THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

Bowling Green, Ohio

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015 and 2014

Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Bowling Green State University Foundation, Inc. and Subsidiary, Wood County, prepared by Crowe Horwath LLP, for the audit period July 1, 2014 through June 30, 2015. 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 Foundation, Inc. and Subsidiary is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

November 23, 2015

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov

This page intentionally left blank.

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
Bowling Green, Ohio

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015 and 2014

CONTENTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Bowling Green State University Foundation and Subsidiary (the 'Foundation'), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the 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 audit 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.

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2015 and 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards,* we have also issued our report dated October 2, 2015 on our consideration of the Foundation'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 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 the Foundation's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 2, 2015

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,216,151	$ 641,356
Contributions receivable, net of allowance for uncollectible contributions	1,604,750	2,240,509
Total current assets	3,820,901	2,881,865
Investments		
Fixed income funds	38,598,002	41,373,354
Mutual funds	69,321,737	69,290,569
Alternative investments	27,134,193	24,606,450
Corporate stocks	1,786,077	1,400,749
Money market funds	4,847,218	3,261,270
Total investments	141,687,227	139,932,392
Prepaid and other assets	145,405	139,105
Long-term contributions receivable, net of allowance for uncollectible contributions	4,757,757	3,455,978
Beneficial interest in trust held by others	150,883	186,652
Cash value of life insurance	1,530,786	1,496,781
Total assets	$ 152,092,959	$ 148,092,773
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 445,398	$ 340,315
Total current liabilities	445,398	340,315
Annuities payable	3,518,933	2,916,298
Total liabilities	3,964,331	3,256,613
Net assets		
Unrestricted	6,226,604	7,466,900
Temporarily restricted	56,517,604	55,675,701
Permanently restricted	85,384,420	81,693,559
Total net assets	148,128,628	144,836,160
Total liabilities and net assets	$ 152,092,959	$ 148,092,773

See accompanying notes to consolidated financial statements.

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenue, and gains				
Contributions and gifts	$ 545,944	$ 13,836,715	$ 2,437,156	$ 16,819,815
Provision for uncollectible contributions	5,186	(1,374,473)	(6,234)	(1,375,521)
University support	3,459,975	-	-	3,459,975
Interest and dividends	476,088	1,983,232	-	2,459,320
Net realized and unrealized gains (losses)	(451,855)	(1,829,358)	-	(2,281,212)
Other revenue	6,819	1,250,163	-	1,256,982
Transfers	-	(1,156,875)	1,156,875	-
Net assets released from restriction	11,489,863	(11,489,863)	-	-
Total support, revenue, and gains	15,532,020	1,219,541	3,587,797	20,339,358
Expenses				
Program services	10,956,167	-	-	10,956,167
Fund-raising	3,497,007	-	-	3,497,007
Operating	2,319,142	-	-	2,319,142
Total expenses	16,772,316	-	-	16,772,316
Change in net assets from operations	(1,240,296)	1,219,541	3,587,797	3,567,042
Change in split interest agreements	-	(377,638)	103,064	(274,574)
Change in net assets	(1,240,296)	841,903	3,690,861	3,292,468
Net assets at beginning of year	7,466,900	55,675,701	81,693,559	144,836,160
Net assets at end of year	$ 6,226,604	$ 56,517,604	$ 85,384,420	$ 148,128,628

See accompanying notes to consolidated financial statements.

