

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

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**Consolidated Financial Report**  
**June 30, 2020**





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Board of Directors  
Centennial Falcon Properties, Inc. and Subsidiaries  
1851 N Research Drive  
Bowling Green, Ohio 43403

We have reviewed the *Independent Auditor's Report* of the Centennial Falcon Properties, Inc. and Subsidiaries, Wood County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber  
Auditor of State  
Columbus, Ohio

November 19, 2020

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## Contents

|   |       |
|---|-------|
| <b>Report Letter</b>  | 1-2   |
| <b>Consolidated Financial Statements</b>  |       |
| Statements of Financial Position  | 3     |
| Statements of Activities and Changes in Net Assets  | 4     |
| Statements of Cash Flows  | 5-6   |
| Notes to Consolidated Financial Statements  | 7-16  |
| Report on Internal Control Over Financial Reporting on Compliance and<br>Other Matters Based on an Audit of Financial Statements Performed in<br>Accordance with <i>Government Auditing Standards</i> | 17-18 |

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## Independent Auditor's Report

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

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Centennial Falcon Properties, Inc. and Subsidiaries (a component unit of Bowling Green State University), which comprise the consolidated statement of financial position as of June 30, 2020 and 2019 and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Centennial Falcon Properties, Inc. and Subsidiaries as of June 30, 2020 and 2019 and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2020 on our consideration of Centennial Falcon Properties, Inc. and Subsidiaries' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Centennial Falcon Properties, Inc. and Subsidiaries' internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

September 10, 2020



Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Financial Position

|   | June 30              |                      |
|---|----------------------|----------------------|
|   | 2020                 | 2019                 |
| <b>Assets</b>   |                      |                      |
| Current assets:                                       |                      |                      |
| Cash and cash equivalents                             | \$ 1,165,566         | \$ 1,561,425         |
| Funds held by Bowling Green State University          | 184,481              | 215,286              |
| Prepaid expense                                       | -                    | 10,000               |
| Total current assets                                  | <u>1,350,047</u>     | <u>1,786,711</u>     |
| Other assets:   |                      |                      |
| Capital assets, net                                   | 14,205,530           | 14,476,438           |
| Total other assets                                    | <u>14,205,530</u>    | <u>14,476,438</u>    |
| Total assets  | <u>\$ 15,555,577</u> | <u>\$ 16,263,149</u> |
| <b>Liabilities and net assets</b>                     |                      |                      |
| Short-term liabilities:                               |                      |                      |
| Accounts payable                                      | \$ 2,071             | \$ 2,044             |
| Construction funding payable – current portion        | 596,800              | 596,800              |
| Total short-term liabilities                          | <u>598,871</u>       | <u>598,844</u>       |
| Long-term liabilities:                                |                      |                      |
| Construction funding payable – net of current portion | 10,554,218           | 11,151,018           |
| Total long-term liabilities                           | <u>10,554,218</u>    | <u>11,151,018</u>    |
| Total liabilities                                     | 11,153,089           | 11,749,862           |
| Net assets:   |                      |                      |
| Without donor restriction                             | 4,402,488            | 4,513,287            |
| Total liabilities and net assets                      | <u>\$ 15,555,577</u> | <u>\$ 16,263,149</u> |

*See accompanying notes.*

## Centennial Falcon Properties, Inc. and Subsidiaries

### Consolidated Statements of Activities and Changes in Net Assets

|   | <b>Year Ended June 30</b> |              |
|---|---------------------------|--------------|
|   | <b>2020</b>               | <b>2019</b>  |
| Revenues:   |                           |              |
| In-kind support from Bowling Green State University             | \$ 6,932                  | \$ 11,126    |
| Total revenues  | 6,932                     | 11,126       |
| Expenses:   |                           |              |
| Operating and administrative                                    | 36,531                    | 44,590       |
| Depreciation  | 683,226                   | 702,140      |
| Total operating expenses  | 719,757                   | 746,730      |
| Operating loss  | (712,825)                 | (735,604)    |
| Nonoperating revenue:   |                           |              |
| Investment income, net  | 5,226                     | 11,245       |
| In-kind support from Bowling Green State University             | 596,800                   | 596,800      |
| Gain on disposal of assets                                      | -                         | 816          |
| Net nonoperating revenue  | 602,026                   | 608,861      |
| Change in net assets  | (110,799)                 | (126,743)    |
| Net assets:   |                           |              |
| Net assets at the beginning of year - without donor restriction | 4,513,287                 | 4,640,030    |
| Net assets at the end of year - without donor restriction       | \$ 4,402,488              | \$ 4,513,287 |

