CONSOLIDATED FINANCIAL STATEMENTS

The Bowling Green State University Foundation, Inc.
and Subsidiary
Years Ended June 30, 2009 and 2008
With Report of Independent Auditors

Ernst & Young LLP

ERNST & YOUNG

Mary Taylor, CPA
Auditor of State

Board of Directors
Bowling Green State University Foundation, Inc. and Subsidiary
Mileti Alumni Center
Bowling Green, Ohio 43403-0053

We have reviewed the *Report of Independent Auditors* of Bowling Green State University Foundation, Inc. and Subsidiary, Wood County, prepared by Ernst & Young LLP, for the audit period July 1, 2008 through June 30, 2009. 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. Bowling Green State University Foundation, Inc. and Subsidiary is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 29, 2009

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

This Page is Intentionally Left Blank.

The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Financial Statements

Years Ended June 30, 2009 and 2008

Contents

This Page is Intentionally Left Blank.

Ernst & Young LLP
One SeaGate
Toledo, Ohio 43604

Phone: (419) 244-8000
Fax: (419) 244-4440
www.ey.com

Report of Independent Auditors

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

We have audited the accompanying consolidated statements of financial position of The Bowling Green State University Foundation, Inc. and subsidiary (the Foundation) as of June 30, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation'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 Foundation's internal control over financial reporting. Our audits included consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal controls over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Bowling Green State University Foundation, Inc. and subsidiary as of June 30, 2009 and 2008, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2009, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Ernst & Young LLP

September 30, 2009

0908-1080319

The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statements of Financial Position

	June 30 2009	June 30 2008
Assets		
Current assets:		
Cash	**$ 929,200**	$ 784,183
Contributions receivable, net of allowance for uncollectible contributions *(Note 2)*	**6,629,326**	9,009,428
Interest receivable	**29,840**	44,204
Total current assets	**7,588,366**	9,837,815
Investments *(Notes 1 and 3):*		
Corporate stocks	**43,733,009**	61,307,076
U.S. government and agency obligations	**226,505**	18,561
Corporate bonds, debentures, and others	**29,792,501**	33,669,814
Alternative investments	**7,486,665**	7,999,542
Total investments	**81,238,680**	102,994,993
Prepaid and other assets	**4,200**	4,200
Long-term contributions receivable, net of allowance for uncollectible contributions *(Note 2)*	**8,597,518**	7,869,534
Cash value of life insurance *(Note 4)*	**1,373,855**	1,157,748
Total assets	**$ 98,802,619**	$ 121,864,290
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 318,662**	$ 308,699
Total current liabilities	**318,662**	308,699
Annuities payable	**1,350,345**	1,366,161
Total liabilities	**1,669,007**	1,674,860
Net (deficit) assets *(Notes 1, 6,7,8 and 9):*		
Unrestricted	**(6,181,132)**	2,879,995
Temporarily restricted	**34,682,245**	50,291,318
Permanently restricted	**68,632,499**	67,018,117
Total net assets	**97,133,612**	120,189,430
Total liabilities and net assets	**$ 98,802,619**	$ 121,864,290

See accompanying notes.

The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenue, and gains				
Contributions and gifts (net)	**$ 555,708**	**$ 6,973,207**	**$ 1,388,784**	**$ 8,917,699**
Interest and dividends	**358,218**	**2,263,872**	**–**	**2,622,090**
Net realized and unrealized losses	**(8,862,988)**	**(13,486,557)**	**–**	**(22,349,545)**
Other revenue	**1,085,145**	**372,675**	**35,098**	**1,492,918**
Transfers *(Note 7)*	**–**	**(190,500)**	**190,500**	**–**
Net assets released from restriction *(Note 6)*	**11,541,770**	**(11,541,770)**	**–**	**–**
Total support, revenue, and gains	**4,677,853**	**(15,609,073)**	**1,614,382**	**(9,316,838)**
Expenses				
Program services	**12,198,521**	**–**	**–**	**12,198,521**
Fund raising	**865,335**	**–**	**–**	**865,335**
Operating	**675,124**	**–**	**–**	**675,124**
Total expenses	**13,738,980**	**–**	**–**	**13,738,980**
Change in net assets	**(9,061,127)**	**(15,609,073)**	**1,614,382**	**(23,055,818)**
Net assets at the beginning of the year - as adjusted *(Note 9)*	**2,879,995**	**50,291,318**	**67,018,117**	**120,189,430**
Net (deficit) assets at the end of the year *(Note 8)*	**$ (6,181,132)**	**$ 34,682,245**	**$ 68,632,499**	**$ 97,133,612**

See accompanying notes.

