

**Bowling Green State University**  
(a component unit of the State of Ohio)

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**Financial Report**  
**with Supplemental Information**  
**June 30, 2016**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Bowling Green State University, Wood County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

November 8, 2016

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## Independent Auditor's Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Bowling Green State University, a component unit of the State of Ohio (the "University"), and its discretely presented component units as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Bowling Green State University's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We did not audit the financial statements of Bowling Green State University Foundation, Inc. and Subsidiary which represents 62 percent, 89 percent, and 74 percent, respectively, of the assets, net position, and revenue of the discretely presented component units. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Bowling Green State University, is based solely on the report of the other auditors. 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Bowling Green State University and its discretely presented component units as of June 30, 2016 and 2015, and the changes in its financial position and, where applicable, cash flows, for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1 to the basic financial statements, effective July 1, 2015, the University adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. Adopting this statement resulted in changes to the Investments footnote. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplemental Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bowling Green State University and its discretely presented component units' basic financial statements. The other supplemental information, the schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations Part 200, *Audits of States, Local Governments, and Non-profit Organizations*, and is not a required part of the basic financial statements.

The accompanying other supplemental information, the schedule of expenditures of federal awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, the schedule of expenditures of federal awards, is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2016 on our consideration of Bowling Green State University's internal control over financial reporting and on 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 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 Bowling Green State University's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

October 7, 2016



# Bowling Green State University

## Management's Discussion and Analysis

### **Overview of the Financial Statements and Financial Analysis**

This section of Bowling Green State University's (the "University") annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal years ended June 30, 2016, 2015 and 2014. This discussion provides an overview of the University's financial activities and should be read in conjunction with the accompanying financial statements and footnotes.

### **Using the Annual Financial Statements**

This annual report consists of financial statements prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. In fiscal year 2013, the University adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement supersedes paragraphs 10 and 12 of GASB Statement No. 35. GASB Statement No. 63 establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position. The financial statements prescribed by GASB Statement No. 63 (the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows) are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

Under the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, Bowling Green State University Foundation, Inc. (the "Foundation") and Centennial Falcon Properties, Inc. and Subsidiaries (the "Corporation") have been determined to be component units of the University. Accordingly, the Foundation and the Corporation are discretely presented in the University's financial statements. The Foundation and the Corporation are excluded from Management's Discussion and Analysis. Complete financial statements for the Foundation can be obtained from the Vice President for University Advancement at Miletic Alumni Center, Bowling Green, Ohio 43403. Complete financial statements for The Falcon Foundation and the Corporation can be obtained from the Vice President, 230 McFall Center, Bowling Green, Ohio 43403.

# Bowling Green State University

## Management's Discussion and Analysis (continued)

### **Noteworthy Financial Activity**

The University's financial position remained strong at June 30, 2016, with total assets of \$790.4 million, net deferred outflows of \$23.3 million, and total liabilities of \$481.0 million, for a total net position of \$332.6 million. Net position increased from \$309.6 million at June 30, 2015, reflecting an increase of \$23.0 million.

In October 2011, the University's Board of Trustees approved the planning, programming and schematic design work supporting an upcoming \$200 million reinvestment in core academic buildings on the Bowling Green campus. The scope of the capital project renewal includes renovations in four of the campus' oldest, historical buildings. Extensive space planning and programming is underway, some initial interior classroom renovations have already been completed, and initial interior space demolitions have also begun. Larger, complete building renovation projects will be phased in over the next five to seven years.

Initial funding for this major capital project renewal was approved by the Board of Trustees in February 2013. On May 7, 2014, the University issued \$40,000,000 General Receipts Bonds, Series 2014, tax exempt, fixed rate bonds.

Additional funding for this major project was approved by the Board of Trustees in September 2015. On February 11, 2016, the University issued \$70,000,000 General Receipts Bonds, Series 2016A, tax exempt, fixed rate bonds.

In June, 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The Statements also enhance accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with the statement, the University reported a Net Pension Liability of \$195 million as a change in accounting principle adjustment to Unrestricted Net Position as of July 1, 2014. Throughout the following discussion, the impact of GASB 68 is highlighted for the initial year of adoption, 2015, and the second year after implementation, 2016.

# Bowling Green State University

## Management's Discussion and Analysis (continued)

### Statement of Net Position

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

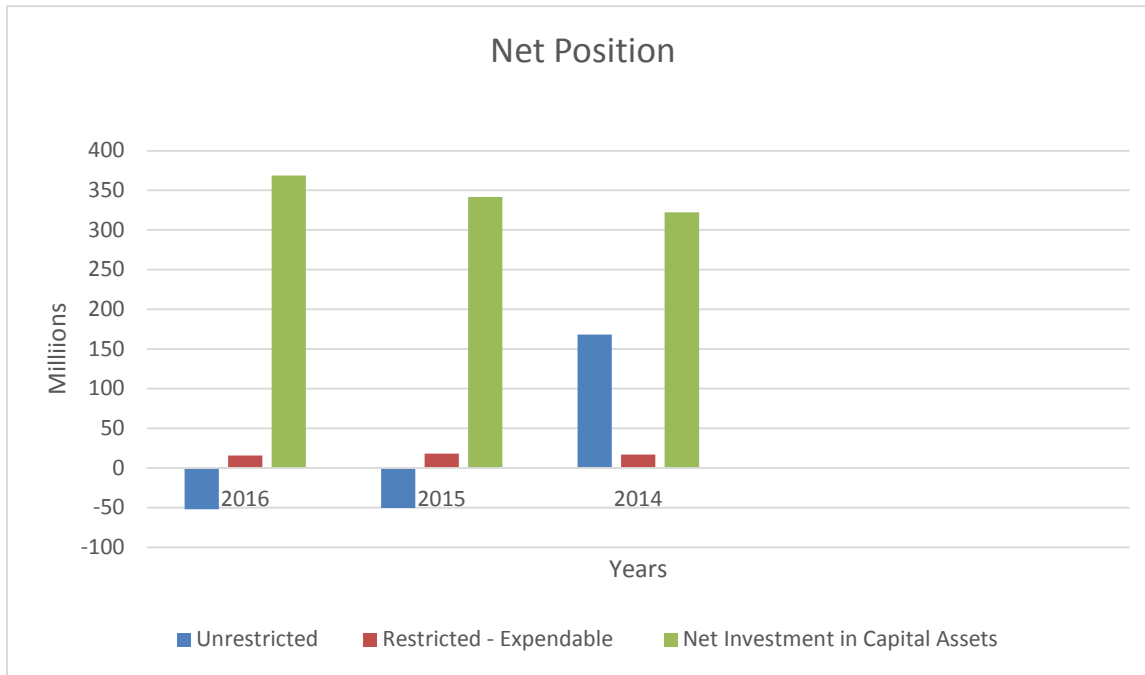
### Bowling Green State University Condensed Statement of Net Position as of June 30, 2016, 2015, and 2014 (in thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Assets</b>			
Current assets	\$ 207,690	\$ 210,604	\$ 231,092
Non-current assets:			
Capital assets	525,970	453,597	429,194
Other	56,721	35,275	53,243
Total non-current assets	<u>582,691</u>	<u>488,872</u>	<u>482,437</u>
Total assets	<u>790,381</u>	<u>699,476</u>	<u>713,529</u>
<b>Deferred Outflows</b>	38,072	14,063	-
<b>Liabilities</b>			
Current liabilities	57,941	61,479	56,752
Non-current liabilities	423,087	317,411	149,528
Total liabilities	<u>481,028</u>	<u>378,890</u>	<u>206,280</u>
<b>Deferred Inflows</b>	14,822	25,092	-
<b>Net position</b>			
Net investment in capital assets	368,871	341,937	322,199
Restricted, expendable	15,726	18,006	16,799
Unrestricted	<u>(51,994)</u>	<u>(50,386)</u>	<u>168,251</u>
Total net position	<u>\$ 332,603</u>	<u>\$ 309,557</u>	<u>\$ 507,249</u>

