Single Audit Report

Bowling Green State University
Years Ended June 30, 2012 and 2011
With Report of Independent Auditors

Ernst & Young LLP

Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Auditors* of the Bowling Green State University, Wood County, prepared by Ernst & Young LLP, for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

January 16, 2013

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Bowling Green State University

Single Audit Report

Years Ended June 30, 2012 and 2011

Contents

Bowling Green State University

Single Audit Report (continued)

Years Ended June 30, 2012 and 2011

Contents

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Report of Independent Auditors

The Board of Trustees
Bowling Green State University

We have audited the accompanying financial statements of the Bowling Green State University (the University), a component unit of the state of Ohio, and its aggregate discretely presented component units as of and for the years ended June 30, 2012 and 2011, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the University and its aggregate discretely presented component units, as of June 30, 2012 and 2011, and the respective changes in financial positions 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 12, 2012 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.

Accounting principles generally accepted in the United States require that management's discussion and analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were performed for the purpose of forming our opinions on the financial statements that collectively comprise the University's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by US Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst + Young LLP

October 12, 2012

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, 2012, 2011 and 2010. 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 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.

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

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

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

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

Noteworthy Financial Activity

The University's overall enrollment continued to improve in fiscal year 2012 for the third consecutive year with undergraduate headcount increasing from 17,225 in the Fall of 2011 to 17,475 in the Fall of 2012.

The University continued its long term planning initiatives to improve capital facilities and related infrastructures. Following the issuance of long-term debt during fiscal year 2010 (2010 Series A and B), the University successfully completed a performing arts facility (The Wolfe Center for the Arts) during fiscal year 2012. Also during 2012, the University began a significant planning phase of capital renewal within the academic core of campus, including renovations in four of the campus' oldest, historical classroom buildings. These projects, as well as various other smaller projects and renovations have begun.

The University's financial position, as a whole, improved during the fiscal year ended June 30, 2012 as compared to the previous year; key contributing factors are identified below:

- The University's total net assets increased over the prior year by $16.3 million. Total current assets decreased by $1.9 million overall, and is attributable to a decrease in investments of $4.4 million due to market value performance in 2012, and a decrease in net accounts receivable of $3.0 million primarily due to increased collection activity on third party contracts. These decreases are partially offset by an increase in cash of $3.7 million due to timing fluctuations in normal business operations at various points in time. Total non-current assets increased in total by $7.7 million; contributing factors include: a decrease of $5.0 million in restricted investments attributable to the drawdown of bond proceeds for construction projects, offset by an increase of $12.4 million in net capital assets relating to various construction projects including the Stroh Center, the

Wolfe Center for the Arts, utility projects, parking lot improvements, roofing projects, library improvements, Student Union Dining renovations, and various residential hall improvements.

- Total liabilities decreased by $10.6 million from the prior year. Long-term debt and other obligations decreased by $10.4 million due to payments on long-term debt. Total current liabilities remained fairly consistent with prior year.

- The University's total net assets are $475.9 million, compared to the prior year of $459.5 million, for an increase of $16.3 million. The overall increase is primarily attributable to investments in capital assets. Of the total net assets, $323.6 million is invested in either capital assets or is restricted. Of the remaining $152.3 million in unrestricted net assets, $111.7 million has been designated or allocated for specific academic, research and support purposes, reserves, and quasi-endowments.

- Total operating revenues increased by $367,000, while total operating expenses decreased 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 $2.9 million. The decreases are the result of reductions in salaries and benefits, printing costs, supplies, minor equipment and consulting expenses.

- Non-operating revenues decreased by $52.0 million over the prior year due to the following:

  - Reduction in state appropriations of $2.8 million.

  - Reduction of $13.0 million in Federal Fiscal Stabilization funds due to the discontinuance of funding appropriated under the American Recovery and Reinvestment Act of 2009 (ARRA).

  - Reduction in non-exchange grants and contracts of $4.5 million due to funding reductions in Pell grant funds ($2.4 million), Academic Competitive Grants ($1.3 million), and Ohio College Opportunity Grant ($600,000).

  - Decrease in net investment income over the prior year due to the overall investment market depreciation in 2012.

– A decrease of $12.3 million in investment income due to the 2011 recovery of the previous write-down of its investment in the Westridge Capital Management Fund. Any additional recoveries are uncertain at this time.

– Total other changes in net assets decreased by $6.5 million primarily due to a reduction in State capital appropriations received for the Wolfe Center of the Arts ($8.0 million reduction in 2011 compared to 2012) and various other projects ($3.6 million) compared to the prior year. These decreases were offset by a $1.1 million increase in funding received from the Foundation for the Stroh Center compared to the prior year, and a $3.9 million reduction in the funding contributions BGSU provided to Centennial Falcon Properties, Inc. and Subsidiaries compared to the prior year.

Bowling Green State University
Condensed Statement of Net Assets
as of June 30, 2012, 2011 and 2010 (in thousands)

	2012	2011	2010
Assets			
Current assets	$ 214,850	$ 216,749	$ 175,253
Non-current assets:			
Capital assets	393,711	381,342	342,215
Other	45,548	50,222	73,659
Total non-current assets	439,259	431,564	415,874
Total assets	654,109	648,313	591,127
Liabilities			
Current liabilities	50,669	50,795	54,358
Non-current liabilities	127,555	137,983	148,509
Total liabilities	178,224	188,778	202,867
Net assets			
Invested in capital assets, net of related debt	300,564	288,510	260,109
Restricted, expendable	23,030	1,558	3,518
Unrestricted	152,291	169,467	124,633
Total net assets	$ 475,885	$ 459,535	$ 388,260

2012 versus 2011:

At June 30, 2012, total University assets were $654.1 million, compared to $648.3 million at June 30, 2011. The University's largest asset is its investment in capital assets of $393.7 million at June 30, 2012 compared to $381.3 million at June 30, 2011.

In fiscal year 2012, the University's current assets of $214.9 million were sufficient to cover current liabilities of $50.7 million (current ratio of 4.2). In fiscal year 2011, the University's current assets of $216.7 million were sufficient to cover current liabilities of $50.8 million (current ratio of 4.3). Cash balances reflected a total increase of $3.7 million in 2012 over the prior year balance and is primarily attributable to fluctuations in normal business operations at a point in time. At June 30, 2012, University investments were $178.3 million, or 27.3% of total assets, and decreased by $4.4 million in 2012 due primarily to market depreciation. Capital assets (net of depreciation) of $393.7 million represent 60.2% of the University's total assets.

University liabilities totaled $178.2 million at June 30, 2012, 27.2% of total assets and $10.6 million less than the prior year. Total current liabilities remained relatively comparable to the prior year. Long-term debt and other obligations decreased overall by $10.5 million in 2012 due to the annual principal payments on outstanding debt.

Total net assets increased by $16.3 million to $475.9 million in 2012 and is overall attributable to the ongoing investment in capital assets. Unrestricted net assets total $152.3 million in 2012 of which $111.7 million was designated or allocated for specific ongoing academic, research and support purposes, reserves, and quasi-endowments.

2011 versus 2010:

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

In fiscal year 2011, the University's current assets of $216.7 million were sufficient to cover current liabilities of $50.8 million (current ratio of 4.3). In fiscal year 2010, the University's current assets of $175.3 million were sufficient to cover current liabilities of $54.4 million (current ratio of 3.2). Cash balances reflected a total increase of $11.4 million in 2011 compared to a decrease of $4.7 million in 2010. Approximately $8.0 million of the increase is due to the investment strategy of utilizing a greater rate of return through service credits in the operating cash accounts in 2011 versus money market holdings in the investment accounts as in the prior year. Other differences (increase of $3.4 million) are due to the timing differences in the year-end cutoff for accounts payable accruals compared to the prior year. At June 30, 2011, University investments were $182.8 million, or 28.2% of total assets, and increased by $28.0 million in 2011 due primarily to market appreciation. Capital assets (net of depreciation) of $381.3 million represent 58.8% of the University's total assets.

University liabilities totaled $188.8 million at June 30, 2011, 29.1% of total assets and $14.1 million less than the prior year. Total current liabilities decreased by $3.6 million primarily due to accounts payable and accrued expenses where the prior year included $7.4 million for University Employee Separation Program (UESP) expenses. This decrease is offset by increases in construction and other payables, and other timing differences compared to the prior year. Long-term debt and other obligations decreased overall by $10.5 million in 2011 due to the annual principal payments on outstanding debt.

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

Bowling Green State University
Condensed Statement of Revenues, Expenses and Changes in Net Assets
as of June 30, 2012, 2011 and 2010 (in thousands)

	2012	2011	2010
Operating revenues:			
Student tuition and fees	$ 142,398	$ 138,897	$ 135,513
Auxiliary enterprises	72,776	72,516	66,360
Grants and contracts	16,417	16,173	14,948
Sales and service	4,041	4,778	5,454
Other operating revenues	3,938	6,840	6,370
Total operating revenues	239,570	239,204	228,645
Operating expenses:			
Educational and general	262,228	267,719	279,764
Auxiliary enterprises	73,790	75,744	74,103
Other expenses	5,269	1,096	4,037
Total operating expenses	341,287	344,559	357,904
Operating loss	(101,717)	(105,355)	(129,259)
Non-operating revenues (expenses):			
State appropriations	74,833	77,598	79,170
Other non-operating revenues and expenses	32,851	82,127	54,448
Total non-operating revenues	107,684	159,725	133,618
Income (loss) before other changes	5,967	54,370	4,359
Capital appropriations, grants and gifts	10,383	16,905	18,142
Change in net assets	16,350	71,275	22,501
Net assets at the beginning of the year	459,535	388,260	365,759
Net assets at the end of year	$ 475,885	$ 459,535	$ 388,260

2012 versus 2011:

The most significant sources of operating revenues for the University are tuition and fees of $142.4 million, an increase of $3.5 million, or 2.5% over 2011. During 2012, the University had a 3.5% rate increase for undergraduate tuition and general fees, and slight undergraduate enrollment increases. Graduate tuition was down during the year due to lower graduate enrollments, offset by the associated scholarships and fee waiver expenses. Another significant source, Auxiliary Enterprises, had revenue of $72.8 million in 2012 and was comparable to the prior year of $72.5 million.

Total operating expenditures of $341.3 million decreased overall by $3.3 million, or 0.9% over 2011. The most significant factor contributing to the overall decrease is the reduction in student aid, including graduate fee waivers.

State appropriations, the most significant source of non-operating revenue, totaled $74.8 million in the current year, reflecting a decrease of $2.8 million, or 3.5% over 2011. Federal fiscal stabilization funds of $13.0 million were received in 2011 and a comparable amount in 2010. These were funds appropriated under the American Recovery and Reinvestment Act of 2009 (ARRA). The funding for the Program was discontinued; therefore, no related amounts were received in 2012. A reduction in non-exchange grants and contracts of $4.5 million was experienced in 2012 due to funding reductions in Pell grant funds ($2.4 million), Academic Competitive Grants ($1.3 million), and Ohio College Opportunity Grant ($600,000). Significant investment market depreciation in 2012 resulted in a reduction in related investment income during the year of $19.0 million. Lastly, the prior year realized an investment income recovery of $12.3 million from the previous write-down of its investment in the Westridge Capital Management Fund.

2011 versus 2010:

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

Total operating expenditures of $344.6 million decreased overall by $13.3 million, or 3.7% in 2011. The most significant factor impacting the overall decrease are the reductions in personnel expenses (salaries and fringe benefits) resulting from the University Employee Separation Program (UESP) offered in 2010. Depreciation and amortization remained relatively comparable to prior year. The operations and maintenance of plant expense category reflect savings of $1.6 million from the prior year.

State appropriations, the most significant non-operating revenue, totaled $77.6 million in 2011, reflecting a decrease of $1.6 million, or 2.0% over 2010. Federal fiscal stabilization funds of $13.0 million were received in 2011, and were comparable to amounts received in 2010. These were funds appropriated under the American Recovery and Reinvestment Act of 2009 (ARRA). In addition, Pell grant funds increased $7.5 million over the prior year due to an increase in award per student, and an increase in the number of eligible students. Net investment income reflected an increase in 2011 over 2010 of $6.9 million due to overall improvement in investment market performance. In 2011, the University recovered $12.3 million from a previous write-down of its investment in the Westridge Capital Management Fund.

Capital Assets and Debt Administration

At June 30, 2012, the University had $393.7 million of capital assets, net of accumulated depreciation of $338.8 million, compared to $381.3 million of capital assets for the prior fiscal year. The charges for depreciation included in the Statement of Revenues, Expenses, and Changes in Net Assets were $25.7 million for 2012 and $24.8 million for 2011. Detailed information about the University's capital assets is presented in the Notes to the Financial Statements.

During 2012, the University issued $21,515,000 General Receipts Refunding Bonds, Series 2012, with an interest rate of 1.92% over the scheduled redemption period ending June 1, 2019. The proceeds partially advance refunded $8,635,000 of the General Receipt bonds, Series 2003 and $10,855,000 of the General Receipt Bonds, Series 2004, for a total advanced refund of $19,490,000. The proceeds were deposited into an irrevocable trust fund with an escrow agent to provide future debt service payments on the General Receipts Refunding Bonds, Series 2012. As a result, the refunded portion of the General Receipts Refunding bonds, Series 2012 is considered to be defeased in substance and the liability for the 2003 and 2004 bonds has been removed from the balance sheet. The balance of debt issuance defeased in prior years that was outstanding as of June 30, 2012 was $8,090,000.

In 2010, the University issued approximately $77.4 million in new debt for the purpose of constructing a replacement convocation center, replacing, renovating or refreshing several residence halls, installation of the University's first significant energy conservation systems, parking lot renovations, and a number of other smaller facility renovations such as roofs and mechanical system upgrades. Construction continued on these various projects during 2011 and 2012, with several major projects being completed in 2012, and others nearing completion.

Economic Factors That Will Affect the Future

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

The economic position of the University is closely tied to the economic condition of the state, as all state universities in Ohio receive state financial support for both operations and capital improvements through appropriations by the legislature. These appropriations contribute substantially to the successful maintenance and operation of the University. The economic outlook for the state of Ohio has generally trended positive over the course of the past year with improvements in the State's unemployment rates exceeding the improvement in the national unemployment rates.

In October 2011, the University's Board of Trustees approved the planning, programming and schematic design work supporting an upcoming $200 million reinvestment in core academic buildings on the Bowling Green campus. This work is slated to occur over the course of the next five to seven years and will include renovations to four of the University's oldest, original academic buildings as well as other campus classroom buildings. Passage of the FY2013-2014 capital bill in April 2012 – Ohio's first capital bill in more than four years – provides additional resources to assist with this effort.

The University has begun gearing up for a second comprehensive capital campaign. Until the campaign is formally announced and kicked off, other fund raising efforts continue. For example, the Undergraduate Student Government has begun a “legacy” campaign for students to participate in as a precursor to the University’s comprehensive campaign.

BGSU has historically built an academic reputation by providing a strong, connected undergraduate experience. Efforts are underway to continue to grow and strengthen that reputation by adding experiential learning and capstone experiences to most undergraduate programs. Efforts are also underway to enhance existing partnerships and develop new relationships with successful Ohio community colleges to increase the number of transfer students – particularly those taking advantage of one-plus-three, two-plus-two, or three-plus-one programs.

Bowling Green State University

Statements of Net Assets

	June 30	
	2012	**2011**
Assets		
Current assets:		
Cash	**$ 17,143,299**	$ 13,444,811
Investments	**178,312,972**	182,761,824
Accounts receivable, net	**12,099,934**	15,087,815
Inventories	**3,703,925**	2,781,285
Notes receivable	**1,223,104**	1,087,581
Prepaid and other assets	**2,367,357**	1,585,961
Total current assets	**214,850,591**	216,749,277
Noncurrent assets:		
Restricted investments	**37,247,566**	42,288,843
Cash surrender value of life insurance and annuities	**411,300**	397,623
Notes receivable	**7,889,415**	7,535,391
Capital assets, net	**393,711,067**	381,341,846
Total noncurrent assets	**439,259,348**	431,563,703
Total assets	**$ 654,109,939**	$ 648,312,980
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	**$ 23,420,623**	$ 23,550,135
Deferred revenue	**9,657,741**	10,361,791
Deposits	**569,228**	732,090
Current portion of long-term debt and other obligations	**17,021,783**	16,150,945
Total current liabilities	**50,669,375**	50,794,961
Noncurrent liabilities:		
Long-term debt and other obligations	**127,555,291**	137,982,643
Total liabilities	**178,224,666**	188,777,604
Net assets		
Invested in capital assets, net of related debt	**300,564,247**	288,509,556
Restricted for expendable:		
Loans	**1,493,900**	1,313,739
Capital projects	**21,535,822**	244,531
Unrestricted	**152,291,304**	169,467,550
Total net assets	**$ 475,885,273**	$ 459,535,376

See accompanying notes.

Bowling Green State University

Statements of Revenues, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2012	**2011**
Revenues		
Operating revenues:		
Student tuition and fees (net of scholarship allowances of $64,867,474 for 2012 and $68,326,775 for 2011)	**$ 142,397,746**	$ 138,897,308
Federal grants and contracts	**8,126,747**	6,834,859
State grants and contracts	**2,022,916**	2,578,813
Local grants and contracts	**233,025**	647,585
Nongovernmental grants and contracts	**6,034,751**	6,110,674
Sales and services of educational departments	**4,041,205**	4,778,070
Auxiliary enterprises (net of scholarship allowances of $2,761,914 for 2012 and $2,529,723 for 2011)	**72,776,198**	72,516,193
Other operating revenues	**3,938,055**	6,840,140
Total operating revenues	**239,570,643**	239,203,642
Expenses		
Operating expenses:		
Educational and general		
Instruction	**122,181,237**	122,087,012
Research	**7,049,041**	5,823,806
Public services	**5,355,030**	6,614,636
Academic support	**24,421,416**	23,882,313
Student services	**16,356,230**	18,096,696
Institutional support	**26,571,232**	28,286,240
Operations and maintenance of plant	**17,420,459**	15,326,222
Depreciation and amortization	**25,701,564**	24,760,176
Student aid	**17,171,428**	22,841,650
Auxiliary enterprises	**73,790,812**	75,743,746
Other expenses	**5,269,399**	1,095,784
Total operating expenses	**341,287,848**	344,558,281
Operating loss	**(101,717,205)**	(105,354,639)
Nonoperating revenues (expenses):		
State appropriations	**74,832,924**	77,598,093
Non-exchange grants and contracts	**33,192,366**	37,647,735
Investment income, net	**2,854,653**	21,555,752
Interest on capital asset-related debt	**(1,901,298)**	(2,396,146)
In-kind support – Centennial Falcon Properties, Inc.	**(1,294,582)**	–
Federal fiscal stabilization funds	**–**	12,982,824
Investment income, recovery	**–**	12,336,890
Net nonoperating revenues	**107,684,063**	159,725,148
Income before other changes	**5,966,858**	54,370,509
Other changes:		
Capital appropriations	**8,457,786**	20,052,666
Capital grants and gifts	**1,937,118**	789,096
Capital contribution to Centennial Falcon Properties, Inc. and subsidiaries	**(11,865)**	(3,936,458)
Total other changes	**10,383,039**	16,905,304
Change in net assets	**16,349,897**	71,275,813
Net assets		
Net assets at the beginning of year	**459,535,376**	388,259,563
Net assets at the end of year	**$ 475,885,273**	$ 459,535,376

See accompanying notes.

