,425	86,209,162
Library materials	29,947,012	2,350,399	2,165,689	30,131,722
Construction in progress	<u>17,593,428</u>	<u>36,672,377</u>	<u>2,121,539</u>	<u>52,144,266</u>
Total capital assets	604,029,652	50,777,985	10,274,646	644,532,991
Less accumulated depreciation and amortization	<u>284,403,473</u>	<u>24,995,294</u>	<u>7,080,768</u>	<u>302,317,999</u>
Capital assets, net	<u>\$ 319,626,179</u>	<u>\$25,782,691</u>	<u>\$ 3,193,878</u>	<u>\$342,214,992</u>

BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

5. CAPITAL ASSETS (Continued)

Capital assets and accumulated depreciation and amortization of the University as of June 30, 2009 are summarized as follows:

	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Land	\$ 6,066,970	\$ -	\$ -	\$ 6,066,970
Buildings	395,426,156	6,767,583	-	402,193,739
Infrastructure	63,380,486	146,621	-	63,527,107
Equipment	69,434,750	16,338,515	1,071,869	84,701,396
Library materials	29,338,696	2,893,205	2,284,889	29,947,012
Construction in progress	11,186,304	23,290,361	16,883,237	17,593,428
Total capital assets	574,833,362	49,436,285	20,239,995	604,029,652
Less accumulated depreciation and amortization	265,429,798	22,289,226	3,315,551	284,403,473
Capital assets, net	<u>\$ 309,403,564</u>	<u>\$ 27,147,059</u>	<u>\$ 16,924,444</u>	<u>\$ 319,626,179</u>

Capital assets of CFP I LLC (a single member limited liability owned by the Corporation) as of June 30, 2010 are summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Construction in progress	\$ -	\$ 11,074,302	\$ -	\$ 11,074,302

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The composition of accounts payable and accrued expenses of the University at June 30, 2010 and 2009 was as follows:

	2010	2009
Accounts payable	\$ 9,680,402	\$ 13,937,737
Payroll and withholdings	7,755,254	9,160,437
Employee separation program	7,440,000	-
Health claims	2,000,000	2,200,000
Interest on bonds	1,188,648	-
Total	<u>\$ 28,064,304</u>	<u>\$ 25,298,174</u>

BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES (Continued)

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 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. 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, 2010 in the amount of \$7,440,000.

7. LONG-TERM DEBT AND OTHER OBLIGATIONS

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

<b>Bonds &amp; Notes Payable:</b>	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 A Tax Exempt		12,040,000	-	12,040,000	-
2010 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 & notes payable	81,351,349	77,298,089	14,904,398	143,745,040	9,067,297
<b>Other liabilities:</b>					
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
<b>Total long-term liabilities</b>	<b>\$ 102,355,029</b>	<b>\$ 82,934,257</b>	<b>\$ 21,480,723</b>	<b>\$ 163,808,563</b>	<b>\$ 15,299,297</b>

BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
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7. LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

Long-term debt and other obligations of the University for June 30, 2009, are summarized as follows:

<b>Bonds &amp; notes payable:</b>	Beginning Balance	Additions	Reductions	Ending Balance	Due In One Year
2000 General Receipts Bonds	\$ 7,475,000	\$ —	\$ 3,650,000	\$ 3,825,000	\$ 3,825,000
2003 General Receipts Bonds	14,155,000	—	1,020,000	13,135,000	1,055,000
2004 General Receipts Bonds	30,315,000	—	3,365,000	26,950,000	3,485,000
2005 General Receipts Bonds	28,345,000	—	—	28,345,000	—
Bond premium	3,635,747	—	539,398	3,096,349	539,398
Note payable	—	6,000,000	—	6,000,000	—
Total bonds & notes payable	83,925,747	6,000,000	8,574,398	81,351,349	8,904,398
<b>Other liabilities:</b>					
Vacation pay	7,941,871	6,035,100	6,188,723	7,788,248	5,975,000
Sick leave	4,482,000	880,724	465,724	4,897,000	406,000
Federal student loan deposits	8,318,432	—	—	8,318,432	—
Total other liabilities	20,742,303	6,915,824	6,654,447	21,003,680	6,381,000
<b>Total long-term liabilities</b>	<b>\$ 104,668,050</b>	<b>\$ 12,915,824</b>	<b>\$ 15,228,845</b>	<b>\$ 102,355,029</b>	<b>\$ 15,285,398</b>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 8,760,000	\$ 8,025,734	\$ 16,785,734
2012	9,685,000	7,068,386	16,753,386
2013	10,050,000	6,660,275	16,710,275
2014	10,530,000	6,249,372	16,779,372
2015	10,985,000	5,762,625	16,747,625
2016–2021	52,080,000	24,244,512	76,324,512
2022–2039	39,175,000	26,361,148	65,536,148
Totals	<u>\$141,265,000</u>	<u>\$ 84,372,052</u>	<u>\$225,637,052</u>

BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

7. LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

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 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 US 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 US 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.

On June 1, 2005, the University issued \$28,345,000 General Receipt Bonds, Series 2005 with an average interest rate of 4.5% to partially advance refund \$27,880,000 of the General Receipt Bonds, Series 2000 with an average interest rate of 5.3% over the scheduled redemption period ending June 1, 2019. The proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the General Receipt Bonds, Series 2000. As a result, the refunded portion of the General Receipt Bonds, Series 2000 are considered to be defeased, and the liability for those bonds has been removed from the balance sheet. The balance of debt issuance defeased in substance in prior years that was outstanding as of June 30, 2010 and 2009 was \$0 \$27,880,000, respectively.

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 to 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 portion of the proceeds of the Series 2004 Bonds allocable to the refunding of the Series 1996 Bonds was used to purchase U.S. government securities that were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the Series 1996 Bonds. As a result, the refunded portion of the Series 1996 Bonds is considered to be defeased, and the liability for that portion has been removed from the balance sheet. The balance of debt issuance defeased in substance in prior years that remains outstanding as of June 30, 2010 is \$1,595,000.



BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

7. LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

In November 2000, the University issued \$54,660,000 General Receipts Bonds for dormitory renovations, Bowen Thompson Student Union renovation, Recreation Center air conditioning and the campus infrastructure project. Interest rates range from 4.75% to 5.75% and has been paid in full.

The University had unspent bond proceeds, which are classified as restricted investments, at June 30, 2010 and 2009 of \$65,803,630 and \$12,886,038, 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 management believes they have complied.

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, 2010 and 2009 was \$701,000 and \$1,081,000, 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 bond.

Interest expense related to long-term debt of the University at June 30, 2010 and 2009 was \$4,127,682 and \$3,939,532, respectively. Of this amount, \$711,013 and \$1,011,512 was capitalized by the University at June 30, 2010 and 2009, respectively.

Long-term debt of CFP I LLC (a single member limited liability company owned by the Corporation) for June 30, 2010, is summarized as follows:

<b>Bonds payable:</b>	Beginning Balance	Additions	Reductions	Ending Balance	Due In One Year
Student Housing Bonds	\$ -	\$ 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 LLC 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 June 1, 2012 to June 1, 2045.

BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

7. LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ —	\$ 4,521,524	\$ 4,521,524
2012	320,000	4,718,113	5,038,113
2013	480,000	4,708,512	5,188,512
2014	595,000	4,689,312	5,284,312
2015	710,000	4,665,513	5,375,513
2016–2021	6,860,000	27,163,300	34,023,300
2022–2039	72,645,000	65,844,613	138,489,613
Totals	<u>\$ 81,610,000</u>	<u>\$116,310,887</u>	<u>\$197,920,887</u>

The trustee for the Series 2010 Bonds held unspent bond proceeds of \$69,566,315 as of June 30, 2010 which are classified as trustee held funds.

8. RETIREMENT BENEFITS

The University contributes to two cost-sharing multiple-employer defined benefit plans: (1) Public Employees Retirement System of Ohio (OPERS), and (2) State Teachers Retirement System of Ohio (STRS). Both plans provide retirement, disability, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code (ORC). OPERS and STRS issue stand-alone financial reports. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio, 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377 for OPERS, and 275 East Broad Street, Columbus, Ohio, 43215-3771, or by calling (614) 227-4090 or 1-888-227-7877 for STRS.

The funding policy for the above plans is as follows:

*OPERS:* The ORC provides statutory authority for employee and employer contributions and administers three *separate* pension plans as described below:

*Traditional Pension Plan:* a cost sharing, multiple-employer defined benefit pension plan.

*Member-Directed Plan:* a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulated retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

*Combined Plan:* a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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NOTES TO THE FINANCIAL STATEMENTS  
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8. RETIREMENT BENEFITS (Continued)

Member and employer contribution rates were consistent across all three plans. For the calendar year 2007, employees contributed 9.5% while the University contributed 13.77%. For the calendar years 2008, 2009 and 2010, employees contributed 10.0% while the University contributes 14.0%. For the calendar year 2007, law enforcement employees contributed 10.1% while the University contributed 17.17%. For the calendar year 2008, law enforcement employees contributed 10.1% while the University contributed 17.4%. For the calendar year 2009, law enforcement employees contributed 10.1% of their salary and the University contributed 17.63% of covered payrolls. For the calendar 2010, law enforcement employees contributed 11.1% of their salary and the University contributed 17.87% of covered payrolls. The total employer contributions to OPERS for the years ended June 30, 2008, 2009, and 2010 approximated \$9,102,000, \$9,155,000 and \$8,541,000 respectively, which were equal to 100% of the required contributions for each year. A portion of these employer contributions are allocated to healthcare as disclosed in Note 9.

**STRS:** STRS is a statewide retirement plan for licensed teachers and other faculty members and provides a choice of three retirement plan options.

*Defined Benefit Plan (DB Plan):* Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age.

The maximum annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is determined by multiplying final average salary by 2.2% for the first 30 years of credited service. Each year over 30 years is incrementally increased by .1%, starting at 2.5% for the 31<sup>st</sup> year of contributing service up to a maximum allowance of 100% of final average salary. Upon reaching 35 years of Ohio contributing service, the first 31 years of Ohio contributing service are multiplied by 2.5%, and each year over 31 years is incrementally increased by .1% starting at 2.6% for the 32<sup>nd</sup> year. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts.

Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from contributed employer funds. This total is then divided by an actuarially determined annuity factor to compute the maximum annual retirement allowance.

*Define Contribution Plan (DC Plan):* Benefits are established under Sections 3307.80 to 3307.89 of the ORC. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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8. RETIREMENT BENEFITS (Continued)

*Combined Plan:* Member contributions are allocated among investment choices by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity.

The ORC provides statutory authority for employee and employer contributions. For the years ended 2008, 2009 and 2010, STRS employees contributed 10% of their salary to the plan and the University contributed 14.0% of covered payrolls to the plan. The total employer contributions to STRS for the years ended June 30, 2008, 2009, and 2010 approximated \$8,045,000, \$7,806,000, and \$7,693,000 respectively, which were equal to 100% of the required contributions for each year. A portion of these employer contributions are allocated to healthcare as disclosed in Note 9.

Ohio Amended Substitute House Bill 586 (Ohio Revised Code 3305.2) became effective March 31, 1998, authorizing an alternative retirement system (ARP) for academic and administrative university employees of public institutions of higher education who are currently covered by the STRS or OPERS. The Bowling Green State University board of trustees adopted such a plan effective January 25, 2000. Ohio Amended Substitute Senate Bill 133 became effective September 15, 2004, authorizing participation in an alternative retirement system (ARP) by classified university employees. On September 30, 2005, the Bowling Green State University board of trustees amended its alternative retirement plan to conform with this legislative change effective August 1, 2005. This plan is a defined contribution plan under IRS section 401(a). The total employer contribution to ARP for the years ended June 30, 2008, 2009, and 2010 approximated \$4,806,000, \$4,851,000, and \$4,810,000 respectively.

Employees have 120 days from their employment date to select a retirement plan. A retiree of STRS or OPERS is eligible for reemployment following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount for the DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

BOWLING GREEN STATE UNIVERSITY  
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8. RETIREMENT BENEFITS (Conitnued)

*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 Ohio Public Employees Deferred Compensation Program 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.

The amounts on deposit with the Ohio Public Employees Deferred Compensation Board at June 30, 2010 and 2009 approximated \$5,373,000 and \$3,822,000, respectively, which represents the fair value at such dates.

9. POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the Ohio Revised Code provides the statutory authority requiring the University to fund postretirement health care through employer contributions to OPERS and STRS.