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenue, and gains				
Contributions and gifts	$ 746,703	$ 8,911,640	$ 3,438,428	$ 13,096,771
Provision for uncollectible contributions	(30,418)	(1,597,318)	(1,124,119)	(2,751,855)
University support	3,277,603	-	-	3,277,603
Interest and dividends	397,111	1,919,815	-	2,316,926
Net realized and unrealized gains (losses)	2,398,059	11,624,437	-	14,022,496
Other revenue	4,708	1,337,298	-	1,342,006
Transfers	-	(618,779)	618,779	-
Net assets released from restriction	12,936,853	(12,936,853)	-	-
Total support, revenue, and gains	19,730,619	8,640,240	2,933,088	31,303,947
Expenses				
Program services	10,288,440	-	-	10,288,440
Fund-raising	3,375,051	-	-	3,375,051
Operating	2,143,973	-	-	2,143,973
Total expenses	15,807,464	-	-	15,807,464
Change in net assets	3,923,155	8,640,240	2,933,088	15,496,483
Net assets at beginning of year	3,543,745	47,035,461	78,760,471	129,339,677
Net assets at end of year	$ 7,466,900	$ 55,675,701	$ 81,693,559	$ 144,836,160

See accompanying notes to consolidated financial statements.

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Change in net assets	$ 3,292,468	$ 15,496,483
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gains) losses	2,281,213	(14,022,496)
Proceeds from contributions restricted for long term purposes	(2,437,156)	(3,196,709)
Provision for uncollectible contributions	1,375,521	2,751,855
Changes in operating assets and liabilities:		
Contributions receivable	(2,041,541)	80,805
Change in beneficial interest in trusts held by others	35,769	(186,652)
Prepaid and other assets	(6,300)	74,999
Accounts and annuities payable	1,102,359	1,415,956
Net cash from operating activities	3,602,333	2,414,241
Cash flows from investing activities		
Sales of investments	42,634,261	32,090,635
Purchases of investments	(46,670,309)	(37,428,885)
Net change in cash surrender value of life insurance	(34,005)	(96,453)
Net cash from investing activities	(4,070,053)	(5,434,703)
Cash flows from financing activities		
Proceeds from contributions restricted for long term purposes	2,437,156	3,196,709
Payments to annuitants	(394,641)	(191,798)
Net cash from financing activities	2,042,515	3,004,911
Change in cash	1,574,795	(15,551)
Cash at beginning of year	641,356	656,907
Cash at end of year	$ 2,216,151	$ 641,356

See accompanying notes to consolidated financial statements.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: 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 non-profit Ohio corporation that 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 consolidated financial statements of the Foundation are presented below.

Basis of Accounting: The consolidated 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 consolidated 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.

Cash and Cash Equivalents: The Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Deposits in banks are insured by an agency of the federal government up to the amount on deposit at June 30, 2015 and 2014.

Investments: Investments are recorded at fair value. 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 receives a proportionate share of the total earnings pool. 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.

Split Interest Agreements: The Foundation is trustee and beneficiary of numerous irrevocable charitable trusts and gift annuities. Such assets are included in investment securities and are recorded at fair value. These assets have been donated to the Foundation for investment, in return for payments to the donor(s) or their designees. Annuity obligations are recorded at the net present value each year and are based on an actuarial calculation that considers the life expectancy of the annuitant and the expected rate of return to be earned on the annuitant's gift. Upon the satisfaction of the terms of each trust or annuity, the Foundation receives the balance of the invested assets. These assets are then added to the endowment per the donor's direction.

The Foundation is also named as beneficiary of several irrevocable trusts for which third parties are the trustees. The Foundation's interest in the future income stream of perpetual trusts is recognized based on the present fair value of the trust assets. The Foundation's interest in such trusts is based on the estimated value of the assets to be received from each trust.

(Continued)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classifications: Resources of the Foundation are maintained in accounts that 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.

Expiration of Donor-Imposed Restrictions: The expiration of a donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction expires and at that time the related resources are reclassified to unrestricted net assets. A restriction expires when either the stipulated time has elapsed or when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors or by the change of restrictions specified by the donors. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the Foundation's policy to apply restricted resources first, then unrestricted resources as needed.

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. In addition, based upon the Foundation's gift policies, certain installment gifts are held in the temporarily restricted category until a certain dollar amount is reached and then the balance is transferred to permanently restricted in accordance with the donor's intent. Net assets of approximately $1,618,000 and $860,000 have been reclassified during the years ended June 30, 2015 and 2014, respectively, to reflect such balances as permanently restricted net assets.