The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenue, and gains				
Contributions and gifts (net)	$ 676,748	$ 9,415,233	$ 6,693,547	$ 16,785,528
Interest and dividends	530,525	2,663,939	–	3,194,464
Net realized and unrealized losses	(1,469,945)	(6,530,770)	–	(8,000,715)
Other revenue	842,288	413,615	19,793	1,275,696
Transfers *(Note 7)*	–	(319,996)	319,996	–
Net assets released from restriction *(Note 6)*	8,412,063	(8,412,063)	–	–
Total support, revenue, and gains	8,991,679	(2,770,042)	7,033,336	13,254,973
Expenses				
Program services	9,079,427	–	–	9,079,427
Fund raising	850,818	–	–	850,818
Operating	634,230	–	–	634,230
Total expenses	10,564,475	–	–	10,564,475
Change in net assets	(1,572,796)	(2,770,042)	7,033,336	2,690,498
Net assets at the beginning of the year - as adjusted *(Note 9)*	4,452,791	53,061,360	59,984,781	117,498,932
Net assets at the end of the year *(Note 8 and 9)*	$ 2,879,995	$ 50,291,318	$ 67,018,117	$ 120,189,430

See accompanying notes.

The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statements of Cash Flows

	Year Ended June 30	
	2009	**2008**
Operating activities		
Change in net assets	**$ (23,055,818)**	$ 2,690,498
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized losses	**22,349,545**	8,000,715
Contributions of securities	**(277,339)**	(1,260,001)
Provision for uncollectible contributions, net of actuarial adjustment on annuity obligations	**53,343**	4,833
Changes in operating assets and liabilities:		
Contributions and accounts receivable	**1,582,959**	(1,856,528)
Interest receivable	**14,364**	165,428
Prepaid and other assets	**–**	85,131
Accounts payable and accrued liabilities	**9,963**	364,195
Total adjustments	**23,732,835**	5,503,773
Net cash provided by operating activities	**677,017**	8,194,271
Investing activities		
Sales of investments	**24,825,004**	69,216,194
Purchases of investments	**(25,140,897)**	(77,092,453)
Net change in cash surrender value of life insurance	**(216,107)**	(44,020)
Net cash used in investing activities	**(532,000)**	(7,920,279)
Increase in cash	**145,017**	273,992
Cash at beginning of year	**784,183**	510,191
Cash at end of year	**$ 929,200**	$ 784,183

See accompanying notes.

1. Organization and Significant Accounting Policies

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

The Foundation is a nonprofit Ohio corporation, which assists in the development and advancement of Bowling Green State University (the University). All program expenses are for the benefit of the University.

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

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

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

Use of Estimates

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

1. Organization and Significant Accounting Policies (continued)

Investments

Investment securities are stated at fair value, based on quoted market value of the individual securities. Purchases and sales of investment securities are recorded on the trade date. Realized gains or losses from sale of securities are determined using the cost basis of the securities sold. Interest and dividend income is reported when earned. Permanently restricted endowment funds participate in an investment pool in which each fund has a specific unit value interest. All investment income, including realized and unrealized gains and losses, derived from investments in the endowment investment pool is allocated to the participating endowment fund based upon the current year's average balance of each endowment fund. Alternative investments are accounted for under the equity method and the estimated value is based on valuations provided by investment managers and include investment in real estate, Real Estate Investment Trusts (REITs), arbitration funds and others. The estimated fair value is subject to uncertainty and may differ from the value that would have been used had a ready market for such investments existed. Such a difference could be material.

The Foundation is named as a beneficiary of several irrevocable trusts. All of the assets of the trusts are held by third parties who manage the assets and distribute the income as defined in each trust. Such assets are included in investment securities. The Foundation's interest in the future income stream of perpetual trusts is recognized based on the present fair value of the trust assets. Under a split-interest trust, the donor is paid specified distributions for a future period of time and upon termination of the trust, the Foundation receives all or a portion of the trust. The Foundation's interest in such trusts is based on the estimated value of the assets to be received from each trust.