*See accompanying notes.*

# Centennial Falcon Properties, Inc. and Subsidiaries

## Consolidated Statements of Cash Flows

|  | <b>Year Ended June 30</b> |                     |
|--|---------------------------|---------------------|
|  | <b>2020</b>               | <b>2019</b>         |
| Operating activities:                          |                           |                     |
| Cash paid to vendors and employees             | (31,225)                  | (32,524)            |
| Net cash used in operating activities          | <u>(31,225)</u>           | <u>(32,524)</u>     |
| Investing activities:                          |                           |                     |
| Purchase of capital assets                     | (400,665)                 | (632,516)           |
| Interest received                              | 5,226                     | 11,245              |
| Net cash used in investing activities          | <u>(395,439)</u>          | <u>(621,271)</u>    |
| Net decrease in cash and cash equivalents      | (426,664)                 | (653,795)           |
| Cash and cash equivalents at beginning of year | 1,776,711                 | 2,430,506           |
| Cash and cash equivalents at end of year       | <u>\$ 1,350,047</u>       | <u>\$ 1,776,711</u> |

*See accompanying notes.*

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (continued)

|  | <b>Year Ended June 30</b> |                    |
|--|---------------------------|--------------------|
|  | <b>2020</b>               | <b>2019</b>        |
| Reconciliation of operating loss to net cash used in operating activities:                 |                           |                    |
| Operating loss   | \$ (712,825)              | \$ (735,604)       |
| Adjustments to reconcile operating income (loss) to net cash used in operating activities: |                           |                    |
| Depreciation   | 683,226                   | 702,140            |
| Changes in assets and liabilities:   |                           |                    |
| Increase in prepaid expenses   | (1,653)                   | (1,104)            |
| Increase in accounts payable   | 27                        | 2,044              |
| Net cash used in operating activities  | <u>\$ (31,225)</u>        | <u>\$ (32,524)</u> |

*See accompanying notes.*

# Centennial Falcon Properties, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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

#### **Nature of Operations**

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

#### **Reporting Entity**

The Corporation is a legal, separate component unit of the University formed in 2010 as a nonprofit corporation under the laws of the State of Ohio and determined by the Internal Revenue Service to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Corporation is further classified as a Type 2 supporting organization under Section 509(a)(3). To ensure the Corporation works in harmony with the University’s priorities, the board of directors of the Corporation is composed of four members of the University’s cabinet and a member from Bowling Green State University’s foundation board.

The Corporation is the sole member of CFP I LLC (CFP I). CFP I is a nonprofit single-member limited liability company formed in 2010 under the laws of the State of Ohio. On June 9, 2010, the City of Bowling Green, Ohio issued \$81,610,000 Student Housing Revenue Bonds (Series 2010 Bonds) and loaned the proceeds of the Series 2010 Bonds to CFP I for the purpose of providing funds to finance the cost of acquiring, constructing, furnishing, and equipping an approximately 1,318-bed, two-building student housing facility (the Series 2010 Project). CFP I has had no assets other than the Series 2010 Project. Interest rates ranged from 3.0 percent to 6.0 percent over the scheduled redemption period of December 1, 2011 to June 1, 2045.

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

# Centennial Falcon Properties, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

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

On August 10, 2017, Bowling Green State University issued \$73,560,000 of General Receipts Bonds, Series 2017B (the “Bonds”). Proceeds from the Bonds, together with certain debt service reserve funds, were used to acquire United States Treasury Obligations to establish a cash deposit to provide funds to advance refund serial bonds held by CFP I, LLC maturing on June 1, 2020 and term bonds due on June 1, 2019, June 1, 2031, and June 1, 2045 of the City of Bowling Green, Ohio’s Student Housing Revenue Bonds, (CFP I LLC - Bowling Green State University Project), Series 2010 dated June 16, 2010. As a result of the transaction, the University acquired the student housing facilities and their contents known as Falcon Heights and Centennial Hall as well as any remaining assets such as excess cash or investments that arose as a result of operations or as a result of University capital at the inception of the project from CFP I, LLC. The University recorded the net book value of the student housing facilities of approximately \$55 million and also approximately \$13 million of remaining assets. As a result of the advance refunding of the Series 2010 bonds, CFP I recorded a loss on extinguishment of debt of approximately \$12 million on August 10, 2017. CFP I has not been liquidated as of June 30, 2020.