Bowling Green State University

Statements of Cash Flows

	Year Ended June 30	
	2012	**2011**
Operating activities		
Tuition and fees	**$ 145,270,927**	$ 137,178,280
Research grants and contracts	**15,865,806**	16,286,469
Payments to vendors for supplies and services	**(96,144,273)**	(93,952,473)
Payments to employees and benefits	**(202,886,532)**	(206,429,956)
Payments for scholarships and fellowships	**(17,171,428)**	(22,841,650)
Student loans granted, net of repayments	**(565,464)**	(170,527)
Agency payments to Centennial Falcon Properties, Inc.	**(8,002,850)**	–
Auxiliary enterprises	**80,623,386**	71,526,285
Sales and services of educational departments	**4,041,205**	4,778,070
Other receipts	**1,450,238**	5,924,436
Net cash used in operating activities	**(77,518,985)**	(87,701,066)
Noncapital financing activities		
State appropriations	**74,832,924**	77,598,093
Federal fiscal stabilization funds	**–**	12,982,824
Direct lending receipts	**142,985,050**	127,538,137
Direct lending disbursements	**(143,034,591)**	(127,538,137)
Grants received for other than capital purposes	**33,192,366**	37,647,735
In-kind support - Centennial Falcon Properties	**(1,294,582)**	–
Net cash provided by noncapital financing activities	**106,681,167**	128,228,652
Capital financing activities		
Capital appropriations	**8,457,786**	20,052,666
Capital grants received	**1,937,118**	789,096
Purchases of capital assets	**(34,917,533)**	(60,987,908)
Principal paid on long-term debt	**(29,345,000)**	(8,760,000)
Interest paid on long-term debt	**(5,006,170)**	(6,074,193)
Capital contribution to Centennial Falcon Properties, Inc. and subsidiaries	**(11,865)**	(3,936,458)
Proceeds from capital debt	**20,994,390**	–
Net cash used in capital financing activities	**(37,891,274)**	(58,916,797)
Investing activities		
Proceeds from sales and maturities of investments	**85,426,629**	255,150,004
Purchase of investments	**(77,710,070)**	(241,327,720)
Investment income	**4,711,021**	15,951,466
Net cash provided by investing activities	**12,427,580**	29,773,750
Net increase in cash	**3,698,488**	11,384,539
Cash at beginning of year	**13,444,811**	2,060,272
Cash at end of year	**$ 17,143,299**	$ 13,444,811

Bowling Green State University

Statements of Cash Flows (continued)

	Year Ended June 30	
	2012	**2011**
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	**$ (101,717,205)**	$ (105,354,639)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	**25,701,564**	24,760,176
Increase in allowance for doubtful accounts	**–**	320,000
Amortization of bond premium	**(1,737,421)**	(314,945)
Changes in assets and liabilities:		
Accounts receivable, net	**2,987,881**	(3,119,513)
Inventories	**(922,640)**	1,090,612
Other assets	**(781,396)**	(574,759)
Accounts payable and accrued liabilities	**(46,661)**	(3,914,555)
Deferred revenue	**(704,050)**	283,086
Deposits held for others	**(162,862)**	(183,860)
Compensated absences	**353,352**	(602,031)
Loans to students	**(489,547)**	(90,638)
Net cash used in operating activities	**$ (77,518,985)**	$ (87,701,066)

See accompanying notes.

The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statements of Financial Position

	June 30 2012	June 30 2011
Assets		
Current assets:		
Cash	**$ 822,589**	$ 643,839
Contributions receivable, net of allowance for uncollectible contributions	**5,537,103**	5,332,400
Total current assets	**6,359,692**	5,976,239
Investments:		
Corporate bond funds	**41,391,355**	40,706,163
Mutual funds	**42,429,171**	37,783,186
Alternative investments	**18,255,665**	15,932,789
Corporate stocks	**6,683,402**	11,260,442
Money market funds	**1,500,734**	2,139,498
U.S. government and agency obligations	–	187,679
Total investments	**110,260,327**	108,009,757
Prepaid and other assets	**289,105**	328,447
Long-term contributions receivable, net of allowance for uncollectible contributions	**5,274,697**	6,509,614
Cash value of life insurance	**1,484,704**	1,464,523
Total assets	**$ 123,668,525**	$ 122,288,580
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 331,354**	$ 198,009
Total current liabilities	**331,354**	198,009
Annuities payable	**1,769,014**	1,403,862
Total liabilities	**2,100,368**	1,601,871
Net assets:		
Unrestricted	**1,721,052**	1,322,657
Temporarily restricted	**42,529,153**	44,941,460
Permanently restricted	**77,317,952**	74,422,592
Total net assets	**121,568,157**	120,686,709
Total liabilities and net assets	**$ 123,668,525**	$ 122,288,580

The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenue, and gains:				
Contributions and gifts (net)	$ 504,183	$ 7,614,567	$ 2,226,104	$ 10,344,854
Interest and dividends	429,933	1,927,627	–	2,357,560
Net realized and unrealized gains (losses)	383,598	(1,829,855)	–	(1,446,257)
Other revenue	1,385,662	(54,857)	49,585	1,380,390
Transfers	–	(619,671)	619,671	–
Net assets released from restriction	9,450,118	(9,450,118)	–	–
Total support, revenue, and gains	12,153,494	(2,412,307)	2,895,360	12,636,547
Expenses:				
Program services	9,728,682	–	–	9,728,682
Fund-raising	1,181,802	–	–	1,181,802
Operating	844,615	–	–	844,615
Total expenses	11,755,099	–	–	11,755,099
Change in net assets	398,395	(2,412,307)	2,895,360	881,448
Net assets:				
Net assets at beginning of year	1,322,657	44,941,460	74,422,592	120,686,709
Net assets at end of year	$ 1,721,052	$ 42,529,153	$ 77,317,952	$ 121,568,157

The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended June 30, 2011

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

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Financial Position

	June 30 2012	June 30 2011
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,146,574**	$ 3,484,800
Restricted cash and cash equivalents	**–**	1,295,425
Other receivable, net of allowance for doubtful accounts of $3,562	**35,954**	–
Prepaid expense	**14,175**	6,514
Total current assets	**1,196,703**	4,786,739
Other assets:		
Funds held by trustee	**11,775,136**	22,645,814
Capital assets, net	**89,021,720**	74,701,445
Bond issuance and discount costs, net of accumulated amortization of $252,848 and $129,012	**2,731,535**	2,855,371
Total other assets	**103,528,391**	100,202,630
Total assets	**$ 104,725,094**	$ 104,989,369
Liabilities and net assets		
Short-term liabilities:		
Accounts payable	**$ 24,767**	$ –
Payroll liabilities	**16,049**	–
Unearned income	**24,291**	–
Accrued interest payable	**392,376**	380,070
Accrued expenses	**119,025**	–
Accrued construction costs payable	**72,366**	5,176,948
Bonds and construction payable – current portion	**1,336,800**	806,582
Total short-term liabilities	**1,985,674**	6,363,600
Long-term liabilities:		
Bonds payable – net of current portion	**80,810,000**	81,290,000
Construction funding payable – net of current portion	**15,602,189**	11,153,004
Total long-term liabilities	**96,412,189**	92,443,004
Total liabilities	**98,397,863**	98,806,604
Net assets:		
Unrestricted	**4,327,231**	4,182,765
Temporarily restricted	**2,000,000**	2,000,000
Total net assets	**6,327,231**	6,182,765
Total liabilities and net assets	**$ 104,725,094**	$ 104,989,369

See accompanying notes.

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statement of Activities

Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Operating revenue	$ 8,018,075	$ –	$ 8,018,075
Total revenues	8,018,075	–	8,018,075
Expenses:			
Payroll, benefits, and taxes	410,284	–	410,284
Management fees	236,999	–	236,999
Operating and administrative	88,674	–	88,674
Interior unit expenses	47,417	–	47,417
Insurance	40,120	–	40,120
Common area expenses	25,273	–	25,273
Building maintenance	21,424	–	21,424
Professional fees	16,346	–	16,346
Trust administrative fees	6,808	–	6,808
Marketing and advertising	7,354	–	7,354
Ground expenses	7,919	–	7,919
Bad debt expense	3,562	–	3,562
Depreciation and amortization	2,610,113	–	2,610,113
Total operating expenses	3,522,293	–	3,522,293
Operating income (loss)	4,495,782	–	4,495,782
Nonoperating revenue (expense):			
Investment income	23,160	–	23,160
In-kind support from Bowling Green State University	1,294,582	–	1,294,582
Interest on capital asset-related debt	(4,324,237)	–	(4,324,237)
Depreciation expense	(1,356,686)	–	(1,356,686)
Net nonoperating loss	(4,363,181)	–	(4,363,181)
Other changes:			
Capital contributions from Bowling Green State University	11,865	–	11,865
Total other changes	11,865	–	11,865
Change in net assets	144,466	–	144,466
Net assets:			
Net assets at the beginning of year	4,182,765	2,000,000	6,182,765
Net assets at the end of year	$ 4,327,231	$ 2,000,000	$ 6,327,231

See accompanying notes.

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statement of Activities

Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Operating revenue	$ –	$ –	$ –
Total revenues	–	–	–
Expenses:			
Payroll, benefits, and taxes	–	–	–
Management fees	–	–	–
Operating and administrative	1,193	–	1,193
Interior unit expenses	–	–	–
Insurance	–	–	–
Common area expenses	–	–	–
Building maintenance	–	–	–
Professional fees	2,500	–	2,500
Trust administrative fees	–	–	–
Marketing and advertising	–	–	–
Ground expenses	–	–	–
Bad debt expense	–	–	–
Depreciation and amortization	–	–	–
Total operating expenses	3,693	–	3,693
Operating income (loss)	(3,693)	–	(3,693)
Nonoperating revenue (expense):			
Investment income	–	–	–
In-kind support from Bowling Green State University	–	–	–
Interest on capital asset-related debt	–	–	–
Depreciation expense	–	–	–
	–	–	–
Other changes:			
Capital contributions from Bowling Green State University	3,936,458	–	3,936,458
Total other changes	3,936,458	–	3,936,458
Change in net assets	3,932,765	–	3,932,765
Net assets:			
Net assets at the beginning of year	250,000	2,000,000	2,250,000
Net assets at the end of year	$ 4,182,765	$ 2,000,000	$ 6,182,765

See accompanying notes.

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

Nature of Operations

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

Reporting Entity

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

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

Financial Statement Presentation

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

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

The Foundation is a legally separate, tax-exempt component unit of the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The 36 member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing and amount of receipts from the Foundation, the majority of resources or income the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

During the years ended June 30, 2012 and 2011, the Foundation distributed $5,856,253 and $11,681,159, respectively, to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Assistant Vice President for Advancement Services/Controller at Mileti Alumni Center, Bowling Green, Ohio 43403.

The Corporation is a legal, separate component unit of the University formed in 2010 as a nonprofit corporation under the laws of the state of Ohio and determined by the Internal Revenue Service to be exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. The Corporation was organized for the benefit of the University for various purposes, including acquiring, developing, and maintaining property to be used for University purposes. The University contributed $11,865 and $3,936,458 to the Corporation during the years ended June 30, 2012 and 2011, respectively. Complete financial statements for the Corporation can be obtained from the Vice President, McFall Center, Bowling Green, Ohio 43403.

CFP I LLC (CFP I) is a nonprofit single member limited liability company formed in 2010 under the laws of the state of Ohio. The Corporation organized CFP I specifically to develop, own, and manage certain housing for students of the University. The Corporation is the sole member of CFP I. On June 9, 2010, the City of Bowling Green, Ohio issued $81,610,000 Student Housing Revenue Bonds (Series 2010 Bonds) and loaned the proceeds of the Series 2010 Bonds to CFP I for the purpose of providing funds to finance the cost of acquiring, constructing, furnishing, and equipping a 1,318-bed, two building student housing facility (the Series 2010 Project). Interest rates range from 3.0% to 6.0% over the scheduled redemption period of December 1, 2011 to June 1, 2045.

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

On May 3, 2010, CFP I entered into a Development Agreement with Capstone Development Corporation (the Developer) for the design, construction, and equipping of the Series 2010 Project to serve as residential housing for students at the University. The Developer completed the Series 2010 Project for occupancy in August 2011. In addition, CFP I and the University entered into a Management Agreement with Capstone On-Campus Management, LLC to manage, operate, and maintain the Series 2010 Project. This Management Agreement was effective July 1, 2011.

The Series 2010 Project was completed and a permanent occupancy permit was granted August 1, 2011. The two-building housing facilities, Falcon Heights and Centennial Hall, were opened August 19, 2011.

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

Pursuant to an Amended and Restated Food Service Agreement, dated June 25, 2010 (the Management Agreement), by and between Chartwells and the University, Chartwells has provided funds for The Oaks in the amount of $10,350,000. The Corporation has provided funds of approximately $23,000 and CFP II has provided funds of approximately $962,000.

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

On March 31, 2011, CFP III entered into a funding agreement with the manager of The Oaks, Chartwells. Pursuant to an Amended and Restated Food Service Agreement dated June 25, 2010 (the Management Agreement), by and between Chartwells and the University, Chartwells has provided funds for the Project in the amount of $6,062,000. The Corporation provided funds of approximately $698,000 and CFP III has provided funds of approximately $1,973,000.

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

Chartwells funded a total of $1,588,000 of minor construction upgrades and modernization of food service venues intended to be actively managed by Chartwells under contract and located in the University's student union, Kreischer, Founders and McDonald, on behalf of the Corporation. The necessary funding associated with these upgrades and associated debt repayment is contained in the Amended Food Service Management Agreement by and between Chartwells and the University.

Because the proceeds of the Series 2010 Bonds can only be used for the Series 2010 Project, the Chartwells funding for the Oaks and Carillon and minor construction upgrades can only be utilized for those specific projects, and the projects are for the exclusive benefit of the University, the Corporation is considered a component unit of the University and is discretely presented in the University's financial statements.

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government 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.

Cash and Cash Equivalents

The University considers funds immediately available to be cash and cash equivalents. Cash and cash equivalents totaled $17,143,299 and $13,444,811 at June 30, 2012 and 2011, respectively.

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

Accounts Receivable

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

Inventories

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

Investments

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

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

Short-Term Investments

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

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

Restricted Investments

Restricted investments are assets that have been set aside for restricted purposes. Restricted investments include money markets and certificates of deposits.

Capital Assets

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

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

Deferred Revenue

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

Compensated Absences

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

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

Noncurrent Liabilities

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

Income Tax

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements 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.

Eliminations

In preparing the financial statements, the University eliminates inter-fund assets and liabilities that would otherwise be reflected twice in the statements of net assets. similarly, revenues and expenses related to internal activities are also eliminated from the statements of revenues, expenses, and changes in net assets.

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

Use of Estimates

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

Net Assets

The University's net assets are classified as follows:

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

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

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

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

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

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

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

Revenues

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

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

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

Auxiliary Enterprises

Auxiliary activities mainly represent revenues generated from certain residence halls and dining services, intercollegiate athletics, bookstore, and various other activities that provide services to the student body, faculty, staff, and general public.

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

Subsequent Events

The University evaluated the effect of subsequent events through October 12, 2012, representing the date on which the financial statements were available to be issued. No recognized subsequent events were identified for recognition or disclosure in the financial statements or the accompanying notes to the financial statements.

2. Cash and Investments

Deposits

Amounts available for deposit at June 30, 2012 and 2011, are as follows:

	2012	2011
Cash (carrying amounts)	**$ 16,934,274**	$ 13,185,681
Reconciling items (net) to arrive at bank balances of deposit	**(1,087,491)**	(356,973)
Total available for deposit and investment (bank balances of deposits)	**$ 15,846,783**	$ 12,828,708

The carrying amount shown above does not include $208,995 and $259,130 held in cash funds at June 30, 2012 and 2011, 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, $500,018 and $507,845 at June 30, 2012 and 2011, respectively, was covered by federal depository insurance, and $15,346,765 and $12,320,863 at June 30, 2012 and 2011, respectively, was collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

2. Cash and Investments (continued)

Investments

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

- Obligations of the U.S. Treasury and other federal agencies and instrumentalities
- Municipal and state bonds
- State Treasury Asset Reserve (STAR Ohio)
- Certificates of deposit (domestic and foreign)
- Repurchase agreements
- Mutual funds
- Commercial paper
- Banker's acceptances
- Corporate bonds and notes
- Common and preferred stock
- Real estate
- Collateralized mortgage obligations
- Collective equity funds
- Asset-backed securities
- Private equity funds
- Hedge fund

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.

In 2012, all common stocks, corporate bonds, money market instruments, mutual funds, and other investments are invested through a trust agreement with JP Morgan Worldwide Securities Services, which is the custodian and money manager. In 2011, JP Morgan Worldwide Securities Services was the custodian for all funds managed by external money managers. Short-term investments with Huntington Bank are secured with internally designated securities as pledged to the University.

The University invests in STAR Ohio, an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission (the SEC) as an investment company but does operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2012.

A public depository may at its option pledge a single pool of eligible securities to secure the repayment of all public monies held by the depository. The current market value of the pool of securities so pledged together with the amount covered by federal insurance must be at least equal to 105% of all public monies on deposit with the depository.

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

	2012	**2011**
Equity mutual funds	**$ 117,051,069**	$ 112,005,825
Money market funds	**38,564,621**	60,827,747
U.S. government agency obligations	**17,991,348**	13,114,267
Municipal bonds	**5,706,105**	195,665
Common and preferred stocks	**251,232**	6,526,800
STAR Ohio	**109,636**	109,588
Alternative investments:		
Collective equity funds	**24,532,599**	22,672,811
Hedge funds	**10,935,576**	9,076,911
Limited partnerships	**418,352**	521,053
Total	**$ 215,560,538**	$ 225,050,667

2. Cash and Investments (continued)

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

	2012	**2011**
Interest and dividends, net	**$ 4,711,021**	$ 3,614,575
Net (depreciation) appreciation in market value of investments	**(1,856,368)**	17,941,177
Total	**$ 2,854,653**	$ 21,555,752

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, 2012 and 2011, the University realized a net gain from the sale of investments of $2,713,032 and $3,436,993, respectively. The calculation of realized gains and losses is independent of the net (depreciation) appreciation in the fair value of investments held at year-end. The net (depreciation) appreciation in the fair value of investments during the years ended June 30, 2012 and 2011, was $(1,856,368) and $17,941,177, respectively. This amount includes all changes in fair value, both realized and unrealized, that occurred during the year. The unrealized (depreciation) appreciation during the years ended June 30, 2012 and 2011, was $(4,312,364) and $14,504,184, respectively.

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 is under the receiver's control.

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

2. Cash and Investments (continued)

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

Interest Rate Risk

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

As of June 30, 2012, the University had the following interest-bearing investments and maturities:

Investment Type	Fair Value	Less Than 1 Year	Less Than 1–5 Years	Less Than 6–10 Years	Greater Than 10 Years
U.S. government agency obligations	**$ 17,991,348**	**$ 17,991,348**	**$ –**	**$ –**	**$ –**
Municipal bonds	**5,706,105**	**19,838**	**85,484**	**71,083**	**5,529,700**
STAR Ohio	**109,636**	**109,636**	**–**	**–**	**–**
Total	**$ 23,807,089**	**$ 18,120,822**	**$ 85,484**	**$ 71,083**	**$ 5,529,700**

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

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

2. 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 (NRSROs) 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, 2012, are as follows:

Credit Rating (Standard & Poor's)	U.S. Government Obligations	Other Investments	Total
AAA	**$ –**	**$ 109,636**	**$ 109,636**
AA+	**17,991,348**	**–**	**17,991,348**
AA	**–**	**5,529,700**	**5,529,700**
Not rated	**–**	**176,405**	**176,405**
Total	**$ 17,991,348**	**$ 5,815,741**	**$ 23,807,089**

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

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

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 $204,512 and $283,318 at June 30, 2012 and 2011, respectively.

2. Cash and Investments (continued)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The University's investment in the State Treasurer's investment program that is not evidenced by securities that exist in physical or book entry form was $109,636 and $109,588 at June 30, 2012 and 2011, respectively. The remaining investments are uninsured and unregistered with securities held by the counterparty's trust department or agent in the University's name.

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

	2012	2011
Corporate bonds funds	**$ 41,391,355**	$ 40,706,163
Mutual funds	**42,429,171**	37,783,186
Corporate stocks	**6,683,402**	11,260,442
Money market funds	**1,500,734**	2,139,498
U.S. government and agency obligations	–	187,679
Alternative investments:		
Fund of funds	**12,288,665**	12,129,795
Private investment	**3,263,136**	1,800,379
Real estate	**2,703,864**	2,002,615
Total	**$ 110,260,327**	$ 108,009,757

The Foundation realized a net gain from the sale of investment securities of $2,355,984 and $1,606,095 for the years ended June 30, 2012 and 2011, respectively. The net (depreciation) appreciation in the fair value of investments approximated $(3,802,241) and $11,254,402 for the years ended June 30, 2012 and 2011, respectively.

The Foundation has outstanding commitments to invest in various alternative investments at June 30, 2012 and 2011, amounting to approximately $4,700,000 and $4,200,000, respectively.

2. Cash and Investments (continued)

Foundation assets held in charitable remainder trusts principally consist of corporate stocks and corporate bonds and debentures. Unrealized (losses) gains of approximately $(50,000) and $329,000 at June 30, 2012 and 2011, respectively, and realized losses of approximately $(49,000) and $(20,000) were recognized for the years ended June 30, 2012 and 2011, respectively.