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans:

*Traditional Pension Plan:* a cost-sharing, multiple-employer defined benefit pension plan

*Member-Directed Plan:* a defined contribution plan

*Combined Plan:* a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

BOWLING GREEN STATE UNIVERSITY  
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9. POST EMPLOYMENT BENEFITS (Continued)

The Ohio Revised Code (ORC) permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

The ORC provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. A portion of each employer's contribution is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, employers contributed 14% of covered payroll and public safety and law enforcement employers contributed 17.63%. The ORC currently limits the employer contributions to a rate not to exceed 14% of covered payroll and 18.1% for payroll for public safety and law enforcement. Active members do not make contributions to the OPEB Plan.

The OPEB plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of employer contribution rate that will be set aside for funding of the post employment health care benefits. The portion of employer contributions allocated to health care was 7.0% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. The OPERS retirement board is also authorized to establish rules for the payment, by the OPEB plan, of a portion of the health care benefits provided to retirees and surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Summary of Assumptions:

*Actuarial Review:* The assumptions and calculations below were based on OPERS' latest actuarial review performed as of December 31, 2008.

*Funding Method:* The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

*Assets Valuation Method:* All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

*Investment Return:* The investment assumption rate for 2008 was 6.50%.

*Active Employee Total Payroll:* An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. In addition, annual pay increases over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

*Health Care:* Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50% to 3.00% for the next 6 years. In subsequent years, (7 years and beyond) health care costs were assumed to increase at 4.00% (the projected wage inflation rate).

BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
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9. POST EMPLOYMENT BENEFITS (Continued)

OPEB is advance-funded on an actuarially determined basis.

*Participants:* The Traditional Pension and Combined Plans had 357,584 active contributing participants as of December 31, 2009. The number of active contributing participants for both plans used in the December 31, 2008, actuarial valuation was 356,388.

*Contributions:* A portion of employer's contributions for all employees is allocated to health care. The total employer contributions allocated to OPEB for the years ended June 30, 2008, 2009 and 2010 approximated \$3,891,000, \$4,500,000 and \$3,357,000 respectively, which are equal to 100% of the required contributions for each year.

*Actuarial Value:* The amount of \$10.7 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2008.

*Liability:* Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2008, reported the actuarial accrued liability and the unfunded actuarial accrued liability for OPEB at \$29.6 billion and \$18.9 billion, respectively.

*Preservation Plan:* The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective on January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. This plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

*STRS:* Ohio law authorizes the State Teachers Retirement board to offer a cost-sharing, multiple employer health care plan. STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their eligible family members

Coverage under the current program includes hospitalization, physician fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. Pursuant to the ORC, the Retirement Board has discretionary authority over how much, if any, of associated health care costs will be absorbed by the plan. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

Under Ohio law, the health care benefits are not guaranteed and the funds to pay health care costs may be deducted from employer contributions which are currently 14% of compensation. Of this contribution, 1% of covered payroll was allocated to post-employment health care. The total employer contribution allocated to OPEB for the years ended June 30, 2008, 2009, and 2010 approximated \$80,500, \$78,000, and \$76,900, respectively, which are equal to 100% of the required contribution for each year.

BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
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10. RISK MANAGEMENT

The University self-insures its health care program up to a specific limit of \$200,000 per individual event. Specific stop loss coverage is provided by Medical Mutual of Ohio.

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

	2010	2009	2008
Unpaid claims , July 1	\$ 2,200,000	\$ 2,200,000	\$ 1,600,000
Incurred claims	18,390,714	19,915,066	19,911,218
Paid claims	18,590,714	19,915,066	19,311,218
Unpaid claims, June 30	<u>\$ 2,000,000</u>	<u>\$ 2,200,000</u>	<u>\$ 2,200,000</u>

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 Worker's 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 worker's compensation claims of participating State agencies and universities.



BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
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11. CONTINGENCIES

During the normal course of operations, the University has become a defendant in various legal and administrative actions. In accordance with ASC Topic No. 450, 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.

Grants and contracts - 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, 2010 and 2009 were available for the following purposes:

	2010	2009
General support of colleges and departments	\$ 20,863,147	\$ 18,155,575
Student aid	7,747,918	7,735,105
Property and equipment	2,480,609	5,847,024
Endowed chairs and professorships	1,287,326	1,955,138
Research	701,726	654,149
Fellowship	131,997	335,254
Faculty and staff	381,393	-
	<u>\$ 33,594,116</u>	<u>\$ 34,682,245</u>

The Foundation's summary of the net assets released from restrictions during the years ended June 30, 2010 and 2009 were as follows:

	2010	2009
General support of colleges and departments	\$ 4,582,403	\$ 6,596,670
Property and equipment	5,350,656	3,880,928
Student aid	1,813,335	942,442
Fellowship	169,393	70,590
Faculty and staff	96,004	51,706
Research	78,049	133,235
Endowed chairs and professorships	29,000	(133,801)
	<u>\$ 12,118,840</u>	<u>\$ 11,541,770</u>

BOWLING GREEN STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
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12. FOUNDATION NET ASSETS (Continued)

The Foundation's permanently restricted net assets at June 30, 2010 and 2009 are investments in perpetuity, the income from which is expendable to support the following purposes:

	2010	2009
Student aid	\$ 42,036,581	\$ 38,473,184
General support of colleges and departments	16,063,136	16,807,378
Endowed chairs and professorships	8,919,460	8,770,730
Property and equipment	1,805,648	1,710,142
Faculty and staff	1,582,991	1,551,216
Research	1,130,540	1,130,515
Fellowship	189,334	189,334
	<u>\$ 71,727,690</u>	<u>\$ 68,632,499</u>

13. ADOPTION OF NEW ACCOUNTING STANDARD

Effective June 2007, GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Asset*, was issued. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. It requires that an intangible asset be recognized in the Statement of net assets only if it is considered identifiable and establishes a specified-conditions approach to recognizing intangible assets that are internally generated. The requirements of the Statement are effective for financial statements for periods beginning after June 15, 2009. The adoption of this Statement was not material and did not have any impact on the Statements of Net Assets, Revenue, Statements of Expense and Changes in Net Assets or Statements of Cash Flows of the University.

# Supplemental Information

Bowling Green State University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures
<b>Student Financial Assistance Cluster</b>			
U.S. Department of Education:			
Direct awards:			
Federal Supplemental Educational Opportunity Grants	84.007	(1)	\$ 708,062
Federal Work-Study Program	84.033	(1)	182,816
ARRA - Federal Work-Study Program	84.033	(1)	838,191
Federal Pell Grant Program	84.063	(1)	24,196,197
Federal Direct Subsidized Student Loans	84.268	(1)	46,377,617
Federal Direct Unsubsidized Student Loans	84.268	(1)	47,961,987
Federal Direct Parent PLUS Loans	84.268	(1)	22,993,533
Academic Competitiveness Grant	84.375	(1)	807,263
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376	(1)	<u>339,079</u>
Total Student Financial Assistance Cluster			<u>144,404,745</u>
<b>Research and Development Cluster</b>			
U.S. Department of Agriculture:			
Grants for Agricultural Research, Special Research Grants:			
Pass-through from:			
University of Toledo:			
Monitoring Agricultural Sewage Sludge	10.200	2005-38898-03269	(8,394)
Remote Sensing Monitoring Agricultural Sewage Sludge	10.200	2006-38898-03485	34,772
Ohio State University Research Foundation:			
Research Greenhouse Nurseries Ohio	10.200	PO RF01164364	<u>65,259</u>
Total U.S. Department of Agriculture			91,637
U.S. Department of Commerce:			
Economic Development – Technical Assistance:			
Direct awards:			
University Economic Development Center	11.303	06-66-05301	28,679
University Economic Development Center	11.303	06-66-05301-01	<u>102,442</u>
			131,121
Sea Grant Support:			
Pass-through from:			
Ohio State University Research Foundation:			
Phylogenetic Analysis and Physiological Characterization	11.417	RF01090500	6,237
Employing Trace Elements Content and Otoliths for Fish	11.417	RF01059538	148
Socio-Economic Impacts of Bird Watching Along Great Lakes	11.417	RF01200477	<u>18,775</u>
			25,160

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
<b>Research and Development Cluster (continued)</b>			
U.S. Department of Commerce (continued):			
Special Oceanic and Atmospheric Projects:			
Direct awards:			
Monitoring Lake Erie Water Quality w/ Remote Sensing II	11.460	NA07OAR4170502	\$ 45,784
Monitoring Great Lakes Water Quality w/ Remote Sensing III	11.460	NA080AR4600909	182,996
Monitoring Great Lakes Water Quality w/ Remote Sensing IV	11.460	NA09OAR4600211	<u>262,159</u>
			490,939
Pass-through from:			
Ohio State University Research Foundation:			
Phosphonates in Lake Erie: Unrecognized P Source Phytop	11.XXX	R/ER-080 RF0111664	<u>42,531</u>
Total U.S. Department of Commerce			689,751
U.S. Department of Defense:			
Basic and Applied Scientific Research:			
Direct awards:			
Energy Cure Remote Location	12.300	N00014-05-1-0372	(3,925)
Energy Cure Remote Location	12.300	N00014-06-1-0948	<u>(37,938)</u>
			(41,863)
Basic Scientific Research			
Direct awards:			
Instrumentation for Novel Single-Molecule AFM-FRET Ultra	12.431	W911NF-08-1-0240	(169)
Materials Science: Controlling Protein Conformations	12.431	W911NF-08-1-0349	<u>174,523</u>
			174,354
Air Force Defense Research Sciences Program:			
Direct awards:			
Prgmble Triplet Frmtion Decay Metal Organic Chromophores	12.800	FA9550-05-1-0276	57,700
Prgmble Triplet Frmtion Decay Metal Organic Chromophores	12.800	FA9550-05-1-0276	271,953
Pass-through from:			
University of Toledo:			
Next Generation Solar Energy Materials for Hydrogen Gene	12.800	FA9453-08-C-0172	<u>166,297</u>
			<u>495,950</u>
Total U.S. Department of Defense			628,441
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	<u>24,002</u>
Total U.S. Department of Interior			24,002

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
<b>Research and Development Cluster (continued)</b>			
U.S. Department of Transportation:			
University Transportation Center:			
Pass through from:			
University of Toledo:			
Combined Truck Routing and Driver Scheduling Problems	20.7XX	(1)	\$ 7,447
University of Detroit Mercy:			
Improving Paratransit Services in Toledo Metropolitan Area	20.7XX	(1)	<u>14,832</u>
Total U.S. Department of Transportation			<u>22,279</u>
National Aeronautic Space Administration (NASA):			
Aerospace Education Services Program:			
Pass-through from:			
Dartmouth College:			
Global Clusters Field Halo	43.001	5-36969.572	150
Technology Transfer:			
Direct awards:			
NASA Research Professor	43.002	(1)	(112)
NASA Research Professor	43.002	P.O. #GRCIPA0207	<u>27,056</u>
			<u>26,944</u>
Total National Aeronautic Space Administration			<u>27,094</u>
National Science Foundation:			
Mathematical and Physical Sciences:			
Direct awards:			
Metal-Peptide Nanoassemblies	47.049	CHE-045-5441	4,732
Photocatalytic Approaches to Hydrogen Production	47.049	CHE-0719050	78,014
Materials and Devices for Fast Detection of Explosives	47.049	(1)	169,706
Intramolecular Indicator-Displacement Assays (IIDA)	47.049	CHE-0750303	74,259
Single-Molecule and Single-Nanoparticle Interfacial Electron Transfer	47.049	CHE-0822694	85,000
Workshop for New Faculty and Graduate Students on Lattice	47.049	DMS-0901560	<u>6,280</u>
			417,991
Geosciences:			
Direct awards:			
Design/Character of Cyanobac Bioreporters to Measure	47.050	OCE-0727644	93,689
Lake El'gygytgyn, NE Russia	47.050	EAR-0602435	<u>33,964</u>
			127,653
Biological Sciences:			
Direct awards:			
Magnetic Sense of Homing Pigeons and its Use in Map Navigation	47.074	IOS-0922508	94,367
Diversity of Xenobiotic Genes may Suggest Local Adaptation	47.074	0808511	10,206
RCN: RNA Ontology Consortium	47.074	MCB-0443508	<u>51,152</u>
			155,725