# Bowling Green State University

## Management's Discussion and Analysis (continued)

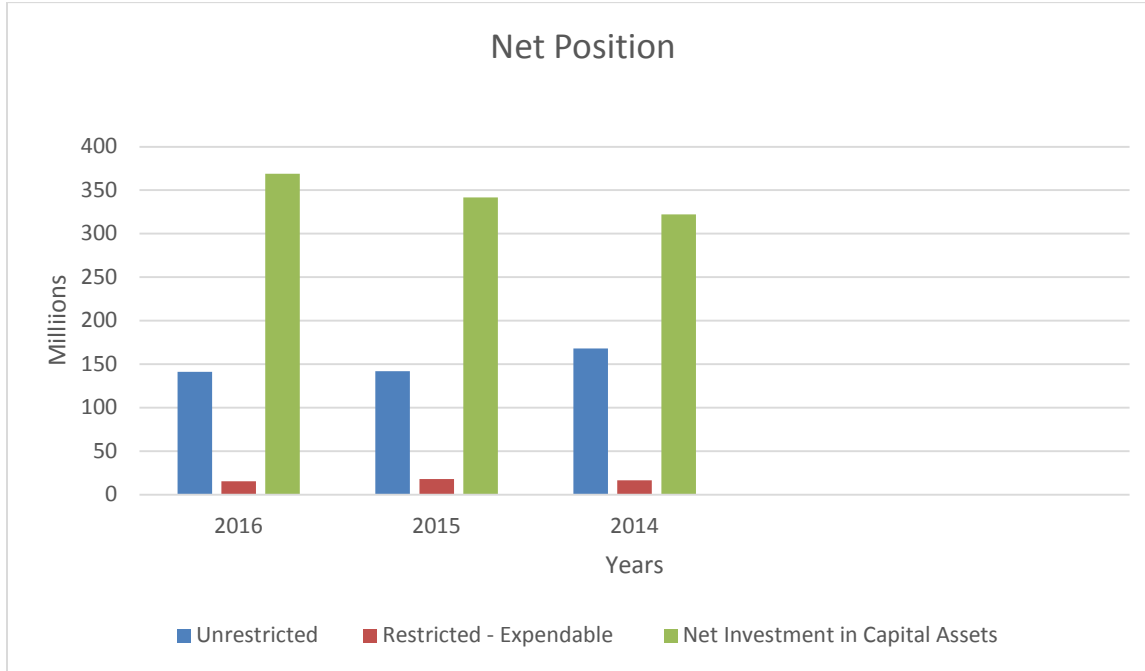
The following chart provides a graphical breakdown of net position by category for the fiscal years ended June 30, 2016, 2015, and 2014 – *with* the impact of GASB 68 adoption:



# Bowling Green State University

## Management's Discussion and Analysis (continued)

The following chart provides a graphical breakdown of net position by category for the fiscal years ended June 30, 2016, 2015, and 2014 – *without* the impact of GASB 68 adoption:



### 2016 Versus 2015

University assets totaled \$790.4 million at June 30, 2016, compared to \$699.5 million at June 30, 2015, reflecting an increase of \$90.9 million.

- **Current assets:** In fiscal year 2016, the University's current assets of \$207.7 million were sufficient to cover current liabilities of \$57.9 million (current ratio of 3.6).
- **Accounts receivable, net of allowance for doubtful accounts,** were \$11.8 million at June 30, 2016, reflecting an overall increase of \$2.2 million from the prior year. The increase is primarily attributable to business process changes relating to third party billing for student charges (e.g., College Credit Plus Program) of approximately \$1.5 million, an increase in research and sponsored program billings of approximately \$240 thousand, and a \$360 thousand increase in non-student accounts receivable due to timing and accruals at June 30, 2016 compared to June 30, 2015.

## Bowling Green State University

### Management's Discussion and Analysis (continued)

- University investments were \$178.9 million, or 22.6% of total assets at June 30, 2016, and decreased by \$8.8 million over 2015. Net investment gains of \$1.1 million were recorded during the year. The offsetting \$10 million decrease is due to transfers to operations during the year, and the timing of transfers at the fiscal year-end between the operating cash account back to the investment pool.
- Cash and cash equivalents were \$11.1 million at June 30, 2016, and increased \$3.8 million over 2015 primarily due to the timing of transfers between the investment pool and the operating cash account at the fiscal year-end.
- Restricted assets are funds held by trustees from long-term debt issues. At June 30, 2016, restricted investments were \$43.1 million and increased by \$20.2 million over 2015. Bond draws of \$21.0 million were made during the year, reflecting the final draws related to the Series 2014 bond issue. This was offset by the Series 2016A bond issue in February 2016 of \$70 million, where \$43.0 million was held by the trustee at June 30, 2016 and is available for future construction draws.
- Capital assets (net of depreciation) were \$526.0 million (66.5% of total assets) at June 30, 2016 compared to \$453.6 million (64.8% of total assets) at June 30, 2015, reflecting an increase of \$72.4 million. The annual increases reflect the University's continued strategic focus on capital improvements, related infrastructures, and capital renewals.
- The University reported net deferred outflows of \$23.3 million at June 30, 2016 related to GASB 68 (adopted in fiscal 2015). Certain amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are subject to amortization and will be expensed through recognition of annual amortization amounts in subsequent years' pension expense. Employer contributions subsequent to the measurement date are recognized as a reduction in the net pension liability balance in the following year.

University liabilities totaled \$481.0 million at June 30, 2016 compared to \$378.9 million at June 30, 2015.

- Total current liabilities at June 30, 2016 of \$57.9 million reflect a decrease over June 30, 2015 of \$3.5 million primarily due to the reduction in the current portion of long-term debt and other obligations resulting from scheduled debt maturities.
- Long-term debt and other obligations increased in 2016 overall by \$70.5 million. Additions of \$70 million in principal and \$9.5 million in bond premiums were offset by \$12.4 million in annual principal payments on outstanding debt.

## Bowling Green State University

### Management's Discussion and Analysis (continued)

- Pension obligations at June 30, 2016 were \$216.6 million compared to \$181.4 million at June 30, 2015. The increase of \$35.2 million is the result of the increase in the net pension liability directly related to GASB 68. The University reported a liability at June 30, 2015 for the first time of \$181.4 million for its proportionate share of the net pension liability of OPERS/STRS due to the adoption of GASB 68.

The University's total net position at June 30, 2016 is \$332.6 million, compared to the prior year of \$309.6 million, for an increase of \$23.0 million. This increase is attributable to a number of factors including:

- The change in net position for 2016 included \$915 thousand expense reflecting the current year change in net pension liability related to GASB 68.
- An increase in operating revenue directly related to enrollment level increases in 2016 of approximately \$7.4 million, and an increase of approximately \$1.9 million in Auxiliary Enterprises net revenue.
- An increase of approximately \$2.2 million in federal, state, local and nongovernmental grants and contracts.
- A \$6.0 million increase in operating expenses in 2016 compared to 2015. Approximately \$7.5 million of the increase is attributable to educational and general categories and is directly related to enrollment level increases, and an approximate \$877 thousand increase is related to auxiliary enterprises. Depreciation and amortization expense increased approximately \$1.3 million directly related to the significant ongoing construction initiatives. These increases are offset by reductions of approximately \$3.0 million in other operating expenses, and includes a reduction of \$582 thousand in operations and maintenance of plant.
- An increase in state appropriations of approximately \$4.3 million.
- A \$4.0 million increase in net investment earnings due to an improvement in investment market conditions.
- A \$7.7 million increase in state capital appropriations related to the master plan construction projects, and a \$3.1 million increase in other capital grants and gifts (primarily from the BGSU Foundation for gifts directly related to construction projects).

Of the total net assets, \$384.6 million is invested in capital assets or is restricted. The remaining (\$52.0) million in unrestricted net assets has been designated or allocated for specific for specific academic, research and support purposes, reserves, and quasi-endowments. Due to the 2015 implementation of GASB 68, (\$194.7) million was recorded as an adjustment for change in accounting principle.

# Bowling Green State University

## Management's Discussion and Analysis (continued)

### **2015 Versus 2014**

University assets totaled \$699.5 million at June 30, 2015, compared to \$713.5 million at June 30, 2014, reflecting a decrease of \$14.0 million.

- Current assets: In fiscal year 2015, the University's current assets of \$210.6 million were sufficient to cover current liabilities of \$61.5 million (current ratio of 3.4).
- Accounts receivable, net of allowance for doubtful accounts, were \$9.6 million at June 30, 2015, reflecting an overall decrease of \$2.7 million from the prior year. The decrease is primarily attributable to business process and policy changes relating to student billings for fees, room and board occurring over the past several years, in addition to the enrollment reductions experienced in 2015.
- University investments were \$187.7 million, or 26.8% of total assets at June 30, 2015, and decreased by \$18.9 million over 2014 due to significant market depreciation.
- Restricted investments are funds held by trustees for long-term debt issues. At June 30, 2015, restricted investments were \$22.9 million and decreased by \$17.4 million over 2014. The decrease is attributable to bond draws of \$12.1 million during 2015 for construction related to the Series 2014 bond issue, and bond draws of \$5.2 million during 2015 for construction related to the Series 2010 bond issue.
- Capital assets (net of depreciation) were \$453.6 million (64.8% of total assets) at June 30, 2015 compared to \$429.2 million (60.2% of total assets) at June 30, 2014, reflecting an increase of \$24.4 million. The annual increases reflect the University's continued strategic focus on capital improvements, related infrastructures, and capital renewals.