Certain Foundation investment securities are held by independent custodial and management agents. Custodial and management fees paid approximated $154,000 and $145,000 in 2012 and 2011, respectively.

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

	2012	2011
Money market funds	**$ 11,775,136**	$ 22,645,814

3. Accounts Receivable

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

	2012	2011
Student receivable for fees, room, and board	**$ 9,533,387**	$ 11,689,074
Research and sponsored programs	**3,206,521**	3,030,671
Other	**960,026**	1,968,070
	13,699,934	16,687,815
Less allowance for doubtful accounts	**1,600,000**	1,600,000
Totals	**$ 12,099,934**	$ 15,087,815

4. Notes Receivable

Principal repayment and interest rate terms of federal and university loans vary considerably. Federal loan programs are funded principally with federal contributions to the University under the Perkins and Nursing Loan programs. All amounts recorded are believed collectible.

The University distributed $129,589,039 and $127,538,137 for student loans in 2012 and 2011, 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, 2012, are summarized as follows:

	Beginning Balance	Additions	Retirements or Transfers	Ending Balance
Land	$ 8,436,313	$ –	$ 1,860	$ 8,434,453
Buildings	409,527,341	59,526,855	2,153,802	466,900,393
Infrastructure	65,108,697	4,148,951	169,450	69,088,198
Equipment	87,224,691	11,956,594	4,671,140	94,510,145
Library materials	30,659,012	2,616,183	2,777,703	30,497,493
Construction in progress	98,052,667	20,591,738	63,227,684	55,416,720
Capitalized interest	4,621,644	3,022,021	–	7,643,665
Total capital assets	703,630,365	101,862,341	73,001,640	732,491,068
Less accumulated depreciation and amortization	322,288,519	25,701,564	9,210,082	338,780,001
Net capital assets	$ 381,341,846	$ 76,160,777	$ 63,791,558	$ 393,711,067

5. Capital Assets (continued)

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

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

Capital assets and accumulated depreciation of the Corporation as of June 30, 2012, are summarized as follows:

	Beginning Balance	Additions	Transfers	Ending Balance
Land	**$ –**	**$ 873,499**	**$ –**	**$ 873,499**
Land improvements	**–**	**1,384,056**	**–**	**1,384,056**
Building	**–**	**85,256,060**	**–**	**85,256,060**
Furniture	**–**	**3,763,067**	**–**	**3,763,067**
Chartwells renovation	**–**	**1,588,000**	**–**	**1,588,000**
Construction in progress	**74,701,445**	**–**	**(74,701,445)**	**–**
Total capital assets	**74,701,445**	**92,864,682**	**(74,701,445)**	**92,864,682**
Less accumulated depreciation	**–**	**3,842,962**	**–**	**3,842,962**
Net capital assets	**$ 71,701,445**	**$ 89,021,720**	**$ (74,701,445)**	**$ 89,021,720**

5. Capital Assets (continued)

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

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

6. Accounts Payable and Accrued Expenses

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

	2012	2011
Accounts payable	**$ 13,412,365**	$ 13,815,200
Accrued payroll and withholdings	**7,502,077**	7,145,903
Accrued health claims	**2,000,000**	2,000,000
Accrued interest on bonds	**506,181**	589,032
Total	**$ 23,420,623**	$ 23,550,135

7. Long-Term Debt and Other Obligations

Long-term debt and other obligations of the University for June 30, 2012, are summarized as follows:

Bonds	Beginning Balance	Additions	Reductions	Ending Balance	Due One Year
2003 General Receipts Bonds	$ 10,980,000	$ –	$ 9,780,000	$ 1,200,000	$ 1,200,000
2004 General Receipts Bonds	19,845,000	–	12,955,000	6,890,000	2,205,000
2005 General Receipts Bonds	24,305,000	–	4,420,000	19,885,000	4,625,000
2010 Series A Tax-Exempt	12,040,000	–	2,020,000	10,020,000	2,020,000
2010 Series B Build America	65,335,000	–	–	65,335,000	–
2012 Series A General Receipts Bond – 2003 Advance Refunding	–	9,335,000	65,000	9,270,000	180,000
2012 Series B General Receipts Bond – 2004 Advance Refunding	–	12,180,000	105,000	12,075,000	230,000
Deferred loss on refunding	–	(437,563)	(178,165)	(259,398)	178,165
Bond premium and issuance costs	2,165,095	(83,047)	1,737,421	344,627	233,031
Total bonds payable	134,670,095	20,994,390	30,904,256	124,760,229	10,871,196
Other liabilities					
Vacation pay	7,177,061	5,124,786	4,992,784	7,309,063	5,789,587
Sick leave	3,968,000	463,502	242,152	4,189,350	361,000
Federal student loan deposits	8,318,432	–	–	8,318,432	–
Total other liabilities	19,463,493	5,588,288	5,234,936	19,816,845	6,150,587
Total long-term liabilities	$ 154,133,588	$ 26,582,678	$ 36,139,192	$ 144,577,074	$ 17,021,783

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

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

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

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

The scheduled maturities and interest of the University's bonds for the five fiscal years subsequent to June 30, 2012, and subsequent periods thereafter are as follows:

	Principal	Interest	Total
2013	$ 10,460,000	$ 4,700,765	$ 15,160,765
2014	10,945,000	4,281,987	15,226,987
2015	11,370,000	3,829,217	15,199,217
2016	12,220,000	3,313,523	15,533,523
2017	7,540,000	2,875,884	10,415,884
2018-2022	34,855,000	10,876,105	45,731,105
2023-2027	9,450,000	7,229,322	16,679,322
2028-2032	10,435,000	5,218,598	15,653,598
2033-2037	12,600,000	2,707,814	15,307,814
2038-2042	4,800,000	310,590	5,110,590
Total	$ 124,675,000	$ 45,343,805	$ 170,018,805

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

On January 20, 2012, the University issued $21,515,000 General Receipts Refunding Bonds, Series 2012, with an interest rate of 1.92% over the scheduled redemption period ending June 1, 2019. The proceeds partially advance refunded $8,635,000 of the General Receipt Bonds, Series 2003 and $10,855,000 of the General Receipt Bonds, Series 2004, for a total advanced refund of $19,490,000. The proceeds were deposited into an irrevocable trust fund with an escrow agent to provide future debt service payments on the General Receipts Refunding Bonds, Series 2012. As a result, the refunded portion of the General Receipts Refunding Bonds, Series 2012 is considered to be defeased in substance and the liability for the 2003 and 2004 bonds has been removed from the statements of net assets. The balance of debt issuance defeased in prior years that was outstanding as of June 30, 2012, was $8,090,000.

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

Interest expense related to long-term debt of the University for the years ended June 30, 2012 and 2011, was $5,347,306 and $6,473,011, respectively. Of this amount, $3,022,021 and $3,474,699 was capitalized by the University at June 30, 2012 and 2011, respectively.

The University had unspent bond proceeds, which are classified as restricted investments, at June 30, 2012 and 2011, of $33,597,523 and $44,288,843, respectively.

Long-term liabilities of the Corporation for June 30, 2012, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Bonds payable	$ 81,610,000	$ –	$ 320,000	$ 81,290,000	$ 480,000
Construction funding payable	11,639,586	6,113,985	1,294,582	16,458,989	856,800
Total long-term liabilities	$ 93,249,586	$ 6,113,985	$ 1,614,582	$ 97,748,989	$ 1,336,800

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Bonds payable	$ –	$ 81,610,000	$ –	$ 81,610,000	$ 320,000
Total long-term liabilities	$ –	$ 81,610,000	$ –	$ 81,610,000	$ 320,000

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

The interest and scheduled maturities of the Series 2010 Bonds for the five fiscal years subsequent to June 30, 2012, and subsequent periods thereafter are as follows:

	Interest Rate – %	Principal	Interest	Total
2013	4.00	$ 480,000	$ 4,708,512	$ 5,188,512
2014	4.00	595,000	4,689,312	5,284,312
2015	4.00	710,000	4,665,513	5,375,513
2016	4.00	835,000	4,637,112	5,472,112
2017	4.25	965,000	4,603,712	5,568,712
2018-2022	4.50-5.75	6,520,000	22,233,650	28,753,650
2023-2027	5.75	8,655,000	20,196,288	28,851,288
2028-2032	5.75-6.00	11,445,000	17,404,951	28,849,951
2033-2037	6.00	15,250,000	13,601,700	28,851,700
2038-2042	6.00	20,410,000	8,443,500	28,853,500
2043-2045	6.00	15,425,000	1,887,000	17,312,000
Total		$ 81,290,000	$ 107,071,250	$ 188,361,250

The trustee for the Series 2010 Bonds held unspent bond proceeds of $9,775,136 plus $2,000,000 capital contributions from the University, for a total of $11,775,136, as of June 30, 2012, which are classified as Funds Held by Trustee. As of June 30, 2011, the trustee held unspent bond proceeds of $20,645,814 plus $2,000,000 capital contributions from the University for a total of $22,645,814, which are classified as Funds Held by Trustee.

The construction funding payable amounts of the Corporation for the five fiscal years subsequent to June 30, 2012, and thereafter are as follows:

Year	The Oaks (CFP II)	Carillon (CFP III)	Chartwells Renovation	Total Due
2013	$ 376,364	$ 220,436	$ 260,000	$ 856,800
2014	376,364	220,436	260,000	856,800
2015	376,364	220,436	260,000	856,800
2016	376,364	220,436	–	596,800
2017	376,364	220,436	–	596,800
Thereafter	7,845,387	4,849,602	–	12,694,989
	$ 9,727,207	$ 5,951,782	$ 780,000	$ 16,458,989

8. Retirement Benefits

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

STRS Ohio and OPERS offer three separate retirement plans:

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

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

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

8. Retirement Benefits (continued)

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

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

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

	2012	2011	2010
STRS Ohio	**$ 6,815,000**	$ 7,049,000	$ 7,963,000
OPERS	**7,871,000**	7,830,000	8,541,000
ARP	**5,218,000**	4,922,000	4,810,000
Total	**$ 19,904,000**	$ 19,801,000	$ 21,314,000

Ohio Public Employees Deferred Compensation Program

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

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

8. Retirement Benefits (continued)

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

The amounts on deposit with the Program's Board at June 30, 2012 and 2011, approximated $8,425,000 and $7,208,000, respectively, which represents the fair value at such dates.

9. Post-Employment Health Care Benefits

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

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

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

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

Under Ohio law, post-employment health care benefits under OPERS are permitted, but not mandated; therefore, a portion of employer contributions are set aside for funding post-employment health care. Currently, this allocation is 4.0% of covered payroll for members in the defined benefit plan and 6.05% of covered payroll for members in the combined plan. Payment amounts vary depending on the number of covered dependents and coverage selected.

9. Post-Employment Health Care Benefits

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

	2012	2011	2010
STRS Ohio	**$ 68,150**	$ 70,500	$ 76,900
OPERS	**2,243,000**	3,063,000	3,357,000
Total	**$ 2,311,150**	$ 3,133,500	$ 3,433,900

10. Risk Management

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

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

	2012	2011	2010
Unpaid claims, July 1	**$ 2,000,000**	$ 2,000,000	$ 2,200,000
Incurred claims	**15,071,084**	17,912,518	18,390,714
Paid claims	**(15,071,084)**	(17,912,518)	(18,590,714)
Unpaid claims, June 30	**$ 2,000,000**	$ 2,000,000	$ 2,000,000

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

10. Risk Management (continued)

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

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

11. Contingencies

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

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

12. Foundation Net Assets

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

	2012	2011
General support of colleges and departments	**$ 21,121,342**	$ 21,368,572
Student aid	**13,970,080**	15,045,930
Property and equipment	**3,052,038**	3,839,840
Endowed chairs and professorships	**2,478,817**	2,824,990
Research	**945,041**	986,765
Fellowship	**456,970**	489,143
Faculty and staff	**504,865**	386,220
Total	**$ 42,529,153**	$ 44,941,460

The Foundation's summary of the net assets released from restrictions during the years ended June 30, 2012 and 2011 is as follows:

	2012	2011
General support of colleges and departments	**$ 4,350,750**	$ 4,177,323
Student aid	**2,621,051**	2,209,192
Property and equipment	**1,958,916**	6,687,408
Endowed chairs and professorships	**278,688**	175,672
Faculty and staff	**114,418**	79,520
Fellowship	**74,597**	73,890
Research	**51,698**	89,674
Total	**$ 9,450,118**	$ 13,492,679

12. Foundation Net Assets (continued)

The Foundation's permanently restricted net assets at June 30, 2012 and 2011, are investments in perpetuity, the income from which is expendable to support the following purposes:

	2012	2011
Student aid	**$ 44,528,072**	$ 49,354,949
General support of colleges and departments	**18,773,657**	11,466,831
Endowed chairs and professorships	**8,989,735**	8,869,097
Property and equipment	**1,943,590**	1,818,317
Faculty and staff	**1,762,224**	1,592,974
Research	**1,131,340**	1,131,090
Fellowship	**189,334**	189,334
Total	**$ 77,317,952**	$ 74,422,592

13. Related Party Transactions

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

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

The Series 2010 Project includes two housing facilities, Falcon Heights and Centennial Hall, which were placed in service August 2011. The University has the resources and processes in place to invoice and collect funds from students for housing and housing-related fees for all other residence halls. The University acts as an agent between the students and CFP I and will invoice, collect the student accounts on behalf of CFP I, and then distribute the monies to CFP I. CFP I records operating revenue from these activities, which totaled approximately $8,018,000 for the year ended June 30, 2012. At June 30, 2012, the University owed CFP I $35,954 in student housing and housing-related fees.

13. Related Party Transactions (continued)

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

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

The University incurred costs during different stages of start-up and implementation of the Corporation and its subsidiaries. The University also incurred costs on behalf of the Corporation and its subsidiaries for various outside services related to the Series 2010 Project, The Oaks, and Carillon. These outside services include consulting, legal, engineering, architectural, and construction. Additionally, certain salaries and fringe benefits of financial, accounting, development, and information technology personnel are incurred by the University, yet relate to the Corporation. These expenses are paid by the University on behalf of the Corporation and are not shown in the accompanying financial statements. The Corporation approximates the value of these items at $610,000 for the year ended June 30, 2012, and $4,230,000 for the year ended June 30, 2011.

The Oaks and Carillon construction projects were funded by contributions made by the University of $11,865 and $3,936,458 for the years ended June 30, 2012 and 2011, respectively.

Chartwells provided approximately $18,000,000 of funding for these projects for the year ended June 30, 2012. The Chartwells construction funding payable will be paid in annual installments, ranging from $409,000 to $857,000 over 27.5 years, through June 30, 2039. Due to the University's Management Agreement with Chartwells for the dining program and in exchange for the use of the dining facilities, the University repays the construction funding payable on behalf of the Corporation, as these are of approximate equal value. As such, the Corporation

13. Related Party Transactions (continued)

recognizes this payment as a decrease to the construction funding payable and as in-kind support nonoperating revenue. For the year ended June 30, 2012, the repayment and in-kind support revenue totaled $1,294,582. The University recognized in-kind nonoperating expense of $1,294,582 for the year ended June 30, 2012

The University can pay off the construction funding payable of $18,000,000 early without penalty. The University also has a Food Services Agreement with Chartwells in which BGSU pays a management fee to Chartwells to manage the dining halls through fiscal year 2015. The Food Services Agreement can be renewed for two additional successive five-year periods. If the Food Services Agreement with Chartwells is terminated or not renewed, the University would be required to pay Chartwells interest on the construction funding payable until full payoff at a rate equal to the 12-month U.S. Treasury rate. Payment in full of the construction funding payable would be required in one year from termination of agreement or within 30 days after the University hires another third party to run their dining services.

Supplemental Schedule

Bowling Green State University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures
Student Financial Assistance Cluster			
U.S. Department of Education:			
Direct awards:			
Federal Supplemental Educational Opportunity Grants	84.007		$ 590,506
Federal Work-Study Program	84.033		711,054
Federal Perkins Loans	84.038		1,307,768
Federal Pell Grant Program	84.063		29,016,560
Federal Direct Student Loans	84.268		129,141,517
Academic Competitiveness Grant	84.375		1,406
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		345,612
Federal Nursing Student Loans	93.364		191,953
Total Student Financial Assistance Cluster			161,306,376
Research and Development Cluster			
U.S. Department of Agriculture:			
Pass-through from:			
Grants for Agriculture Research, Special Research Grants:			
The University of Toledo:			
Monitoring of Agricultural Sewage Sludge	10.200	2008-38898-19239	5,583
Monitoring of Agricultural Sewage Sludge FY09 Funds	10.200	2009-38898-20002	6,119
Monitoring of Agricultural Sewage Sludge, 2010	10.200	2010-38898-20963	34,531
			46,233
Pass-through from:			
Agriculture and Food Research Initiative:			
Virginia Polytechnic Institute and State University:			
Integrated Management of Oomycete Diseases of Soybean and Other Crop Plants	10.310	422183-19755/422262	100,207
Pass-through from:			
The University of Kentucky:			
Family Structure and Time Allocation: Mechanisms of Food	10.UKRF304810783412316	UKRF304810783412316	43,057
			143,264
Total U.S. Department of Agriculture			189,497
U.S. Department of Commerce:			
Direct award:			
Economic Development – Technical Assistance	11.303		123,618
Pass-through from:			
The University of Toledo:			
Northwest Ohio Solar and Advanced Renewable Energy Innov	11.303	N-121926-01	59,402
			183,020
Direct award:			
Sea Grant Support	11.417		270,224
Pass-through from:			
Ohio State University Research Foundation:			
Winter Assessment of Microbial Biomass and Metabolism in Lake Erie	11.417	RF01204134	21,739
Socio-Economic Impacts of Bird Watching Along Great Lakes	11.417	RF01200477	982
Otolith Microchemistry as a Natural Tag for Mixed Stock	11.417	RF01210021	49,370
			342,315

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures
Direct award:			
Special Oceanic and Atmospheric Project	11.460		$ 41,626
Total U.S. Department of Commerce			566,961
U.S. Department of Defense:			
Direct awards:			
Basic and Applied Scientific Research	12.300		61,110
Basic Scientific Research	12.431		62,796
Air Force Defense Research Sciences Program	12.800		318,140
Pass-through from:			
University of Toledo:			
Next Generation Solar Energy Materials for Hydrogen Gene	12.800	FA9453-08-C-0172	96,807
Ultrahigh Efficiency and Lightweight Thin Film PV	12.800	N-122296-01	41,899
Pass-through from:			
Infoscitex Corporation:			
Human Size, Shape, and Motion Measurements for Dynamic 3	12.800	5002-S001	62,224
			519,070
Total U.S. Department of Defense			642,976
U.S. Department of the Interior:			
Direct award:			
Research Grants - Generic	15.650		1,656
Total U.S. Department of the Interior:			1,656
U.S. Department of Justice:			
Direct award:			
National Institute of Justice	16.560		411,017
Total U.S. Department of Justice			411,017

Bowling Green State University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures
U.S. Department of Transportation:			
Pass-through from:			
University Transporation Centers Program			
University of Detroit Mercy:			
Developing TranslinkeD Corridor Investment Strategies an	20.701	MIOH UTC SC41	$ 28,050
San Jose State University:			
Assessing the Socio-Economic Impacts of Mass Transit Sys	20.701	(1)	11,322
Total U.S. Department of Transportation			39,372
U.S. Office of Personnel Management:			
Direct award:			
Intergovernmental Personnel Act (IPA) Assignment	27.011		23,475
Total U.S. Office of Personnel Management			23,475
The National Endowment for the Humanities:			
Direct award:			
The Political Economy of Hunger in Bourbon Mexico	45.160		9,256
Total National Endowment for the Humanities			9,256
National Science Foundation:			
Direct award:			
Mathematical and Physical Sciences	47.049		665,328
Pass-through from:			
Ohio State University Research Foundation:			
Ohio Consortium for Undergraduate Research	47.049	RF01046308	3,325
			668,653
Direct awards:			
Geosciences	47.050		58,278
Biological Sciences	47.074		199,825

Bowling Green State University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures
Pass-through from:			
Office of Navel Research:			
RCN: RNA Ontology Consortium	47.074	MCB-0443508	$ 392
			200,217
Direct awards:			
Education and Human Resources	47.076		578,984
Polar Programs	47.078		51,497
Trans-NSF Recovery Act Research Support	47.082		437,624
Total National Science Foundation			1,995,253
Enviornmental Protection Agency:			
Pass-through from:			
Great Lakes Program:			
The Nature Conservancy:			
Wet Prairie Restoration in the Maumee AOC	66.469	(1)	45,003
Total Enviornmental Protection Agency			45,003
Department of Energy:			
Direct award:			
Office of Science and Financial Assessment	81.049		160,810
Pass-through from:			
Conservation Research and Development:			
Clean Fuels Ohio:			
Ohio Advanced Transportation Partnership	81.086	DE-EE0002566	3,750