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
<b>Research and Development Cluster (continued)</b>			
National Science Foundation (continued):			
Social, Behavioral, and Economic Sciences:			
Direct awards:			
Mechanisms of Timing and Temporal Processing	47.075	BCS-0818271	\$ 27,652
			<u>27,652</u>
Education and Human Resources:			
Direct awards:			
Improving Students Visual Penetration Ability and Substrata	47.076	DUE-0837626	66,204
			<u>66,204</u>
Polar Programs:			
Direct awards:			
Late Cenozoic Volcanism Glaciation, ANT – Minna Bluff	47.078	ANT-0538033	24,221
Petrology and Geochemistry of Miocene Volcanic Rocks	47.078	25-0550-0001-131	2,439
20 Million Year Record of Volcanism in the AND-2A Core	47.078	25-0550-0001-151	28,521
			<u>55,181</u>
Trans-NSF Recovery Act Research Support:			
Direct award:			
ARRA – Regulation of 5-Aminolevulinic Acid Biosynthesis	47.082	0921449	70,931
ARRA – Sources and Sinks of Stoichiometrically Imbalanced Nitrate	47.082	OCE-0927277	42,798
ARRA – Monitoring Ultrafast Excited-State Selective Dynamics	47.082	CHE-0847707	126,276
ARRA – Equipment Enhancing the Ultrafast Spectroscopy	47.082	CHE-0923360	304,634
			<u>544,639</u>
Total National Science Foundation			1,395,045
Department of Veteran Affairs:			
Direct award:			
Stress and Motivated Behavior	64.XXX	(1)	9,677
Total Department of Veteran Affairs			<u>9,677</u>
Department of Energy:			
Renewable Energy Research and Development:			
Direct award:			
Coastal Wind Project	81.087	DE-FG36-06GO86096	115,916
General Department of Energy:			
Direct award:			
Chemical Imaging Studies	81.XXX	DEFG02-06ER15827	40,796
Total Department of Energy			<u>156,712</u>

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
<b>Research and Development Cluster (continued)</b>			
U.S. Department of Education:			
Safe and Drug-free Schools and Communities – National Programs:			
Direct award:			
Evaluation Wood ESC – School-Based Student Drug-Testing	84.184	2900683	\$ 413
Evaluation Wood ESC – School-Based Student Drug-Testing	84.184	Q184D080051	13,486
Utilizing Primary & Secondary Intervention Strategies	84.184H	(1)	<u>17,673</u>
Total U.S. Department of Education			31,572
U.S. Department of Health and Human Services:			
NIEHS Superfund Hazardous Substances_Basic Research and Education:			
Direct award:			
HHS NIH NIEHS:			
In Vivo Characterization of Bacteria-Mediated Extracellular	93.143	1R01ES017070-01	352,165
Research Related to Deafness and Communication Disorders:			
Direct award:			
Aerodynamic and Acoustic Models of Phonation	93.173	2R56DC003577-10A1	141,671
Pass-through from:			
Indiana University:			
Development of Attention to Maternal Speech in Infants	93.173	1R01DC008581-01A1	39,282
Purdue University:			
Fluid-Structure Interactions within the Human Larynx	93.173	1-R01-DC005788-01A1	<u>2,467</u>
			183,420
Policy Research and Evaluation Grants:			
Direct award:			
National Center for Marriage Research	93.239	1 U01 AE000001-01	857,823
National Center for Marriage Research	93.239	1 U01 AE000001-01	2,351
African American Marriage and Family Stability	93.239	5U01AE000001-03	<u>112,784</u>
			972,958
Mental Health Research Grants:			
Direct award:			
Path Integration in the Rat Navigational System	93.242	1-R01-MH660460-04	(13)
Occupational Safety and Health Program:			
Pass-through from:			
Veterans Biomedical Research Institute:			
Aging and the Cholinergic System on Attention and Timing	93.262	7R01AG020560-05	(173)
Cancer Treatment Research:			
Direct award:			
Natural Eneidyne Antibiotics	93.395	2-R15-CA091856-02	(433)
Applicability of mAbs in Diagnosis of Esophageal Cancers	93.395	(1)	<u>(32)</u>
			(465)



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
<b>Research and Development Cluster (continued)</b>			
U.S. Department of Health and Human Services (continued):			
Trans_NIH Recovery Act Research Support:			
Direct award:			
ARRA – Single-Molecule Three-Dimensional Snapshots of Nuclear	93.701	1R15GM094041-01	\$ 28,090
ARRA – Self-Luminant Micro-Arrays and Reader for Rapid	93.701	1R15EB008874-01	15,450
ARRA – Demographic Analysis of Children of Immigrants	93.701	1R21HD058142-01A1	160,166
			203,706
Extramural Research Programs in the Neurosciences and Neurological Disorders:			
Direct award:			
Rat Head Direction Signal	93.853	5-R01-NS35191-08	(5,991)
Biomedical Research and Research Training:			
Direct awards:			
HMGB1 Estrogen Receptor	93.859	2-R15-GM054357-03	11,339
Influence of HMGB1, Nucleosomes and SWI/SNF on Estrogen	93.859	2R15GM054357-04	62,896
RNA Motifs	93.859	2-R15-GM055898-04	(300)
RNA Motifs	93.859	2 R15 GM55898-05	38,144
			112,079
Child Health and Human Development Extramural Research:			
Direct awards:			
Center for Family and Demographic Research	93.865	1-R24-HD05959-02	274,791
Children’s Developmental Outcomes in Cohabiting Unions	93.865	1-K01-HD042478-03	36,819
Sexual Risk-Taking in Youth	93.865	5-R01-HD044206-05	66,963
Effects of PCBs on Social Behavioral Development	93.865	1 R03 HD053692-01A2	48,970
Pass-through from:			
The University of Michigan:			
Effects on Children of Exposure to Political Violence	93.865	(1)	33,990
The University of California, San Diego:			
Expectation Generation in Sentence Processing	93.865	10202962-008	62,676
Cornell University:			
Timing and Circumstances of Transition to Fatherhood	93.865	44053-8470	34,962
			559,171
Aging Research:			
Direct award:			
Union Transitions and Cohabitation Among Older Adults	93.866	5-R03-AG024512-02	4,625
Pass-through from:			
The University of South Carolina:			
Efficacy of Laryngeal High-Speed Videoendoscopy	93.XXX	USC Sub No. 07-1434	22,634
Total U.S. Department of Health and Human Services			2,404,116
Total Research and Development Cluster			5,480,326

# 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
<b>Other Grants and Contracts</b>			
U.S. Department of Commerce:			
Public Telecommunications Facilities Planning and Construction:			
Direct award:			
Stand By Power Generator	11.550	39-02-N08248	\$ (15,447)
Sea Grant Support:			
Pass through from:			
Ohio State University Research Foundation:			
Knauss Fellowship	11.417	RF01145637	24,801
Total U.S. Department of Commerce			<u>9,354</u>
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	2,776
Ohio Junior Science and Humanities Symposium	12.300	W911NF-04-1-0001	16,982
Total U.S. Department of Defense			<u>19,758</u>
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	18,980
Partners for a Sustainable Future: Aiding Practitioners	19.415	S-ECAPE-07-GR-211	68,241
Total Bureau of Educational and Cultural Affairs, Department of State			<u>87,221</u>
National Endowment for the Arts:			
Promotion of the Arts_Grants to Organizations and Individuals:			
Direct awards:			
30th Annual New Music Festival	45.024	09-7900-7046	10,000
Total National Endowment for the Arts			<u>10,000</u>
National Science Foundation:			
Mathematical and Physical Sciences:			
Pass-through from:			
Ohio State University Research Foundation:			
LSAMP, Ohio Seed Grant	47.049	(1)	46,507
Ohio Consortium for Undergraduate Research	47.049	RF01046308	4,960
			<u>51,467</u>

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
<b>Other Grants and Contracts (continued)</b>			
National Science Foundation (continued):			
Biological Sciences:			
Pass-through from:			
Virginia Tech:			
Directed Annotation of Oomycete Genomes	47.074	CR-19755-477772	\$ 30,623
Education and Human Resources:			
Direct awards:			
SET-GO: Science, Engineering & Technology Gateway Ohio	47.076	DUE 0757001	178,448
SET-GO: Science, Engineering & Technology Gateway Ohio	47.076	DUE 0757001	308,753
GRAMS: Granting Access to Mathematics and Science	47.076	DUE-0850026	51,911
GRAMS: Granting Access to Mathematics and Science	47.076	DUE-0850026	6,503
GRAMS: Granting Access to Mathematics and Science	47.076	DUE-0850026	181
			<u>545,796</u>
Total National Science Foundation			627,886
U.S. Department of Education:			
Overseas Programs Group Projects Abroad:			
Pass-through from:			
Post Secondary Education			
Multiculturalism and Arab Identities	84.021	P021A100062	73,722
TRIO Cluster:			
Direct awards:			
Student Support Services:			
	84.042	(1)	566,183
Talent Search	84.044	(1)	362,947
Upward Bound	84.047	(1)	(11,456)
Upward Bound	84.047	P047A071048	223,561
Upward Bound	84.047	P047A071048	88,849
			<u>300,954</u>
McNair Post-Baccalaureate Achievement	84.217	P217A070290	191,137
McNair Post-Baccalaureate Achievement	84.217	P217A070290	40,047
			<u>231,184</u>
Total TRIO Cluster			1,461,268
Fund for the Improvement of Post Secondary Education:			
Pass-through from:			
Georgia Southern University:			
NAFTA's Second Generational Challenges	84.116	P116n060024-07	6,973
NAFTA's Second Generational Challenges	84.116	P116n060024-07	8,041
Association of American Colleges and Universities:			
VALUE: Valid Assessment of Learning in Undergraduate Education	84.116	(1)	714
			<u>15,728</u>

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
<b>Other Grants and Contracts (continued)</b>			
U.S. Department of Education (continued):			
Safe and Drug-Free Schools and Communities National Programs:			
Pass-through from:			
Putnam County Educational Service Center:			
Evaluation of Project SAFE	84.184	Q184I080342	\$ 2,525
Evaluation of Project SAFE – Year 2	84.184	(1)	<u>67,632</u>
			70,157
Fund for the Improvement of Education:			
Pass-through from:			
Freemont City Schools:			
A Partnership to Teach American History	84.215	(1)	379
Gaining Early Awareness and Readiness for Undergraduate Programs:			
Pass-through from:			
Western Michigan University:			
MERC GearUp Learning Centers	84.334	(1)	(72,547)
MERC GearUp Learning Centers 2	84.334A	(1)	<u>853,806</u>
			781,259
Teacher Quality Partnership Grants:			
Pass-through from:			
Ohio Department of Education:			
TEACH 2009 – 2010	84.336	(1)	191,261
DREAMS FY2009	84.336	(1)	46,104
DREAMS FY2010	84.336	(1)	348,733
DREAMS Year 2	84.336	CI667-OMAP-08-10	<u>58</u>
			586,156
Transition to Teaching:			
Direct awards:			
Project CUE: Consortium for Urban Education	84.350	U350C070011	140,861
Project CUE: Consortium for Urban Education	84.350	U350C070011	<u>30,968</u>
			171,829
Mathematics and Science Partnership:			
Direct awards:			
Teachers Enhancing Achievement in Mathematics and Science	84.366	CI667-OSCI-09-08	90,597
Teachers Enhancing Achievement in Mathematics and Science	84.366	CI667-OSCI-09-08	<u>56,766</u>
			147,363
State Fiscal Stabilization Fund-Education State Grants, Recovery Act:			
Pass-through from:			
Ohio Board of Regents:			
ARRA – State Fiscal Stabilization Fund	84.394	(1)	12,203,679
ARRA – State Fiscal Stabilization Fund	84.394	(1)	<u>758,286</u>
			<u>12,961,965</u>
Total U.S. Department of Education			<u>16,269,826</u>

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
<b>Other Grants and Contracts (continued)</b>			
U.S. Department of Health and Human Services:			
Environmental Health:			
Direct award:			
Project EXCITE	93.113	(1)	\$ (4,682)
Child Care and Development Block:			
Pass-through from:			
Ohio Educational Telecommunications Network:			
Ohio Ready to Learn	93.575	G-1011-06-0021	34,296
HIV Prevention Activities – Health Department Based:			
Pass-through from:			
Ohio Department of Health:			
Collegiate AIDS Network	93.940	08740012HP0209	20,099
Collegiate AIDS Network	93.940	08740012HP0310	15,370
			<u>35,469</u>
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	99-8207-HEDUC-P-09-9	600
BGSU High-Risk Drinking Prevention Program	93.959	99-8207-HEDUC-P-10-9	21,212
			<u>21,812</u>
Total U.S. Department of Health and Human Services			<u>86,895</u>
Corporation for National Community Service:			
AmeriCorps:			
Pass-through from:			
United Way of Greater Toledo:			
AmeriCorps Consortium	94.006	(1)	(10,466)
Wood County Corps Internship	94.006	(1)	13,054
			<u>2,588</u>
Total Corporation for National Community Service			<u>2,588</u>
U.S. Agency for International Development:			
USAID Development Partnerships for University Cooperation: and Development:			
Pass-through from:			
Higher Education for Development:			
Civic Educ Partnership Initiative for Lebanon & Morocco	98.012	HNE-A-97-00059-00	82,371
Total U.S. Agency for International Development			<u>82,371</u>
Total Other Grants and Contracts			<u>17,195,899</u>
Total Federal Expenditures			<u>\$ 167,080,970</u>

(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, 2010

### 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 cash 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 had the following loan balances outstanding for the Federal Perkins Loan and Nursing Student Loan programs at June 30:

<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>2010 Outstanding Balance</b>	<b>2009 Outstanding Balance</b>
Federal Perkins Loans	84.038	\$ 7,917,022	\$ 8,259,756
Nursing Student Loans	93.364	\$488,242	546,383

Total Perkins loans advanced during 2010 was \$707,973 plus additional administrative costs of \$35,399.