University liabilities totaled \$378.9 million at June 30, 2015 compared to \$206.3 million at June 30, 2014.

- Total current liabilities at June 30, 2015 of \$61.5 million reflect an increase over June 30, 2014 of \$4.7 million primarily due to approximately \$8.2 million in construction related accounts payable recorded at June 30, 2015 compared to \$4.7 million in construction related accounts payable at June 30, 2014. Current portion of long-term debt and other obligations of \$19.6 million at June 30, 2015 reflects an increase of approximately \$828 thousand over prior year due to scheduled debt maturities.



## Bowling Green State University

### Management's Discussion and Analysis (continued)

- Long-term debt and other obligations increased in 2015 overall by \$167.9 million.
  - Long-term debt and other obligations of \$136.0 million at June 30, 2015 decreased from prior year by \$13.6 million primarily due to annual principal payments in 2015 of \$12.8 million on outstanding debt.
  - At June 30, 2015, the University reported a liability for the first time of \$181.4 million for its proportionate share of the net pension liability of OPERS/STRS due to the adoption of GASB 68 as discussed in the Noteworthy Financial Activity section.
- The University reported net deferred inflows of \$11.0 million at June 30, 2015 related to the adoption of GASB 68 and GASB 71 in fiscal 2015. Certain amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are subject to amortization and will be expensed through recognition of annual amortization amounts in subsequent years' pension expense. Employer contributions subsequent to the measurement date are recognized as a reduction in the net pension liability balance in the following year.

The University's total net position at June 30, 2015 is \$309.6 million, compared to the prior year of \$507.2 million, for a decrease of \$197.7 million.

- In accordance with GASB 68, the University reported a Net Pension Liability of \$194.7 million as a change in accounting principle adjustment to the Unrestricted Net Position as of July 1, 2014.
- The change in net position for 2015, excluding the accounting principle adjustment to beginning unrestricted net position of \$194.7 million, was a reduction of \$3.0 million from the prior year.
  - Included in the 2015 operations was a \$2.2 million reduction in pension expense reflecting the current year change in net pension liability related to GASB 68.
  - The overall reduction in net position from 2014 to 2015, excluding all amounts related to the GASB 68 implementation, was \$5.2 million. This reduction is attributable to a number of factors including a reduction in operating revenue directly related to enrollment level reductions in 2015.
- Of the total net assets, \$359.9 million is invested in capital assets or is restricted. The remaining (\$50.4) million in unrestricted net assets has been designated or allocated for specific for specific academic, research and support purposes, reserves, and quasi-endowments.

## Bowling Green State University

### Management's Discussion and Analysis (continued)

#### **Statement of Revenues, Expenses and Changes in Net Position**

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

## Bowling Green State University

### Management's Discussion and Analysis (continued)

#### Bowling Green State University Condensed Statement of Revenues, Expenses and Changes in Net Position as of June 30, 2016, 2015 and 2014 (in thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Operating revenues:</b>			
Student tuition and fees	\$ 154,070	\$ 146,714	\$ 149,550
Auxiliary enterprises	72,379	70,486	70,541
Grants and contracts	18,619	16,401	17,672
Sales and service	3,418	3,748	3,776
Other operating revenues	5,026	3,630	4,147
Total operating revenues	253,512	240,979	245,686
<b>Operating expenses:</b>			
Educational and general	214,802	207,242	210,188
Scholarships and fellowships	17,844	18,001	18,387
Auxiliary enterprises	70,397	69,520	68,216
Operations of maintenance of plant	19,898	20,480	20,763
Depreciation and amortization	27,538	26,267	25,923
Other expenses	3,328	6,316	6,865
Total operating expenses	353,807	347,826	350,342
Operating loss	(100,295)	(106,847)	(104,656)
<b>Non-operating revenues (expenses):</b>			
State appropriations	71,526	67,233	69,025
Other non-operating revenues and expenses	27,577	23,204	46,635
Total non-operating revenues	99,103	90,437	115,660
(Loss) Income before other changes	(1,192)	(16,410)	11,004
Capital appropriations, grants and gifts	24,238	13,377	8,663
Change in net position	23,046	(3,033)	19,667
<b>Net position</b>			
Net position at the beginning of the year	309,557	507,249	487,582
Adjustment for change in accounting principle - GASB 68	-	(194,659)	-
Net position at the end of year	\$ 332,603	\$ 309,557	\$ 507,249

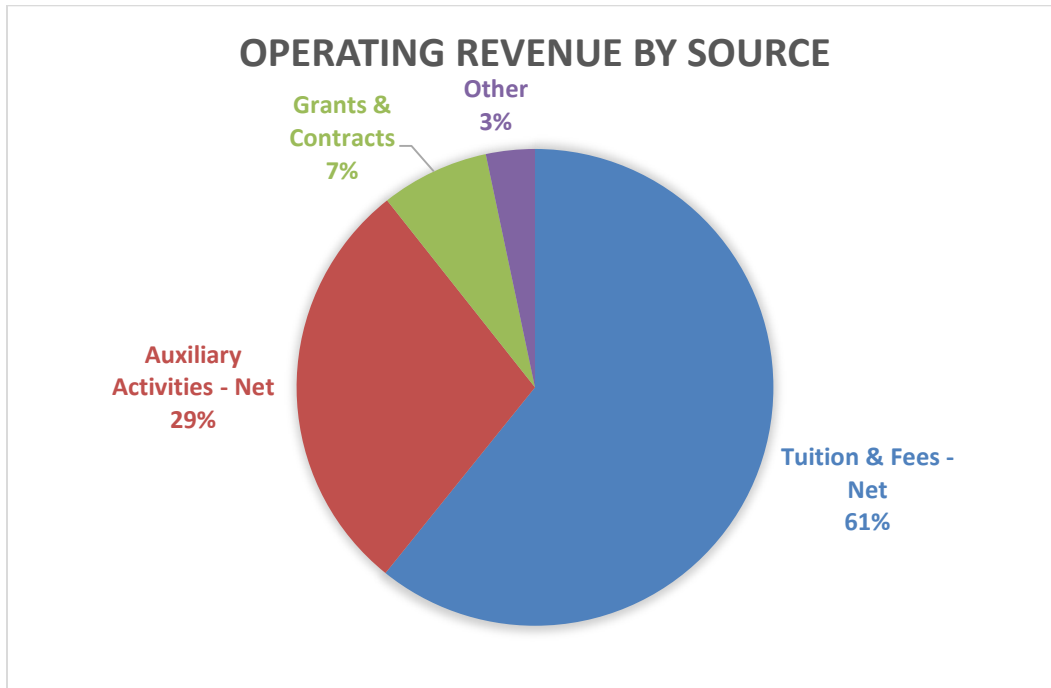
### Operating Revenues

Operating revenues include all transactions that result from the sales and/or receipts of goods and services such as tuition and fees, student housing, and other auxiliary units. In addition, certain federal, state and private grants are considered operating if they are a contract for services and not for capital purposes.

# Bowling Green State University

## Management's Discussion and Analysis (continued)

Following is a graphic illustration of operating revenue by source at June 30, 2016:



### **2016 versus 2015**

The most significant sources of operating revenues for the University are tuition and fees of \$154.1 million, an increase of \$7.4 million, or 5.0% over 2015. Increases in student tuition and fees are due to overall enrollment level increases experienced in all semesters in 2016 compared to the prior year. Overall tuition rates and fees remained flat for FY 2016.

Auxiliary Enterprises, another significant source of University revenues, increased from \$70.5 million in 2015 to \$72.4 million in 2016. Consistent with enrollment increases, revenue increases were experienced in certain auxiliary units such as Residence Life and Dining.

Grants and Contracts of \$18.6 million at June 30, 2016 reflect an increase of \$2.2 million over June 30, 2015 and are primarily due to timing fluctuations of grant expenditures year over year, and the timing of grant end dates and the beginning dates of renewals/new grants.