In-Kind Gifts: In-kind gifts, when received, are reflected as contributions in the accompanying consolidated financial statements at the estimated fair value at the date of receipt. Fair value measurement is determined based on various assumptions, judgments, and factors specific to the gift. In management's opinion, the values determined approximate fair value. The Foundation received in-kind gifts in 2015 and 2014 valued approximately at $1,318,000 and $1,533,000, respectively.

(Continued)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes: The Foundation has been recognized by the Internal Revenue Service as an organization exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code. The Foundation is a public charity by reason of being described in Internal Revenue Code Section 170(b)(1)(A)(iv). The Foundation is exempt from federal income taxes except to the extent of income derived from unrelated business activities. Unrelated business income is not material to the consolidated financial statements. The Corporation is incorporated as a limited liability corporation.

Accounting principles generally accepted in the United States of America prescribe recognition thresholds and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Tax benefits will be recognized only if a tax position is more-likely-than-not sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. The Foundation completed an analysis of its tax positions, in accordance with Accounting Standards Codification (ASC) 740, Income Taxes, and determined that no amounts were required to be recognized in the consolidated financial statements at June 30, 2015 and 2014.

The Foundation would recognize interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. The Foundation has no amounts accrued for interest or penalties for the year ended June 30, 2015 and 2014. The Foundation does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

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.

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported changes in net assets or total net assets.

Subsequent Events: The Foundation evaluated the effect of subsequent events through October 2, 2015, representing the date on which the consolidated financial statements were available to be issued. Management has determined no subsequent events have occurred requiring disclosure in these financial statements, other than the item discussed in Note 8.

NOTE 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 discount rates ranging from 1.2% to 2.2%. Write-offs of uncollectible pledges for the years ended June 30, 2015 and 2014, amounted to approximately $673,000 and $341,100, respectively.

(Continued)

NOTE 2 - CONTRIBUTIONS RECEIVABLE AND CONTRIBUTED SERVICES (Continued)

Contributions receivable at June 30 are due as follows:

	2015	2014
Within one year	$ 5,707,232	$ 5,052,628
One to five years	4,596,664	3,612,018
More than five years	981,493	357,204
	11,285,389	9,021,850
Less allowance	(4,343,498)	(2,967,977)
Present value discount	(579,384)	(357,386)
Total	$ 6,362,507	$ 5,696,487

Contributions receivable from related parties totaled approximately $743,000 and $143,000 at June 30, 2015 and 2014, respectively. Related party contribution revenue recognized for the years ended June 30, 2015 and 2014 totaled approximately $265,000 and $406,000, respectively.

The Foundation has conditional promises from donors of approximately $56,391,000 and $53,633,000 for estates or planned gifts as of June 30, 2015 and 2014, respectively, which are not shown in the accompanying consolidated financial statements until the condition has been fulfilled.

Expenses related to occupancy of facilities and to certain salaries and fringe benefits of financial, accounting, and development personnel are paid by the University on behalf of the Foundation and are recorded in the consolidated statement of activities as University Support.

NOTE 3 - INVESTMENTS

Investments at fair value at June 30 are as follows:

	2015	2014
Fixed income funds	$ 38,598,002	$ 41,373,354
Mutual funds	69,321,737	69,290,569
Corporate stocks	1,786,077	1,400,749
Money market funds	4,847,218	3,261,270
Alternative investments:		
Hedge funds	21,715,158	14,304,170
Private investment funds	3,108,450	7,418,858
Real estate funds and other	2,310,585	2,883,422
Total alternative investments	27,134,193	24,606,450
Total	$ 141,687,227	$ 139,932,392

(Continued)

NOTE 3 - INVESTMENTS (Continued)

Net unrealized gains (losses) on investments were as follows for the years ended June 30:

	2015	2014
Beginning of year	$ 23,259,772	$ 10,440,390
End of year	17,021,037	23,259,772
Net unrealized gains (losses) for the year	$ (6,238,735)	$ 12,819,382

Realized gains from sales of investment securities amounted to $3,957,522 in 2015 and $1,203,114 in 2014.