Total Nursing loans advanced during 2010 was \$38,977.

# Bowling Green State University

## Notes to the Schedule of Expenditures of Federal Awards (continued)

### 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	\$ 57,135
University of Tennessee	11.417	5,012
Central State University	11.460	25,281
Heidelberg College	11.460	25,000
Cleveland State University	11.460	17,219
North Eastern University	20.760	7,081
Owens Community College	47.076	37,255
University of Toledo	81.087	71,053
East Toledo Family Center	84.334A	45,060
Toledo Public Schools	84.334A	114,749
University of Toledo	84.334A	10,776
Wayne State University	84.350	66,929
University of Toledo	84.366	33,145
Battelle	93.143	213,249
University of Toledo	93.173	93,205
University of Louisville	93.239	14,760
Mills College	93.239	20,000
Mississippi State University	93.239	19,456
University of North Carolina	93.239	20,000
Ohio State University	93.239	20,000
University of Florida	93.239	20,000
University of Georgia Research Foundation	93.239	19,990
University of Chicago	93.239	19,924
Pennsylvania State University	93.701	64,061
		<u>\$ 1,040,340</u>

### 4. Indirect Costs

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

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 Trustees  
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, 2010, and have issued our report thereon dated October 15, 2010. 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 15, 2010.

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 15, 2010

## Report of Independent Auditors on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

The Board of Trustees  
Bowling Green State University

### **Compliance**

We have audited Bowling Green State University's (the University) compliance with the types of compliance requirements described in 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, 2010. 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. 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, 2010.

## **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 in internal control over compliance* 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.

We have audited the financial statements of Bowling Green State University and its discretely presented component units as of and for the year ended June 30, 2010, and have issued our report thereon dated October 15, 2010. Our audit was conducted for the purpose of forming an opinion on the financial statements of Bowling Green State University. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

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

*Ernst & Young LLP*

October 15, 2010

Bowling Green State University

Schedule of Findings and Questioned Costs

June 30, 2010

**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

\_\_\_\_\_ **Yes**        X   **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?

\_\_\_\_\_ **Yes**        X   **No**

Bowling Green State University

Schedule of Findings and Questioned Costs (continued)

**Part I – Summary of Auditor’s Results (continued)**

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
47.076 84.007, 84.033, 84.063, 84.375, and 84.376 84.334A	National Science Foundation Education and Human Resources Student Financial Assistance Cluster Gaining Early Awareness and Readiness for Undergraduate Programs
84.394 Various	State Fiscal Stabilization Fund Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$680,287

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.**

Bowling Green State University

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.

**Conclusion:**

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.

# Bowling Green State University

## Summary Schedule of Prior Audit Findings (continued)

### 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.



Bowling Green State University

Summary Schedule of Prior Audit Findings (continued)

**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)

Bowling Green State University

Summary Schedule of Prior Audit Findings (continued)

**Finding 09-02 (continued)**

**Conclusion:**

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.

**Conclusion:**

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.

Bowling Green State University

Summary Schedule of Prior Audit Findings (continued)

**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.

Bowling Green State University

Summary Schedule of Prior Audit Findings (continued)

**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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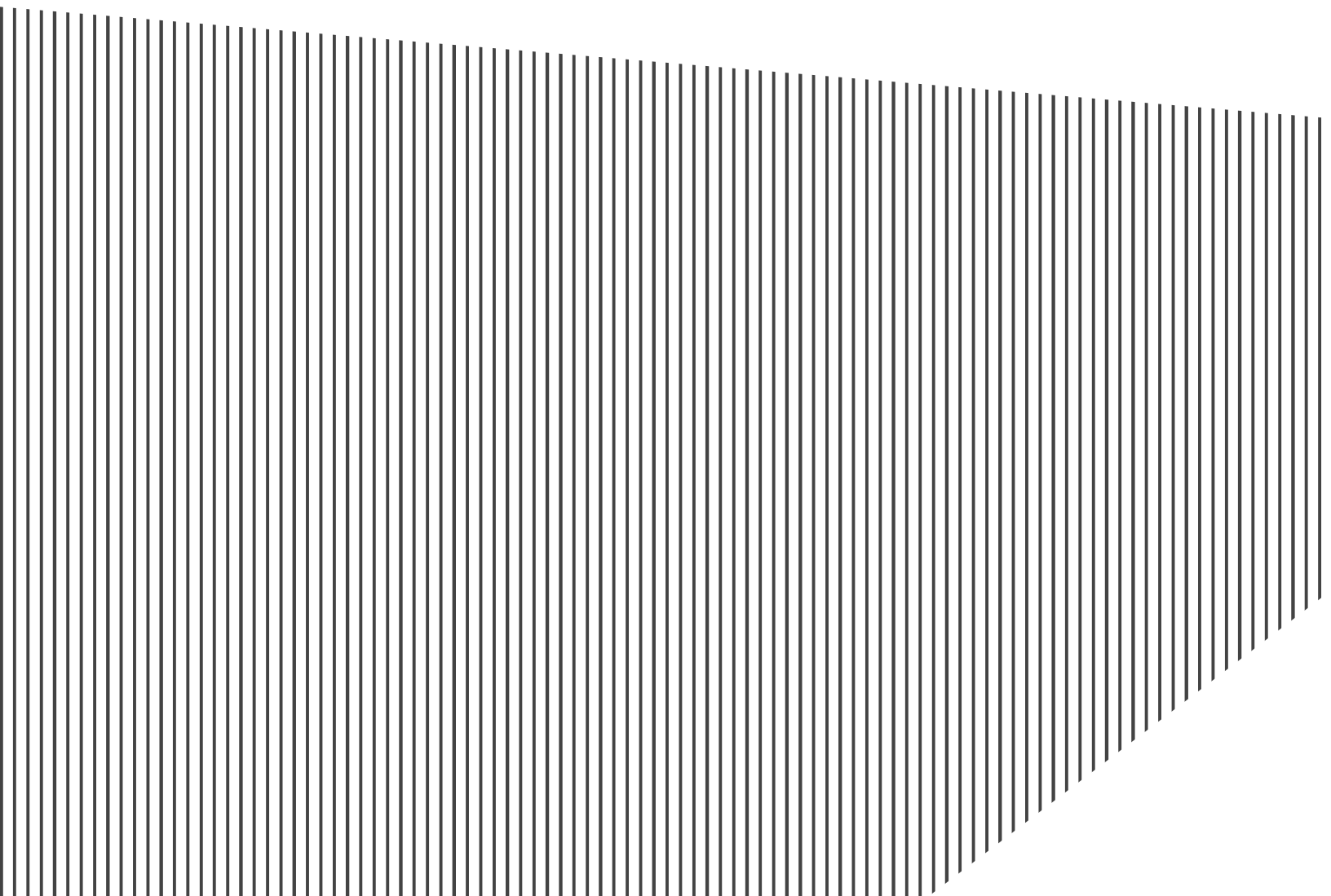
Assurance | Tax | Transactions | Advisory

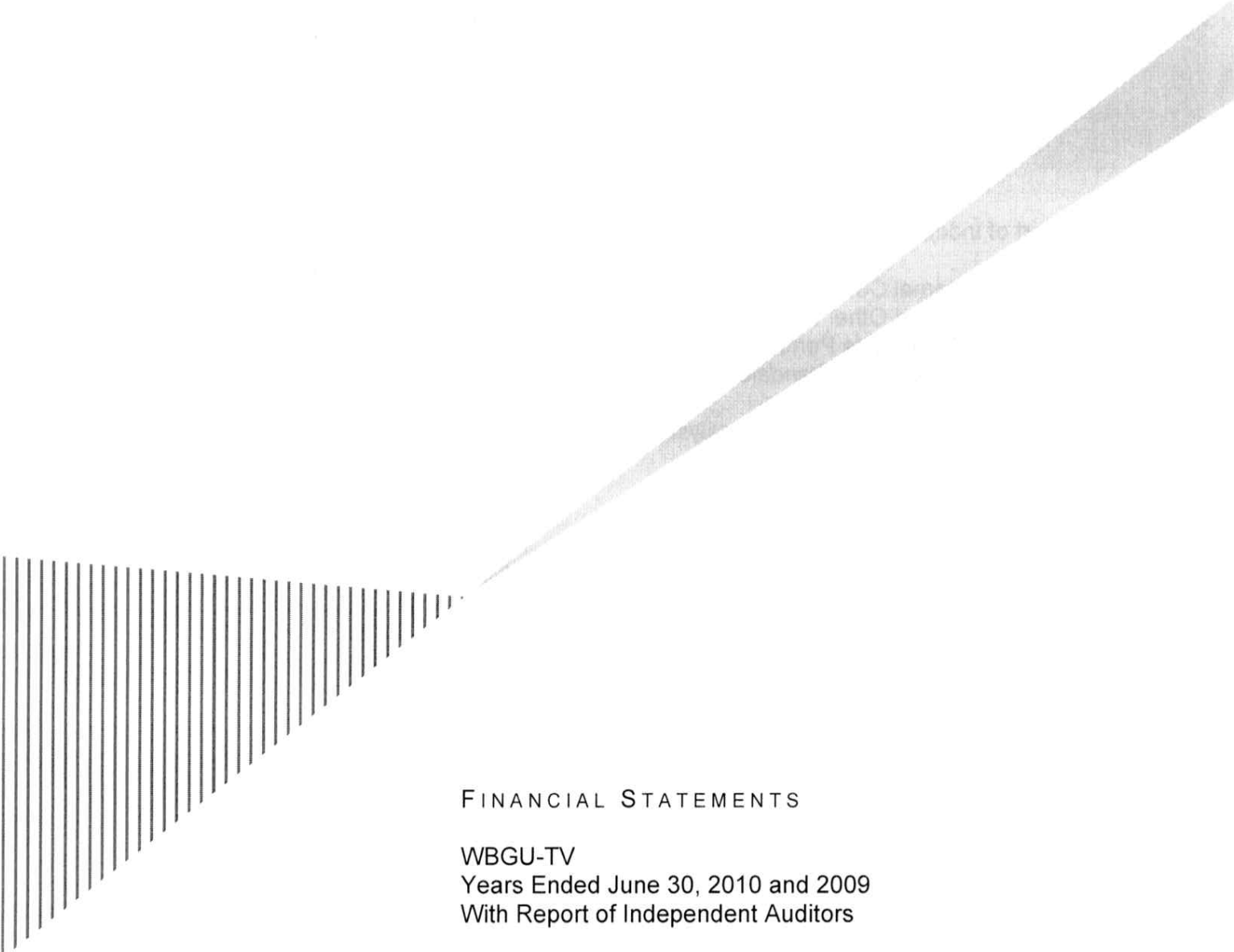
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FINANCIAL STATEMENTS

WBGU-TV  
Years Ended June 30, 2010 and 2009  
With Report of Independent Auditors

Ernst & Young LLP

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WBGU-TV

Financial Statements

Years Ended June 30, 2010 and 2009

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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, 2010 and 2009, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of WBGU-TV'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 WBGU-TV's internal control over financial reporting. Our audit 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 Organization'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 opinion.

As discussed in Note 1, the financial statements of WBGU-TV are intended to present the financial position, the changes in financial position and the cash flows 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, 2010 and 2009, the changes in its financial position or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WBGU-TV as of June 30, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended in conformity with US generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2010 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 5 through 8 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 6, 2010

**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 of WBGU-TV

We have audited the financial statements of WBGU-TV as of and for the year ended June 30, 2010 and have issued our report thereon dated December 6, 2010. 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.

**Internal control over financial reporting**

In planning and performing our audit, 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.