# Bowling Green State University

## Management's Discussion and Analysis (continued)

### **2015 versus 2014**

The most significant sources of operating revenues for the University are tuition and fees of \$146.7 million, a decrease of \$2.8 million, or 1.9% over 2014. Reductions in student tuition and fees are due to overall enrollment reductions experienced in all semesters in 2015 compared to the prior year. Overall tuition and fees remained flat for FY 2015.

Auxiliary Enterprises, another significant source of University revenues, increased from \$70.5 million in 2014 to \$71.1 million in 2015. Consistent with enrollment reductions, revenue decreases were experienced in certain auxiliary units such as Residence Life and Dining. Offsetting increases were experienced in other auxiliary units such as the Bookstore, Bowen Thompson Student Union, Recreational Center and Athletics.

Grants and Contracts of \$16.4 million at June 30, 2015 reflect a decrease of \$1.3 million over June 30, 2014 and are primarily due to timing fluctuations of grant expenditures year over year, and the timing of grant end dates and the beginning dates of renewals/new grants.

### **Operating Expenses**

Operating expenses are all costs necessary to perform and conduct the programs and primary purposes of the University.

### **2016 versus 2015**

Total operating expenditures of \$353.8 million at June 30, 2016 increased overall by \$6.0 million, or 1.7% over 2015.

- Educational and general expenditures consist of instruction, research, public services, academic support, student services and institutional support and total \$214.8 million at June 30, 2016 compared to \$207.2 million at June 30, 2015, reflecting an overall increase of \$7.6 million and is directly related to enrollment level increases. Auxiliary enterprises expenditures increased approximately \$877 thousand, also related to 2016 enrollment increases.
- A pension expense increase of \$915 thousand due to GASB 68 (adopted in 2015) was recorded and allocated proportionally to these areas in 2016. A pension expense reduction of \$2.2 million was allocated proportionally to these areas in 2015.
- In other operating expense categories, depreciation and amortization expense increased approximately \$1.3 million directly related to the significant ongoing construction initiatives. These increases are offset by reductions of approximately \$3 million in other operating expenses, and includes a reduction of \$582 thousand in operations and maintenance of plant.

# Bowling Green State University

## Management's Discussion and Analysis (continued)

### **2015 versus 2014**

Total operating expenditures of \$347.8 million at June 30, 2015 decreased overall by \$2.5 million, or .71% over 2014.

- Educational and general expenditures consist of instruction, research, public services, academic support, student services and institutional support and total \$207.2 million at June 30, 2015 compared to \$210.2 million at June 30, 2014, reflecting an overall decrease of \$3.0 million.
  - A pension expense reduction of \$2.2 million due to the GASB 68 adoption in 2015 was recorded and allocated proportionally to these areas.
  - A significant number of faculty retirements occurred near the end of the 2015 fiscal year. Reflected in the 2015 expenditures are the vacation and sick payouts due to these retirements.
- Auxiliary enterprises operating expenses of \$69.5 million at June 30, 2014 reflects an increase of \$1.3 million compared to June 30, 2014. Consistent with reductions in revenues, major auxiliary units reflecting overall operating expense reductions include Residence Life and Dining Services, primarily related to enrollment reductions. Offsetting increases in expenditures consistent with reported revenue increases are the Bookstore, Recreational Center and Athletics.

### **Non-operating Revenues**

Non-operating revenues are all revenue sources that are primarily non-exchange in nature. They consist primarily of state appropriations, Pell grant reimbursements, and investment income (including realized and unrealized gains and losses).

Non-operating revenue was impacted by the following factors:

- State appropriations, the most significant source of non-operating revenue, totaled \$71.5 million in the current year, reflecting an increase of \$4.3 million, or 6.4% over 2015. State appropriations decreased in 2015 by \$1.8 million, or 2.6% over 2014.
- Non-exchange grants and contracts had an overall increase of \$183 thousand in 2016. Pell Grant Funds experienced a reduction of \$739 thousand in 2016, an \$82 thousand reduction in Federal Work Study, offset by increases of \$842 thousand in OCOG Funds (Ohio Opportunity Grants), an increase of \$73 thousand in FSEOG (Federal Supplemental Education Opportunity Grant), and slight increases in Ohio Safety Officers, Ohio War Orphans, and TEACH grants. Non-exchange grants and contracts decreased overall by \$400 thousand in 2015 compared to 2014 and was attributable to Pell Grant Fund reductions of \$1.3 million, partially offset by increases in OCOG and TEACH grants.

# Bowling Green State University

## Management's Discussion and Analysis (continued)

- Net investment income of \$3.5 million reflects an increase over prior year of \$4.0 million due to market recoveries during the last portion of fiscal year 2016. Overall investment market depreciation in 2015 resulted in a significant decrease in related investment income of \$23.6 million over 2014 results.

### **Capital Assets and Debt Administration**

At June 30, 2016, the University had \$526.0 million of capital assets, net of accumulated depreciation of \$407.7 million, compared to \$454.6 million of net capital assets for the prior fiscal year. The current year investment in capital assets represents a net increase (including additions and deductions) of \$72.4 million or 16.0% over last year. This increase is reflective of the continued strategic focus on campus capital renewal. The charges for depreciation and amortization included in the Statement of Revenues, Expenses, and Changes in Net Position were \$27.5 million for 2016 and \$26.3 million for 2015. Detailed information about the University's capital assets is presented in Note 5 to the Financial Statements.

On February 11, 2016, the University issued \$70,000,000 of fixed rate General Receipts Bonds, Series 2016A, with interest rates ranging from 3.75 percent to 5.00 percent, and maturities ranging from 2021 to 2046. The proceeds will be used to finance the costs of various improvements to the University's campus including (i) improvements to fully or partially renovate five academic classroom and instruction laboratory buildings and the supporting campus infrastructure, and also including improved replacement parking; (ii) partial renovation of the campus recreation and wellness facility; (iii) demolition, utility relocation and other site preparation work associated with one or more existing academic and residential buildings in preparation for future site-specific capital projects; and (iv) acquisition and installation of all related fixtures, furnishings and equipment.

More detailed information about the University's long-term debt is presented in Note 7 to the Financial Statements.

# Bowling Green State University

## Management's Discussion and Analysis (continued)

### Statement of Cash Flows

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

**Bowling Green State University**  
**Condensed Statement of Cash Flows**  
**for the years ended June 30, 2016, 2015 and 2014**  
(in thousands)

	2016	2015	2014
Cash (used in) provided by:			
Operating activities	\$ (73,147)	\$ (77,153)	\$ (71,197)
Non-capital financing activities	98,828	94,475	96,524
Capital and related financing activities	(13,225)	(53,409)	(10,099)
Investing activities	(8,645)	36,161	(18,224)
Net increase (decrease) in cash	3,811	74	(2,996)
Cash and cash equivalents, beginning of year	7,282	7,208	10,204
Cash and cash equivalents, end of year	\$ 11,093	\$ 7,282	\$ 7,208

For the year ended June 30, 2016:

- Major sources of cash provided by operating activities included student tuition and fees of \$152.2 million, auxiliary enterprises of \$81.2 million, and research grants and contracts of \$18.8 million. Major uses of cash in operations included payments to employees and benefits of \$205.1 million, payments to vendors for supplies and services of \$101.3 million, and payments for scholarships and fellowships of \$17.8 million.
- Non-capital financing activities included cash provided from state appropriations of \$71.5 million and grants received for other than capital purposes (primarily from the Federal Pell Grant Program) of \$28.2 million.
- Primary sources of cash from capital financing activities were from state capital appropriations of \$20.3 million, other capital grants (gifts) received of \$4.0 million, and proceeds from capital debt issuance of \$79.4 million. Cash used to purchase capital assets was \$99.0 million, principal paid on long-term debt was \$13.5 million, and interest paid on long-term debt was \$4.4 million.
- Investing activities included proceeds from sales and maturities of investments of \$82.1 million and investment income of \$5.8 million. Purchases of investments were \$96.5 million.



## Bowling Green State University

### Management's Discussion and Analysis (continued)

For the year ended June 30, 2015:

- Major sources of cash provided by operating activities included student tuition and fees of \$148.2 million, auxiliary enterprises of \$80.8 million, and research grants and contracts of \$17.1 million. Major uses of cash in operations included payments to employees and benefits of \$205.1 million, payments to vendors for supplies and services of \$97.0 million, and payments for scholarships and fellowships of \$18.0 million.
- Non-capital financing activities included cash provided from state appropriations of \$67.2 million and grants received for other than capital purposes (primarily from the Federal Pell Grant Program) of \$28.0 million.
- Primary sources of cash from capital financing activities were from state capital appropriations of \$12.5 million. Cash used to purchase capital assets was \$50.2 million, principal paid on long-term debt was \$12.6 million, and interest paid on long-term debt was \$4.0 million.
- Investing activities included proceeds from sales and maturities of investments of \$149.2 million and investment income of \$10.9 million. Purchases of investments were \$124.1 million.