Bowling Green State University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures
Direct award:			
Renewable Energy Research and Development:	81.087		$ 484,558
Pass-through from:			
University of Toronto:			
The Natural Evolution of Quantum-Coherent Light-Harvesti	81.087	N66001-10-1-4059	30,216
			514,774
Pass-through from:			
General Department of Energy:			
Ohio Department of Development:			
ARRA - G3: Invest Green, Save Green at Bowling Green	81.128	ARRA-EECBG-10-28	355,074
Total Department of Energy			1,034,408
U.S. Department of Education:			
Direct award:			
Safe and Drug-free Schools and Communities – National Programs	84.184		20,980
Total U.S. Department of Education			20,980
U.S. Department of Health and Human Services:			
Direct awards:			
NIEHS Superfund Hazardous Substances_Basic Research and Education:			
HHS NIH NIGMS:			
Three-Dimensional Super-Resolution Microscopy Study	93.R01GM097037		68,248
HHS NIH NIEHS:			
In Vivo Characterization of Bacteria-Mediated Extracellular	93.143		282,581
Pass-through from:			
Research Related to Deafness and Communication Disorders:			
Cincinnati Childrens Hospital Medical Center:			
Efficacy of Laryngeal High Speed Videoendoscopy	93.173	109598(7R01DC007640-	96,188
Direct award:			
Policy Research and Evaluation Grants	93.239		581,378
Pass-through from:			
Occupational Safety and Health Program:			
University of Cincinnati:			
Effects of Coping Strategies on Chronic and Traumatic St	93.262	#T42/OH008432-06	7,123
Developing a Method to Assess Organizational Climate	93.262	(1)	5,601
			12,724
Direct award:			
Trans-NIH Recovery Act Research Support	93.701		398,107
Pass-through from:			
Medical Assistance Program:			
Ohio State University Research Foundation:			
Demographic Analysis of Low-Income Adults Without Dependent Children: Implications for the Expansion of Medicaid	93.778	RF01237231-60024076	1,420

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures
Direct awards:			
Biomedical Research and Research Training	93.859		$ 645,083
Child Health and Human Development Extramural Research:	93.865		448,447
Pass-through from:			
The University of Michigan:			
Effects on Children of Exposure to Political Violence	93.865	3000609459	21,403
Pass-through from:			
The University of California, San Diego:			
Expectation Generation in Sentence Processing	93.865	10202962-008	43,518
Pass-through from:			
Cornell University:			
Timing and Circumstances of Transition to Fatherhood	93.865	44053-8470	4,297
			517,665
Total U.S. Department of Health and Human Services			2,603,394
Total Research and Development Cluster			7,583,248
Other Grants and Contracts			
Department of Commerce:			
Direct awards:			
Climate and Atmospheric Research	11.431		2,748
Broadband Technology Opportunities Program	11.557		49,943
Total Department of Commerce			52,691

Bowling Green State University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures
Department of Defense:			
Direct award:			
Basic, Applied, and Advanced			
Research in Science and Engineering	12.630		$ 18,735
Total Department of Defense			18,735
Department of State:			
Direct award:			
Professional and Cultural Exchange Programs – Citizen Exchanges:	19.415		976
Department of State			976
Department of Transportation:			
Pass-through from:			
Highway Planning and Construction:			
Ohio Department of Transportation:			
Development of a Standard Specification for Horizontal D	20.205	24609	12,722
Total Department of Transportation			12,722
U.S. Office of Personnel Management:			
Direct award:			
Intergovernmental Personnel Act (IPA) Assignment	27.011		14,752
Total U.S. Office of Personnel Management:			14,752
National Endowment for the Arts:			
Direct award:			
Promotion of the Arts-Grants	45.024		8,909
Pass-through from:			
Promotion of the Humanities Fellowships and Stipends:			
Ohio Humanitites Council:			
History Lab: A Hands-On Exploration of Local History, Cu	45.129	OHC-12-001	4,169
Total National Endowment for the Arts			13,078
Department of Education:			
TRIO Cluster:			
Direct awards:			
Student Support Services	84.042A		559,122
Talent Search	84.044A		388,244
Upward Bound	84.047A		323,829
McNair Post-Baccalaureate Achievement	84.217A		263,651
Total TRIO Cluster			1,534,846

Bowling Green State University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures
Pass-through from:			
Vocational Education, Basic Grants:			
Ohio Department of Education:			
Career-Technical Education (CTE) Teacher Education Preparation and Retention FY2010	84.048	VEPD-CB-11-062893	$ (3,436)
Career-Technical Education (CTE) Teacher Education Preparation and Retention FY2012	84.048	VEPD-TPR-12-062893	73,000
We Are STEM	84.048	VENT-WS-12/13-062893	5,372
			74,936
Pass-through from:			
Safe and Drug-Free Schools and Communities National Programs:			
Putnam County Educational Service Center:			
Evaluation of Project SAFE – Year 3	84.184	(1)	3,155
Evaluation of Project SAFE - Year 4	84.184	USDE Q184L080342	31,063
Pass-through from:			
Wood County Educational Service Center:			
Evaluation of Project SHAPES (Shaping Healthy Atmosphere	84.184	PO1200899Q184L090192	30,955
Evaluation of Project SHAPES (Shaping Healthy Atmosphere	84.184	(1)	48,482
School and Community-Based Prevention Program Consortium	84.184	(1)	4,139
			117,794
Pass-through from:			
Ready to Learn Television:			
Corporation for Public Broadcasting:			
2012 National STEM Video Game Challenge Awareness	84.295	U295A1000025	3,000
Pass-through from:			
Special Education Personnel Development to Improve Services and Results for Children with Disabilities:			
SFC Office for Exceptional Children:			
Inclusive Early Childhood Education: A Collaborative Approach	84.325	(1)	28,927
Pass-through from:			
Gaining Early Awareness and Readiness for Undergraduate Programs:			
Western Michigan University:			
MERC GearUp Learning Centers 2	84.334A	(1)	322,325
Pass-through from:			
Teacher Quality Partnership Grants:			
Ohio Department of Education:			
DREAMS FY2010	84.336	(1)	316
Transition to Teaching:			
Direct award:			
Project CUE: Consortium for Urban Education	84.350		262,247
Pass-through from:			
Improving Teacher Quality State Grants:			
Ohio Board of Regents:			
Research-Based Inquiry Physics Experience IV (RIPE IV)	84.367	09-05	5,153
Partners in Inquiry Resources and Research Two (Project pi r-squared Two)	84.367	10-06	91,801
Common Core for Reasoning and Sense Making (CO)^2RES	84.367	10-08	46,352
Project STAMPS (Science Teaching Advancement through Modeling Physical Science)	84.367	10-05	56,283
Common Core for Reasoning and Sense Making: Secondary	84.367	11-07	39,902
Common Core for Reasoning and Sense Making in Elementary	84.367	11-08	32,703
			272,194

Bowling Green State University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Federal Grantor, Pass-Through Grantor, CFDA Title, Project Name	CFDA Number	Agency or Pass-Through Number	Expenditures
Pass-through from:			
College Access Challenge Grant Program:			
Putnam County Educational Service Center			
Ohio Access Challenge Grant: CES Evaluation	84.378	(1)	$ 23,469
Pass-through from:			
Race to the Top – Early Learning Challenge:			
Battelle Memorial Institute			
Ohio RttF Funds	84.395	US001-0000315978	51,826
Total Department of Education			2,691,880
U.S. Department of Health and Human Services:			
Pass-through from:			
Affordable Care Act (ACA)			
Lucas County Regional Health District			
Personal Responsibility Education Program	93.092	(1)	64,973
Pass-through from:			
Substance Abuse and Mental Health Services Projects of Regional and National Significance			
Wood County Educational Service Center:			
High-Risk Drinking and Prescription Drug Abuse Prevention Program	93.243	(1)	15,635
High-Risk Drinking and Prescription Drug Abuse Prevention Program	93.243	599-9412	69,561
			85,196
Pass-through from:			
Child Care and Development Block:			
Ohio Educational Telecommunications Network:			
Ohio Ready to Learn	93.575	G-1011-06-0021	2,100
Ohio Ready to Learn	93.575	G-1213-06-0139	31,321
			33,421
Pass-through from:			
HIV Prevention Activities – Health Department Based:			
Ohio Department of Health:			
AIDS Education in Ohio Colleges and Universities	93.940	(1)	16,074
Pass-through from:			
Block Grants for Prevention and Treatment of Substance Abuse:			
Ohio Department of Alcohol and Drug Addiction Services:			
BGSU High-Risk Drinking Prevention Program	93.959	(1)	1,000
BGSU High-Risk Drinking Prevention Program	93.959	998207HEDUC-P12-9854	15,900
			16,900
Total U.S. Department of Health and Human Services			216,564
Pass-through from:			
Corporation National and Community Service:			
Ohio Commission on Service/Volunteerism:			
Martin Luther King, Jr. Day of Service	94.007	(1)	1,000
Pass-through from:			
Michigan Nonprofit Association:			
Martin Luther King, Jr. Day of Service Challenge	94.007	(1)	1,000
Total Corporation National and Community Service			2,000
Total Other Grants and Contracts			3,023,398
Total Federal Expenditures			**$ 171,913,022**

(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, 2012

1. Basis of Presentation

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

2. Loans Outstanding

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

Program Title	Federal CFDA Number	2012 Outstanding Balance
Federal Perkins Loans	84.038	$ 8,387,961
Nursing Student Loans	93.364	613,942

Total Perkins loans advanced during 2012 were $1,314,266 plus additional administrative costs of $65,713.

Total Nursing loans advanced during 2012 were $213,861.

3. Federal Direct Student Loans

The University acts as an intermediary for students receiving Federal Direct Student Loans (CFDA #84.268), which includes Direct Loans and Parent's Loans for Undergraduate Students, from the federal government. The federal government is responsible for billings and collections of the loans. The University assists the federal government by processing the applications and applying funds to student accounts from the federal government. Since this program is administered by the federal government, new loans made in the fiscal year ended June 30, 2012, related to Federal Direct Loans are considered current year federal expenditures, whereas the outstanding loan balances are not.

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, 2012.

5. 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	CFDA Number	Amount Provided
Ohio University	11.303	$ 39,174
Central State University	11.460	2,897
Heidelberg College	11.460	8,000
Fort Meigs Association	45.129	3,277
Lorain Community College	47.050	16,115
Owens Community College	47.076	64,166
URS	47.082	123,716
University of Toledo	81.087	268,147
University of Toledo	84.334A	29,637
Wayne State University	84.350	141,749
Imagination Station	84.367	31,500
Toledo Public Schools	84.395	37,500
Battelle	93.143	212,398
Research Foundation of SUNY	93.239	17,987
Yale University	93.239	10,550
Columbia University	93.239	13,456
University of Pennsylvania	93.239	3,644
Pennsylvania State University	93.701	26,584
Rutgers University	93.859	111,690
Research Foundation of SUNY	93.859	87,603
Michigan State University	93.859	113,687
		$ 1,363,477

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

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

We have audited the financial statements of Bowling Green State University (the University) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal control over financial reporting

Management of the University is responsible for establishing and maintaining effective 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 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*.

This report is intended solely for the information and use of management, Audit Committee, 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 12, 2012

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

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

Compliance

We have audited Bowling Green State University's (the University) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2012. 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 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; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 12-01.

Internal control over compliance

The 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be significant deficiency as described in the accompanying schedule of findings and questioned costs as item 12-01. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

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

This report is intended solely for the information and use of management, Board of Trustees, Audit Committee, others within the entity, and 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 12, 2012

Part I – Summary of Auditor's Results

Financial Statements Section

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

Federal Awards Section

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
Various	Student Financial Assistance Cluster
84.042A, 84.044A, 84.047A, and 84.217A	TRIO Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	$318,199

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

Part II – Financial Statement Findings Section

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

None.

Part III – Federal award findings and questioned costs section

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

Federal program information:	**12-01 – CFDA # 84.042 – Student Support Services – Award Number P042A050760**
Criteria or specific requirement:	In accordance with and to comply with OMB Circular A-133, Section .300 (b), the entity should "maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.". 34CFR Sections 646.7 and 646.11 require that at least two thirds of the students served by a Student Support Services project must be low-income individuals who are the first generation college students or individuals with disabilities.
Condition:	The University did not comply with the required earmarks for Student Support Services participants in accordance with 34 CFR Sections 646.7 and 646.11.
Questioned costs:	$0
Context:	In conjunction with our earmarking compliance testing, we obtained the participant listings for the award year ended August 31, 2011, to test the University's compliance with the earmarking requirements for Student Support Services. We calculated the percentage of low-income individuals who are first generation college students or individuals with disabilities and noted that they only represented 64% of the total which is below the required earmark for Student Support Services of 66%.

Effect:	The University was not in compliance with the requirements outlined in 34CFR sections 646.7 and 646.11 for the award year ended August 31, 2011.
Cause:	The University does not have sufficient procedures and internal controls in place to ensure that earmarking requirements are met for the Student Support Services program.
Recommendation:	Management should implement procedures and internal controls to monitor that the Student Support Services program meets the earmarking compliance requirements.
Views of responsible officials and planned corrective actions:	We concur. Management has made adjustments to the identification, selection, and recruitment process for each TRIO program that includes a Student Support Services award. Procedures were established during the third quarter of fiscal 2012 to monitor earmarking.

Bowling Green State University

Summary Schedule of Prior Audit Findings

Federal program information:	**11-01 – Student Financial Assistance Cluster**
Condition:	The University does not have sufficient internal controls in accordance with 34CFR Section 668.173(b) to ensure that funds are returned within 45 days of a student withdrawal. Also, the University does not have sufficient internal controls to return the correct amounts to be returned in accordance with the Title IV requirements. While the University calculated the correct amount to be returned based on the student's withdrawal date, the amount calculated was not what was refunded; the amount that was refunded was less than the calculated amount by $4,218.
Management status update:	Management has fully implemented the 2011 corrective action plan.
Federal program information:	**11-02 TRIO Cluster (CFDA # 84.042, 84.044, 84.047A, and 84.217)**
Condition:	The University does not have sufficient internal controls in accordance with Section 48e and Appendix A paragraph 8 of Circular A-110 over suspension and debarment to check its vendor list with the EPLS website.
Management status update:	Management has fully implemented the 2011 corrective action plan.

Federal program information:	**11-03 – CFDA # 84.217 – McNair Post-Baccalaureate Achievement – Award Number P217A070290 and CFDA # 84.042 – Student Support Services – Award Number P042A050760**
Condition:	The University does not have sufficient internal controls to ensure that the McNair and Student Support Services programs meet the required earmarking requirements in accordance with 34CFR Sections 647.10 647.70, 646.7 and 646.11.
Management status update:	Management implemented the corrective action plan in the third quarter in the 2012 year. See finding 12-01 for a further update.
Federal program information:	**11-04 – TRIO Cluster (CFDA # 84.042, 84.044, 84.047A, and 84.217) – McNair Post-Baccalaureate Achievement (McNair) – Award Number P217A070290.**
Condition:	The University does not have sufficient internal controls to ensure that the cost share component of the grant agreement is being met.
Management status update:	No cost share was required under the 2012 award document therefore the 2011 corrective action was not required to be implemented.

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Report of Independent Accountants
On Applying Agreed-Upon Procedures

Dr. Mary Ellen Mazey, President
Bowling Green State University

We have performed the procedures enumerated below, which were agreed to by the chief executive of Bowling Green State University (the University), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (Statement I) and Statement of Intercollegiate Athletics Program Support by Booster Organization (Statement II) of the University are in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.16 for the year ended June 30, 2012. The University's management is responsible for the accompanying Statement I and Statement II and Statement I and Statement II's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purposes for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

I. Statement of Revenues and Expenses

1. We obtained the Statement of Revenues and Expenses (Statement I) for the Intercollegiate Athletics Department (the Department) for the year ended June 30, 2012, as prepared by management. We recomputed the subtotal and total line items on Statement I and agreed all amounts on Statement I to management's detailed worksheets and to the appropriate general ledger accounts. We found no exceptions as a result of these procedures.

2. We performed a comparison of the revenues and expenses per Statement I for fiscal years 2012 and 2011. We obtained management's explanations for variations greater than $50,000 and 10% of each revenue and expense line item in the aggregate as follows:

a. Football game guarantee revenues decreased $250,000 or 22%. 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 number of guarantee games during the year. Fiscal year 2011 had three games where guarantees were received- Troy University, the University of Tulsa, and the University of Michigan while fiscal year 2012 only had two games- the University of Idaho and West Virginia University.

b. In 2011, and prior, gifts were all shown in total under “Non-program Specific” and were not reflected under each program. Starting in 2012 and going forward, the gifts will be reflected as department specific. Total gifts for fiscal year 2012 were approximately $722,000 or a 15.88% increase from the prior year. Football gifts in 2012 were approximately $60,000.

c. Football coaches’ salaries increased in the current year by approximately $141,000 or 15%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to salary increases in the current year. The increase was primarily attributable to head coach Clawson who received an approximate $71,000 raise in fiscal year 2012 and assistant coach McDaniel who received an approximate $47,000 increase.

d. Football film expenses decreased approximately $71,000 or 77%. 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 $60,000 installment payment relating to software/hardware support that was paid in 2011 and was not a recurring expense in 2012.

e. Football team travel expenses decreased approximately $125,000 or 30%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease was due to fewer charter flights in 2012 versus 2011.

f. Football game guarantee expenses increased $250,000 or 125%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this increase was due to the number of games the football team played in during fiscal year 2012 where guarantees were paid. We noted that fiscal year 2011 only had 1 game where guarantees were paid versus 2012 that had two games with guarantee payments.

g. Men's basketball revenues increased approximately $83,000 or 58%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this increase was due to increased door and season ticket sales as the team had a successful year.

h. Men's basketball game guarantee revenues decreased $90,000 or approximately 90%. 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 contract with Michigan State University, which stated that the University would receive $100,000 in 2011 and $10,000 in 2012.

i. Men's basketball NCAA distribution revenues increased approximately $124,000 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 MAC distribution that was received beginning in 2012 and will continue to be received going forward. No such revenue was received from the MAC during 2011.

j. In 2011, and prior, gifts were all shown in total under "Non-program Specific" and were not reflected under each program. Starting in 2012 and going forward, the gifts will be reflected as department specific. Total gifts for fiscal year 2012 were approximately $722,000 or a 15.88% increase from the prior year. Men's basketball gifts in fiscal year 2012 were approximately $64,000.

k. Men's basketball guarantee expenses decreased approximately $73,000 or 70%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease was due to fewer game guarantees being paid in 2012. Fiscal year 2012 had only 3 games where guarantees were paid versus 2011 that had 7 games.

l. In 2011, and prior, gifts were all shown in total under "Non-program Specific" and were not reflected under each program. Starting in 2012 and going forward, the gifts will be reflected as department specific. Total gifts for fiscal year 2012 were approximately $722,000 or a 15.88% increase from the prior year. Men's hockey gifts in fiscal year 2012 were approximately $95,000.

m. Hockey team travel expenses increased approximately $65,000 or 60%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to increased post season games as well as a trip to Alaska during 2012.

n. Hockey equipment expenses increased approximately $63,000 or 53%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was primarily due to approximately $66,000 spent on hockey lockers during 2012.

o. In 2011, and prior, gifts were all shown in total under "Non-program Specific" and were not reflected under each program. Starting in 2012 and going forward, the gifts will be reflected as department specific. Total gifts for fiscal year 2012 were approximately $722,000 or a 15.88% increase from the prior year. Other sport gifts revenues in fiscal year 2012 were approximately $187,000.

p. Other sports other salaries expenses increased approximately $105,000 or 253%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was primarily due to additional support staff added for women's basketball, women's gymnastics, women's softball, and women's volleyball.

q. Other sports team travel expenses increased approximately $96,000 or 18%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was primarily due to team travel charter flight to Idaho which was around $80,000 along with an increase in team meals of approximately $26,000, and increased team travel for Women's swimming, Women's softball, and Women's volleyball.

r. Non-program specific institutional support revenues increased approximately $1,543,000 million or 15%. We were informed by certain officials of the

Athletic Department who have responsibility for financial and accounting matters that the increase was primarily due to an increase in the general fee which caused the NCAA institutional support to increase by approximately $129,000 per month or approximately $1,550,000 million for fiscal year 2012.

s. Non-program specific licensing/sponsorship revenues decreased approximately $95,000 or 24%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease was primarily due to the distribution of the Learfield checks. Falcon Sports Properties, a property of Learfield Sports, is a multimedia rights holder and sports marketing arm for athletics at the University. As such, marketing rights and annual fees of approximately $450,000 are received yearly from Learfield. In 2011 and prior, the entire Learfield distributions were allocated to University athletics. In 2012, and going forward, Learfield split the distributions between University athletics and the Stroh Center which caused the NCAA revenue to decrease.

t. In 2011, and prior, gifts were all shown in total under "Non-program Specific" and were not reflected under each program. Starting in 2012 and going forward, the gifts will be reflected as department specific. Total gifts for fiscal year 2012 were approximately $722,000 or a 15.88% increase from the prior year. Non-program specific gift revenues for fiscal year 2012 were approximately $307,000.

u. Non-program specific sports schools and camp revenues decreased by approximately $107,000 or 31%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was primarily due to fewer camps occurring during fiscal year 2012 along with the timing of summer camps which will allocate some revenues to fiscal year 2013.

v. Non-program specific miscellaneous revenues decreased approximately $117,000 or 46%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease came as a result of a change in the meal plan refund policy that was implemented in fiscal year 2012.

w. Non-program specific other salaries expenses increased approximately $181,000 or 11%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that salary letters of appointment increased approximately $100,000. Also, due to additional individuals hired, there was an increase in accrued vacation expense.

x. Non-program specific equipment expenses increased approximately $161,000 or 160%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase related to the purchase of new uniforms and merchandise along with items for the retail kiosk at the Stroh Center.

y. Non-program specific stadium suite internal financing increased approximately $100,000 or 83%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase related to an additional internal transfer of approximately $100,000 that was received in the current year.