### **Compliance and other matters**

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

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 6, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Overview of the Financial Statements and Financial Analysis

This section of the WBGU-TV annual financial report presents management's discussion and analysis of the financial performance of Bowling Green State University (the University) during the fiscal years ended June 30, 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 the 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 was positively impacted in fiscal year 2010, as the investment markets began stabilizing and recovering from the prior year's significant declines.

WBGU-TV's financial position, as a whole, improved during the fiscal year ended June 30, 2010 as compared to the previous year; key contributing factors are identified below:

- WBGU's total assets decreased over the prior year by approximately \$185,000, of which \$313,000 is attributed to a decrease in total current assets and is primarily due to a decrease in cash and cash equivalents due to normal operating activity. Offsetting this decrease is an increase in total noncurrent assets of \$127,000, which is primarily due to the overall improvement in market values of investments.
- Total liabilities increased by approximately \$78,000, of which \$104,000 is attributed to an increase in current liabilities, with \$368,000 related to the University Employee Separation Program (UESP) and an offsetting increase of \$258,000 related to a reduction in future grant revenues. Noncurrent liabilities decreased by \$26,000, which is due to decreased accrued vacation and sick pay related to the UESP.

WBGU-TV

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

- WBGU-TV's net assets are approximately \$5,665,000, which is a decrease of \$263,000 from the prior year. As noted above, contributing to the change was the decrease in cash and increase in investments. Of the total net assets, \$3,117,000 is invested in either capital equipment or is restricted.
- WBGU-TV's total operating revenues increased by \$312,000 from the prior year, with \$405,000 related to a grant for capital equipment and offset by a decrease of \$91,000 in fees and services due to less production activity.
- WBGU's total operating expenses increased by \$152,000 from the prior year, with \$368,000 related to the UESP and \$103,000 related to equipment purchases offset by a decrease of \$189,000 in program acquisitions, \$61,000 in reduction of salaries, and \$50,000 in depreciation expense.
- Non-operating revenues increased by \$255,000 from the prior year, with \$391,000 due to an increase in market value (realized and unrealized gains) on investments offset by a decrease of \$119,000 in operating subsidy from the University.

**Condensed Statement of Net Assets  
as of June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Current assets	\$ 4,506,854	\$ 4,819,432
Non-current assets:		
Capital assets	2,088,963	2,043,334
Other	1,028,052	946,281
Total non-current assets	<u>3,117,015</u>	<u>2,989,615</u>
Total assets	<u>7,623,869</u>	<u>7,809,047</u>
<b>Liabilities</b>		
Current liabilities	1,869,130	1,765,373
Non-current liabilities	90,221	116,164
Total liabilities	<u>1,959,351</u>	<u>1,881,537</u>
<b>Net assets</b>		
Invested in capital assets	2,088,963	2,043,334
Unrestricted	2,547,503	2,937,895
Restricted for:		
Nonexpendable endowments	724,807	724,807
Expendable	303,245	221,474
Total net assets	<u>\$ 5,664,518</u>	<u>\$ 5,927,510</u>

WBGU-TV

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

**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.

Comparison information is not presented for 2008 as changes are not meaningful.

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

	<u>2010</u>	<u>2009</u>
<b>Operating revenues:</b>		
Contributions and memberships	\$ 432,051	\$ 402,704
Contributed services	218,905	253,829
Fees and services	381,726	466,766
Grants and contracts	1,942,401	1,541,158
Other operating revenue	26,262	24,399
Total operating revenues	<u>3,001,345</u>	<u>2,688,856</u>
<b>Operating expenses:</b>		
Program services	4,035,493	3,944,128
Supporting services	1,413,165	1,352,539
Total operating expenses	<u>5,448,658</u>	<u>5,296,667</u>
Operating loss	(2,447,313)	(2,607,811)
<b>Non-operating revenues:</b>		
Operating subsidies	1,559,976	1,678,898
Donated facilities and support	507,516	510,826
Investment loss, net	116,684	(274,575)
Other non-operating revenues	145	14,403
Total non-operating revenues	<u>2,184,321</u>	<u>1,929,552</u>
Change in net assets	(262,992)	(678,259)
Net assets at the beginning of the year	5,927,510	6,605,769
Net assets at the end of year	<u>\$ 5,664,518</u>	<u>\$ 5,927,510</u>

## WBGU-TV

### MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

#### **2010 versus 2009:**

The most significant sources of operating revenue for WBGU-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 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 and uncapitalized equipment expenses of \$103,000 are 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 the current year, 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. The University has not been asked or required to provide any capital funds toward this mandated conversion. WBGU-TV has been able to fund over \$3 million of this transition through private fund raising, competitive federal grants, and designated appropriations from the Ohio General Assembly. Approximately \$900,000 of those funds have been expended during FY 2010.

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. While the ever-increasing opportunities for video customers to choose from more and more options slowly erodes the customer base for WBGU-TV, there have been larger losses in recent years due to carriage drops by cable companies as a result of decreased federal requirements to retransmit WBGU-TV's signals to many of the small and medium sized communities which supported the station over the past 35 years or more. The recent increase in direct broadcast satellite to homes has also had a negative impact on viewing of WBGU-TV, because Federal law again does not require Direct TV and DISH Network to carry WBGU-TV to homes in most areas served by the station over the air signals. On the positive side, the Lima, Ohio, market is likely to have direct satellite services in the next year and will be carrying WBGU signals as part of local service. This should increase viewing and also increase member support. Also on the positive side is the increasing appreciation of the WBGU-TV multicast service for many households. This increased appreciation can and should lead to increased support from current and/or new members.

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 2010 net donative dollars. Because of the economy, support funding for WBGU-TV from the Ohio legislature will be reduced during FY 2011 by another 10%, putting a strain on other grants and donated dollars to maintain the minimum technical staffing for broadcast operations. The same Ohio economic conditions have created cuts in state support to the University which in turn has again reduced support for WBGU-TV for the second consecutive year. During FY 2010, the staff of WBGU-TV was reduced by six positions due to the UESP sponsored by the University, in addition to one other position due to a retirement not included in the UESP. These past 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**

	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 4,332,998	\$ 4,656,320
Receivables:		
Accounts receivable	1,095	15,304
Grants and contracts	118,532	118,339
Costs incurred for programs not yet broadcast	54,229	29,469
Total current assets	4,506,854	4,819,432
<b>Noncurrent assets:</b>		
Endowment investments	1,028,052	946,281
Capital assets, net	2,088,963	2,043,334
Total noncurrent assets	3,117,015	2,989,615
Total assets	7,623,869	7,809,047
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	414,517	43,497
Deferred revenue	1,315,613	1,572,876
Current portion of accrued compensated balances	139,000	149,000
Total current liabilities	1,869,130	1,765,373
<b>Noncurrent liabilities:</b>		
Accrued compensated absences (net of current portion)	90,221	116,164
Total liabilities	1,959,351	1,881,537
<b>Net assets:</b>		
Invested in capital assets	2,088,963	2,043,334
Unrestricted	2,547,503	2,937,895
Restricted for:		
Nonexpendable endowments	724,807	724,807
Expendable	303,245	221,474
Total net assets	\$ 5,664,518	\$ 5,927,510

*See accompanying notes*



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

	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
<b>Operating revenues:</b>		
Contributions and memberships	\$ 432,051	\$ 402,704
Contributed services	218,905	253,829
Fees and services:		
Public broadcasting services	283,854	334,748
Business and industry	97,872	132,018
Federal grants	(15,447)	87,250
State and local grants	924,732	478,097
Private and other grants	1,033,116	975,811
Royalties	12,605	9,035
Miscellaneous	13,657	15,364
Total operating revenues	<u>3,001,345</u>	<u>2,688,856</u>
<b>Expenses</b>		
<b>Operating expenses:</b>		
Program services:		
Programming and production	2,451,810	2,390,998
Broadcasting	1,304,471	1,325,316
Public information and promotion	279,212	227,814
Supporting services:		
Management and general	848,591	940,425
Fundraising and membership development	564,574	412,114
Total operating expenses	<u>5,448,658</u>	<u>5,296,667</u>
<b>Operating loss</b>	(2,447,313)	(2,607,811)
<b>Nonoperating revenues (expenses)</b>		
Operating subsidies	1,559,976	1,678,898
Donated facilities and support	507,516	510,826
Investment income (loss), net	116,684	(274,575)
Capital grants and gifts	145	643
Endowment grants and gifts	-	13,760
Net nonoperating revenues	<u>2,184,321</u>	<u>1,929,552</u>
Change in net assets	(262,992)	(678,259)
<b>Net assets</b>		
Net assets at the beginning of year	5,927,510	6,605,769
Net assets at the end of year	<u>\$ 5,664,518</u>	<u>\$ 5,927,510</u>

*See accompanying notes*

**WBGU-TV**  
**Statements of Cash Flows**  
**Years Ended June 30**

	<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities</b>		
Contributions and memberships	\$ 432,051	\$ 402,704
Fees and services	398,880	403,905
Grants	1,827,695	2,117,248
Royalties	12,605	9,035
Other receipts	63,657	612,563
Payments to vendors for supplies and services	(1,760,814)	(1,427,354)
Payments to employees and benefits	<u>(2,245,938)</u>	<u>(2,225,586)</u>
Net cash used in operating activities	<u>(1,271,864)</u>	<u>(107,485)</u>
<b>Cash flows from noncapital financing activities</b>		
Operating subsidies	<u>1,559,976</u>	<u>1,678,898</u>
Net cash provided by noncapital financing activities	<u>1,559,976</u>	<u>1,678,898</u>
<b>Cash flows from capital financing activities</b>		
Purchase of capital assets	(646,492)	(216,865)
Capital grants	<u>145</u>	<u>643</u>
Net cash used in capital financing activities	<u>(646,347)</u>	<u>(216,222)</u>
<b>Cash flows from investing activities</b>		
Investment income	<u>34,913</u>	<u>32,772</u>
Net cash provided by investing activities	<u>34,913</u>	<u>32,772</u>
Net (decrease) increase in cash	(323,322)	1,387,963
Cash at beginning of year	<u>4,656,320</u>	<u>3,268,357</u>
Cash at end of year	<u>\$ 4,332,998</u>	<u>\$ 4,656,320</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>		
Operating loss	\$ (2,447,313)	\$ (2,607,811)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	600,541	639,043
Loss on retirement of assets	322	15,400
Donated facilities and support	507,516	510,826
Changes in assets and liabilities:		
Accounts receivable, net	14,016	(101,196)
Costs incurred for programs not yet broadcast	(24,760)	96,395
Accounts payable	3,505	(7,523)
Accrued wages and vacation pay	331,572	(9,282)
Deferred revenue	<u>(257,263)</u>	<u>1,356,663</u>
Net cash used by operating activities	<u>\$ (1,271,864)</u>	<u>\$ (107,485)</u>

See accompanying notes

## WBGU-TV

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 and 2009

#### 1. ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: WBGU-TV is a part of the Bowling Green State University (the University) financial reporting entity. WBGU-TV provides public broadcasting and is licensed to and operated by the University. The accompanying financial statements include only the funds of WBGU-TV and do not extend to any financial statements of the University or its component units, Bowling Green State University Foundation, Inc. (the Foundation) and Centennial Falcon Properties, Inc. (the Corporation). The financial statements of the University 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 and may include funds that have been allocated to WBGU-TV by the University that are unspent. WBGU-TV considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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

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 statement of revenues, expenses, and changes in net assets. Deferred revenue also includes amounts received from grant and contract sponsors that have not been earned.

WBGU-TV

NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2010 and 2009

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. 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 nonexpendable endowments (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets restricted for nonexpendable endowments is classified as restricted for expendable net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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 was \$303,245 and \$221,474 at June 30, 2010 and 2009, 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 2010 and 2009.

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 \$13,983 and \$13,423 in 2010 and 2009, 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.

WBGU-TV

NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2010 and 2009

1. ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. For equipment, 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 nonexpendable endowments:* Restricted nonexpendable endowments are gifts that have been received for endowment purposes, the corpus of which cannot be expended.

*Restricted for expendable:* Restricted for expendable net assets include resources that WBGU-TV is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or that 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 statement 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 for various indirect administrative services. These donations are recorded at their estimated fair value with a corresponding expense.