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

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

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

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

# Centennial Falcon Properties, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

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

The Corporation recorded \$1,588,000 as capital assets and construction funding payable described in Note 4. The loan did not have an interest component and matured on June 30, 2015.

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

The Corporation is also the sole member of CFP IV LLC (CFP IV). CFP IV is a nonprofit single-member limited liability company formed in June 2020 under the laws of the State of Ohio. Effective June 15, 2020, CFP IV was transferred ownership of five real estate parcels previously owned by the Corporation.

The Corporation is also the sole member of CFP V LLC (CFP V). CFP V is a nonprofit single-member limited liability company formed in June 2020 under the laws of the State of Ohio. Effective June 15, 2020, CFP V was granted 5,691 shares of stock in Satelytics, Inc.

### **Financial Statement Presentation**

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

### **Basis of Accounting**

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

### **Principles of Consolidation**

The consolidated financial statements of the Corporation include Centennial Falcon Properties, Inc. (the "Corporation") and its five nonprofit single-member limited liability subsidiaries, CFP I, CFP II, CFP III, CFP IV and CFP V. All significant intercompany transactions are eliminated.

# Centennial Falcon Properties, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### **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.

#### **Income Tax**

The Corporation has been granted tax-exempt status under Section 501(a)(3) of the Internal Revenue Code (the “Code”) as an organization described in Section 509(a)(c) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax. The Corporation had no significant unrelated business taxable income during fiscal years 2020 and 2019; accordingly, no provision or benefit for income taxes has been included in the accompanying consolidated financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Corporation and recognize a tax liability if the Corporation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Corporation and has concluded that as of June 30, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

#### **Revenues**

Revenue contributions are received directly from the University.

#### **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, 2020, cash and cash equivalents and funds held by Bowling Green State University totaled \$1,350,047. At June 30, 2019, cash and cash equivalents and funds held by Bowling Green State University totaled \$1,776,711.



# Centennial Falcon Properties, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

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

#### **Capital Assets**

Capital assets are recorded at cost at the date of acquisition or fair value at the date of gift for any donated assets. The capitalization policy for the Corporation includes all items with a cost of \$5,000 or more and an estimated useful life of greater than one year. Infrastructure and improvements other than to buildings are capitalized if the cost exceeds \$100,000. Land is capitalized but not depreciated. Routine repairs and maintenance are charged to operating expense in the year the expense is incurred.

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

#### **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:

- Net assets with donor restrictions represent funds received from a donor that have a purpose restriction or a time restriction. No donor restrictions were present as of June 30, 2020 or 2019.
- Net assets without donor restrictions represent funds received without any purpose or time restrictions. The governing board has the right to approve the use of these funds within the debt covenant guidelines. All net assets are without donor restriction as of June 30, 2020 and 2019.

#### **Business and Concentrations of Credit Risk**

The Corporation's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and investments. The Corporation places its cash in federally insured banks. Cash is generally in excess of the Federal Deposit Insurance Corporation's insurance limit. However, management has not experienced any significant losses and does not believe it is subject to significant risk.

# Centennial Falcon Properties, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

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

#### Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, telecommunications, and office expenses, which are allocated by building, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort. Refer to Note 6 for additional detail on the Corporation's functional expenses.

#### Subsequent Events

The Corporation evaluated the effect of subsequent events through September 10, 2020, representing the date that the financial statements were issued. No recognized subsequent events were identified for recognition or disclosure in the financial statements or the accompanying notes to the financial statements.

### 2. Available Resources and Liquidity

The Corporation regularly monitors liquidity in order to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Corporation's primary source of liquidity is cash and cash equivalents and funds held by Bowling Green State University.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Corporation considers all expenditures related to its ongoing activities for the benefit of Bowling Green State University, which include acquiring, developing and maintaining property to be used for charitable, scientific and educational purposes.