NOTE 4 - DISCLOSURES ABOUT FAIR VALUE OF ASSETS

The Foundation 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 Foundation's assessment of the significance 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 that requires the Foundation to develop assumptions

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy.

Investments: Investments of the Foundation include cash equivalents, corporate stocks, equity securities, fixed income funds, mutual funds and various alternative investment strategies. The Foundation records investments in cash equivalents, corporate stocks, equity securities, corporate bond funds, and mutual funds at their current fair values based on quoted market prices in active markets for identical assets, which is consistent with Level 1 in the hierarchy.

Alternative investment strategies include hedge funds, private investments, fund of funds, and real estate funds. None of these investments have an active market.

(Continued)

NOTE 4 - DISCLOSURES ABOUT FAIR VALUE OF ASSETS (Continued)

The fair values of the Foundation's hedge funds have been estimated using the net asset value per share of the investment, or its equivalent. Due to current market conditions as well as the limited trading activity of these securities, the market value of the securities is highly sensitive to assumption changes and market volatility (Level 3 inputs). Redemption restrictions are greater than three months. Commitments outstanding on these funds are $509,000 and $712,000 at June 30, 2015 and 2014, respectively. The investment objectives of the various hedge funds are long-term appreciation of principal and hedging current market fluctuations for current income.

For the private investment and funds of funds investments, the Foundation has estimated fair value using the net asset value per share of the investment, or its equivalent. Due to current market conditions as well as the limited trading activity of these securities, the market value of the securities is highly sensitive to assumption changes and market volatility (Level 3 inputs). At June 30, 2015 and 2014, these investments consist mainly of limited partnerships, with a smaller percentage of investments in closely held companies. On the majority of the funds, there are no redemption options. The partnerships are scheduled to terminate in 2017-2026. Commitments outstanding on these funds are approximately $3,071,000 and $3,619,000 at June 30, 2015 and 2014, respectively. The investment objectives of these funds are to obtain long term growth capital and they offer investors an opportunity to access the private equity market through a much smaller commitment than would be feasible investing directly in funds.

For other investments for which there is no active market, including real estate, Foundation management has estimated fair value using the net asset value per share of the investment, or its equivalent. The market value of the securities is highly sensitive to assumption changes and market volatility (Level 3 inputs). Other than real estate owned directly by the Foundation, there are no redemption options on these funds. Outstanding commitments are $99,000 and $124,000 at June 30, 2015 and 2014, respectively. The investment objectives of the funds are overall long term capital growth.

Due to the inherent uncertainty of valuation of Level 3 investments, the estimated fair values may differ significantly from values that would have been used had a readily available market value for the investments existed, and the differences could be material. Some of the investments held by the Foundation have time limitations on liquidation. These vary from six months to the term of the limited partnership, trust, or fund. During this period the Foundation will be unable to liquidate these investments, unless certain events occur.

Split interest agreements: The Foundation's investments under charitable remainder trusts and charitable gift annuities are classified as Level 1. The Foundation records investments in cash equivalents, corporate stocks, and mutual funds at their current fair values based on quoted market prices in active markets for identical assets, which is consistent with Level 1 in the hierarchy.

Beneficial interest in trust held by others: The Foundation's beneficial interest in irrevocable split interest agreements held or controlled by a third party are classified as Level 3 as the fair values are based on significant unobservable inputs. The fair values are estimated using the income approach and are measured at the present value of the future distributions the Foundation expects to receive over the term of the agreements.