WBGU-TV

NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2010 and 2009

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, 2010 and 2009 consisted of:

	2010		2009	
	Hours	Value	Hours	Value
Programming and production	958	\$ 19,974	903	\$ 18,285
Public information and promotion	11	236	27	547
Fundraising	572	11,920	481	9,740
Management and general	320	6,672	350	7,088
Total	<u>1,861</u>	<u>\$ 38,802</u>	<u>1,761</u>	<u>\$ 35,660</u>

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

Administrative Support and Donated Facilities from the University: Administrative support and donated facilities are calculated and recorded as both revenue and expense based on the University's "modified other sponsored activities indirect cost rate" as defined by the CPB, which was 1.2% for the fiscal years ended June 30, 2010 and 2009. Donated facilities and administrative support from the University consist 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 the University. The University, as an instrumentality of the State of Ohio, is excluded from Federal income taxes under Section 115 of the Internal Revenue Code (as amended). Therefore, this exemption extends to the operations of WBGU-TV.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement 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.

Reclassification: Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 presentation.

WBGU-TV

NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2010 and 2009

2. CASH AND INVESTMENTS

The Government Accounting Standards Board (GASB) under 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, 2010 and 2009 are pooled funds, which are held and managed by the University and the Foundation.

Endowment investments represent WBGU-TV's share of pooled investment funds held and managed by the Foundation. The value of these investments held by the Foundation as of June 30, 2010 and 2009 was as follows:

	2010	2009
WBGU-TV Silver Anniversary	\$ 976,917	\$ 899,938
WBGU-TV Programming Endowment Fund	29,498	26,411
WBGU-TV Equipment	21,637	19,932
Total	<u>\$ 1,028,052</u>	<u>\$ 946,281</u>

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, 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	<u>\$ 2,043,334</u>	<u>\$ 45,951</u>	<u>\$ 322</u>	<u>\$ 2,088,963</u>

WBGU-TV

NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2010 and 2009

3. CAPITAL ASSETS (Continued)

Capital asset and accumulated depreciation activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Buildings	2,410,108	-	-	2,410,108
Equipment	10,555,720	216,865	1,829,572	8,943,013
Total capital assets	13,005,828	216,865	1,829,572	11,393,121
Less accumulated depreciation	10,524,916	639,043	1,814,172	9,349,787
Capital assets, net	<u>\$ 2,480,912</u>	<u>\$ (422,178)</u>	<u>\$ 15,400</u>	<u>\$ 2,043,334</u>

4. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The composition of accounts payable and accrued expenses at June 30, 2010 and 2009 was as follows:

	2010	2009
Accounts payable	\$ 28,792	\$ 25,287
Accrued payroll	18,218	18,210
Employee separation program	367,507	-
Total	<u>\$ 414,517</u>	<u>\$ 43,497</u>

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 includes 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, 2010 in the amount of \$367,507.



WBGU-TV

NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2010 and 2009

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, 2010, are summarized as follows:

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

Compensated absences for June 30, 2009, are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Vacation pay	\$ 180,984	\$ 6,176	\$ 2,143	\$ 185,017	\$ 142,000
Sick leave	67,612	12,535	-	80,147	7,000
Total	<u>\$ 248,596</u>	<u>\$ 18,711</u>	<u>\$ 2,143</u>	<u>\$ 265,164</u>	<u>\$ 149,000</u>

WBGU-TV

NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2010 and 2009

6. RETIREMENT BENEFITS

All employees of WBGU-TV are employees of the University and are covered by Public Employees Retirement System of Ohio (OPERS), a cost sharing, multiple-employer defined benefit pension plan. The plan provides retirement, disability, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code (ORC). OPERS issues stand-alone financial reports. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio, 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377 for OPERS.

The ORC provides statutory authority for employee and employer contributions and administers three separate pension plans as described below:

*Traditional Pension Plan:* a cost sharing, multiple-employer defined benefit pension plan.

*Member-Directed Plan:* a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulated retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

*Combined Plan:* a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Member and employer contribution rates were consistent across all three plans. For the calendar year 2007, employees contributed 9.5% while the University contributed 13.77%. For the calendar years 2008, 2009, and 2010, employees contributed 10.0% while the University contributes 14.0% of covered payroll. The total WBGU-TV employer contributions to OPERS for the years ended June 30 2008, 2009, and 2010 were \$203,730, \$201,250, and \$202,391, respectively, which was equal to 100% of the required contributions for each year. A portion of these employer contributions is allocated to healthcare as disclosed in Note 7.

Ohio Amended Substitute House Bill 586 (Ohio Revised Code 3305.2) became effective March 31, 1998, authorizing an alternative retirement system (ARP) for administrative university employees of public institutions of higher education who are currently covered by the OPERS. The University board of trustees adopted such a plan effective January 25, 2000. Ohio Amended Substitute Senate Bill 133 became effective September 15, 2004, authorizing participation in an alternative retirement system (ARP) by classified university employees. On September 30, 2005, the University's board of trustees amended its alternative retirement plan to conform with this legislative change effective August 1, 2005. This plan is a defined contribution plan under IRS section 401(a). For the calendar years 2008, 2009, and 2010, employees contributed 10.0% while the University contributes 14.0% of covered payroll. The University's total contribution on behalf of WBGU-TV to ARP for the years ended June 30, 2009 and 2010, was \$22,118 and 24,052, respectively. The WBGU-TV employee contributions for the years ended June 30, 2009 and 2010, were \$15,799 and \$17,180, respectively.

WBGU-TV

NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2010 and 2009

6. RETIREMENT BENEFITS (Continued)

Employees have 120 days from their employment date to select a retirement plan. A retiree of OPERS is eligible for re-employment following the lapse of two months from the date of retirement. Contributions are made by the re-employed member and employer during the re-employment. Upon termination of re-employment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount for the DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

7. POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 6, the Ohio Revised Code provides the statutory authority requiring the University to fund postretirement health care through employer contributions to OPERS.

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans:

*Traditional Pension Plan:* a cost-sharing, multiple-employer defined benefit pension plan

*Member-Directed Plan:* a defined contribution plan

*Combined Plan:* a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

WBGU-TV

NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2010 and 2009

7. POST EMPLOYMENT BENEFITS (Continued)

The Ohio Revised Code (ORC) permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

The ORC provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. A portion of each employer's contribution is set aside for the funding of postretirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, employers contributed 14% of covered payroll to both OPERS and OPEB. The ORC currently limits the employer contributions to a rate not to exceed 14% of covered payroll. Active members do not make contributions to the OPEB Plan.

The OPEB Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year OPERS Retirement Board determines the portion of employer contribution rate that will be set aside for funding of the post employment health care benefits. The portion of employer contributions allocated to the health care plan was 7.0% from January 1 through March 31, 2009, and 5.5% from April 1 through December 31, 2009. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided to retirees and surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Summary of Assumptions:

*Actuarial Review:* The assumptions and calculations below were based on OPERS' latest actuarial review performed as of December 31, 2008.

*Funding Method:* The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

*Assets Valuation Method:* All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

*Investment Return:* The investment assumption rate for 2008 was 6.50%.

*Active Employee Total Payroll:* An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. In addition, annual pay increases over and above the 4.00% base increase were assumed to range from 0.50% to 6.30%.

*Health Care:* Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50% to 3.00% for the next six years. In subsequent years, (seven years and beyond) health care costs were assumed to increase at 4.00% (the projected wage inflation rate).

WBGU-TV

NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2010 and 2009

7. POST EMPLOYMENT BENEFITS (Continued)

OPEB is advance-funded on an actuarially determined basis.

*Participants:* The Traditional Pension and Combined Plans had 357,584 active contributing participants as of December 31, 2009. The number of active contributing participants for both plans used in the December 31, 2008 actuarial valuation was 356,388.

*Contributions:* A portion of employer's contributions made to OPEBs for all employees is allocated to health care. The total employer contributions allocated to OPEB for the years ended June 30, 2008, 2009, and 2010 were \$88,765, \$100,620, and \$79,722, respectively, which is equal to 100% of the required contributions for each year.

*Actuarial Value:* The amount of \$10.7 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2008.

*Liability:* Based on the actuarial cost method used, the actuarial valuation as of December 31, 2008 reported the actuarial accrued liability and the unfunded actuarial accrued liability for OPEB at \$29.6 billion and \$18.9 billion, respectively.

*Preservation Plan:* The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the Health Care Plan.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. This plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

8. CORPORATION FOR PUBLIC BROADCASTING GRANTS

The CPB is a private, nonprofit 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 the years ended June 30, 2010 and 2009, the grant funds recorded as revenue were as follows:

	2010	2009
Community Service Grant	\$ 808,920	\$ 744,878
Interconnection Grant	24,573	7,399
Digital Conversion Grant	119,094	169,215
Total	<u>\$ 952,587</u>	<u>\$ 921,492</u>

## WBGU-TV

### NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2010 and 2009

#### 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, 2010 and 2009 amounted to \$1,559,976 and \$1,678,898, respectively. In addition, the University provided for the years ended June 30, 2010 and 2009, an estimated \$507,516 and \$510,826 of indirect administrative support, respectively. The indirect administrative support revenue was calculated using the University's "modified other sponsored activities indirect costs rate" of 1.2%.

#### 10. CONTINGENCIES

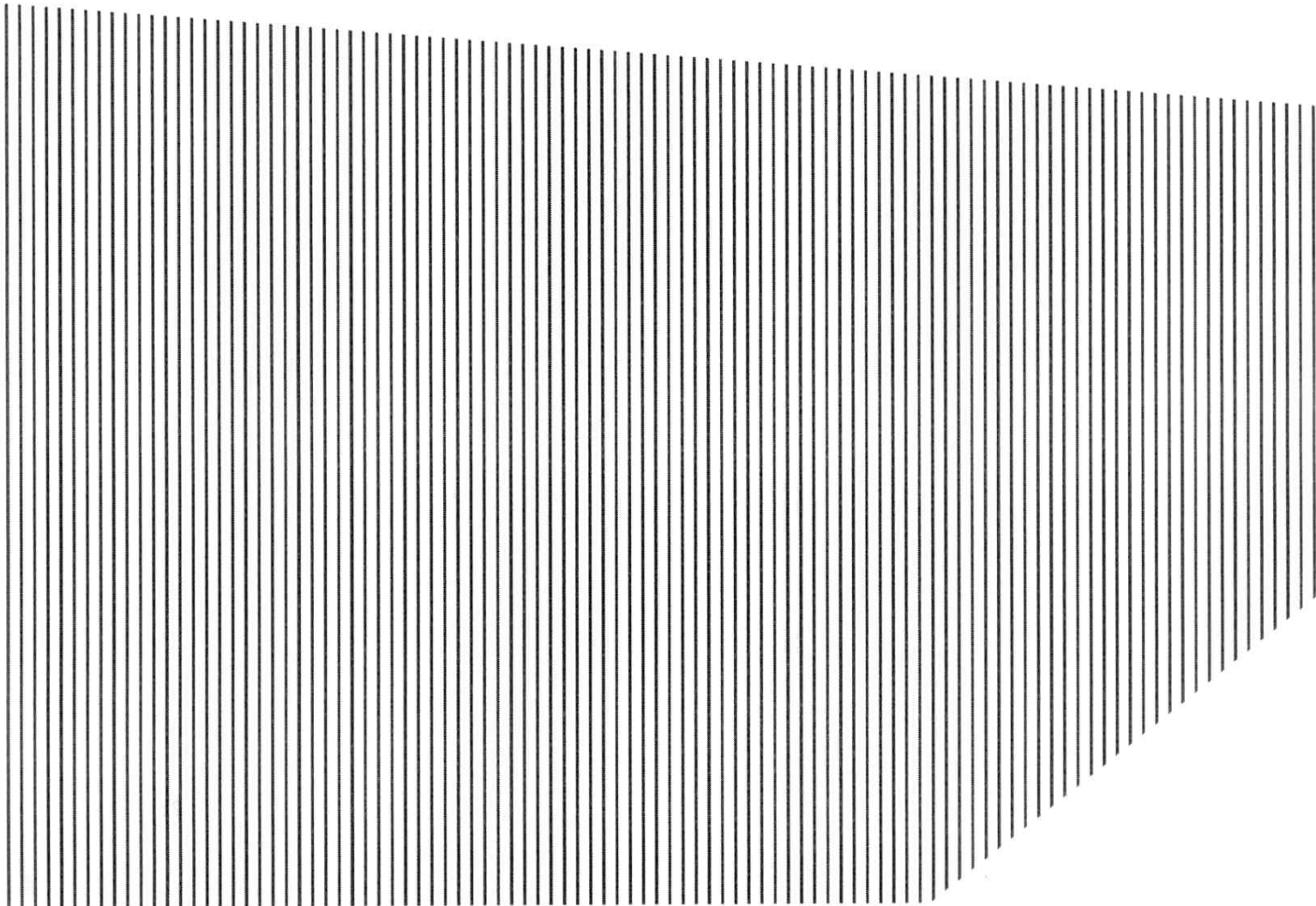
WBGU-TV receives grants and contracts from certain federal, state, and local agencies to fund research and other activities. Revenues from government grants and contracts are recognized when all eligibility requirements have been met. The University records indirect costs related to such grants and contracts 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 believe any adjustments of costs resulting from such examination by the granting agency would be insignificant.