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

    a. The actual amount of men's basketball expenses exceeded budgeted amounts by approximately $258,000 or 25%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this related to increased team travel. The team traveled to Toronto as part of an international competition, to the MAC tournament and also to the CBI post season tournament. There were also three additional team trips that required air-travel which significantly increased expenses.

    b. The actual amount of football expenses exceeded budgeted amounts by approximately $449,000 or 10%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the overages in expenses related to the purchase of new uniforms and helmets, coupled with higher expense in football grant-in-aid. Also, the salaries increased for certain football coaches.

c. The actual amount of hockey expenses exceeded budgeted amounts by $172,000 or 14%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the overages related to higher cost of grant-in-aid. Also, the hockey team made it to the finals of the CHA post season tournament which resulted in an additional three weeks of travel. Finally, a renovation of the locker room caused the hockey team to incur an additional expense of approximately $80,000.

d. The actual amount of men's soccer expenses exceeded budgeted amounts by $48,000 or 14%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the overages primarily related to increased grant-in-aid expense, increased equipment expense, and a travel trip to Florida.

e. The actual amount of women's track expenses were below budgeted amounts by approximately $80,000 or 15%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the reduction of women's track expenses related to a reduction in grant-in-aid allocation as there was a new head coach in the current year.

f. The actual amount of women's volleyball expenses exceeded budgeted amounts by approximately $63,000 or 12%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the overage in expenses primarily related to additional vacation payout in fiscal year 2012 for a retiring coach. The University also incurred additional training costs needed to transition in a new coaching staff.

g. The actual amount of women's soccer expenses exceeded budgeted amounts by approximately $60,000 or 13%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the overage in expenses primarily related to the buyout of a coach's contract for $53,000.

h. The actual amount of sports camp expenses exceeded budgeted amounts by $165,000 or 138%. We were informed by certain officials of the Athletic

Department who have responsibility for financial and accounting matters that the overages in expenses were driven by when the camps are held during the summer. In fiscal year 2012, there were more summer sports camps prior to June 30 which increased the expenses in the current year.

i. The actual amount of men's basketball revenues exceeded budgeted amounts by approximately $272,000 or 175%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase related to game guarantees and NCAA distribution of $115,000. Also, as it was the first year the men's basketball team played in the Stroh center, there were increased ticket sales.

j. The actual amount of football revenues exceeded budgeted amounts by approximately $722,000 or 57%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase primarily related to $900,000 of game guarantees recognized in fiscal year 2012.

k. The actual amount of hockey revenues exceeded budgeted amounts by approximately $121,000 or 57%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase related to funds received from the BGSU foundation of approximately $26,000 for post season travel expenses and $95,000 for other budget overages/expenses.

l. The actual amount of women's basketball revenues exceeded budgeted amounts by approximately $104,000 or 119%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that season ticket sales were up $70,000 due to 2012 being the first year basketball was played in the Stroh Center. Also, $38,000 was received from the BGSU Foundation to cover budget overages/expenses.

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

5. We reviewed the extent of documentation of accounting systems and procedures. We also made certain inquires of management regarding control consciousness, competence of personnel and protection of records and equipment.

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

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

	Principal	Interest	Total
2012	$ 199,743	$ 20,467	$ 220,210
2013	$ 207,732	$ 12,478	$ 220,210
2014	$ 104,211	$ 4,168	$ 108,379

8. We obtained all the listings of ticket sales for football, hockey, and men's basketball. We agreed the ticket revenue per Statement I to the total of the event sales report, in which we recomputed the revenue based on ticket prices, considering complementary and unsold tickets. We found a $10,615 or 1.1% difference in football, $15,888 or 7% difference in men's basketball, and a $1,169 or 0.6% difference in hockey tickets sales revenue compared to Statement I.

9. We obtained the 2011-2012 general fee and related auxiliary budget report prepared by the Finance and Administration office and agreed the budgeted allocation of the student fees to the amount reported by the University in Statement I. We also gained an understanding of the University's allocation method.

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 as a result of these procedures.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30. We randomly selected a sample of five direct facility rental expenses, agreeing them to the general ledger, approved journal entries for cross-charges, and invoices for external expenses. We found no exceptions as a result of these procedures.

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

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

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

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

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

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

37. We compared contributions, received directly by the Athletic Department in excess of 10% of total contributions for the year ended June 30, 2012, to the accounting records of the University. We identified two significant contributions from the Bowling Green State University Foundation (the Foundation); one is for $115,000 for the Falcon Club project and one is for $163,098 for the ice arena renovation. These contributions made up 29% of total Booster Organization Support for the fiscal year. We agreed these items to proof of payment and approved disbursement forms from the Foundation, noting no exceptions.

II. Statement of Intercollegiate Athletics Program Support by Booster Organization

1. We obtained the Statement of Intercollegiate Athletics Program Support by Booster Organizations for the year ended June 30, 2012 (Statement II) from the Foundation.

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

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

4. We received the audited financial statements of the Foundation, which administers the booster organizations, for the year ended June 30, 2012, which reflected an unqualified opinion.

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

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

Ernst & Young LLP

October 12, 2012

Statement I

Bowling Green State University
Intercollegiate Athletics Department
Statement of Revenues and Expenses
Year Ended June 30, 2012

	Men's Football	Men's Basketball	Men's Hockey	Other Sports	Non-Program Specific	Total
Revenues:						
Ticket Sales	$ 950,544	$ 226,888	$ 207,721	$ 164,557	$ -	$ 1,549,710
Concessions	$ -	$ -	$ -	$ -	$ 58,003	$ 58,003
Student Activity Fees	$ -	$ -	$ -	$ -	$ 11,819,248	$ 11,819,248
Instituitional Support	$ -	$ -	$ -	$ -	$ 425,104	$ 425,104
Game Guarantees	$ 900,000	$ 10,000	$ -	$ -	$ -	$ 910,000
NCAA Distribution	$ -	$ 124,011	$ 26,390	$ -	$ 1,122,191	$ 1,272,592
Licensing/Sponsorships	$ -	$ -	$ -	$ -	$ 300,186	$ 300,186
Parking	$ 58,559	$ -	$ 4,075	$ 25	$ 15,672	$ 78,331
Stadium Suites	$ -	$ -	$ -	$ -	$ 153,614	$ 153,614
Gifts	$ 60,085	$ 63,941	$ 95,184	$ 186,926	$ 315,642	$ 721,777
Sports Schools & Camps	$ -	$ -	$ -	$ -	$ 243,893	$ 243,893
Miscellaneous	$ 9,314	$ 1,810	$ 943	$ 12,046	$ 139,400	$ 163,513
Total Revenues	$ 1,978,502	$ 426,650	$ 334,313	$ 363,554	$ 14,592,953	$ 17,695,971
Expenses:						
Coaches' Salaries	$ 1,104,707	$ 340,959	$ 262,694	$ 1,268,517	$ -	$ 2,976,877
Other Salaries	$ 164,276	$ 33,763	$ 51,475	$ 146,836	$ 1,816,974	$ 2,213,322
Staff Benefits	$ 347,233	$ 101,465	$ 92,616	$ 377,782	$ 519,160	$ 1,438,256
Non-Employee Comp. (Game Officials)	$ 63,500	$ 86,000	$ 37,850	$ 100,294	$ 89,565	$ 377,208
Films	$ 21,434	$ 2,650	$ -	$ 3,828	$ 20,945	$ 48,857
Travel:						$ -
Team	$ 289,797	$ 159,763	$ 173,599	$ 636,651	$ -	$ 1,259,810
Other	$ 217,255	$ 42,484	$ 31,812	$ 104,141	$ 158,098	$ 553,791
Recruiting	$ 127,261	$ 58,102	$ 35,569	$ 124,167	$ -	$ 345,098
Financial Aid	$ 2,040,620	$ 375,646	$ 482,448	$ 2,649,821	$ (559)	$ 5,547,976
Equipment	$ 271,621	$ 38,772	$ 181,258	$ 203,643	$ 262,206	$ 957,501
Facility Rental	$ -	$ -	$ -	$ (3,003)	$ 118,248	$ 115,244
Game Guarantees	$ 450,000	$ 32,500	$ 3,000	$ 25,150	$ -	$ 510,650
Stadium Suites Internal Financing	$ -	$ -	$ -	$ -	$ 220,210	$ 220,210
Sports Camps	$ -	$ -	$ -	$ 483	$ 284,538	$ 285,020
Memberships	$ 850	$ -	$ -	$ 4,293	$ 272,236	$ 277,379
Telephone	$ 16,742	$ 5,310	$ 7,171	$ 23,570	$ 68,902	$ 121,695
Allocated Expenses	$ 17,327	$ 30,152	$ 34,003	$ 64,858	$ 758,670	$ 905,011
Total Expenses	$ 5,132,624	$ 1,307,566	$ 1,393,495	$ 5,731,031	$ 4,589,191	$ 18,153,907
Revenues over (under) Expenses	$ (3,154,122)	$ (880,916)	$ (1,059,182)	$ (5,367,477)	$ 10,003,761	$ (457,936)

Statement II

BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC.
Statement of Intercollegiate Athletics Program Support by Booster Organization
'FY ENDED 06/30/12

FUND NAME	BEG. BAL. 06/30/11	Gift Contributions	Non-contributions and other adjustments	Disbursements on behalf of program	END. BAL. 06/30/12
Alumni/Athletics Endowment	$ 84,708.52	$ -	$ (831.81)	$ -	$ 83,876.71
HPER/Athletic Archives	$ 3,227.26	$ 200.00	$ (43.25)	$ -	$ 3,384.01
Don Cunningham Memorial	$ 57,556.91	$ 700.00	$ (673.26)	$ (1,000.00)	$ 56,583.65
Intercollegiate Athletics Dept.	$ 75,444.70	$ 268.00	$ 418,067.16	$ (190,594.87)	$ 303,184.99
Perry Stadium Enhancement	$ 3,059.57	$ 18,600.00	$ (149.38)	$ (1,738.28)	$ 19,771.91
Gregory I. Brooks Soccer Schol	$ 25,037.70	$ -	$ (299.71)	$ -	$ 24,737.99
Athletic Fitness & Weight Room	$ 308.03	$ -	$ (4.00)	$ -	$ 304.03
Men's Basketball International Travel	$ 357.88	$ -	$ (4.65)	$ -	$ 353.23
Carl C. Bachman Schol	$ 53,760.94	$ -	$ (622.13)	$ (1,000.00)	$ 52,138.81
Athletics Special Events	$ 7,449.33	$ 3,630.00	$ 14,433.55	$ (23,569.33)	$ 1,943.55
Men's Basketball	$ 149,996.08	$ 103,730.20	$ (232.62)	$ (116,809.04)	$ 136,684.62
Football	$ 85,848.46	$ 132,040.54	$ 1,013.27	$ (147,818.58)	$ 71,083.69
Ice Hockey	$ 74,066.25	$ 85,428.34	$ 9,492.69	$ (110,488.56)	$ 58,498.72
Women's Basketball	$ 167,175.86	$ 138,708.28	$ 1,295.85	$ (94,662.48)	$ 212,517.51
Women's Golf	$ 8,073.39	$ 12,482.45	$ 13,162.77	$ (27,694.76)	$ 6,023.85
Gymnastics Fund	$ 1,315.19	$ 16,125.96	$ 1,043.76	$ (17,318.04)	$ 1,166.87
Women's Tennis	$ 25,698.17	$ 18,224.00	$ 1,331.48	$ (16,917.26)	$ 28,336.39
Women's Track	$ 649.05	$ 487.50	$ 1,544.47	$ (2,485.40)	$ 195.62
Volleyball	$ 29,939.87	$ 18,682.05	$ 679.50	$ (34,074.68)	$ 15,226.74
Softball	$ 6,502.80	$ 10,323.14	$ 25,559.82	$ (34,340.50)	$ 8,045.26
Mel Brodt Track & Cross Country Schol.	$ 56,039.07	$ 1,850.00	$ -	$ (667.71)	$ 57,221.36
Women's Soccer	$ 15,090.49	$ 2,405.00	$ 1,010.24	$ (13,152.00)	$ 5,353.73
Baseball	$ 45,822.33	$ 26,307.53	$ 27,488.71	$ (57,006.35)	$ 42,612.22
Men's Golf	$ 21,455.94	$ 49,162.64	$ 10,860.08	$ (45,629.78)	$ 35,848.88
Men's Soccer	$ 39,987.76	$ 58,779.96	$ 11,463.89	$ (50,546.60)	$ 59,685.01
Swimming	$ 20,402.97	$ 18,924.00	$ 7,860.91	$ (11,176.75)	$ 36,011.13
Men's Tennis	$ 133.60	$ -	$ (1.74)	$ -	$ 131.86
Men's Track	$ 1.35	$ -	$ (0.02)	$ -	$ 1.33
Men's Cross Country	$ 6,214.23	$ 256.25	$ (70.65)	$ (1,816.21)	$ 4,583.62
Women's Cross Country	$ 5,346.72	$ 706.22	$ 11,397.66	$ (5,703.10)	$ 11,747.50
Glenn Sharp Schol.	$ 3,984.24	$ 4,133.00	$ 218.39	$ (5,960.00)	$ 2,375.63
BGSU Cheerleading	$ 10,091.16				$ 10,091.16
Bob & Karen Sebo Schol.	$ 234,345.28	$ -	$ -	$ (2,500.00)	$ 231,845.28
Clarence & Sally Metzger Schol	$ 65,779.18	$ 2,450.00	$ (781.15)	$ (500.00)	$ 66,948.03
Coaches Excellence	$ 308,922.24	$ -	$ (3,468.44)	$ (10,000.00)	$ 295,453.80
Mickey & Patricia Cochrane Schol.	$ 42,449.83	$ -	$ (500.96)	$ (250.00)	$ 41,698.87
Samuel M. Cooper Athletic Schol.	$ 29,109.14	$ -	$ (339.35)	$ (250.00)	$ 28,519.79
Athletic Golf Fund	$ 161,998.36	$ -	$ (1,758.72)	$ -	$ 160,239.64
Falcon Club	$ 44,372.25	$ 103,686.67	$ (6,391.07)	$ (115,000.00)	$ 26,667.85
Falcon Club-Designated	$ 3,367.94	$ 752.50	$ 21,109.67	$ (20,370.54)	$ 4,859.57
Falcon Club-Operating	$ 102.42	$ 100.00	$ 6,416.57	$ (4,515.94)	$ 2,103.05
Falcon Club-Reserve	$ (1,285.19)	$ -	$ -	$ -	$ (1,285.19)
Falcon Club Athletic Schol.	$ 165,347.46	$ 700.00	$ (1,931.49)	$ -	$ 164,115.97
Dewey & Ellen Fuller Schol.	$ 52,422.67	$ -	$ (607.46)	$ -	$ 51,815.21
Harms Cross Country Schol.	$ 40,838.37	$ -	$ (459.70)	$ -	$ 40,378.67
Mark A. Brecklen Athletics/Football	$ 8,695.62	$ -	$ (8,695.62)		$ -
Barb Veselich Award	$ -	$ -	$ -	$ -	$ -
Hockey Renovation Fund	$ 55.93	$ -	$ (0.73)	$ -	$ 55.20
Hodge Family Soccer Schol.	$ 14,138.16	$ (250.00)	$ (160.61)	$ -	$ 13,727.55
Joyce S. Hof Schol.	$ 40,536.44	$ 550.00	$ (473.72)	$ (500.00)	$ 40,112.72
William J. Lloyd Athletic Award	$ 79,965.89	$ -	$ (867.98)	$ -	$ 79,097.91
John & Diane McNutt Schol.	$ 11,853.31	$ -	$ (137.10)	$ -	$ 11,716.21
Lanny L. Miles Memorial Schol.	$ 91,044.02	$ -	$ (1,020.52)	$ (2,500.00)	$ 87,523.50
Leslie Ann Dawley Memorial Fund	$ 319.51	$ 100.00	$ (4.80)	$ -	$ 414.71
Scholar Athlete Recognition Fund	$ 84,109.78	$ 500.00	$ (863.60)	$ (1,000.00)	$ 82,746.18
Training Room Enhancement	$ 2,110.99	$ 1,210.00	$ 332.85	$ (593.65)	$ 3,060.19
Medical Mutual of Ohio CHAMPS Endow.	$ 114,073.00	$ -	$ (1,312.51)	$ -	$ 112,760.49
Verlin Lee Science Educators Schol in ICA	$ 83,114.26	$ 50.00	$ (995.18)	$ -	$ 82,169.08
University Athletic Endowment	$ 817,174.85	$ -	$ (9,355.15)	$ (4,500.00)	$ 803,319.70
Doyt & Loretta Perry Schol.	$ 204,573.13	$ 200.00	$ (2,338.80)	$ (2,500.00)	$ 199,934.33
Bernard A. Frick Endow. For Athl. Training	$ 69,555.04	$ 7,000.00	$ (855.01)	$ -	$ 75,700.03
Creason-Piper Endowed Scholarship	$ 195,701.59	$ -	$ (1,986.36)	$ (2,500.00)	$ 191,215.23
George H. & Ruthanna Frack Endwd Schol	$ 99,411.77	$ -	$ (1,158.93)	$ (1,000.00)	$ 97,252.84
Earl E. Rupright Basketball Schol.	$ 24,850.76	$ -	$ (283.62)	$ (500.00)	$ 24,067.14
Helen & Willard Schaller Schol.	$ 18,312.53	$ -	$ (212.94)	$ (250.00)	$ 17,849.59
Mary E. Crawford Memorial Scholarship	$ 29,314.57	$ -	$ (341.75)	$ (250.00)	$ 28,722.82
Soccer Stadium	$ 519.58	$ -	$ (6.75)	$ -	$ 512.83
Stadium Club	$ 9,042.22	$ 66,449.00	$ (213.57)	$ (51,676.94)	$ 23,600.71
Stadium Scoreboard Fund	$ 39.10	$ -	$ (0.51)	$ -	$ 38.59
Stadium Suites	$ 132.80	$ 101,604.50	$ 41,115.00	$ (142,220.68)	$ 631.62
Sebo Athletic Center	$ 5,997.92	$ 24,569.00	$ 3,697.99	$ (33,205.00)	$ 1,059.91
Falcon Women's Ldrship Athletic Fund	$ (4,486.59)	$ 125.00	$ -	$ -	$ (4,361.59)
John Weinert Schol.	$ 16,774.33	$ 100.00	$ (195.72)	$ (250.00)	$ 16,428.61
Cara Whelan Wilson Schol.	$ -	$ -	$ -	$ -	$ -
Chet Boyer Memorial Fund	$ 1,150.77	$ -	$ (14.96)	$ -	$ 1,135.81
Sandy & Dick Young Athletic Scholarship	$ -	$ -	$ -	$ -	$ -
Larry & Sharon Barnett Schol.	$ 51,999.74	$ -	$ (546.94)	$ -	$ 51,452.80
Gary Palmisano Men's Soccer Fund	$ 29,167.79	$ 350.00	$ (342.57)	$ -	$ 29,175.22
Jeff & Lisa Lambert Bsktbl Coach Award	$ -	$ -	$ -	$ -	$ -
Convocation Center	$ -	$ -	$ -	$ -	$ -
Falcon Club Endw for Womens Athletics	$ 59,616.23	$ 3,960.00	$ (685.03)	$ (2,500.00)	$ 60,391.20
Varsity BG Club	$ 31,356.34	$ -	$ (371.90)	$ -	$ 30,984.44
Vivian Endowed Hockey Schol.	$ 129,498.31	$ -	$ (1,417.06)	$ (2,500.00)	$ 125,581.25
Baseball/Softball Locker Room Project	$ 13,340.55	$ 22,000.00	$ (288.13)	$ (4,353.14)	$ 30,699.28
Edway & Geraldine Johnson Schol for Sci	$ 27,549.16	$ -	$ (321.16)	$ (250.00)	$ 26,978.00
Men's Basketball Summer Schol Pgm	$ 983.66	$ -	$ (12.79)	$ -	$ 970.87
Stroh Capital Project Fund	$ 729,256.94	$ 715,364.95	$ (7,885.74)	$ (960,688.33)	$ 476,047.82
Wilcox Athletic Schol	$ -	$ -	$ -	$ -	$ -
Wilcox Outstanding Coaches Award	$ -	$ -	$ -	$ -	$ -
Dr. Richard Barker Schol for Athl Trng	$ -	$ -	$ -	$ -	$ -
Defending Our Turf Campaign Fund	$ 16,619.69	$ 10,000.00	$ (228.00)	$ (8,163.06)	$ 18,228.63
Bill Bradshaw Athletic Memorial Fund	$ -	$ -	$ -	$ -	$ -
Blackburn Student Athlete Avd Cmte Awrd	$ 21,369.32	$ -	$ -	$ -	$ 21,369.32
L. Eugene & Janet Farison Football Schol	$ 26,167.85	$ -	$ (299.40)	$ -	$ 25,868.45
Women's Basketball Endowment	$ 58,600.11	$ 56,750.00	$ (996.84)	$ -	$ 114,353.27
Student-Athlete Academic Support Service	$ 20,827.59	$ 14,442.56	$ 1,943.71	$ (22,231.50)	$ 14,982.36

BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC.
Statement of Intercollegiate Athletics Program Support by Booster Organization
'FY ENDED 06/30/12

FUND NAME	BEG. BAL. 06/30/11	Gift Contributions	Non-contributions and other adjustments	Disbursements on behalf of program	END. BAL. 06/30/12
Falcon Invitational Fund	$ (1,197.81)	$ -	$ -	$ -	$ (1,197.81)
Falcon Club Bash Fund	$ (159.15)	$ -	$ -	$ -	$ (159.15)
Falcons Barnstorming Tour Fund	$ 658.99	$ -	$ (8.57)	$ -	$ 650.42
Ron Thompson Scholarship	$ -	$ -	$ -	$ -	$ -
Ice Arena Renovation	$ 82,531.11	$ 26,857.50	$ (558.68)	$ (105,969.27)	$ 2,860.66
Golf Training Center Fund	$ 4,481.17	$ 1,000.00	$ (39.79)	$ (3,841.42)	$ 1,599.96
Elizabeth M. Bacso Women's Athletic Fund	$ -	$ -	$ -	$ -	$ -
Women's Basketball Internat'l Travel	$ 372.47	$ -	$ (4.84)	$ -	$ 367.63
Hockey Endowment Fund (Schlshp)	$ 149,737.98	$ 128,682.50	$ (22,361.25)	$ 25.00	$ 256,084.23
Gregory A. Gettum Women's Golf Fund	$ -	$ -	$ -	$ -	$ -
Peter J. Winovich III Scholarship	$ -	$ -	$ -	$ -	$ -
S Hamilton '94 Varsity Ice Hockey Schol	$ 612,363.35	$ -	$ (7,140.84)	$ (2,500.00)	$ 602,722.51
Karen Merrels Hockey Fund	$ -	$ 5,000.00	$ 19,837.50	$ -	$ 24,837.50
Janna Blais Student Athlete Scholarship	$ 12,962.05	$ 619.00	$ -	$ -	$ 13,581.05
A.A. Green Family Varsity Hockey Schol.	$ 61,138.77	$ 1,683.00	$ (722.14)	$ (500.00)	$ 61,599.63
Howick Family Hockey Scholarship	$ 16,000.00	$ 1,000.00	$ -	$ -	$ 17,000.00
Pikul Family Varsity Hockey Scholarship	$ 10,000.00	$ 12,500.00	$ -	$ -	$ 22,500.00
Class of 1985 Hockey Scholarship	$ 6,310.00	$ -	$ -	$ -	$ 6,310.00
Slater Family Varsity Hockey Scholarship	$ 5,000.00	$ 5,000.00	$ -	$ -	$ 10,000.00
Legacy Varsity Hockey Scholarship	$ 1,557.25	$ -	$ 193.36	$ -	$ 1,750.61
Reichenbach-Burtch Family Varsity Hockey Scholarship	$ 1,200.00	$ -	$ -	$ -	$ 1,200.00
Kunstmann Family Varsity Hockey Scholarship	$ 11,000.00	$ 3,000.00	$ -	$ -	$ 14,000.00
Walker Family Varsity Hockey Scholarship	$ 1,006.74	$ 1,000.00	$ (19.59)	$ -	$ 1,987.15
Wojciechowski Family Varsity Hockey Book Award	$ 1,100.00	$ 2,200.00	$ -	$ -	$ 3,300.00
Warren Scholler Scholarship Endowment	$ 1,230.00	$ 100.00	$ -	$ -	$ 1,330.00
Yves Pelland Memorial Hockey Scholarship Endowment	$ 5,000.00	$ 5,375.00	$ -	$ -	$ 10,375.00
Swimming Scoreboard Fund	$ -	$ 17,350.00	$ (140.01)	$ 4,190.40	$ 21,400.39
Athletic Communications	$ -	$ 5.00	$ (0.03)	$ -	$ 4.97
TOTAL SUPPORT THRU FDN.	$ 6,449,243.25	$ 2,066,291.24	$ 557,511.55	$ (2,518,284.35)	$ 6,554,761.69

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Consolidated Financial Statements

Centennial Falcon Properties, Inc. and Subsidiaries
Years Ended June 30, 2012 and 2011
With Report of Independent Auditors

Ernst & Young LLP

Ernst & Young

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Financial Statements

Years Ended June 30, 2012 and 2011

Contents

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Report of Independent Auditors

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

We have audited the accompanying consolidated statements of financial position of Centennial Falcon Properties, Inc. and Subsidiaries (the Corporation) as of June 30, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Corporation's internal controls 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 Corporation'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 consolidated financial position of Centennial Falcon Properties, Inc. and Subsidiaries, as of June 30, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2012 on our consideration of the Corporation'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.

Ernst + Young LLP

October 12, 2012

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Financial Position

	June 30	
	2012	**2011**
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,146,574**	$ 3,484,800
Restricted cash and cash equivalents	**–**	1,295,425
Other receivable, net of allowance for doubtful accounts of $3,562	**35,954**	–
Prepaid expense	**14,175**	6,514
Total current assets	**1,196,703**	4,786,739
Other assets:		
Funds held by trustee	**11,775,136**	22,645,814
Capital assets, net	**89,021,720**	74,701,445
Bond issuance and discount costs, net of accumulated amortization of $252,848 and $129,012	**2,731,535**	2,855,371
Total other assets	**103,528,391**	100,202,630
Total assets	**$ 104,725,094**	$ 104,989,369
Liabilities and net assets		
Short-term liabilities:		
Accounts payable	**$ 24,767**	$ –
Payroll liabilities	**16,049**	–
Unearned income	**24,291**	–
Accrued interest payable	**392,376**	380,070
Accrued expenses	**119,025**	–
Accrued construction costs payable	**72,366**	5,176,948
Bonds and construction payable – current portion	**1,336,800**	806,582
Total short-term liabilities	**1,985,674**	6,363,600
Long-term liabilities:		
Bonds payable – net of current portion	**80,810,000**	81,290,000
Construction funding payable – net of current portion	**15,602,189**	11,153,004
Total long-term liabilities	**96,412,189**	92,443,004
Total liabilities	**98,397,863**	98,806,604
Net assets:		
Unrestricted	**4,327,231**	4,182,765
Temporarily restricted	**2,000,000**	2,000,000
Total net assets	**6,327,231**	6,182,765
Total liabilities and net assets	**$ 104,725,094**	$ 104,989,369

See accompanying notes.

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statement of Activities

Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Operating revenue	$ 8,018,075	$ –	$ 8,018,075
Total revenues	8,018,075	–	8,018,075
Expenses:			
Payroll, benefits, and taxes	410,284	–	410,284
Management fees	236,999	–	236,999
Operating and administrative	88,674	–	88,674
Interior unit expenses	47,417	–	47,417
Insurance	40,120	–	40,120
Common area expenses	25,273	–	25,273
Building maintenance	21,424	–	21,424
Professional fees	16,346	–	16,346
Trust administrative fees	6,808	–	6,808
Marketing and advertising	7,354	–	7,354
Ground expenses	7,919	–	7,919
Bad debt expense	3,562	–	3,562
Depreciation and amortization	2,610,113	–	2,610,113
Total operating expenses	3,522,293	–	3,522,293
Operating income (loss)	4,495,782	–	4,495,782
Nonoperating revenue (expense):			
Investment income	23,160	–	23,160
In-kind support from Bowling Green State University	1,294,582	–	1,294,582
Interest on capital asset-related debt	(4,324,237)	–	(4,324,237)
Depreciation expense	(1,356,686)	–	(1,356,686)
Net nonoperating loss	(4,363,181)	–	(4,363,181)
Other changes:			
Capital contributions from Bowling Green State University	11,865	–	11,865
Total other changes	11,865	–	11,865
Change in net assets	144,466	–	144,466
Net assets:			
Net assets at the beginning of year	4,182,765	2,000,000	6,182,765
Net assets at the end of year	$ 4,327,231	$ 2,000,000	$ 6,327,231

See accompanying notes.

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statement of Activities

Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Operating revenue	$ –	$ –	$ –
Total revenues	–	–	–
Expenses:			
Payroll, benefits, and taxes	–	–	–
Management fees	–	–	–
Operating and administrative	1,193	–	1,193
Interior unit expenses	–	–	–
Insurance	–	–	–
Common area expenses	–	–	–
Building maintenance	–	–	–
Professional fees	2,500	–	2,500
Trust administrative fees	–	–	–
Marketing and advertising	–	–	–
Ground expenses	–	–	–
Bad debt expense	–	–	–
Depreciation and amortization	–	–	–
Total operating expenses	3,693	–	3,693
Operating income (loss)	(3,693)	–	(3,693)
Nonoperating revenue (expense):			
Investment income	–	–	–
In-kind support from Bowling Green State University	–	–	–
Interest on capital asset-related debt	–	–	–
Depreciation expense	–	–	–
	–	–	–
Other changes:			
Capital contributions from Bowling Green State University	3,936,458	–	3,936,458
Total other changes	3,936,458	–	3,936,458
Change in net assets	3,932,765	–	3,932,765
Net assets:			
Net assets at the beginning of year	250,000	2,000,000	2,250,000
Net assets at the end of year	$ 4,182,765	$ 2,000,000	$ 6,182,765

See accompanying notes.

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended June 30	
	2012	**2011**
Operating activities:		
Cash received from operating revenue	**$ 8,002,850**	$ –
Cash paid to vendors and employees	**(756,438)**	(3,693)
Net cash provided by (used in) operating activities	**7,246,412**	(3,693)
Capital financing activities:		
Construction in progress	**(5,242,916)**	(46,045,223)
Purchase of fixed assets	**(14,081,151)**	–
Interest paid on bonds payable	**(4,718,112)**	(4,521,525)
Principal paid on bonds payable	**(320,000)**	–
Proceeds from construction manager	**2,062,243**	3,999,757
Capital contributions received from Bowling Green State University	**11,865**	3,936,458
Net change in restricted cash and cash equivalents	**1,295,425**	(1,295,425)
Bond issuance costs paid	**–**	(15,000)
Net cash used in financing activities	**(20,992,646)**	(43,940,958)
Investing activities:		
Proceeds from sale of investments	**11,361,651**	46,920,500
Interest received	**46,357**	258,951
Net cash provided by investing activities	**11,408,008**	47,179,451
Net (decrease) increase in cash	**(2,338,226)**	3,234,800
Cash at beginning of year	**3,484,800**	250,000
Cash at end of year	**$ 1,146,574**	$ 3,484,800

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (continued)

	Year Ended June 30	
	2012	**2011**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	**$ 4,495,782**	$ (3,693)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	**2,610,113**	–
Bad debt expense	**3,562**	–
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	**(39,516)**	–
(Increase) decrease in prepaid expenses	**(7,661)**	–
Increase (decrease) in accounts payable	**24,767**	–
Increase (decrease) in payroll liabilities	**16,049**	–
Increase (decrease) in unearned income	**24,291**	–
Increase (decrease) in accrued expenses	**119,025**	–
Net cash provided by (used in) operating activities	**$ 7,246,412**	$ (3,693)

See accompanying notes.

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

Nature of Operations

Centennial Falcon Properties, Inc. (the Corporation) and subsidiaries were organized for the benefit of the Bowling Green State University (the University) for various purposes, which includes acquiring, developing, and maintaining property to be used for charitable, scientific, and educational purposes.

Reporting Entity

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

The Corporation is the sole member of CFP I LLC (CFP I). CFP I is a nonprofit single member limited liability company formed in 2010 under the laws of the state of Ohio. On June 9, 2010, the City of Bowling Green, Ohio issued $81,610,000 Student Housing Revenue Bonds (Series 2010 Bonds) and loaned the proceeds of the Series 2010 Bonds to CFP I for the purpose of providing funds to finance the cost of acquiring, constructing, furnishing, and equipping an approximately 1,318-bed, two-building student housing facility (the Series 2010 Project). CFP I is not expected to have assets other than the Series 2010 Project. Interest rates range from 3.0% to 6.0% over the scheduled redemption period of December 1, 2011 to June 1, 2045.

On May 3, 2010, CFP I entered into a Development Agreement with Capstone Development Corporation (the Developer) for the design, construction, and equipping of the Series 2010 Project to serve as residential housing for students at the University. The Developer completed the Series 2010 Project for occupancy in August 2011. In addition, CFP I and the University entered into a Management Agreement with Capstone On-Campus Management, LLC to manage, operate, and maintain the Series 2010 Project. This Management Agreement was effective July 1, 2011.

The Series 2010 Project was completed, and a permanent occupancy permit was granted August 1, 2011. The two-building housing facilities, Falcon Heights and Centennial Hall, were opened August 19, 2011.

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

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

Pursuant to an Amended and Restated Food Service Agreement, dated June 25, 2010 (the Management Agreement), by and between Chartwells and the University, Chartwells has provided funds for The Oaks in the amount of $10,350,000. The Corporation has provided funds of approximately $23,000 and CFP II has provided funds of approximately $962,000.

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

On March 31, 2011, CFP III entered into a funding agreement with the manager of The Oaks, Chartwells. Pursuant to an Amended and Restated Food Service Agreement, dated June 25, 2010 (the Management Agreement), by and between Chartwells and the University, Chartwells has provided funds for the Project in the amount of $6,062,000. The Corporation provided funds of approximately $698,000 and CFP III provided funds of approximately $1,973,000.

Chartwells funded a total of $1,588,000 of minor construction upgrades and modernization of food service venues intended to be actively managed by Chartwells under contract and located in the University’s student union, Kreischer, Founders and McDonald, on behalf of the Corporation. The necessary funding associated with these upgrades and associated debt repayment is contained in the Amended Food Service Management Agreement by and between Chartwells and the University.

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

Because the proceeds of the Series 2010 Bonds can only be used for the Series 2010 Project, the Chartwells funding for the Oaks and Carillon and minor construction upgrades can only be utilized for those specific projects. The Corporation is considered a component unit of the University and is discretely presented in the University's financial statements.

Financial Statement Presentation

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

Basis of Accounting

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

Use of Estimates

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

Income Tax

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

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

Subsequent Events

The Corporation evaluated the effect of subsequent events through October 12, 2012, representing the date which the financial statements were available to be issued. No recognized subsequent events were indentified for recognition or disclosure in the financial statements or the accompanying notes to the financial statements.

Eliminations

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

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. At June 30, 2012, cash and cash equivalents totaled $1,146,574. At June 30, 2011, cash and cash equivalents totaled $3,484,800.

At June 30, 2012 and 2011, Funds Held by Trustee were $11,775,136 and $22,645,814 respectively. The balance includes $2,000,000 in capital contributions from the University, which is considered temporarily restricted other assets, designated for the Series 2010 Project. Bank of New York, acting as trustee, is responsible for holding, management, and distribution of all CFP I funds as outlined in Section V of the Indenture Trustee Agreement.

Restricted Cash and Cash Equivalents

At June 30, 2011, the restricted cash and cash equivalents balance includes net construction funding from Chartwells in the amount of $1,295,425, which was designated specifically for the Carillon project. At June 30, 2012, there was no restricted cash and cash equivalents.

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

Other Receivable

Other receivable is due from the University and consists of housing and housing-related fees charged to students for rooms located in Falcon Heights and Centennial Hall (the Series 2010 Project). See Note 5 for details of this relationship. CFP I follows University policy when calculating allowance for doubtful accounts.

Advertising Expense

Advertising costs are expensed when incurred.

Capital Assets

Capital assets are recorded at cost at date of acquisition, or fair value at the date of gift for any donated assets. The capitalization policy for the Corporation includes all items with a cost of $5,000 or more and an estimated useful life of greater than one year. Infrastructure and improvements other than to buildings are capitalized if the cost exceeds $100,000. Routine repairs and maintenance are charged to operating expense in the year the expense is incurred.

Construction in progress is stated at cost and not depreciated. The asset will be reclassified to "Capital assets, net" when placed in service and depreciated. Interest cost related to construction is not expensed, but capitalized. Capitalized interest will be depreciated when the corresponding asset is placed in service.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 25 to 35 years for buildings and improvements, 15 to 20 years for other improvements, 7 to 10 years for equipment, and 5 to 7 years for furniture.

Amortization of deferred bond discount costs and bond issuance costs is computed using the effective interest rate method over the duration of the bond indenture of 35 years.

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

Amortization of bond discount costs and issuance costs totaled $123,836 and $123,877 for the years ended June 30, 2012 and 2011, respectively. The amount of $123,877 for June 30, 2011 was included in construction in progress as the corresponding assets being constructed were not yet in service. Amortization expense for the next five fiscal years, 2013 – 2017, is approximately as follows: $123,000, $123,000, $122,000, $121,000 and $119,000.

Revenues

The Corporation has classified student housing and housing-related fees as operating revenue.

Unearned Income

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

Fair Value Measurements

The Corporation measures certain financial assets and liabilities at fair value on a recurring basis. Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. The Corporation's assessment of a particular input to fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. See Note 2 for further discussion of fair value measurements. The following three-tier fair value hierarchy prioritizes the inputs used in measuring fair value:

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

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

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

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

Net Asset Classifications

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

- Permanently restricted net assets represent funds received whereby the corpus is to be maintained permanently, but the Corporation is allowed to use or expend part or all of the income for either specified or unspecified purposes.
- Temporarily restricted net assets contain restrictions that permit the Corporation to use or expend the assets as specified in contractual agreements. The restrictions are satisfied either by the passage of time or by actions of the Corporation.
- Unrestricted net assets are not restricted. The governing board has the right to approve the use of these funds.