(Continued)

NOTE 4 - DISCLOSURES ABOUT FAIR VALUE OF ASSETS (Continued)

The fair value of these financial assets was determined using the following inputs at June 30, 2015 and 2014:

	Level 1	Level 2	Level 3	June 30, 2015
Investments				
Cash and money market funds	$ 4,578,662	$ -	$ -	$ 4,578,662
Domestic corporate stocks	77,315	-	-	77,315
Mutual funds				
Domestic funds	46,550,845	-	-	46,550,845
International funds	21,837,821	-	-	21,837,821
Fixed income funds	36,232,249	-	-	36,232,249
Alternative investments				
Hedge funds	-	-	21,715,158	21,715,158
Private investment	-	-	3,108,450	3,108,450
Real estate funds and other	-	-	2,310,585	2,310,585
Split interest agreements				
Cash and money market funds	268,554	-	-	268,554
Domestic corporate stocks	1,708,762	-	-	1,708,762
Mutual funds				
Domestic funds	933,072	-	-	933,072
Fixed income funds	2,365,754	-	-	2,365,754
Beneficial interest in trust held by others	-	-	150,883	105,883
Total assets	$ 114,553,034	$ -	$ 27,285,076	$ 141,838,110

	Level 1	Level 2	Level 3	June 30, 2014
Investments				
Cash and money market funds	$ 3,152,206	$ -	$ -	$ 3,152,206
Domestic corporate stocks	101,262	-	-	101,262
Mutual funds				
Domestic funds	37,291,708	-	-	37,291,708
International funds	31,117,503	-	-	31,117,503
Fixed income funds	39,129,691	-	-	39,129,691
Alternative investments				
Hedge funds	-	-	14,304,170	14,304,170
Private investment	-	-	7,418,858	7,418,858
Real estate funds and other	-	-	2,883,422	2,883,422
Split interest agreements				
Cash and money market funds	109,064	-	-	109,064
Domestic corporate stocks	1,299,487	-	-	1,299,487
Mutual funds				
Domestic funds	881,358	-	-	881,358
Fixed income funds	2,243,663	-	-	2,243,663
Beneficial interest in trust held by others	-	-	186,652	186,652
Total assets	$ 115,325,942	$ -	$ 24,793,102	$ 140,119,044

(Continued)

NOTE 4 - DISCLOSURES ABOUT FAIR VALUE OF ASSETS (Continued)

The following is reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying balance sheet using significant observable (Level 3) inputs:

	Hedge Funds	Private Investments	Real Estate and Other Funds	Funds Held In Trust by Others	Total
Beginning balance, July 1, 2014	$ 14,304,170	$ 7,418,858	$ 2,883,422	$ 186,652	$ 24,793,102
Contributions	-	-	-	-	-
Total gains or losses (realized/ unrealized) included in earnings	831,740	175,613	(91,242)	-	916,111
Change in split interest agreements	-	-	-	(35,769)	(35,769)
Purchases	6,706,250	657,389	25,000	-	7,388,639
Sales	(127,002)	(5,143,410)	(506,595)	-	(5,777,007)
Ending balance, June 30, 2015	$ 21,715,158	$ 3,108,450	$ 2,310,585	$ 150,883	$ 27,285,076

	Hedge Funds	Private Investments	Real Estate and Other Funds	Funds Held In Trust by Others	Total
Beginning balance, July 1, 2013	$ 13,140,214	$ 6,556,020	$ 3,395,268	$ -	$ 23,091,502
Contributions	-	-	-	186,652	186,652
Total gains or losses (realized/ unrealized) included in earnings	1,057,417	917,558	(98,057)	-	1,876,918
Purchases	106,539	-	-	-	106,539
Sales	-	(54,720)	(413,789)	-	(468,509)
Ending balance, June 30, 2014	$ 14,304,170	$ 7,418,858	$ 2,883,422	$ 186,652	$ 24,793,102

Unrealized gains generated from Level 3 investments still held at June 30, 2015 and 2014, and reported in the Foundation's statement of activities were $144,028 and $1,818,704, respectively.

Certain investment securities are held by independent custodial and management agents. Custodial and management fees paid approximately $80,000 and $105,000 in 2015 and 2014, respectively, and are reported as reductions to interest and dividends in the accompanying consolidated statements of activities.