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Report of Independent Auditors  
On Applying Agreed Upon Procedures

Dr. Carol. A Cartwright, President  
Bowling Green State University

We have performed the procedures enumerated below, which were agreed to by Bowling Green State University (the University) and the National Collegiate Athletic Association (NCAA), solely to assist you with respect to complying with NCAA bylaws for the year ended June 30, 2010. The University's management is responsible for the accompanying Schedule of Operating Revenues and Expenditures. 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. Schedule of the Operating Revenues and Expenditures and Internal Controls**

1. We obtained the Schedule of Operating Revenues and Expenditures (Schedule 1) for the Intercollegiate Athletics Department (the Department) for the year ended June 30, 2010, as prepared by management. We recomputed the subtotal and total line items on Schedule 1 and agreed all amounts on the Schedule 1 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 operating revenues and expenditures per Schedule 1 for fiscal years 2010 and 2009. We obtained management's explanations for variations greater than \$50,000 and 10% of each revenue and expenditure line item in the aggregate as follows:
  - a. Football game guarantee revenue decreased \$225,000 or approximately 38%. 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 decline in the number and amounts received for out-of-conference games. In the 2008-2009 football season the University received smaller guarantees from



Missouri and Marshall compared to the amounts received from Pittsburgh, Boise State, and Wyoming in the 2009-2010 football season.

- b. Football NCAA Distribution revenue increased \$230,000 or 100%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to a NCAA distribution for participating in the Humanitarian bowl game in the 2009-2010 season.
- c. Football coaches' salaries decreased approximately \$227,600 or 18%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease was due to the coaching transition experienced in the prior year in which the head football coach received a \$250,000 buyout.
- d. Football team travel expense increased approximately \$379,200, or 1,290%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that there was an increase in team travel expense associated with the Humanitarian Bowl game which was located at Boise, ID for the 2009-2010 season compared to the 2008-2009 season in which the team did not participate in a bowl game, as well as better tracking of football team travel expense into the appropriate line item rather than being recorded in other travel expense.
- e. Football other travel expense decreased approximately \$390,000, or 67%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease relates to better tracking of football recruiting and team travel expense into the appropriate line item rather than being recorded in other travel expense.
- f. Football recruiting expense increased approximately \$103,300 or 449,046%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase relates to better tracking of football recruiting expense into the appropriate line item rather than being recorded in other travel expense.

- g. Football financial aid expense increased approximately \$240,000 or 15%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this increase was due to eight fewer grants offered in fiscal year 2009 as compared to the NCAA limit of 85 offered in the current fiscal year.
- h. Football equipment expense increased approximately \$78,600 or 50%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that \$53,000 of this increase is associated to new uniforms from Adidas.
- i. Football game guarantee expense increased \$225,000 or approximately 129%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to one additional payout in fiscal year 2010 for a home game against Boise State University as compared to fiscal year 2009.
- j. Men's basketball game guarantee revenue decreased \$50,000 or 36%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease was due to the participation in one game in the 2009-2010 basketball season at Xavier as compared to two games in the previous year at both Minnesota and Ohio State.
- k. Men's basketball team travel expense increased approximately \$99,000 or 4,777%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase relates to better tracking of team travel expense into the appropriate line item rather than being recorded as other travel expense.
- l. Men's basketball other travel expense decreased approximately \$144,400 or 79%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease relates to better tracking of team travel expense into the appropriate line item rather than being recorded as other travel expense.

- m. Men's basketball financial aid expense increased approximately \$82,300 or 35%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase is due to additional aid awarded, higher cost of summer tuition, and more out of state student-athletes on the basketball team in current year as compared to the 2008-2009 basketball season.
- n. Hockey coaches' salaries increased approximately \$50,200 or 22%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase is due to a \$20,000 vacation payout to an outgoing coach and an increase of \$40,000 due to double staffing for nearly two months during the new coaching personnel's transition.
- o. Hockey team travel expense increased approximately \$69,000 or 12,420%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase relates to better tracking of team travel expense into the appropriate line item rather than being recorded as other travel expense.
- p. Hockey other travel expense decreased approximately \$107,900 or 80%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease relates to better tracking of team travel expense into the appropriate line item rather than being recorded as other travel expense.
- q. Hockey financial aid expense increased approximately \$67,300 or 18%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase is due to more players being eligible and receiving aid as well as the increase in tuition rates as compared to prior year. Additionally, there was better classification in the current year of financial aid into the appropriate sports category instead of the non-program specific category.
- r. Other sports team travel expense increased approximately \$474,000 or 2,754%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase relates to better

tracking of team travel expense into the appropriate line item rather than being recorded as other travel expense.

- s. Other sports other travel expense decreased approximately \$605,600 or 90%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease relates to better tracking of team and recruiting travel expense into the appropriate line items rather than being recorded as other travel expense.
- t. Other sports recruiting travel expense increased approximately \$106,800 or 3,236%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase relates to better tracking of recruiting travel expense into the appropriate line items rather than being recorded as other travel expense.
- u. Other sports financial aid expense increased approximately \$241,000 or 10%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to summer school aid that was previously recorded into the non-program specific category are now recorded to the actual sport category.
- v. Non-program NCAA distribution revenue increased approximately \$87,000 or 10%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due primarily to increased distributions associated with the student athlete opportunity fund.
- w. Non-program specific sports camp revenue decreased by approximately \$126,900 or 24%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease relates to the loss of two camps at the University due to a change in NCAA rules as well as a decrease in enrollment.
- x. Non-program specific miscellaneous revenue decreased by approximately \$138,400 or 39%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the

decrease in miscellaneous revenue was due to decreases in meal plan refunds, concessions, auxiliary income and merchandise as compared to prior year.

- y. Non-program specific other salaries expense decreased approximately \$245,100 or 12%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease was caused by the required furlough all University employees were required to take, staff reductions and the elimination of various positions in the current year.
- z. Non-program specific other travel expense decreased approximately \$134,500 or 57%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease was due to an increased focus on associating travel expenses to the actual sport category instead of the non-program specific category.
- aa. Non-program specific financial aid decreased by approximately \$458,100 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 summer school allocations being classified in the specific sport category instead of in the non-program specific category.
- bb. Non-program specific equipment expense decreased approximately \$52,400 or 98%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this decrease was due to recording expenses to the specific sports' category instead of the allocation to the non-program specific category as in the prior year.
- cc. Non-specific sports camp expense decreased by approximately \$82,200 or 20%. 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 fewer camps offered in fiscal year 2010 as well as a decrease in enrollment.
- dd. Non-program specific other allocated expenses decreased by approximately \$113,800 or 16%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that approximately \$40,700 of the decrease is due to MAC playoff ticket purchases being recorded in the specific sport category in the current year rather than in the

non-program specific category. Additionally, \$46,000 of the decrease is associated to additional expense incurred in the prior year as a result of printing media guides in the prior year.

3. We performed a comparison of actual operating revenues and expenditures per Schedule 1 to the budgeted amounts obtained from management. We obtained management's explanation for variations greater than \$50,000 and 10% of each operating revenue and operating expense line item in the aggregate. They included the following:
  - a. The actual amount of athletic grants and aid revenue was below budget by approximately \$135,200 or 56%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease is due to Dining Services' meal plan refunds being \$65,000 less than budget, and even though the budget was significantly reduced from prior year, the current activity did not meet the University's estimation.
  - b. The actual amount of student opportunity fund revenue was approximately \$189,900 or 100% higher 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 this revenue being budgeted in the Intercollegiate Athletics' account but actually recorded in the student opportunity fund account.
  - c. The actual amount of marketing and promotions revenue was under budget by approximately \$354,800 or 67%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that revenue earned in the amount of approximately \$284,700 relating to marketing and promotions was recorded in the Intercollegiate Athletics account.
  - d. The actual amount for development revenue was lower than budget by approximately \$123,700 or 31%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was caused by earned revenue being recorded in the football account for the purchase of football tickets in order to meet attendance requirements instead of in the development account.
  - e. The actual amount of volleyball sport camp revenue was approximately \$50,500. 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 sport camp revenue. The University received a 15% commission on sport camps in order to subsidize any administrative costs associated. Additionally, sport camps consistently cross fiscal years, which increases the difficulty of budgeting.

- f. The actual amount of cheerleading camp revenue was approximately \$102,300. 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 sport camp revenue. The University received a 15% commission on sport camps in order to subsidize any administrative costs associated. Additionally, sport camps consistently cross fiscal years, which increases the difficulty of budgeting.
- g. Actual student opportunity fund expense was under budget by approximately \$84,000 or 70%. 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.
- h. Actual game staging expenditures were approximately \$58,900 or 52% over budget. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this primarily relates to additional costs for game workers, including police, parking and concessions, above budgeted amounts.
- i. Actual special games expenditures were approximately \$61,500 or 57% under budget. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to the University transferring budgeted dollars from specific sports operation account to the special games account in the current year in efforts to decrease spending at the individual sports level.
- j. Actual basketball operations expenditures were approximately \$143,700 or 16% 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 costs for grant-in-aid, equipment, and game officials being greater than expected.

- k. Actual football operations expense was over budget by approximately \$392,700 or 11%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was primarily due to a \$89,900 bonus paid to the new head football coach for continuing his tenure another season as well as football financial aid expense being approximately \$180,000 over budget as tuition costs increased and the University made conscientious efforts to allocate aid to the sport specific accounts as opposed to a non-program specific allocation in the previous year.
  - l. Actual men's baseball expenditures were approximately \$71,600 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 costs of meals, other travel, and letter of appointment for the assistant coaches.
  - m. Actual UCA cheerleading camp expenses were approximately \$120,500 or 100% over budget. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the University did not budget for this athletic camp as sport camps consistently cross fiscal years with expenses being dependent on when internal charges, such as room and board, are processed.
  - n. Actual bowl game expenditures were approximately \$255,900 or 100% over budget. 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 bowl games as qualification for participation is unknown prior to the season. As the University's football team participated in a bowl game in the prior year the resulting budget to actual variance exists.
- 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 10 items in



the cash receipts log from July 1, 2009 to June 30, 2010, 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 one outstanding note payable to the University for the scoreboard and one outstanding lease payable to the University for the purchase of two copiers. 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 note and lease payable are as follows:

	Principal	Interest	Total
2011	103,825	16,566	120,391
2012	99,417	12,414	111,831
2013	103,394	8,437	111,831
2014	107,529	4,301	111,831

8. We obtained all the listings of ticket sales for football, hockey, and men’s basketball. We agreed the ticket revenue per Schedule 1 to the total of the event sales report, in which we recomputed the revenue based on ticket prices. We found a \$(10,265) or (1.30)% difference in football, \$(2,678) or (2.63)% difference in men’s basketball, and a \$(2,998) or (2.14)% difference in hockey tickets sales revenue compared to Schedule 1.
  
9. We obtained the 2009-2010 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 Schedule 1. We noted an additional \$39,500 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 randomly selected a sample of five post season game proceeds revenue transactions from a detailed transaction listing. We agreed these to the supporting documentation, cash receipt and general ledger. We noted the University could not provide support for one of the items selected in the amount of \$540. We found no other 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 checks received or wire transfer and/or to the bank deposits. 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 supporting documentation or 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 supporting documentation or 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, cash receipt, and/or supporting documentation. We found no exceptions as a result of these procedures.
16. We randomly selected a sample of five sports camp revenue transactions and compared them to cash receipt and to the University's accounting records. 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 a sample of five stadium suites revenue from a detailed list of transactions. We agreed this transaction to the cash receipt or supporting documentation to the University's accounting records. We found no exceptions as a result of these procedures.
19. We obtained support for 100% of institutional support revenue recorded. We agreed transaction detail to journal entries and documentation supporting the transfer from the University to the Athletic Department. We found no exceptions as a result of these procedures.
20. We randomly selected a sample of five miscellaneous revenue transactions and agreed to supporting documentation and the general ledger. We found no exceptions as a result of these procedures.
21. 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 found no exceptions as a result of these procedures.
22. We randomly selected a sample of five coaches and support staff employed by the University from various men's and women's sports. We agreed the amounts paid to the contracts, and compared for reasonableness to W-2's and recorded expense per PeopleSoft. We noted no exceptions as a result of these procedures.
23. We randomly selected a sample of five staff benefit expenses, agreeing them to supporting documentation and the general ledger. We found no exceptions as a result of these procedures.
24. We randomly selected a sample of five non-employee compensation expenses, agreeing them to supporting documentation and the general ledger. We noted two items inappropriately classified in non-employee compensation expenses in the amount of \$8,000; however, this was appropriated reclassified to allocated expenses. No other exceptions were noted as a result of these procedures.