#### **Economic Factors That Will Affect the Future**

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

The economic position of the University is closely tied to the economic condition of the state, as all state universities in Ohio receive state financial support for both operations and capital improvements through appropriations by the legislature. These appropriations contribute substantially to the successful maintenance and operation of the University. The economic outlook for the state of Ohio has continued to improve over the course of the past year. For the fourth consecutive year, Ohio's unemployment rate performed better than the national unemployment rate.

Major capital reinvestment continues in core academic buildings on the Bowling Green campus. Funding has been and will continue to be provided from a combination of University-issued debt financing, private donor funds, and state capital appropriations. Since July 1, 2011, University capital assets have grown from \$703.6 million to \$933.6 million, an increase of \$230 million reflecting the significant capital project progress that has occurred.

## Bowling Green State University

### Management's Discussion and Analysis (continued)

Recent projects completed or underway range from upgrades to more than 50 individual classrooms to a completed, gut renovation of the Kuhlin Center (formerly known as South Hall) which now serves as the home of the School of Media and Communication.

Renovation of two of the University's original, historical academic buildings has begun. Moseley Hall will reopen for fall 2017 and house undergraduate instructional teaching laboratories. University Hall will also reopen for fall 2017 and in addition to providing six large, multi-purpose classrooms, will serve as the new home for Admissions and administrative offices providing services to student advising, service learning, undergraduate research, and learning communities.

The Greek Village (replacement housing) project which began in May of 2015 was completed and opened for fall 2016 residents. Demand for space in the Greek Village has been high.

The University will be seeking Board approval in December of 2016 or early in calendar year 2017 for the next phase of general receipts debt in support of upcoming capital projects planned in the academic core of campus.

The University launched several significant initiatives during fiscal year 2013 and fiscal year 2014 intended to improve freshmen to sophomore retention. Fall 2013 freshman to sophomore retention was approximately 70 percent; retention improved to approximately 76 percent in fall of 2014; and rose again in fall of 2015 to 77.5 percent. Fall 2016 freshman to sophomore retention was again approximately 76 percent. The University has set a goal of achieving an 80 percent freshman to sophomore retention rate by 2020.

Enrollment trends for fall 2016 are positive for the second consecutive fall. Fifteen day enrollment numbers indicate that the Bowling Green campus undergraduate headcount has increased by more than 3.5 percent and graduate headcount has increased by more than 8 percent over the prior academic year. Student credit hours are also up 1.3 percent for undergraduates and 4.4 percent for graduates.

Bowling Green State University

Statements of Net Position

	June 30	
	2016	2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 11,092,529	\$ 7,281,701
Investments	178,868,750	187,670,527
Accounts receivable, net	11,759,060	9,603,265
Inventories	2,037,240	2,032,728
Notes receivable	1,589,964	1,715,503
Prepaid and other assets	2,342,435	2,300,532
Total current assets	<u>207,689,978</u>	<u>210,604,256</u>
Noncurrent assets:		
Investments - non-restricted	5,655,933	4,849,761
Assets - restricted	43,112,895	22,936,435
Cash surrender value of life insurance and annuities	469,969	458,481
Notes receivable	7,482,131	7,030,244
Capital assets, net	525,970,029	453,596,877
Total noncurrent assets	<u>582,690,957</u>	<u>488,871,798</u>
Total assets	<u>790,380,935</u>	<u>699,476,054</u>
<b>Deferred Outflows of Resources</b>	<b>38,071,649</b>	<b>14,063,155</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued expenses	29,957,388	29,104,880
Unearned revenue	11,197,587	11,034,499
Deposits	1,573,707	1,729,022
Current portion of long-term debt and other obligations	15,212,119	19,609,435
Total current liabilities	<u>57,940,801</u>	<u>61,477,836</u>
Noncurrent liabilities:		
Long-term debt and other obligations	206,445,106	135,963,989
Net pension liability	216,642,205	181,447,483
Total noncurrent liabilities	<u>423,087,311</u>	<u>317,411,472</u>
Total liabilities	<u>481,028,112</u>	<u>378,889,308</u>
<b>Deferred Inflows of Resources</b>	<b>14,821,172</b>	<b>25,092,546</b>
<b>Net Position</b>		
Net investment in capital assets	368,871,244	341,936,556
Restricted for expendable:		
Loans	2,430,440	2,281,269
Capital projects	13,295,727	15,725,236
Unrestricted (deficit)	(51,994,111)	(50,385,706)
Total net position	<u>\$ 332,603,300</u>	<u>\$ 309,557,355</u>

See accompanying notes.

# Bowling Green State University

## Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30	
	2016	2015
<b>Revenues</b>		
Operating revenues:		
Student tuition and fees (net of scholarship allowances of \$61,706,782 for 2016 and \$59,267,958 for 2015)	\$ 154,070,071	\$ 146,713,561
Federal grants and contracts	7,136,566	6,687,846
State grants and contracts	3,695,301	2,449,871
Local grants and contracts	106,230	6,678
Nongovernmental grants and contracts	7,681,439	7,256,733
Sales and services of educational departments	3,417,923	3,748,225
Auxiliary enterprises (net of scholarship allowances of \$2,807,116 for 2016 and \$2,631,140 for 2015)	72,378,493	70,486,154
Other operating revenues	5,026,030	3,630,280
Total operating revenues	253,512,053	240,979,348
<b>Expenses</b>		
Operating expenses:		
Educational and general:		
Instruction	125,133,730	121,303,393
Research	7,415,782	6,469,985
Public services	4,350,287	4,503,359
Academic support	27,048,516	26,416,405
Student services	16,745,573	16,128,095
Institutional support	34,107,590	32,421,378
Operations and maintenance of plant	19,898,191	20,480,151
Student aid	17,844,397	18,000,966
Auxiliary enterprises	70,396,877	69,520,311
Depreciation and amortization	27,537,664	26,266,786
Other expenses	3,328,326	6,316,059
Total operating expenses	353,806,933	347,826,888
Operating loss	(100,294,880)	(106,847,540)
Nonoperating revenues (expenses):		
State appropriations	71,525,901	67,233,034
Non-exchange grants and contracts	28,182,440	27,999,295
Investment income, net	3,536,666	(476,120)
Interest on capital asset-related debt	(3,544,862)	(3,461,726)
In-kind support – Centennial Falcon Properties, Inc.	(596,800)	(856,800)
Net nonoperating revenues	99,103,345	90,437,683
Loss before other changes	(1,191,535)	(16,409,857)
Other changes:		
Capital appropriations	20,281,333	12,546,804
Capital grants and gifts	3,956,147	830,310
Total other changes	24,237,480	13,377,114
Change in net position	23,045,945	(3,032,743)
<b>Net Position</b>		
Net position at the beginning of year	309,557,355	507,248,749
Adjustment for change in accounting principle - GASB 68 (Note 8)	-	(194,658,651)
Net position at the end of year	\$ 332,603,300	\$ 309,557,355

See accompanying notes.