2. Investments

The investment values of Funds Held by Trustee, which consist of Series 2010 Bond proceeds and capital contributions from the University, for the benefit of the Series 2010 Project (see Note 1) at June 30 are as follows:

	2012	**2011**
Money market funds – Level 1	**$ 11,775,136**	$ 22,645,814

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

3. Capital Assets

Capital assets and accumulated depreciation as of June 30, 2012, are summarized as follows:

	Beginning Balance	Additions	Transfers	Ending Balance
Land (nondepreciable)	**$ –**	**$ 873,499**	**$ –**	**$ 873,499**
Land improvements	**–**	**1,384,056**	**–**	**1,384,056**
Building	**–**	**85,256,060**	**–**	**85,256,060**
Furniture	**–**	**3,763,067**	**–**	**3,763,067**
Chartwells renovation	**–**	**1,588,000**	**–**	**1,588,000**
Construction in progress	**74,701,445**	**–**	**(74,701,445)**	**–**
Total capital assets	**74,701,445**	**92,864,682**	**(74,701,445)**	**92,864,682**
Less accumulated depreciation	**–**	**3,842,962**		**3,842,962**
Net capital assets	**$ 74,701,445**	**$ 89,021,720**	**$(74,701,445)**	**$ 89,021,720**

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

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

Capitalized interest associated with construction in progress was $369,977 and $4,642,644 for the years ended June 30, 2012 and 2011, respectively. Actual interest paid was $4,718,112 and $4,521,525 for the period ended June 30, 2012 and 2011, respectively.

4. Long-Term Liabilities

The trustee for the Series 2010 Bonds held unspent bond proceeds of $9,775,136 plus $2,000,000 capital contributions from the University for a total of $11,775,136 as of June 30, 2012, which are classified as Funds Held by Trustee. At June 30, 2011, the trustee held unspent bond proceeds of $20,645,814 plus $2,000,000 capital contributions from the University for a total of $22,645,814, which are classified as Funds Held by Trustee.

Interest expense related to bonds payable was $4,324,237 and $0 for the years ended June 30, 2012 and 2011, respectively, as interest was capitalized as part of construction in progress.

Long-term liabilities of the Corporation for June 30, 2012, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Bonds payable	**$ 81,610,000**	**$ –**	**$ 320,000**	**$ 81,290,000**	**$ 480,000**
Construction funding payable	**11,639,586**	**6,113,985**	**1,294,582**	**16,458,989**	**856,800**
Total long-term liabilities	**$ 93,249,586**	**$ 6,113,985**	**$ 1,614,582**	**$ 97,748,989**	**$ 1,336,800**

4. Long-Term Liabilities (continued)

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

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

The interest and scheduled maturities of the Series 2010 Bonds for the five fiscal years subsequent to June 30, 2012, and subsequent periods thereafter are as follows:

	Interest Rate – %	Principal	Interest	Total
2013	4.00	$ 480,000	$ 4,708,512	$ 5,188,512
2014	4.00	595,000	4,689,312	5,284,312
2015	4.00	710,000	4,665,513	5,375,513
2016	4.00	835,000	4,637,112	5,472,112
2017	4.25	965,000	4,603,713	5,568,713
2018-2022	4.50 – 5.75	6,520,000	22,233,650	28,753,650
2023-2027	5.75	8,655,000	20,196,288	28,851,288
2028-2032	5.75 – 6.00	11,445,000	17,404,950	28,849,950
2033-2037	6.00	15,250,000	13,601,700	28,851,700
2038-2042	6.00	20,410,000	8,443,500	28,853,500
2043-2045	6.00	15,425,000	1,887,000	17,312,000
Total		$ 81,290,000	$ 107,071,250	$ 188,361,250

4. Long-Term Liabilities (continued)

Fair values at June 30, 2012, of the Corporation's fixed rate debt obligations are as follows:

Maturity	Outstanding	Bond Price	Market Value
6/1/2016	$ 2,620,000	103.68	$ 2,717,000
6/1/2017	965,000	104.28	1,006,000
6/1/2019	2,365,000	103.85	2,456,000
6/1/2020	1,315,000	106.94	1,406,000
6/1/2031	20,390,000	104.45	21,298,000
6/1/2045	53,635,000	104.41	56,000,000
	$ 81,290,000		$ 84,883,000

The construction funding payable amounts for the five fiscal years subsequent to June 30, 2012, and subsequent periods thereafter are as follows:

Year	The Oaks (CFP II)	Carillon (CFP III)	Chartwells Renovation	Total Due
2013	$ 376,364	$ 220,436	$ 260,000	$ 856,800
2014	376,364	220,436	260,000	856,800
2015	376,364	220,436	260,000	856,800
2016	376,364	220,436	–	596,800
2017	376,364	220,436	–	596,800
Thereafter	7,845,387	4,849,602	–	12,694,989
	$ 9,727,207	$ 5,951,782	$ 780,000	$ 16,458,989

5. Related Party Transactions

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

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

The Series 2010 Project includes two housing facilities, Falcon Heights and Centennial Hall, which were put in service August 2011. The University has the resources and processes in place to invoice and collect funds from students for housing and housing-related fees for all other residence halls. The University acts as an agent between the students and CFP I and will invoice, collect the student accounts on behalf of CFP I, and then distribute the monies to CFP I. CFP I records operating revenue from these activities, which totaled approximately $8,018,000 for the years ended June 30, 2012. At June 30, 2012, the University owed CFP I $35,954 in student housing and housing-related fees.

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

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

5. Related Party Transactions (continued)

The University incurred costs during different stages of start-up and implementation of the Corporation and its subsidiaries. The University also incurred costs on behalf of the Corporation and its subsidiaries for various outside services related to the Series 2010 Project, The Oaks, and Carillon. These outside services include consulting, legal, engineering, architectural, and construction. Additionally, certain salaries and fringe benefits of financial, accounting, development, and information technology personnel are incurred by the University, yet relate to the Corporation. These expenses are paid by the University on behalf of the Corporation and are not shown in the accompanying financial statements. The Corporation approximates the value of these items at $610,000 for the year ended June 30, 2012, and $4,230,000 for the year ended June 30, 2011.

The Oaks and Carillon construction projects were funded by contributions made by the University of $11,865 and $3,936,458 for the years ended June 30, 2012 and 2011, respectively.

Chartwells provided approximately $18,000,000 of funding for these projects for the year ended June 30, 2012. The Chartwells construction funding payable will be paid in annual installments, ranging from $409,000 to $857,000 over 27.5 years, through June 30, 2039. Due to the University's Management Agreement with Chartwells for the dining program and in exchange for the use of the dining facilities, the University repays the construction funding payable on behalf of the Corporation, as these are of approximately equal value. As such, the Corporation recognizes this payment as a decrease to the construction funding payable and as in-kind support nonoperating revenue. For June 30, 2012, the repayment and in-kind support revenue totaled $1,294,582.

The University can pay off the construction funding payable of $18,000,000 early without penalty. The University also has a Food Services Agreement with Chartwells in which BGSU pays a management fee to Chartwells to manage the dining halls through fiscal year 2015. The Food Services Agreement can be renewed for two additional successive five-year periods. If the Food Services Agreement with Chartwells is terminated or not renewed, the University would be required to pay Chartwells interest on the construction funding payable until full payoff at a rate equal to the 12-month U.S. Treasury rate. Payment in full of the construction funding payable would be required in one year from termination of agreement or within 30 days after the University hires another third party to run their dining services.

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

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

We have audited the financial statements of Centennial Falcon Properties, Inc. and Subsidiaries (the Corporation) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal control over financial reporting

Management of the Corporation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Corporation'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 Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Ernst & Young LLP

October 12, 2012

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Financial Statements

CFP I LLC
Years Ended June 30, 2012 and 2011
With Report of Independent Auditors

Ernst & Young LLP

CFP I LLC

Financial Statements

Years Ended June 30, 2012 and 2011

Contents

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Report of Independent Auditors

The Board of Directors
CFP I LLC

We have audited the accompanying statements of financial position of CFP I LLC (CFP I) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of CFP I's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of CFP I's internal controls 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 CFP I'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 CFP I as of June 30, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2012 on our consideration of CFP I'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.

Ernst + Young LLP

October 12, 2012

CFP I LLC

Statements of Financial Position

	June 30 2012	June 30 2011
Assets		
Current assets:		
Cash	**$ 546,303**	$ –
Other receivable, net of allowance for doubtful accounts of $3,562	**35,954**	–
Prepaid expenses	**14,175**	6,514
Total current assets	**596,432**	6,514
Other assets:		
Funds held by trustee	**11,775,136**	22,645,814
Capital assets, net	**68,969,008**	61,300,403
Bond issuance and discount costs, net of accumulated amortization of $252,848 and $129,012	**2,731,535**	2,855,371
Total other assets	**83,475,679**	86,801,588
Total assets	**$ 84,072,111**	$ 86,808,102
Liabilities and net assets		
Short-term liabilities:		
Accounts payable	**$ 17,682**	$ –
Payroll liabilities	**16,049**	–
Unearned income	**24,292**	–
Interest payable	**392,376**	380,070
Accrued expenses	**119,025**	–
Accrued construction costs payable	**–**	2,818,032
Long-term liabilities – current portion	**480,000**	320,000
Total short-term liabilities	**1,049,424**	3,518,102
Long-term liabilities:		
Bonds payable – net of current portion	**80,810,000**	81,290,000
Total long-term liabilities	**80,810,000**	81,290,000
Total liabilities	**81,859,424**	84,808,102
Net assets:		
Temporarily restricted	**2,000,000**	2,000,000
Unrestricted	**212,687**	–
Total net assets	**2,212,687**	2,000,000
Total liabilities and net assets	**$ 84,072,111**	$ 86,808,102

See accompanying notes.

CFP I LLC

Statement of Activities

Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Operating	$ 8,018,075	$ –	$ 8,018,075
Total revenues	8,018,075	–	8,018,075
Expenses:			
Payroll, benefits, and taxes	410,284	–	410,284
Management fees	236,999	–	236,999
Operating and administrative	93,846	–	93,846
Interior unit expenses	47,417	–	47,417
Insurance	40,221	–	40,221
Common area expenses	25,273	–	25,273
Building maintenance	21,424	–	21,424
Ground expenses	7,919	–	7,919
Marketing and advertising	7,354	–	7,354
Bad debt	3,562	–	3,562
Depreciation and amortization	2,610,113	–	2,610,113
Total operating expenses	3,504,412	–	3,504,412
Operating income	4,513,663	–	4,513,663
Nonoperating revenue (expense):			
Investment income	23,160	–	23,160
Interest on capital asset-related debt	(4,324,136)	–	(4,324,136)
Net nonoperating loss	(4,300,976)	–	(4,300,976)
Change in net assets	212,687	–	212,687
Net assets:			
Net assets at the beginning of year	–	2,000,000	2,000,000
Net assets at the end of year	$ 212,687	$ 2,000,000	$ 2,212,687

See accompanying notes.

CFP I LLC

Statement of Activities

Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Operating	$ –	$ –	$ –
Total revenue	–	–	–
Expenses	–	–	–
Total operating expenses	–	–	–
Operating income	–	–	–
Nonoperating revenue (expense)	–	–	–
Net nonoperating loss	–	–	–
Change in net assets	–	–	–
Net assets:			
Net assets at the beginning of year	–	2,000,000	2,000,000
Net assets at the end of year	$ –	$ 2,000,000	$ 2,000,000

See accompanying notes.

CFP I LLC

Statements of Cash Flows

	Year Ended June 30	
	2012	**2011**
Operating activities:		
Cash received from operating revenue	**$ 8,002,850**	$ –
Cash paid to vendors and employees	**(745,642)**	
Net cash provided by operating activities	**7,257,208**	–
Capital financing activities:		
Construction in progress	**(3,256,386)**	(42,642,926)
Interest paid on long-term liabilities	**(4,718,112)**	(4,521,525)
Principal paid on long-term liabilities	**(320,000)**	–
Purchase of fixed assets	**(9,824,415)**	–
Bond issuance costs paid	**–**	(15,000)
Net cash used in capital financing activities	**(18,118,913)**	(47,179,451)
Investing activities:		
Interest received	**46,357**	258,951
Proceeds from sale of investments	**11,361,651**	46,920,500
Net cash provided by investing activities	**11,408,008**	47,179,451
Net increase in cash	**546,303**	–
Cash at beginning of year	**–**	–
Cash at end of year	**$ 546,303**	$ –

CFP I LLC

Statements of Cash Flows (continued)

	Year Ended June 30	
	2012	**2011**
Reconciliation of operating income to net cash provided by operating activities;		
Operating income	**$ 4,513,663**	$ –
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	**2,610,113**	–
Bad debt expense	**3,562**	–
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	**(39,517)**	–
(Increase) decrease in prepaid expenses	**(7,661)**	–
Increase (decrease) in accounts payable	**17,682**	–
Increase (decrease) in payroll liabilities	**16,049**	–
Increase (decrease) in unearned income	**24,292**	–
Increase (decrease) in accrued expenses	**119,025**	–
Net cash provided by operating activities	**$ 7,257,208**	$ –

See accompanying notes.

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

Nature of Operations

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

Reporting Entity

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

The Corporation is the sole member of CFP I LLC (CFP I). On June 9, 2010, the City of Bowling Green, Ohio issued $81,610,000 Student Housing Revenue Bonds (Series 2010 Bonds) and loaned the proceeds of the Series 2010 Bonds to CFP I for the purpose of providing funds to finance the cost of acquiring, constructing, furnishing, and equipping an approximately 1,318-bed, two-building student housing facility (the Series 2010 Project). CFP I is not expected to have assets other than the Series 2010 Project. Interest rates range from 3.0% to 6.0% over the scheduled redemption period of December 1, 2011 to June 1, 2045.

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

On May 3, 2010, CFP I entered into a Development Agreement with Capstone Development Corporation (the Developer) for the design, construction, and equipping of the Series 2010 Project to serve as residential housing for students at the University. The Developer completed the Series 2010 Project for occupancy in August 2011. In addition, CFP I and the University entered into a Management Agreement with Capstone On-Campus Management, LLC to manage, operate, and maintain the Series 2010 Project. This Management Agreement was effective July 1, 2011. The Series 2010 Project was completed, and a permanent occupancy permit was granted August 1, 2011. The two-building housing facilities, Falcon Heights and Centennial Hall, were opened August 19, 2011.

Financial Statement Presentation

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

Basis of Accounting

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

Use of Estimates

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

Income Tax

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

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

Cash and Cash Equivalents

CFP I considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. At June 30, 2012, cash and cash equivalents totaled $546,303. There were no cash and cash equivalents held at June 30, 2011.

At June 30, 2012 and 2011, Funds Held by Trustee were $11,775,136 and $22,645,814, respectively. The balance includes $2,000,000 in capital contributions from the University, which is considered temporarily restricted other assets, designated for the Series 2010 Project. Bank of New York, acting as trustee, is responsible for holding, management, and distribution of all CFP I funds as outlined in Section V of the Indenture Trustee Agreement.

Capital Assets

Capital assets are recorded at cost at date of acquisition or fair value at the date of gift for any donated assets. The capitalization policy for CFP I includes all items with a cost of $5,000 or more and an estimated useful life of greater than one year. Infrastructure and improvements other than to buildings are capitalized if the cost exceeds $100,000. Routine repairs and maintenance are charged to operating expense in the year the expense is incurred.

Construction in progress is stated at cost and not depreciated. The asset will be reclassified to "Capital assets, net" when placed in service and depreciated. Interest cost related to construction is not expensed, but capitalized. Capitalized interest will be depreciated when the corresponding asset is placed in service.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 25 to 35 years for buildings and improvements, 15 to 20 years for other improvements, 7 to 10 years for equipment, and 5 to 7 years for furniture.

Amortization of deferred bond discount costs and bond issuance costs is computed using the effective interest rate method over the duration of the bond indenture of 35 years.

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

Amortization of bond discount costs and issuance costs totaled $123,836 and $123,877 for the years ended June 30, 2012 and 2011, respectively. The amount of $123,877 for June 30, 2011, was included in construction in progress as the corresponding assets being constructed were not yet in service. Amortization expense for the next five fiscal years, 2013 – 2017, is approximately as follows: $123,000, $123,000, $122,000, $121,000 and $119,000.

Revenues

CFP I has classified its student housing and housing-related fees as operating revenue.

Unearned Income

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

Other Receivable

Other receivable is due from the University and consists of housing and housing-related fees charged to students for rooms located in Falcon Heights and Centennial Hall (the Series 2010 Project). See Note 5 for details of this relationship. CFP I follows University policy when calculating allowance for doubtful accounts.

Advertising Expense

Advertising costs are expensed as incurred.

Subsequent Events

CFP I evaluated the effect of subsequent events through October 12, 2012, representing the date which the financial statements were available to be issued. No recognized subsequent events were indentified for recognition or disclosure in the financial statements or the accompanying notes to the financial statements.

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

Fair Value Measurements

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

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

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

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

Net Asset Classifications

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

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

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

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

2. Investments

The investment values of Funds Held by Trustee, which consist of Series 2010 Bond proceeds and capital contributions from the University, for the benefit of the Series 2010 Project (see Note 1) at June 30 are as follows:

	2012	2011
Money market funds – Level 1	**$ 11,775,136**	$ 22,645,814

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

3. Capital Assets

Capital assets and accumulated depreciation as of June 30, 2012, are summarized as follows:

	Beginning Balance	Additions	Transfers	Ending Balance
Land (nondepreciable)	**$ –**	**$ 636,311**	**$ –**	**$ 636,311**
Land improvements	**–**	**978,779**	**–**	**978,779**
Building	**–**	**67,331,696**	**–**	**67,331,696**
Furniture	**–**	**2,508,498**	**–**	**2,508,498**
Construction in progress	**61,300,403**	**–**	**(61,300,403)**	**–**
Total capital assets	**61,300,403**	**71,455,284**	**(61,300,403)**	**71,455,284**
Less accumulated depreciation	**–**	**2,486,276**	**–**	**2,486,276**
Net capital assets	**$ 61,300,403**	**$ 68,969,008**	**$(61,300,403)**	**$ 68,969,008**

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

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

3. Capital Assets (continued)

Capitalized interest associated with construction in progress was $369,977 and $4,642,644 for the years ended June 30, 2012 and 2011, respectively. Actual interest paid was $4,718,112 and $4,521,525 for the years ended June 30, 2012 and 2011, respectively.

4. Bonds Payable

The trustee for the Series 2010 Bonds held unspent bond proceeds of $9,775,136 plus $2,000,000 capital contributions from the University for a total of $11,775,136 as of June 30, 2012, which are classified as Funds Held by Trustee. At June 30, 2011, the trustee held unspent bond proceeds of $20,645,814 plus $2,000,000 capital contributions from the University for a total of $22,645,814, which are classified as Funds Held by Trustee.

Interest expense related to bonds payable was $4,324,136 and $0 for the years ended June 30, 2012 and 2011, respectively, as interest was capitalized as part of construction in progress.

Bonds payable of CFP I for June 30, 2012, are as follows:

	Beginning Balance	Reductions	Ending Balance	Due in One Year
Bonds payable	**$ 81,610,000**	**$ 320,000**	**$ 81,290,000**	**$ 480,000**

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

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

4. Bonds Payable (continued)

The interest and scheduled maturities of the Series 2010 Bonds for the five fiscal years subsequent to June 30, 2012, and subsequent periods thereafter are as follows:

	Interest Rate – %	Principal	Interest	Total
2013	4.00	$ 480,000	$ 4,708,512	$ 5,188,512
2014	4.00	595,000	4,689,312	5,284,312
2015	4.00	710,000	4,665,513	5,375,513
2016	4.00	835,000	4,637,112	5,472,112
2017	4.25	965,000	4,603,713	5,568,713
2018-2022	4.50 – 5.75	6,520,000	22,233,650	28,753,650
2023-2027	5.75	8,655,000	20,196,288	28,851,288
2028-2032	5.75 – 6.00	11,445,000	17,404,950	28,849,950
2033-2037	6.00	15,250,000	13,601,700	28,851,700
2038-2042	6.00	20,410,000	8,443,500	28,853,500
2043-2045	6.00	15,425,000	1,887,000	17,312,000
Total		$ 81,290,000	$ 107,071,250	$ 188,361,250

Fair values at June 30, 2012, of CFP I's fixed rate debt obligations are as follows:

Maturity	Outstanding	Bond Price	Market Value
6/1/2016	$ 2,620,000	103.68	$ 2,717,000
6/1/2017	965,000	104.28	1,006,000
6/1/2019	2,365,000	103.85	2,456,000
6/1/2020	1,315,000	106.94	1,406,000
6/1/2031	20,390,000	104.45	21,298,000
6/1/2045	53,635,000	104.41	56,000,000
	$ 81,290,000		$ 84,883,000

5. Related Party Transactions

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

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

The Series 2010 Project includes two housing facilities, Falcon Heights and Centennial Hall, which were put in service August 2011. The University has the resources and processes in place to invoice and collect funds from students for housing and housing-related fees for all other residence halls. The University acts as an agent between the students and CFP I and will invoice, collect the student accounts on behalf of CFP I, and then distribute the monies to CFP I. CFP I records operating revenue from these activities, which totaled approximately $8,018,000 for the years ended June 30, 2012. At June 30, 2012, the University owed CFP I $35,954 in student housing and housing-related fees.