1. Organization and Significant Accounting Policies (continued)

Fund Accounting and Net Asset Classifications

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

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

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

- Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired. The governing board has the right to approve the use of these funds.

Promises to Give

Unconditional promises to give are recognized as revenues on a discounted basis in the period made. Conditional promises to give are recognized when the conditions on which they depend are substantially met and the promises become unconditional.

Restricted and Unrestricted Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted and reported in the statements of activities as net assets released.

1. Organization and Significant Accounting Policies (continued)

Income Taxes

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

Annuities Payable

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

New Accounting Pronouncements

In August 2008, the FASB issued FASB Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FSP FAS 117-1), which, among other things, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and additional disclosures about an organization’s endowment funds. Ohio’s version of UPMIFA became effective June 1, 2009. The Foundation adopted FSP FAS 117-1 and the required additional disclosures have been made in Note 9.

On July 1, 2008, the Foundation adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157), for its financial instruments measured at fair value on a recurring basis. FAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. FAS 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements.

1. Organization and Significant Accounting Policies (continued)

FAS 157 emphasizes that 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. As the basis for considering market participant assumptions in fair value measurements, FAS 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

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 Foundation to develop assumptions

The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. See Note 3 for further discussion of fair value measurements.

In May 2009, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 165, *Subsequent Events* (SFAS 165), which established general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. SFAS 165 is effective for fiscal years ending after June 15, 2009. SFAS 165 is not expected to have a significant impact on the Foundation's financial position, results of operations, or cash flows. Management has considered subsequent events through September 30, 2009.

Reclassifications

Certain reclassifications have been made to the 2008 financial statements to be comparative to the 2009 presentation. See note 9 for further discussion of the change in net asset classifications.

2. Contributions Receivable and Contributed Services

Contributors to the Foundation have made written unconditional promises to give, on which management has set up an allowance for uncollectible pledges. Contributions receivable reflect net present value using the Internal Revenue Code §7520 discount rate of 2.80% and 3.80% as of June 30, 2009 and 2008, respectively. Write-offs of uncollectible pledges for the years ended June 30, 2009 and 2008, amounted to approximately $1,189,000 and $206,000, respectively, and is recorded net of contributions and gifts.

Contributions receivable at June 30 are due as follows:

	2009	2008
Within one year	**$ 6,787,023**	$ 9,231,852
One to five years	**8,805,034**	8,674,022
More than five years	**679,082**	718,703
	16,271,139	18,624,577
Less allowance	**(281,717)**	(350,876)
Present value discount	**(762,578)**	(1,394,739)
Total	**$ 15,226,844**	$ 16,878,962

The Foundation has conditional promises to give of approximately $60,449,000 and $52,970,000 for estates or planned gifts as of June 30, 2009 and 2008, respectively, which are not shown in the accompanying financial statements until the condition has been fulfilled.

Expenses related to occupancy of facilities, and salaries and fringe benefits of financial, accounting, and development personnel are paid by the University on behalf of the Foundation and are not shown in the accompanying financial statements. The Foundation approximates the value of these items at $2,026,000 in 2009 and $2,065,000 in 2008. In addition, the University paid approximately $0 in 2009 and $121,000 in 2008 of operating expenses relating to the current comprehensive campaign of the Foundation.

3. Investments

Following is a summary of fair value of investments at June 30:

	2009	2008
Corporate stocks	**$ 43,733,009**	$ 61,307,076
U.S. government and agency obligations	**226,505**	18,561
Corporate bonds, debentures, and other	**29,792,501**	33,669,814
Alternative investments:		
Real estate funds	**1,722,227**	2,555,546
Private investment	**4,309,441**	4,125,147
Fund of funds	**1,454,997**	1,318,849
Subtotal alternative investments	**7,486,665**	7,99,542
Total	**$ 81,238,680**	$102,994,993

Net unrealized (losses) gains on investments at June 30 were as follows:

	2009	2008
Beginning of year	**$ 4,194,040**	$ 13,527,537
End of year	**(14,394,758)**	4,194,040
Net unrealized (losses) for the year	**$ (18,588,798)**	$ (9,333,497)

3. Investments (continued)

The Foundation measures certain financial assets at fair value on a recurring basis. The fair value of these financial assets was determined using the following inputs at June 30, 2009:

	Level 1	Level 2	Level 3	June 30, 2009
Assets:				
Cash and cash equivalents	$ 929,200	$ –	$ –	$ 929,200
Corporate stocks	43,733,009	–	–	43,733,009
U.S. government and agency obligations	226,505	–	–	226,505
Corporate bonds, debentures, and other	29,792,501	–	–	29,792,501
Total assets	$ 74,681,215	$ –	$ –	$ 74,681,215

Alternative investments, accounted for under the equity method of accounting, include various Real Estate Investment Trusts (REITs), arbitration funds and others and are deemed to be at fair value as of June 30, 2009.