# Bowling Green State University

## Statements of Cash Flows

	<b>Year Ended June 30</b>	
	<b>2016</b>	<b>2015</b>
<b>Operating activities</b>		
Tuition and fees	\$ 152,198,568	\$ 148,182,165
Research grants and contracts	18,809,794	17,061,735
Payments to vendors for supplies and services	(101,307,727)	(96,959,680)
Payments to employees and benefits	(205,103,492)	(205,072,637)
Payments for scholarships and fellowships	(17,844,397)	(18,000,966)
Student loans granted, net of repayments	(377,555)	(31,593)
Agency payments to Centennial Falcon Properties, Inc.	(9,045,943)	(8,707,808)
Auxiliary enterprises	81,193,497	80,795,413
Sales and services of educational departments	3,417,923	3,161,573
Other receipts	4,912,698	2,418,818
Net cash used in operating activities	<u>(73,146,634)</u>	<u>(77,152,980)</u>
<b>Noncapital financing activities</b>		
State appropriations	71,525,901	67,233,034
Direct lending receipts	131,487,394	128,958,007
Direct lending disbursements	(131,771,265)	(128,858,987)
Grants received for other than capital purposes	28,182,440	27,999,295
In-kind support – Centennial Falcon Properties	(596,800)	(856,800)
Net cash provided by noncapital financing activities	<u>98,827,670</u>	<u>94,474,549</u>
<b>Capital financing activities</b>		
Proceeds from capital debt	79,446,467	–
Capital appropriations	20,281,333	12,546,804
Capital grants received	3,956,147	830,310
Purchases of capital assets	(98,986,453)	(50,220,985)
Principal paid on long-term debt	(13,485,561)	(12,609,655)
Interest paid on long-term debt	(4,436,792)	(3,955,480)
Net cash used in capital financing activities	<u>(13,224,859)</u>	<u>(53,409,006)</u>
<b>Investing activities</b>		
Proceeds from sales and maturities of investments	82,136,024	149,421,876
Purchase of investments	(96,546,700)	(124,129,210)
Investment income	5,765,327	10,868,588
Net cash (used in) provided by investing activities	<u>(8,645,349)</u>	<u>36,161,254</u>
Net increase in cash	3,810,828	73,817
Cash at beginning of year	7,281,701	7,207,884
Cash at end of year	<u>\$ 11,092,529</u>	<u>\$ 7,281,701</u>

*See accompanying notes*

# Bowling Green State University

## Statements of Cash Flows (continued)

	<b>Year Ended June 30</b>	
	<b>2016</b>	<b>2015</b>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	<b>\$ (100,294,880)</b>	\$ (106,847,540)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	<b>27,537,664</b>	26,266,786
Pension expense (recovery)	<b>914,854</b>	(2,181,778)
Increase in allowance for doubtful accounts	-	(100,000)
Amortization of bond premium	<b>(169,986)</b>	(136,316)
Changes in assets and liabilities:		
Accounts receivable, net	<b>(2,156,480)</b>	2,849,227
Inventories	<b>(4,513)</b>	(55,208)
Other assets	<b>(41,903)</b>	(904,444)
Accounts payable and accrued liabilities	<b>810,433</b>	3,554,540
Unearned revenue	<b>163,088</b>	322,676
Deposits held for others	<b>128,556</b>	(201,064)
Compensated absences	<b>292,881</b>	249,185
Loans to students	<b>(326,348)</b>	30,956
Net cash used in operating activities	<b>\$ (73,146,634)</b>	<b>\$ (77,152,980)</b>

*See accompanying notes.*

The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statements of Financial Position

	June 30	
	2016	2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,170,091	\$ 2,216,151
Contributions receivable, net of allowance for uncollectible contributions of \$4,934,017 in 2016 and \$4,064,590 in 2015	<u>3,079,345</u>	1,604,750
Total current assets	<u>4,249,436</u>	3,820,901
Investments:		
Fixed income funds	39,018,569	38,598,002
Mutual funds	73,311,173	69,321,737
Alternative investments	27,450,462	27,134,193
Corporate stocks	265,024	1,786,077
Money market funds	<u>2,934,747</u>	4,847,218
Total investments	<u>142,979,975</u>	141,687,227
Prepaid and other assets	557,808	145,405
Long-term contributions receivable, net of allowance for uncollectible contributions of \$414,300 in 2016 and \$278,908 in 2015	7,759,362	4,757,757
Beneficial interest in trust held by others	250,724	150,883
Cash value of life insurance	<u>1,597,924</u>	1,530,786
Total assets	<u>\$ 157,395,229</u>	<u>\$ 152,092,959</u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 132,631	\$ 445,398
Total current liabilities	<u>132,631</u>	445,398
Annuities payable	<u>2,952,821</u>	3,518,933
Total liabilities	<u>3,085,452</u>	3,964,331
Net assets:		
Unrestricted	5,688,780	6,226,604
Temporarily restricted	57,894,897	56,517,604
Permanently restricted	<u>90,726,100</u>	85,384,420
Total net assets	<u>154,309,777</u>	148,128,628
Total liabilities and net assets	<u>\$ 157,395,229</u>	<u>\$ 152,092,959</u>

See accompanying notes.

The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended June 30, 2016

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Support, revenue, and gains</b>				
Contributions and gifts (net)	\$ 615,510	\$ 15,542,538	\$ 4,781,890	\$ 20,939,938
Provision for uncollectible contributions	–	(834,000)	(170,819)	(1,004,819)
University support	3,529,174	–	–	3,529,174
Interest and dividends	456,221	1,800,613	–	2,256,834
Net realized and unrealized losses	(250,559)	(989,124)	–	(1,239,683)
Other revenue	19,774	1,242,216	–	1,261,990
Transfers	–	(641,561)	641,561	–
Net assets released from restriction	14,438,492	(14,438,492)	–	–
Total support, revenue, and gains	<u>18,808,612</u>	<u>1,682,190</u>	<u>5,252,632</u>	<u>25,743,434</u>
<b>Expenses</b>				
Program services	12,925,756	–	–	12,925,756
Fundraising	3,586,641	–	–	3,586,641
Operating	2,832,548	–	–	2,832,548
Total expenses	<u>19,344,945</u>	<u>–</u>	<u>–</u>	<u>19,344,945</u>
Change in net assets from operations	(536,333)	1,682,190	5,252,632	6,398,489
Change in split interest agreements	(1,491)	(304,897)	89,048	(217,340)
Change in net assets	(537,824)	1,377,293	5,341,680	6,181,149
Net assets at beginning of year	<u>6,226,604</u>	<u>56,517,604</u>	<u>85,384,420</u>	<u>148,128,628</u>
Net assets at end of year	<u>\$ 5,688,780</u>	<u>\$ 57,894,897</u>	<u>\$ 90,726,100</u>	<u>\$ 154,309,777</u>



The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended June 30, 2015

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Support, revenue, and gains</b>				
Contributions and gifts (net)	\$ 545,944	\$ 13,325,470	\$ 2,437,156	\$ 16,308,570
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 losses	(451,855)	(1,318,113)	–	(1,769,968)
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	<u>15,532,020</u>	<u>1,219,541</u>	<u>3,587,797</u>	<u>20,339,358</u>
<b>Expenses</b>				
Program services	10,956,167	–	–	10,956,167
Fundraising	3,497,007	–	–	3,497,007
Operating	2,319,142	–	–	2,319,142
Total expenses	<u>16,772,316</u>	<u>–</u>	<u>–</u>	<u>16,772,316</u>
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	<u>7,466,900</u>	<u>55,675,701</u>	<u>81,693,559</u>	<u>144,836,160</u>
Net assets at end of year	<u>\$ 6,226,604</u>	<u>\$ 56,517,604</u>	<u>\$ 85,384,420</u>	<u>\$ 148,128,628</u>

# Centennial Falcon Properties, Inc. and Subsidiaries

## Consolidated Statements of Financial Position

	June 30	
	2016	2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 561,847	\$ 670,509
Funds held by Bowling Green State University	285,232	297,889
Funds held by trustee – current portion	1,348,643	1,221,426
Other receivable, net of allowance for doubtful accounts of \$15,670 in 2016 and \$13,190 in 2015	38,844	42,893
Prepaid expense	14,444	18,826
Total current assets	2,249,010	2,251,543
Other assets:		
Funds held by trustee – net of current portion	18,034,952	16,483,236
Capital assets, net	73,523,543	77,225,376
Bond issuance and discount costs, net of accumulated amortization of \$741,012 in 2016 and \$620,436 in 2015	2,243,372	2,363,948
Total other assets	93,801,867	96,072,560
Total assets	\$ 96,050,877	\$ 98,324,103
<b>Liabilities and net assets</b>		
Short-term liabilities:		
Accounts payable	\$ 25,977	\$ 87,371
Payroll liabilities	8,298	26,147
Unearned income	52,715	45,147
Accrued interest payable	383,643	386,426
Accrued expenses	83,163	81,585
Bonds and construction payable – current portion	1,561,800	1,431,800
Total short-term liabilities	2,115,596	2,058,476
Long-term liabilities:		
Bonds payable – net of current portion	77,705,000	78,670,000
Construction funding payable – net of current portion	12,941,418	13,538,218
Total long-term liabilities	90,646,418	92,208,218
Total liabilities	92,762,014	94,266,694
Net assets:		
Unrestricted	3,288,863	4,057,409
Total liabilities and net assets	\$ 96,050,877	\$ 98,324,103

*See accompanying notes.*

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statement of Activities and Changes and Net Assets