The University incurred costs during different stages of start-up and implementation of CFP I for various outside services related to the Series 2010 Project. These outside services include consulting, legal, engineering, architectural, and construction. Additionally, certain salaries and fringe benefits of financial, accounting, development, and information technology personnel are incurred by the University, yet relate to CFP I. These expenses are paid by the University on behalf of CFP I and are not shown in the accompanying financial statements. CFP I approximates the value of these items at $254,000 for the year ended June 30, 2012, and $371,000 for the year ended June 30, 2011.

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

The Board of Directors and Management
CFP I LLC

We have audited the financial statements of CFP I LLC (CFP I) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal control over financial reporting

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

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

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

Compliance and other matters

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

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

Ernst + Young LLP

October 12, 2012

Ernst & Young LLP

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FINANCIAL STATEMENTS

WBGU-TV
Years Ended June 30, 2012 and 2011
With Report of Independent Auditors

WBGU-TV

Financial Statements

Years Ended June 30, 2012 and 2011

Contents

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Report of Independent Auditors

The Board of Directors of WBGU-TV

We have audited the accompanying statements of net assets of WBGU-TV, licensed to Bowling Green State University, as of June 30, 2012 and 2011, 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 audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WBGU-TV's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of WBGU-TV are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of Bowling Green State University that is attributable to the transactions of WBGU-TV. They do not purport to, and do not, present fairly the financial position of Bowling Green State University as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of WBGU-TV as of June 30, 2012 and 2011, and the respective changes in financial position and, where applicable, cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2012, 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.

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst & Young LLP

November 16, 2012

Overview of the Financial Statements and Financial Analysis

This section of the WBGU-TV annual financial report presents management's discussion and analysis of the financial performance of the television station during the fiscal years ended June 30, 2012, 2011, and 2010. 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 nonoperating. WBGU-TV's dependency on the operating subsidy from Bowling Green State University typically results in operating deficits because the financial reporting model classifies this operating subsidy as nonoperating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

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

Noteworthy Financial Activity

WBGU-TV’s financial position, as a whole, remained stable during the fiscal year ended June 30, 2012, as compared to the previous year; key contributing factors are indentified below:

- WBGU’s total assets decreased over the prior year by approximately $387,000, of which approximately $206,000 is primarily attributed to a decrease in cash flows from future grant funding.

- Total liabilities decreased by approximately $195,000, of which $196,000 is attributed to a decrease in current liabilities, with approximately $206,000 related to a reduction of future grant revenues.

- WBGU-TV’s net assets are approximately $5,630,000, which is a decrease of $192,000 from the prior year. As noted above, contributing to the change was the decrease in cash and the decrease in current liabilities. Of the total net assets, $3,225,000 is invested in either capital equipment or is restricted.

- WBGU-TV’s total operating revenues decreased by $55,000 from the prior year, with $73,000 related to a reduction in contributed services from eTech Ohio, offset by an increase of $17,000 in public broadcasting service revenue.

- WBGU’s total operating expenses decreased by $104,000 from the prior year, with $165,000 due to a decrease in programming and production expenses related to reduced depreciation expense.

- Nonoperating revenues decreased by $397,000 from the prior year, with $402,000 and $162,000 due to a decrease in operating subsidy from Bowling Green State University and investment income, respectively. These decreases were offset by an increase of $81,000 in donated facilities and support and $64,000 in endowment income.

Condensed Statements of Net Assets
as of June 30, 2012, 2011, and 2010

	2012	2011	2010
Assets			
Current assets	$ 3,596,524	$ 4,138,430	$ 4,506,854
Noncurrent assets:			
Capital assets	1,770,377	1,907,962	2,088,963
Other	1,455,084	1,162,353	1,028,052
Total noncurrent assets	3,225,461	3,070,315	3,117,015
Total assets	6,821,985	7,208,745	7,623,869
Liabilities			
Current liabilities	1,125,346	1,321,786	1,869,130
Noncurrent liabilities	66,912	65,713	90,221
Total liabilities	1,192,258	1,387,499	1,959,351
Net assets			
Invested in capital assets	1,770,377	1,907,962	2,088,963
Unrestricted	2,404,266	2,750,931	2,547,503
Restricted for:			
Nonexpendable endowments	1,048,868	724,807	724,807
Expendable	406,216	437,546	303,245
Total net assets	$ 5,629,727	$ 5,821,246	$ 5,664,518

2012 versus 2011:

At June 30, 2012, WBGU-TV's total assets were approximately $6,822,000 compared to $7,209,000 at June 30, 2011. WBGU-TV's largest asset is its cash and cash equivalents of approximately $3,574,000 at June 30, 2012, compared to $4,058,000 at June 30, 2011.

In fiscal year 2012, WBGU-TV's current assets of approximately $3,597,000 were sufficient to cover current liabilities of approximately $1,125,000 (current ratio of 3.2). In fiscal year 2011, WBGU-TV's current assets of approximately $4,138,000 were sufficient to cover current liabilities of approximately $1,322,000 (current ratio of 3.13). Cash and cash equivalents decreased by $484,000 in 2012 due to a reduction in cash flows from grant funding. At June 30, 2012, WBGU-TV's interest in investments was $1,455,000, or 21.3% of total assets, and increased by $293,000 in 2012 due primarily to receipts and transfers of additional endowments. Capital assets (net of depreciation) of $1,770,000 represent 26.0% of WBGU-TV's total assets.

WBGU-TV's liabilities totaled $1,192,000 at June 30, 2012, 17.5% of total assets and $196,000 less than the prior year. Deferred revenue decreased by $206,000 due to a reduction in future grant revenue. WBGU-TV liabilities totaled $1,387,000 at June 30, 2011, 19.2% of total assets.

Total net assets decreased by $191,000 to $5,630,000 in 2012 primarily due to a decrease in operating subsidy from BGSU and a decrease in realized and unrealized investment losses. Unrestricted net assets total $2,404,000 in 2012.

2011 versus 2010:

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

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

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

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

Condensed Statements of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2012, 2011, and 2010

	2012	2011	2010
Operating revenues:			
Contributions and memberships	$ 410,350	$ 426,781	$ 432,051
Contributed services	240,235	313,006	218,905
Fees and services	341,305	322,220	381,726
Grants and contracts	1,470,077	1,468,070	1,942,401
Other operating revenue	46,913	34,012	26,262
Total operating revenues	2,508,880	2,564,089	3,001,345
Operating expenses:			
Program services	3,285,800	3,365,645	4,035,493
Supporting services	1,020,803	1,040,853	1,413,165
Total operating expenses	4,306,603	4,406,498	5,448,658
Operating loss	(1,797,723)	(1,842,409)	(2,447,313)
Non-operating revenues:			
Operating subsidies	973,733	1,375,294	1,559,976
Donated facilities and support	508,204	426,770	507,516
Investment loss, net	67,383	165,703	116,684
Other non-operating revenues	29,409	31,370	145
Total non-operating revenues	1,578,729	1,999,137	2,184,321
Change in net assets	(218,994)	156,728	(262,992)
Net assets at the beginning of the year	5,821,246	5,664,518	5,927,510
Net assets at the end of year	$ 5,602,252	$ 5,821,246	$ 5,664,518

2012 versus 2011:

The most significant sources of operating revenue for WGBU-TV are grants and contracts of $1,470,000, an increase of $2,000, or 0.1% over 2011.

Total operating expenditures of $4,303,000 decreased overall by $104,000. The decrease is primarily attributable to a reduction of $120,000 in depreciation expense.

Operating subsidies, the most significant nonoperating revenue, totaled $974,000 in the current year, reflecting a decrease of $402,000, or 29.2% over 2012. This decrease is primarily due to the reduction in staffing, which the operating subsidy covers.

2011 versus 2010:

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

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

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

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 that are still being made at this time. Bowling Green State University has not been asked or required to provide any capital funds toward this mandated conversion. WBGU-TV has been able to capitalize more than $3 million of this transition through private fundraising, competitive federal grants, and designated appropriations from the Ohio General Assembly.

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

The economy of Ohio has had a very negative impact on WBGU-TV leading into the current year. Private annual giving was successful last year in remaining close to even on a net basis but may be more challenged in the current year. Just as the WBGU-TV investments in the Bowling Green State University Foundation have been heavily damaged, both in principal and income, most donors have also had negative changes in their disposable income and investments. WBGU-TV will strive to be even again in the coming year with the FY 2012 net donative dollars. The same Ohio economic conditions have created cuts in state support to Bowling Green State University which in turn has again reduced support for WBGU-TV. These reductions and potential future reductions will place greater emphasis on the need for WBGU-TV to become more self-reliant.

WBGU-TV
Statements of Net Assets
June 30

		2012		2011
Assets				
Current assets:				
Cash and cash equivalents	$	3,573,678	$	4,058,019
Receivables:				
Accounts receivable		11,414		8,691
Grants and contracts		77		18,069
Costs incurred for programs not yet broadcast		11,355		53,651
Total current assets		3,596,524		4,138,430
Noncurrent assets:				
Endowment investments		1,455,084		1,162,353
Capital assets, net		1,770,377		1,907,962
Total noncurrent assets		3,225,461		3,070,315
Total assets	$	6,821,985	$	7,208,745
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses		23,916		22,906
Deferred revenue		995,320		1,201,782
Current portion of accrued compensated balances		106,110		97,098
Total current liabilities		1,125,346		1,321,786
Noncurrent liabilities:				
Accrued compensated absences (net of current portion)		66,912		65,713
Total liabilities		1,192,258		1,387,499
Net assets:				
Invested in capital assets		1,770,377		1,907,962
Unrestricted		2,404,266		2,750,931
Restricted for:				
Nonexpendable endowments		1,048,868		724,807
Expendable		406,216		437,546
Total net assets	$	5,629,727	$	5,821,246

See accompanying notes.

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

	2012	2011
Revenues		
Operating revenues:		
Contributions and memberships	$ 410,350	$ 426,781
Contributed services	240,235	313,006
Fees and services:		
Public broadcasting services	232,817	215,644
Business and industry	108,488	106,576
State and local grants	425,924	706,221
Private and other grants	1,044,153	761,849
Royalties	–	16,709
Miscellaneous	46,913	17,303
Total operating revenues	2,508,880	2,564,089
Expenses		
Operating expenses:		
Program services:		
Programming and production	1,840,647	2,006,118
Broadcasting	1,271,390	1,167,890
Public information and promotion	169,830	191,637
Supporting services:		
Management and general	438,440	443,969
Fundraising and membership development	582,355	596,884
Total operating expenses	4,302,662	4,406,498
Operating loss	(1,793,782)	(1,842,409)
Non-operating revenues		
Operating subsidies	973,733	1,375,294
Donated facilities and support	508,204	426,770
Endowment revenue	64,061	–
Capital grants and gifts	52,943	31,370
Investment income, net	3,322	165,703
Net nonoperating revenues	1,602,263	1,999,137
Change in net assets	(191,519)	156,728
Net assets		
Net assets at the beginning of year	5,821,246	5,664,518
Net assets at the end of year	$ 5,629,727	$ 5,821,246

See accompanying notes

WBGU-TV
Statements of Cash Flows
Years Ended June 30

	2012	2011
Cash flows from operating activities		
Contributions and memberships	$ 410,350	$ 426,781
Fees and services	340,312	318,749
Grants	1,288,455	1,450,797
Royalties	–	16,709
Other receipts	38,337	17,303
Payments to vendors for supplies and services	(1,768,840)	(1,678,092)
Payments to employees and benefits	(1,650,308)	(2,011,439)
Net cash used in operating activities	(1,341,694)	(1,459,192)
Cash flows from noncapital financing activities		
Operating subsidies	973,733	1,375,294
Net cash provided by noncapital financing activities	973,733	1,375,294
Cash flows from capital financing activities		
Purchase of capital assets	(151,032)	(222,603)
Capital grants	–	120
Net cash used in capital financing activities	(151,032)	(222,483)
Cash flows from investing activities		
Investment income	34,652	31,402
Net cash provided by investing activities	34,652	31,402
Net decrease in cash	(484,341)	(274,979)
Cash at beginning of year	4,058,019	4,332,998
Cash at end of year	$ 3,573,678	$ 4,058,019
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (1,793,782)	$ (1,842,409)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	312,150	431,840
Donated facilities and support	508,204	426,770
In-kind donation of equipment	29,409	3,014
Transfer to endowment	(260,000)	–
Changes in assets and liabilities:		
Accounts receivable, net	15,270	92,866
Costs incurred for programs not yet broadcast	42,295	578
Accounts payable	1,010	(393,704)
Accrued wages and vacation pay	10,211	(64,317)
Deferred revenue	(206,461)	(113,830)
Net cash used by operating activities	$ (1,341,694)	$ (1,459,192)

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

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

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

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

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

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

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

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

Endowment Investments: Endowment funds are administered by the Foundation and are commingled with other Foundation endowment funds in its pooled investment portfolio. Earned investment income is allocated to each fund based on its share of the total funds invested in the pool. The unrestricted donor contributions to the endowment are recorded as nonoperating revenues in the statements of revenues, expenses, and changes in net assets. Investments in cash equivalents, corporate stocks, equity securities, corporate bond funds and mutual funds are recorded at their current fair values based on quoted market prices in active markets. There are also investments reported at net asset value, which represents fair value as reported by the general partner or fund manager. Limited partnerships, real estate investment trusts, and other private investments make up a portion of the endowment investments and are reported using the equity method of accounting. The components of the individual investments within these funds are not readily determinable. The value is based on estimates by partnership manager, fund managers, and various valuation committees including original costs, restrictions affecting marketability, operating results, financial condition of the issuers and the price of the most recent financing transactions. Management believes the stated values approximate fair value as determined by the respective managers. Because these investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may significantly differ from the value that would have been used had a ready market for such instruments existed, and the differences could be material. Some of the investments have time limitations on liquidation. These vary from six months to the term of the limited partnership, trust or fund. During this period, unless certain events occur, liquidation will be unable to occur.

The governing body of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, WBGU-TV classifies as net 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 nonoperating revenue that is restricted for expenditure upon meeting donor stipulations. The net appreciation on investments of donor-restricted endowments that are available for expenditure were $406,216 and $437,546 at June 30, 2012 and 2011, 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 2012 and 2011, respectively.

The Foundation has adopted a policy of charging an administrative fee on all endowed funds, unless prohibited by the guidelines of the funds. The fee is based on the prior two-year average market value balance for the endowed funds and certain non-endowed funds. The administrative fee charged to WBGU-TV amounted to approximately $17,341 and $14,536 in 2012 and 2011, respectively, and has been netted with the investment income included in nonoperating revenues on the statements of revenues, expenses, and changes in net assets.

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

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

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

Invested in capital assets: This represents WBGU-TV's total investment in capital assets.

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

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

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

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

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

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

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

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, 2012 and 2011, consisted of:

	2012		2011	
	Hours	**Total**	**Hours**	**Total**
Programming and production	732	$ 15,950	605	$ 12,923
Public information and promotion	70	1,525	226	4,827
Fundraising	306	6,664	285	6,088
Management and general	375	8,171	375	8,010
Total	1,483	$ 32,310	1,491	$ 31,848

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

Administrative Support and Donated Facilities from the University: Administrative support and donated facilities are calculated and recorded as both revenue and expense based upon the University's "modified other sponsored activities indirect cost rate" as defined by the Corporation for Public Broadcasting (CPB), which was 1.2% and 1.1% for fiscal years ended June 30, 2012 and 2011, respectively. Donated facilities and administrative support from the University consists of allocated overhead costs related to financial, student, and development department costs and certain other expenses incurred by the University on behalf of WBGU-TV. All support received from the University is recorded as nonoperating revenues.

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

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

Subsequent Events: The financial statements and related disclosures include evaluation of events through and including November 16, 2012, the date these financial statements were issued. No recorded subsequent events were identified for recognition or disclosure in the financial statements or the accompanying notes to the financial statements.

2. Cash and Investments

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

The cash balances as of June 30, 2012 and 2011 are pooled funds that are held and managed by the University and Foundation.

Endowment investments represent WBGU-TV's share of pooled investment funds held and managed by the Foundation. The values of these investments held by the Foundation as of June 30, 2012 and 2011, were as follows:

	2012	2011
WBGU-TV Silver Anniversary	$ 1,060,639	$ 1,103,655
WBGU-TV Programming Endowment Fund	34,331	34,253
WBGU-TV Equipment	23,492	24,445
The Younger Family Fund	273,399	–
Jorgen Larsen WBGU Programming Fund	63,223	–
Total	$ 1,455,084	$ 1,162,353

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, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	$ 40,000	$ –	$ –	$ 40,000
Buildings	2,410,108	–	–	2,410,108
Equipment	9,596,222	174,565	822,136	8,948,651
Total capital assets	12,046,330	174,565	822,136	11,398,759
Less accumulated depreciation	10,138,368	312,150	822,136	9,628,382
Capital assets, net	$ 1,907,962	$ (137,585)	$ –	$ 1,770,377

3. Capital Assets (continued)

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

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

4. Accounts Payable and Accrued Expenses

The composition of accounts payable and accrued expenses at June 30, 2012 and 2011, was as follows:

	2012	2011
Accounts payable	$ 10,905	$ 2,596
Accrued payroll	13,011	20,310
Total	$ 23,916	$ 22,906

5. Compensated Absences

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

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

5. Compensated Absences (continued)

Compensated absences for June 30, 2012, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Vacation pay	$ 115,624	$ 85,179	$ 79,006	$ 121,797	$ 94,934
Sick leave	47,187	4,606	568	51,225	11,176
Total	$ 162,811	$ 89,785	$ 79,574	$ 173,022	$ 106,110

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

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

6. Retirement Benefits

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

OPERS offers three separate retirement plans:

Defined benefit plan – traditional pension plan. This is a cost-sharing, multiple employer plan. This plan provides disability, annual cost of living adjustments, death benefits, and health care benefits. Health care benefits are based on years of service.

Defined contribution plan – member directed plan. Employee contributions are invested in self-directed investments. Benefits are dependent upon contributions and investment earnings. This plan does not include disability, annual cost of living adjustments, death benefits, or health care benefits.

Combined plan – has elements of the traditional pension plan and member directed plan. Employee contributions are invested in self-directed investments. The employer contributions are used to fund a reduced defined benefit plan. This plan provides disability, annual cost of living adjustments, death benefits, and health care benefits. Health care benefits are based on years of service.

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

6. Retirement Benefits (continued)

The OPERS Comprehensive Annual Financial Report can be downloaded from the OPERS website at www.opers.org. The Ohio Revised Code provides statutory authority for employer and employee contributions. The University contributes 14% of covered payroll, and the employee pretax contribution rate is 10% of covered payroll. A portion of employer contributions were allocated to post-employment health care benefits as disclosed in Note 7.

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

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

	2012	2011	2010
OPERS	$ 146,418	$ 131,236	$ 202,391
ARP	13,754	20,284	24,052
Total	$ 160,172	$ 151,520	$ 226,443

7. Post-Employment Health Care Benefits

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

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

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

Employer contributions to the OPERS retirement benefit program for June 30, 2012, 2011, and 2010, are $41,725, $51,338, and $79,722, respectively.

8. Corporation for Public Broadcasting Grants

The Corporation for Public Broadcasting (CPB) is a private, non-profit grantmaking organization responsible for funding more than 1,000 television and radio stations. WBGU-TV receives grant funds from the CPB to assist in the operations of the station. During 2012 and 2011, the grant funds recorded as revenue were as follows:

	2012	2011
Community Service Grant	$ 943,984	$ 732,155
Interconnection Grant	17,284	16,855
Total	$ 961,268	$ 749,010

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, 2012 and 2011, amounted to $973,733 and $1,375,294, respectively. In addition, the University provided for the years ended June 30, 2012 and 2011, an estimated $508,204 and $426,770 of indirect administrative support, respectively. The indirect administrative support revenue was calculated using the University's "modified other sponsored activities indirect costs rate" of 1.2% and 1.1%, respectively.

10. Contingencies

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

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

Management and 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, 2012, and have issued our report thereon dated November 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal control over financial reporting

Management of WBGU-TV is responsible for establishing and maintaining effective 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, 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

November 16, 2012

Ernst & Young LLP

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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
JANUARY 29, 2013

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