Realized losses from sales of investment securities amounted to approximately $3,760,000 in 2009 and realized gains of $1,333,000 in 2008.

The Foundation had outstanding commitments to invest in various alternative investments at June 30, 2009 and 2008, amounting to approximately $6,100,000 and $3,900,000, respectively.

Assets held in charitable remainder trust are principally comprised of corporate stocks and corporate bonds and debentures. Unrealized losses amounted to approximately $62,000 and $90,000 at June 30, 2009 and 2008, respectively, and realized losses of approximately $89,000 and $1,800 were recognized for the years ended 2009 and 2008, respectively.

Certain investment securities are held by independent custodial and management agents. Custodial and management fees paid approximated $188,000 and $282,000 in 2009 and 2008, respectively, and are reported as reductions to interest and dividends in the accompanying statement of activities.

4. Life Insurance Policies

The Foundation is owner and beneficiary of certain life insurance policies which have a total face value of approximately $7,830,000 at June 30, 2009, and $4,725,000 at June 30, 2008. Premiums on these policies are generally paid by the insured individuals. The cash surrender value of such policies approximated $1,374,000 at June 30, 2009, and $1,158,000 at June 30, 2008, and is recorded in the accompanying statement of financial position.

5. Other Revenue

Unrestricted other revenue includes the administrative fee income charged to various restricted funds. The administrative fee expense charged to the funds, is reported as a reduction of other revenue based on the classification of the funds. Also included in other revenue are monies received from various activities sponsored by University departments and organizations. The proceeds from these activities are recorded in the appropriate funds.

6. Restricted Net Assets

Temporarily restricted net assets at June 30 are available for the following purposes:

	2009	**2008**
General support of colleges and departments	**$ 18,155,575**	$ 25,394,249
Student aid	**7,735,105**	12,460,427
Property and equipment	**5,847,024**	8,647,073
Endowed chairs and professorships	**1,955,138**	2,159,950
Research	**654,149**	744,130
Fellowship	**335,254**	427,273
Faculty and staff	**–**	458,216
Total temporarily restricted net assets	**$ 34,682,245**	$ 50,291,318

6. Restricted Net Assets (continued)

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

	2009	2008
General support of colleges and departments	**$ 6,596,670**	$ 4,709,138
Property and equipment	**3,880,928**	372,168
Student aid	**942,442**	2,697,950
Research	**133,235**	89,424
Fellowship	**70,590**	15,243
Faculty and staff	**51,706**	329,320
Endowed chairs and professorships	**(133,801)**	198,820
Total net assets released from restrictions	**$ 11,541,770**	$ 8,412,063

Permanently restricted net assets at June 30 are restricted to investments in perpetuity, the income from which is expendable to support the following purposes:

	2009	2008
Student aid	**$ 38,473,184**	$ 38,462,344
General support of colleges and departments	**16,807,378**	16,777,378
Endowed chairs and professorships	**8,770,730**	7,268,934
Property and equipment	**1,710,142**	1,709,633
Faculty and staff	**1,551,216**	1,525,216
Research	**1,130,515**	1,085,678
Fellowship	**189,334**	188,934
Total permanently restricted net assets	**$ 68,632,499**	$ 67,018,117

7. Transfers of Net Assets

During 2009 and 2008, certain funds which originally had been reported as temporarily restricted became fully endowed funds once the fund's balance exceeded $25,000. As a result, $190,500 and $320,000 of net assets have been reclassified as of June 30, 2009 and 2008, respectively, to reflect such balances as permanently restricted net assets.