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Operating revenue	\$ 8,999,437	\$ –	\$ 8,999,437
In-kind support from Bowling Green State University	32,000	–	32,000
Total revenues	<u>9,031,437</u>	–	<u>9,031,437</u>
Expenses:			
Payroll, benefits, and taxes	638,395	–	638,395
Management fees	260,052	–	260,052
Utilities	294,816	–	294,816
Building maintenance	129,393	–	129,393
Operating and administrative	135,950	–	135,950
Insurance	57,635	–	57,635
Interior unit expenses	156,425	–	156,425
Common area expenses	60,092	–	60,092
Bad debt expense	15,580	–	15,580
Ground expenses	22,618	–	22,618
Marketing and advertising	25,819	–	25,819
Depreciation and amortization	3,869,726	–	3,869,726
Total operating expenses	<u>5,666,501</u>	–	<u>5,666,501</u>
Operating income	3,364,936	–	3,364,936
Nonoperating revenue (expense):			
Investment income	2,091	–	2,091
In-kind support from Bowling Green State University	596,800	–	596,800
Loss on disposal of asset	(98,044)	–	(98,044)
Interest on capital asset-related debt	(4,634,329)	–	(4,634,329)
Net nonoperating loss	<u>(4,133,482)</u>	–	<u>(4,133,482)</u>
Change in net assets	(768,546)	–	(768,546)
Net assets:			
Net assets at the beginning of year	4,057,409		4,057,409
Net assets at the end of year	<u>\$ 3,288,863</u>	\$ –	<u>\$ 3,288,863</u>

See accompanying notes.

## Centennial Falcon Properties, Inc. and Subsidiaries

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

Year Ended June 30, 2015

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenues:</b>			
Operating revenue	\$ 8,736,529	\$ –	\$ 8,736,529
In-kind support from Bowling Green State University	32,000	–	32,000
<b>Total revenues</b>	<b>8,768,529</b>	<b>–</b>	<b>8,768,529</b>
<b>Expenses:</b>			
Payroll, benefits, and taxes	584,180	–	584,180
Management fees	255,007	–	255,007
Utilities	144,648	–	144,648
Building maintenance	153,019	–	153,019
Operating and administrative	150,148	–	150,148
Insurance	60,599	–	60,599
Interior unit expenses	38,895	–	38,895
Common area expenses	42,361	–	42,361
Bad debt expense	20,417	–	20,417
Ground expenses	24,758	–	24,758
Marketing and advertising	20,342	–	20,342
Depreciation and amortization	4,192,943	–	4,192,943
<b>Total operating expenses</b>	<b>5,687,317</b>	<b>–</b>	<b>5,687,317</b>
<b>Operating income</b>	<b>3,081,212</b>	<b>–</b>	<b>3,081,212</b>
<b>Nonoperating revenue (expense):</b>			
Investment income	1,842	–	1,842
In-kind support from Bowling Green State University	856,800	–	856,800
Interest on capital asset-related debt	(4,663,146)	–	(4,663,146)
<b>Net nonoperating loss</b>	<b>(3,804,504)</b>	<b>–</b>	<b>(3,804,504)</b>
<b>Change in net assets</b>	<b>(723,292)</b>	<b>–</b>	<b>(723,292)</b>
<b>Net assets:</b>			
Net assets at the beginning of year	4,780,701		4,780,701
Net assets at the end of year	<u>\$ 4,057,409</u>	<u>\$ –</u>	<u>\$ 4,057,409</u>

Bowling Green State University

Notes to Financial Statements

June 30, 2016 and 2015

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

**Nature of Operations**

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

**Reporting Entity**

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

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include those activities and functions over which the University is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit’s board and either (1) the University’s ability to impose its will over the component unit or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the University.

**Financial Statement Presentation**

The accompanying financial statements consist of the University, Bowling Green State University Foundation, Inc. and subsidiary (collectively, the “Foundation”) and Centennial Falcon Properties, Inc. and subsidiaries (collectively, the “Corporation”). GASB Statement No. 61, *Determining Whether Certain Organizations Are Component Units*, requires the University to reflect the Foundation and the Corporation as discretely presented component units in the financial statements based on the significance of their respective relationships with the University. The Foundation and the Corporation are private nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards that have been codified in Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s or Corporation’s financial information in the University’s financial reporting entity for these differences.

Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

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

The Foundation is a legally separate, tax-exempt component unit of the University. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The 26-member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing and amount of receipts from the Foundation, the majority of resources or income the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

During the years ended June 30, 2016 and 2015, the Foundation distributed \$10,597,119 and \$7,446,537, respectively, to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Controller, Huntington Building, Bowling Green, Ohio 43403.

The Corporation is a legal, separate component unit of the University formed in 2010 as a nonprofit corporation under the laws of the State of Ohio and determined by the Internal Revenue Service to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Corporation is further classified as a public charity type II supporting organization under Section 509(a)(3) of the Internal Revenue Code. The Corporation was organized for the benefit of the University for various purposes, including acquiring, developing, and maintaining property to be used for University purposes. Complete financial statements for the Corporation can be obtained from the Vice President, McFall Center, Bowling Green, Ohio 43403.

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

Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

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

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

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

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

Pursuant to an Amended and Restated Food Service Agreement, dated June 25, 2010 (the Management Agreement), by and between Chartwells and the University, Chartwells has provided funds for The Oaks in the amount of \$10,350,000, which is recorded as capital assets of the Corporation to be paid back to Chartwells through the construction funding payable in Note 7. The loan does not have an interest component and matures on June 30, 2039. 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, 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, which is recorded as capital assets of the Corporation to be paid back to Chartwells through the construction funding payable in Note 7. The loan does not have an interest component and matures on June 30, 2039. The Corporation provided funds of approximately \$707,000, and CFP III has provided funds of approximately \$1,973,000.

Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

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

Chartwells funded a total of \$1,588,000 of minor construction upgrades and modernization of food service venues intended to be actively managed by Chartwells under contract and located in the University's student union, Kreischer, Founders and McDonald, on behalf of the Corporation. The necessary funding associated with these upgrades and associated debt repayment is contained in the Amended Food Service Management Agreement by and between Chartwells and the University. The Corporation has recorded \$1,588,000 as capital assets and construction funding payable described in Note 7. The loan does 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 can be used only for those specific projects, and the projects are for the exclusive benefit of the University. The Corporation is considered a component unit of the University and is discretely presented in the University's financial statements.

**Basis of Accounting**

For financial reporting purposes, the University is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant inter-fund transactions have been eliminated.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Ohio Public Employees Retirement System/State Teachers Retirement System of Ohio Pension Plan (OPERS/STRS) and additions to/deductions from OPERS/STRS fiduciary net position have been determined on the same basis as they are reported by OPERS/STRS. OPERS/STRS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.



Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

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

**New Pronouncements**

As of June 30, 2016, the University retrospectively applied Governmental Accounting Standards Board (“GASB”) Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

**Upcoming Pronouncements**

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Under GASB 75 and similar to GASB 68 (pensions), the University, as a cost-sharing employer, will be required to recognize its proportionate share of the collective unfunded net Other Post-Employment Benefits (OPEB) liability, OPEB expense, and deferred OPEB outflows (inflows) of the State’s Retirement System plan within its financial statements. This will be a significant change for every participating employer in all cost-sharing plans around the country. Institutions will see a significant liability reflected on their balance sheets along with an impact to OPEB expenses and a corresponding reduction to unrestricted net position. There are also expanded disclosures and required supplemental information to be added to the University’s financial statements. The institution will also be required to track certain components of the net OPEB liability (deferred inflows/outflows) and amortize over the appropriate periods in accordance with the standard. The University has not yet determined what its share of the unfunded net OPEB liability is but it is expected to be significant and material to the University’s financial statements. The provisions of this statement are effective for financial statements for the year ending June 30, 2018.

**Cash and Cash Equivalents**

The University considers funds immediately available to be cash and cash equivalents. All investments with maturities less than 90 days are considered cash equivalents. Cash and cash equivalents totaled \$11,092,529 and \$7,281,701 at June 30, 2016 and 2015, respectively.

**Accounts Receivable**

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

Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

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

**Inventories**

Inventories are stated at the lower of average cost or market (net realizable value) on a first-in, first-out basis (FIFO).

**Investments**

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

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

**Restricted Assets**

Restricted assets represent unspent bond proceeds and consist of money markets and certificates of deposits.