Other Financial Instruments: The Foundation's other financial instruments include cash and cash equivalents, contributions receivable, cash surrender value of life insurance, accounts payable, and annuities payable.

For cash and cash equivalents and accounts payable, the carrying amounts approximate fair value because of the short maturity of these items. The carrying amount of contributions receivable, cash surrender value of life insurance, and annuities payable are a reasonable estimate of the corresponding fair value.

(Continued)

NOTE 5 - LIFE INSURANCE POLICIES

The Foundation is owner and beneficiary of certain life insurance policies that have a total face value of approximately $10,344,000 at June 30, 2015 and $10,607,000 at June 30, 2014. Premiums on these policies are generally paid by the insured individuals. The cash surrender value of such policies approximated $1,531,000 and $1,497,000 at June 30, 2015 and 2014, respectively.

NOTE 6 - RESTRICTED NET ASSETS

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

	2015	2014
Scholarships	$ 26,108,760	$ 27,321,778
General and operational support	18,336,341	17,961,217
Capital and equipment	5,958,040	4,056,037
Professorships	2,379,659	2,615,419
Centers and institutes	1,481,878	1,592,625
Chair	1,331,881	1,462,536
Research	628,231	359,160
Faculty and staff	221,520	229,905
Fellowships	71,294	77,024
Total temporarily restricted net assets	$ 56,517,604	$ 55,675,701

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

	2015	2014
General and operational support	$ 7,085,867	$ 8,024,684
Scholarships	2,948,826	3,125,881
Capital and equipment	849,835	1,058,133
Centers and institutes	298,466	244,820
Professorships	162,231	326,407
Chair	96,756	93,000
Research	18,611	28,278
Fellowships	16,000	3,000
Faculty and staff	13,271	32,650
Total net assets released from restrictions	$ 11,489,863	$ 12,936,853

(Continued)

NOTE 6 - RESTRICTED NET ASSETS (Continued)

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

	2015	2014
Scholarships	$ 53,330,251	$ 50,728,727
General and operational support	17,281,059	17,251,081
Professorships	8,454,957	7,788,404
Capital and equipment	1,880,104	1,874,258
Centers and institutes	1,508,754	1,180,394
Chair	1,480,629	1,480,629
Faculty and staff	1,010,666	1,000,166
Research	408,791	360,691
Fellowships	29,209	29,209
Total permanently restricted net assets	$ 85,384,420	$ 81,693,559

NOTE 7 - ENDOWMENT BALANCES

The Foundation's endowment consists of approximately 1,010 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 Directors 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, 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.

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

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

(Continued)

NOTE 7 - ENDOWMENT BALANCES (Continued)

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 Foundation'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.

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 3.0% to 7.0% of the three year rolling average market value of endowed fund balances, with the Board of Directors approving 3% for 2015 and 2014.

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 1.3% for the years ended June 30, 2015 and 2014. 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.

The composition of net assets by type of endowment fund at June 30, 2015 and 2014 was:

2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Donor-restricted endowment funds	$ -	$ 32,463,599	$ 85,384,420	$ 117,848,019
Board-designated endowment funds	1,230,063	-	-	1,230,063
Total endowment funds	$ 1,230,063	$ 32,463,599	$ 85,384,420	$ 119,078,082

2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Donor-restricted endowment funds	$ -	$ 36,588,636	$ 81,693,559	$ 118,282,195
Board-designated endowment funds	1,223,456	-	-	1,223,456
Total endowment funds	$ 1,223,456	$ 36,588,636	$ 81,693,559	$ 119,505,651

(Continued)

NOTE 7 - ENDOWMENT BALANCES (Continued)

Changes in endowment net assets for the years ended June 30, 2015 and 2014 were:

2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Endowment net assets, beginning of year	$ 1,223,456	$ 36,588,636	$ 81,693,559	$ 119,505,651
Investment return				
Investment income	5,677	616,148	-	621,825
Net gains/(losses)	(19,030)	(1,850,362)	-	(1,869,392)
Total investment return	(13,353)	(1,234,214)	-	(1,247,567)
Contributions and additions	50,230	212,758	2,430,922	3,850,785
Transfers	-	(1,156,875)	1,156,875	-
Change in split interest agreement	-	-	103,064	103,064
Appropriation of endowment assets for expenditure	(30,270)	(1,954,089)	-	(3,141,234)
Endowment net assets, end of year	$ 1,230,063	$ 32,463,599	$ 85,384,420	$ 119,078,082

2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Endowment net assets, beginning of year	$ 924,495	$ 26,777,413	$ 78,760,471	$ 106,462,379
Investment return				
Investment income	15,520	1,847,028	-	1,862,548
Net gains/(losses)	110,577	11,364,342	-	11,474,919
Total investment return	126,097	13,211,370	-	13,337,467
Contributions and additions	200,045	1,042,833	2,314,309	3,557,187
Transfers	-	(618,779)	618,779	-
Appropriation of endowment assets for expenditure	(27,181)	(3,824,201)	-	(3,851,382)
Endowment net assets, end of year	$ 1,223,456	$ 36,588,636	$ 81,693,559	$ 119,505,651

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. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. There were no funds with deficiencies as of June 30, 2015 and 2014.

(Continued)

NOTE 8 – CONTINGENCIES

On July 30, 2007, the Foundation entered into a Memorandum of Understanding ("MOU") with the University that described and memorialized the relationship between the two parties. As of July 31, 2015, the MOU had expired and as of the date of these financial statements has not been renegotiated. Notwithstanding the termination of the MOU, the University is continuing its financial support of the Foundation. The outcome of future negotiations and the financial impact on the Foundation should an agreement not be reached cannot be estimated at this time.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S 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*

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

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 the Bowling Green State University Foundation, Inc. and Subsidiary (Foundation), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 2, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's 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 the entity's 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses in Finding 2015-001 that we consider to be significant deficiencies.

(Continued)

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*.

The Foundation's Response to Findings

The Foundation's response to the finding identified in our audit are described in the accompanying schedule of findings and responses. The Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely 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 effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 2, 2015

Finding 2015-001

Criteria:	The Foundation should have internal controls and a financial process designed to ensure that the financial statements are presented in accordance with accounting principles generally accepted in the United State of America. In particular, the Foundation's reporting and closing process should include reconciliations and schedules that support the net asset and endowment amounts recorded in the financial statements.
Condition:	The Foundation does not have a formal process for the reconciliation of net assets by unrestricted, temporarily restricted and permanently restricted categories.
Cause:	The principal factors appear to be the Foundation's lack of a formalized closing process for net assets.
Effect:	The condition noted above has the potential to lead to misstatements or misclassifications in the financial statements.
Recommendation:	We recommend that the Foundation establish a process that is designed to ensure that the financial statements are presented in accordance with accounting principles generally accepted in the United State of America. We further recommend the Foundation formalize its reporting and closing process governing net asset and endowment reconciliations to support the amounts recorded in the financial statements.
Management's response:	Management concurs.
	Upon transition of the Foundation's financial operations into the University's Finance and Administration Division in January, 2015, management took immediate steps to address the most critical and significant processes relating to internal controls and segregation of duties. Following that, management began a review of all other current business processes. Planned actions include development of a formalized and organized approach to the month-end closing process including providing a standard set of deliverables. Month end closing will include reconciliations for all net asset categories: unrestricted, temporarily restricted and permanently restricted; additionally, management will conduct a review of all reconciliations and all donor related activity including pledge receivables, new contributions, new and existing donor agreements, escrow accounts, endowments, and past, present and future planned giving activity and agreements.
	In conjunction with management's ongoing review of all current business processes, measures will be taken to ensure that appropriate accounting professionals are involved in the decision making process relative to net asset categorization, recording and reporting in accordance with accounting principles generally accepted in the U.S.

This page intentionally left blank.

BOWLING GREEN STATE UNIVERSITY FOUNDATION

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
DECEMBER 3, 2015