8. Unrestricted Balances

The unrestricted net assets consist of the following:

	2009	2008
Operating	**$ 1,961,498**	$ 2,529,538
Transfer of endowment deficiencies *(Note 9)*	**(5,614,034)**	(195,000)
Unrealized Investment (losses)/ gains	**(2,528,596)**	545,457
Total unrestricted net assets (deficit)	**$ (6,181,132)**	$ 2,879,995

9. Endowment Balances

The Foundation's endowment consists of approximately 830 individual funds established for a variety of purposes. The endowment includes donor-restricted endowment funds. Net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Governing board restrictions are reported in unrestricted net assets.

The governing board of the Foundation has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently net restricted assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

9. Endowment Balances (continued)

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

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Based on the interpretation above, the Foundation's policy remains unchanged and the financial statements of the Foundation have insignificant impact due to 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 board, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs over the long term. Actual returns in any given year may vary.

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

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

9. Endowment Balances (continued)

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 3.00% to 7.00% of the three-year rolling average market value of endowed fund balances, with the Board of Directors approving 3.00% and 4.25% for 2009 and 2008, respectively.

The Foundation has adopted a policy of charging an administrative fee on all endowed funds, unless prohibited by the guidelines of the fund. The Board of Directors approved an administrative fee of 1.2% and 0.9% for the years ended June 30, 2009 and 2008. The Board of Directors also approved the charging of such fee on certain non-endowed funds. The fee is based on the prior two-year average market value balance for endowed funds and certain non-endowed funds. The administrative fee amounted to approximately $944,700 in 2009 and $782,000 in 2008 and is included in unrestricted other revenue.

	Permanently Restricted
June 30, 2008	$ 67,018,117
Contributions	1,422,684
Other cash receipts	35,098
Other changes:	
Transfers:	
Divested funds	–
Reinvest excess spendable funds	–
Fees (admin and bank)	–
Miscellaneous. inter transfers	–
Distributions	–
Temporary accounts to permanent	190,500
Permanent accounts to temporary	(33,900)
Total transfers	156,600
June 30, 2009	$ 68,632,499

9. Endowment Balances (continued)

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. These deficiencies resulted from unfavorable market fluctuations that occurred during the year. There were approximately $5,600,000 of such deficiencies as of June 30, 2009 and approximately $195,000 as of June 30, 2008. In accordance with FSP FAS 117-1, these deficiencies are reflected in the unrestricted net assets balance rather than in the temporarily restricted assets fund balance by re-classing these deficiencies from temporarily restricted net assets to unrestricted net assets and are reported as realized and unrealized losses in the accompanying statement of activities. As the financial markets recover and the value of such funds exceed historical costs, such amounts will be re-classed from unrestricted funds and continue to be recorded as temporarily restricted net assets.

During the year the Foundation reviewed its endowed and non-endowed fund balances in anticipation of adoption of FSP FAS 117-1. During this process it determined that prior to fiscal year 1999 realized earnings were capitalized as part of endowment balances as opposed to being properly classified an temporarily restricted balances. The Foundation also determined that realized earnings after fiscal year 1999 had been appropriately accounted for under Financial Accounting Standards Board No. 116, *Accounting for Contributions Received and Contributions Made* (FAS 116) and Financial Accounting Standards Board No. 117, *Financial Statements of Not-for-Profit Organizations* (FAS 117). The Foundation has appropriately re-classed approximately $5,700,000 of such earnings from permanently restricted net assets to temporarily restricted net assets in net assets at the beginning of the year as of July 1, 2007. The re-class had no impact on the statement of activities. The following is a summary of the impact of the re-class:

	As Previously Reported	Re-class	As Adjusted
Temporarily Restricted	$ 47,405,770	$ 5,655,590	**$ 53,061,360**
Permanently restricted	65,640,371	(5,655,590)	**59,984,781**
Total	$113,046,141	–	**$ 113,046,141**

Ernst & Young LLP
One SeaGate
Toledo, Ohio 43604

Phone: (419) 244-8000
Fax: (419) 244-4440
www.ey.com

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

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

We have audited the financial statements of Bowling Green State University Foundation, Inc. and Subsidiary (the Foundation) as of and for the year ended June 30, 2009, and have issued our report thereon dated September 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Ernst + Young LLP

September 30, 2009

0908-1080319

Ernst & Young LLP

Assurance | Tax | Transactions | Advisory

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 144,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

www.ey.com

Mary Taylor, CPA
Auditor of State

BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 12, 2009

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us