25. We obtained and documented our understanding of the University's recruiting expense and team travel policies, comparing them to the NCAA policies on a test basis. We found no exceptions as a result of these procedures.
26. We randomly selected a sample of five equipment expenses, agreeing them to supporting documentation and the general ledger. We found no exceptions as a result of these procedures.
27. We randomly selected a sample of five team travel expenses, agreeing them to supporting documentation and the general ledger. We found no exceptions as a result of these procedures.
28. We randomly selected a sample of five other travel expenses, agreeing them to supporting documentation and the general ledger. We noted one inappropriate classification of consulting fees in other travel in the amount of \$6,856; however, this was appropriately reclassified to allocated expenses.
29. We randomly selected a sample of five game guarantee expenses, agreeing them to supporting documentation and the general ledger. We found no exceptions as a result of these procedures.
30. We randomly selected a sample of five stadium suites expenses, agreeing them to supporting documentation and the general ledger. We found no exceptions as a result of these procedures.
31. We randomly selected a sample of five recruiting travel expenses, agreeing them to the supporting documentation and the general ledger. We found no exceptions as a result of these procedures.
32. We randomly selected a sample of five sports camp expenses, agreeing them to supporting documentation and the general ledger. We found no exceptions as a result of these procedures.
33. We randomly selected a sample of five facility rental expenses, agreeing them to supporting documentation and the general ledger. We found no exceptions as a result of these procedures.

34. We randomly selected a sample of five institutional membership transactions, agreeing them to supporting documentation and the general ledger. We noted one inappropriate classification of consulting fees in other travel in the amount of \$22,480; however, this was appropriately reclassified to allocated expenses.
35. We randomly selected a sample of five film and broadcasting expenses, agreeing them to supporting documentation and the general ledger. We found no exceptions as a result of these procedures.
36. We randomly selected a sample of five telephone expenses, agreeing them to supporting documentation and the general ledger. We found no exceptions as a result of these procedures.
37. We randomly selected a sample of five allocated expenses to agree to the appropriate documentation and the general ledger. We found no exceptions as a result of these procedures.
38. We compared contributions, received directly by the Athletic Department in excess of 10% of total contributions, to the accounting records of the University. We identified one significant contribution of \$4,646,424 for the Stroh Capital Project Fund from the Bowling Green State University Foundation (the Foundation), that exceeded 10% of all contributions for the year ended June 30, 2010 and made up 78.7% of total Booster Organization Support for the fiscal year. We agreed these to the check or wire transfer, noting no exception.

## **II. Booster Organizations**

1. We obtained the Schedule of Intercollegiate Athletics Program Support by Booster Organizations for the year ended June 30, 2010 (Schedule 2) from the Foundation.
2. We obtained a confirmation from the Foundation indicating that Schedule 2 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 Schedule 2 are not included in Schedule 1 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, 2010, which reflected an unqualified opinion.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items, including Schedule 1 and Schedule 2 or on the effectiveness of the internal control over financial reporting. 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 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 15, 2010

Bowling Green State University  
Intercollegiate Athletics Department  
Schedule of Operating Revenues and Expenditures  
Year Ended June 30, 2010

	<u>Men's Football</u>	<u>Men's Basketball</u>	<u>Men's Hockey</u>	<u>Other Sports</u>	<u>Non-Program Specific</u>	<u>Total</u>
<u>Operating Revenue:</u>						
Ticket Sales	\$ 787,154	\$ 101,737	\$ 140,020	\$ 85,893	\$ -	\$ 1,114,804
Post Season Game Proceeds	\$ 11,112	\$ -	\$ -	\$ -	\$ -	\$ 11,112
Concessions	\$ -	\$ -	\$ -	\$ -	\$ 64,734	\$ 64,734
Student Activity Fees	\$ -	\$ -	\$ -	\$ -	\$ 9,497,261	\$ 9,497,261
Institutional Support	\$ -	\$ -	\$ -	\$ -	\$ 410,337	\$ 410,337
Game Guarantees	\$ 375,000	\$ 90,000	\$ -	\$ 2,000	\$ -	\$ 467,000
NCAA Distribution	\$ 230,000	\$ -	\$ -	\$ -	\$ 987,476	\$ 1,217,476
Licensing/Sponsorships	\$ -	\$ -	\$ -	\$ -	\$ 503,047	\$ 503,047
Parking	\$ 58,557	\$ 2,732	\$ 14,224	\$ 2,162	\$ 25,495	\$ 103,170
Stadium Suites	\$ -	\$ -	\$ -	\$ -	\$ 222,689	\$ 222,689
Gifts	\$ -	\$ -	\$ -	\$ 496	\$ 276,320	\$ 276,816
Sports Schools & Camps	\$ -	\$ -	\$ -	\$ -	\$ 399,362	\$ 399,362
Miscellaneous	\$ -	\$ -	\$ 2,500	\$ 185	\$ 212,713	\$ 215,398
<b>Total Operating Revenues</b>	<b>\$ 1,461,823</b>	<b>\$ 194,469</b>	<b>\$ 156,744</b>	<b>\$ 90,736</b>	<b>\$ 12,599,434</b>	<b>\$ 14,503,206</b>
<u>Operating Expenditures:</u>						
Coaches' Salaries	\$ 1,037,856	\$ 328,059	\$ 273,846	\$ 1,279,133	\$ -	\$ 2,918,894
Other Salaries	\$ 56,507	\$ 45,338	\$ -	\$ 39,456	\$ 1,812,870	\$ 1,954,171
Staff Benefits	\$ 332,244	\$ 89,736	\$ 75,370	\$ 390,857	\$ 482,125	\$ 1,370,332
Non-Employee Comp. (Game Officials)	\$ 37,650	\$ 57,434	\$ 35,500	\$ 74,929	\$ 106,608	\$ 320,121
Films	\$ 49,534	\$ 2,500	\$ -	\$ 3,450	\$ 2,206	\$ 57,690
Travel:						
Team	\$ 408,608	\$ 97,085	\$ 69,488	\$ 491,265	\$ -	\$ 1,066,446
Other	\$ 190,520	\$ 38,148	\$ 27,802	\$ 69,423	\$ 100,967	\$ 426,860
Recruiting	\$ 103,304	\$ 25,325	\$ 19,898	\$ 110,109	\$ 4,347	\$ 262,983
Financial Aid	\$ 1,818,345	\$ 316,434	\$ 435,970	\$ 2,643,293	\$ 118,185	\$ 5,332,227
Equipment	\$ 237,044	\$ 27,640	\$ 85,177	\$ 154,175	\$ 1,135	\$ 505,171
Facility Rental	\$ -	\$ -	\$ -	\$ -	\$ 197,055	\$ 197,055
Game Guarantees	\$ 400,000	\$ 55,000	\$ 4,000	\$ 17,000	\$ -	\$ 476,000
Stadium Suites Internal Financing	\$ -	\$ -	\$ -	\$ -	\$ 122,345	\$ 122,345
Sports Camps	\$ -	\$ -	\$ -	\$ -	\$ 329,999	\$ 329,999
Memberships	\$ 100	\$ -	\$ 330	\$ 2,685	\$ 240,280	\$ 243,395
Telephone	\$ 13,121	\$ 3,706	\$ 7,868	\$ 18,749	\$ 70,062	\$ 113,506
Allocated Expenses	\$ 50,101	\$ 8,136	\$ 25,320	\$ 52,949	\$ 614,171	\$ 750,677
<b>Total Operating Expenses</b>	<b>\$ 4,734,934</b>	<b>\$ 1,094,541</b>	<b>\$ 1,060,569</b>	<b>\$ 5,347,473</b>	<b>\$ 4,202,355</b>	<b>\$ 16,447,872</b>
<b>Operating Revenues over (under) Expenditures</b>	<b>\$ (3,273,111)</b>	<b>\$ (900,072)</b>	<b>\$ (903,825)</b>	<b>\$ (5,256,737)</b>	<b>\$ 8,397,079</b>	<b>\$ (1,944,666)</b>





**BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC.**  
**BOOSTER ORGANIZATION SUPPORT**  
**FY ENDED June 30, 2010**

Schedule 2

<b>Booster Organization</b>	<b>Beginning Fund Balance</b>	<b>Gift Contributions</b>	<b>Non-contributions and other adjustments</b>	<b>Disbursement on behalf of program</b>	<b>Ending Fund Balance</b>
Convocation Center	(0.00)	-	-	-	(0.00)
Falcon Club Endw for Womens Athletics	45,629.44	1,150.00	5,051.21	-	51,830.65
Varsity BG Club	25,214.53	-	2,882.49	(1,053.55)	27,043.47
Vivian Endowed Hockey Schol.	111,349.17	-	11,276.44	-	122,625.61
Baseball/Softball Locker Room Project	12,436.49	35,848.00	(10,137.79)	(27,755.94)	10,390.76
Edway & Geraldine Johnson Schol for Sci	21,168.86	-	2,555.86	-	23,724.72
Men's Basketball Summer Schol Pgm	1,008.81	-	(12.11)	-	996.70
Stroh Capital Project Fund	3,517,539.47	978,206.11	182,847.72	(4,646,754.00)	31,839.30
Wilcox Athletic Schol	-	-	-	-	-
Wilcox Outstanding Coaches Award	-	-	-	-	-
Dr. Richard Barker Schol for Athl Trng	-	-	-	-	-
Defending Our Turf Campaign Fund	47,514.04	13,361.64	(370.84)	(46,583.78)	13,921.06
Bill Bradshaw Athletic Memorial Fund	(4.54)	-	4.54	-	0.00
Blackburn Student Athlete Avd Cmte Awrd	9,502.18	9,933.34	3,700.00	(6,479.79)	16,655.73
L. Eugene & Janet Farison Football Schol	20,376.01	-	2,320.37	-	22,696.38
Women's Basketball Endowment	32,095.52	7,500.00	4,065.94	-	43,661.46
Student-Athlete Academic Support Service	18,369.84	7,705.50	1,980.27	(14,330.24)	13,725.37
Falcon Invitational Fund	(1,516.44)	350.00	(16.10)	-	(1,182.54)
Falcon Club Bash Fund	18,207.42	7,451.00	2,724.66	(27,316.02)	1,067.06
Falcons Barnstorming Tour Fund	49.19	100.00	1,859.33	-	2,008.52
Ron Thompson Scholarship	-	-	-	-	-
Ice Arena Renovation	8,599.91	51,375.00	(411.45)	-	59,563.46
Golf Training Center Fund	(101.61)	9,500.00	(56.14)	(143.20)	9,199.05
Elizabeth M. Bacso Women's Athletic Fund	-	-	-	-	-
Women's Basketball Internat'l Travel	381.99	-	(4.58)	-	377.41
Hockey Endowment Fund (Schlshp)	-	36,251.00	7,518.54	-	43,769.54
Gregory A. Gettum Women's Golf Fund	-	-	-	-	-
Peter J. Winovich III Scholarship	-	-	-	-	-
S Hamilton '94 Varsity Ice Hockey Schol	-	515,800.00	26,562.78	-	542,362.78
Karen Merrels Hockey Fund	-	-	-	-	-
Janna Blais Student Athlete Scholarship	-	8,675.00	-	-	8,675.00
A.A. Green Family Varsity Hockey Schol.	-	50,000.00	2,651.82	-	52,651.82
Howick Family Hockey Scholarship	-	10,000.00	-	-	10,000.00
Pikul Family Varsity Hockey Scholarship	-	-	-	-	-
Class of 1985 Hockey Scholarship	-	3,575.00	-	-	3,575.00
Slater Family Varsity Hockey Scholarship	-	-	-	-	-
Legacy Varsity Hockey Scholarship	-	-	1,391.60	-	1,391.60
	<b>\$ 7,333,072.53</b>	<b>\$ 2,457,281.38</b>	<b>\$ 975,596.36</b>	<b>\$ (6,362,616.23)</b>	<b>\$ 4,403,334.04</b>

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# Dave Yost • Auditor of State

**BOWLING GREEN STATE UNIVERSITY**

**WOOD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 1, 2011**