As of June 30, 2020, and 2019, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

|  | <u>2020</u>         | <u>2019</u>         |
|--|---------------------|---------------------|
| Cash and cash equivalents                    | \$ 1,165,566        | \$ 1,561,425        |
| Funds held by Bowling Green State University | 184,481             | 215,286             |
| Total  | <u>\$ 1,350,047</u> | <u>\$ 1,776,711</u> |

None of these assets are subject to donor or other contractual restrictions that makes them unavailable for general expenditure within one year of the balance sheet date.

Centennial Falcon Properties, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**3. Capital Assets**

Capital assets and accumulated depreciation as of June 30, 2020 are summarized as follows:

|                               | <b>Beginning<br/>Balance</b> | <b>Additions</b>    | <b>Disposals</b> | <b>Ending<br/>Balance</b> |
|-------------------------------|------------------------------|---------------------|------------------|---------------------------|
| Land                          | \$ 1,083,830                 | \$ 412,318          | \$ –             | \$ 1,496,148              |
| Land improvements             | 405,277                      | 23,435              | –                | 428,712                   |
| Building                      | 18,361,399                   | (23,435)            | –                | 18,337,964                |
| Furniture                     | 909,767                      | –                   | –                | 909,767                   |
| Chartwells renovation         | 1,588,000                    | –                   | –                | 1,588,000                 |
| Total capital assets          | 22,348,273                   | 412,318             | –                | 22,760,591                |
| Less accumulated depreciation | (7,871,835)                  | (683,226)           | –                | (8,555,061)               |
| Net capital assets            | <u>\$ 14,476,438</u>         | <u>\$ (270,908)</u> | <u>\$ –</u>      | <u>\$ 14,205,530</u>      |

Capital assets and accumulated depreciation as of June 30, 2019 are summarized as follows:

|                               | <b>Beginning<br/>Balance</b> | <b>Additions</b>  | <b>Disposals</b> | <b>Ending<br/>Balance</b> |
|-------------------------------|------------------------------|-------------------|------------------|---------------------------|
| Land                          | \$ 382,998                   | \$ 700,832        | \$ –             | \$ 1,083,830              |
| Land improvements             | 405,277                      | –                 | –                | 405,277                   |
| Building                      | 18,361,399                   | –                 | –                | 18,361,399                |
| Furniture                     | 923,892                      | –                 | (14,125)         | 909,767                   |
| Chartwells renovation         | 1,588,000                    | –                 | –                | 1,588,000                 |
| Total capital assets          | 21,661,566                   | 700,832           | (14,125)         | 22,348,273                |
| Less accumulated depreciation | (7,183,820)                  | (702,140)         | 14,125           | (7,871,835)               |
| Net capital assets            | <u>\$ 14,477,746</u>         | <u>\$ (1,308)</u> | <u>\$ –</u>      | <u>\$ 14,476,438</u>      |

Depreciation expense was \$683,226 and \$702,140 during fiscal years 2020 and 2019, respectively.

Centennial Falcon Properties, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**4. Long-term Liabilities**

Long-term liabilities of the Corporation at June 30, 2020 are as follows:

|                              | Beginning<br>Balance | Additions | Reductions   | Ending<br>Balance | Due in<br>One Year |
|------------------------------|----------------------|-----------|--------------|-------------------|--------------------|
| Construction funding payable | \$ 11,747,818        | \$ –      | \$ (596,800) | \$ 11,151,018     | \$ 596,800         |
| Total long-term liabilities  | \$ 11,747,818        | \$ –      | \$ (596,800) | \$ 11,151,018     | \$ 596,800         |

Long-term liabilities of the Corporation at June 30, 2019 are as follows:

|                              | Beginning<br>Balance | Additions | Reductions   | Ending<br>Balance | Due in<br>One Year |
|------------------------------|----------------------|-----------|--------------|-------------------|--------------------|
| Construction funding payable | \$ 12,344,618        | \$ –      | \$ (596,800) | \$ 11,747,818     | \$ 596,800         |
| Total long-term liabilities  | \$ 12,344,618        | \$ –      | \$ (596,800) | \$ 11,747,818     | \$ 596,800         |

The construction funding payable amounts for the five fiscal years subsequent to June 30, 2020 and subsequent periods thereafter are as follows:

| Year       | The Oaks<br>(CFP II) | Carillon<br>(CFP III) | Chartwells<br>Renovation | Total Due     |
|------------|----------------------|-----------------------|--------------------------|---------------|
| 2021       | 376,364              | 220,436               | –                        | 596,800       |
| 2022       | 376,364              | 220,436               | –                        | 596,800       |
| 2023       | 376,364              | 220,436               | –                        | 596,800       |
| 2024       | 376,364              | 220,436               | –                        | 596,800       |
| 2025       | 376,364              | 220,436               | –                        | 596,800       |
| Thereafter | 5,080,909            | 3,086,109             | –                        | 8,167,018     |
|            | \$ 6,962,729         | \$ 4,188,289          | \$ –                     | \$ 11,151,018 |

See Note 5 for related party disclosures regarding The Oaks and Carillon.

# Centennial Falcon Properties, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 5. Related Party Transactions

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

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

The University incurred costs of certain salaries and fringe benefits for financial, accounting, development, and information technology personnel related to the Corporation. These expenses are paid by the University on behalf of the Corporation and are shown in the accompanying financial statements as in-kind support and operating and administrative expense of \$6,932 and \$11,126 for the fiscal years ended 2020 and 2019, respectively.

Chartwells provided approximately \$18,000,000 of funding for these projects in the year ended June 30, 2012. The Chartwells construction funding payable will be paid in annual installments, ranging from \$409,000 to \$857,000 over 27.5 years, through June 30, 2039. Due to the University's Management Agreement with Chartwells for the dining program and in exchange for the use of the dining facilities, the University repays the construction funding payable on behalf of the Corporation, as these are of approximately equal value. As such, the Corporation recognizes this noncash transaction as a decrease to the construction funding payable and as in-kind support non-operating revenue. For the years ended June 30, 2020 and 2019, the repayment and in-kind support non-operating revenue totaled \$596,800.

The University can pay off Chartwells' construction funding payable early without penalty. The University also has a Food Services Agreement with Chartwells in which the University pays a management fee to Chartwells to manage the dining halls through fiscal year 2025. The Food Services Agreement can be renewed for three additional successive five-year periods. If the Food Services Agreement with Chartwells is terminated or not renewed, the University would be required to pay Chartwells interest on the construction funding payable until full payoff at a rate equal to the 12-month U.S. Treasury rate. Payment in full of the construction funding payable would be required in one year from termination of agreement or within 30 days after the University hires another third party to run its dining services.

# Centennial Falcon Properties, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 6. Expenses by Both Nature and Function

Expenses are presented below by functional classification in accordance with the overall service mission of the Corporation. Each functional classification displays all expenses related to the underlying operations by natural classification.

|                              | <b>2020</b>             |                                     |                      |
|------------------------------|-------------------------|-------------------------------------|----------------------|
|                              | <b>Program Services</b> | <b>Management &amp;<br/>General</b> | <b>Total Expense</b> |
| Operating and administrative | \$ 3,733                | \$ 32,798                           | \$ 36,531            |
| Depreciation                 | 683,226                 | –                                   | 683,226              |
| Total expenses               | \$ 686,959              | \$ 32,798                           | \$ 719,757           |

|                              | <b>2019</b>             |                                     |                      |
|------------------------------|-------------------------|-------------------------------------|----------------------|
|                              | <b>Program Services</b> | <b>Management &amp;<br/>General</b> | <b>Total Expense</b> |
| Operating and administrative | \$ 1,610                | \$ 42,980                           | \$ 44,590            |
| Depreciation                 | 702,140                 | –                                   | 702,140              |
| Total expenses               | \$ 703,750              | \$ 42,980                           | \$ 746,730           |

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

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Centennial Falcon Properties, Inc. and Subsidiaries (Centennial Falcon Properties) (a component unit of Bowling Green State University), which comprise the consolidated statement of financial position as of June 30, 2020 and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated September 10, 2020.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Centennial Falcon Properties, Inc. and Subsidiaries' consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

### **Compliance and Other Matters**

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

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Centennial Falcon Properties, Inc. and Subsidiaries' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Centennial Falcon Properties, Inc. and Subsidiaries' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Moran, PLLC*

September 10, 2020



# OHIO AUDITOR OF STATE KEITH FABER



**BOWLING GREEN STATE UNIVERSITY CENTENNIAL FALCON PROPERTIES**

**WOOD COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 12/3/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)