**Capital Assets**

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

Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

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

The University does not capitalize works of art or historical treasures that are held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered in any way. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

**Unearned Revenue**

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

**Noncurrent Liabilities**

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

**Deferred Outflows/Inflows of Resources:**

**Deferred Inflows:** In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The University deferred inflows of resources related to the net pension liability (see Note 8 for more details).

**Deferred Outflows:** In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a reduction of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until that time. The University deferred outflows of resources related to the net pension liability (see Note 8 for more details).

Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

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

**Compensated Absences**

University employees earn vacation and sick leave benefits based, in part, on length of service. Vacation pay is fully vested when earned. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement, or termination). Certain limitations have been placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death.

Unused hours exceeding their limitations are forfeited. The liability and expense incurred are recorded at year end as long-term liabilities in the statements of net position and as a component of operating expense in the statements of revenues, expenses, and changes in net position.

**Scholarship Discounts and Allowances**

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

**Income Tax**

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

**Eliminations**

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

Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

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

**Reclassification**

Certain operating revenues disclosed on the 2015 statements in the categories of Federal Grants and Contracts, State Grants and Contracts, Nongovernmental grants and contracts and Auxiliary enterprises were reclassified to conform to the 2016 presentation. In addition, one operating expense within the 2015 Educational and General category of Student Services was reclassified to conform to the 2016 presentation. Total operating loss did not change. In addition, deferred outflows of resources totaling \$14,063,155 related to OPERS and STRS which were presented with deferred inflows of resources of \$25,092,546 in 2015 have been reclassified to their respective deferred inflows of resources lines on the 2015 statement of position.

**Use of Estimates**

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

**Auxiliary Enterprises**

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

**Net Position**

In accordance with GASB Statement No. 35 guidelines, the University's resources are classified into the following four net position categories:

*Net Investment in Capital Assets:* Capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

*Restricted - Expendable:* Component of net position that includes resources the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties for loans, capital projects, and debt service.

*Restricted - Nonexpendable:* Component of net position whose use is subject to externally imposed stipulations that may be maintained permanently by the University.

Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

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

*Unrestricted:* Component of net position that is not subject to externally imposed restrictions and includes resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general obligations of the University and may be used at the discretion of the Board of Trustees to meet current expenses for any purpose. These resources also include auxiliary enterprises that are substantially self-supporting activities that provide services for students, faculty, and staff.

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

**Revenues**

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

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

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of non-exchange transactions that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, such as state appropriations for instruction, state capital grants, Federal Pell grant revenue and investment income.

Bowling Green State University  
Notes to Financial Statements (Continued)  
June 30, 2016 and 2015

**2. Cash and Investments**

**Deposits**

Amounts available for deposit at June 30, 2016 and 2015 are as follows:

	<b>2016</b>	<b>2015</b>
Cash (carrying amounts)	\$ 10,911,187	\$ 7,090,751
Reconciling items (net) to arrive at bank balances of deposit	(2,151,694)	(1,653,863)
Total available for deposit and investment (bank balances of deposits)	\$ 8,759,493	\$ 5,436,888

The carrying amount shown above does not include \$181,342 and \$190,950 held in cash funds at June 30, 2016 and 2015, respectively.

Any public depository, at the time it receives a University deposit or investment in a certificate of deposit, is required to pledge to the University as collateral eligible securities of aggregate market value that, when added to the portion of the deposit insured by the Federal Deposit Insurance Corporation, equals or exceeds the amount of University funds deposited. Of the bank balance, \$398,392 and \$356,071 at June 30, 2016 and 2015, respectively, was covered by federal depository insurance, and \$8,361,101 and \$5,080,817 at June 30, 2016 and 2015, respectively, was collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

**Investments**

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

- Obligations of the U.S. Treasury and other federal agencies and instrumentalities
- Municipal and state bonds
- State Treasury Asset Reserve (STAR Ohio)
- Certificates of deposit (domestic and foreign)
- Repurchase agreements
- Mutual funds

Bowling Green State University  
Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**2. Cash and Investments (continued)**

- Commercial paper
- Banker's acceptances
- Corporate bonds and notes
- Common and preferred stock
- Real estate
- Collateralized mortgage obligations
- Collective equity funds
- Asset-backed securities
- Private equity funds
- Hedge fund

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

All common stocks, corporate bonds, money market instruments, mutual funds, and other investments are invested through a trust agreement with US Bank Institutional Trust and Custody, which is the custodian and money manager. Short-term investments with Huntington Bank are secured with internally designated securities as pledged to the University.

The University invests in STAR Ohio, an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission (the "SEC") as an investment company but does operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2016.



Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**2. Cash and Investments (continued)**

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

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

	<u>2016</u>	<u>2015</u>
Equity mutual funds	\$ 68,721,883	\$ 72,818,525
Fixed income mutual funds	56,417,313	53,567,553
US government obligations	21,607,582	-
US government agencies	11,295,752	-
Money market funds	15,205,568	27,916,092
Municipal bonds	5,678,260	4,871,438
Common and preferred stocks	315,367	428,871
STAR Ohio	110,127	109,798
Alternative investments:		
Collective trust funds	19,349,652	25,347,653
Hedge funds	28,936,074	30,349,671
Limited partnerships	-	47,122
Total	<u>\$ 227,637,578</u>	<u>\$ 215,456,723</u>

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

	<u>2016</u>	<u>2015</u>
Interest and dividends, net	\$ 4,631,570	\$ 4,167,467
Net depreciation in market value of investments	(1,094,904)	(4,643,587)
Total	<u>\$ 3,536,666</u>	<u>\$ (476,120)</u>

Net appreciation (depreciation) in the fair value of investments includes both realized and unrealized gains and losses on investments. During the years ended June 30, 2016 and 2015, the University realized a net gain from the sale of investments of \$1,133,757 and \$6,701,121, respectively. The calculation of realized gains and losses is independent of the net appreciation (depreciation) in the fair value of investments held at year end. The net depreciation in the fair value of investments during the years ended June 30, 2016 and 2015 was (\$1,094,904) and (\$4,643,587), respectively. This amount includes all changes in fair value, both realized and unrealized, that occurred during the year. The unrealized depreciation during the years ended June 30, 2016 and 2015 was (\$2,228,661) and (\$11,344,708), respectively.

Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**2. Cash and Investments (continued)**

**Interest Rate Risk**

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

As of June 30, 2016, the University had the following interest-bearing investments and maturities:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Less Than 1 Year</b>	<b>Less Than 1–5 Years</b>	<b>Less Than 6–10 Years</b>	<b>Greater Than 10 Years</b>
US government obligations	\$ 21,607,582	\$ 21,607,582	\$ -	\$ -	\$ -
US government agencies	11,295,752	11,295,752	-	-	-
Municipal bonds	5,678,260	22,327	71,083	-	5,584,850
STAR Ohio	110,127	110,127	-	-	-
<b>Total</b>	<b>\$ 38,691,721</b>	<b>\$ 33,035,788</b>	<b>\$ 71,083</b>	<b>\$ -</b>	<b>\$ 5,584,850</b>

As of June 30, 2015, the University had the following interest-bearing investments and maturities:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Less Than 1 Year</b>	<b>Less Than 1–5 Years</b>	<b>Less Than 6–10 Years</b>	<b>Greater Than 10 Years</b>
Municipal bonds	\$ 4,871,438	\$ 21,677	\$ 93,411	\$ -	\$ 4,756,350
STAR Ohio	109,798	109,798	-	-	-
<b>Total</b>	<b>\$ 4,981,236</b>	<b>\$ 131,475</b>	<b>\$ 93,411</b>	<b>\$ -</b>	<b>\$ 4,756,350</b>

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality information, as commonly expressed in terms of the credit ratings issued by the nationally recognized statistical rating organizations such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings, provides a current depiction of potential variable cash flows and credit risk.

The credit ratings of the University's interest-bearing investments at June 30, 2016 are as follows:

<b>Credit Rating (Standard &amp; Poor's)</b>	<b>Other Investments</b>
AAA	\$ 110,127
AA+	32,903,334
AA	5,584,850
Not rated	93,410
<b>Total</b>	<b>\$ 38,691,721</b>

Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**2. Cash and Investments (continued)**

The credit ratings of the University's interest-bearing investments at June 30, 2015 are as follows:

Credit Rating (Standard & Poor's)	Other Investments
AAA	\$ 109,798
AA	4,756,350
Not rated	115,088
Total	<u>\$ 4,981,236</u>

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University facilitates several Study Abroad Programs in Austria and Spain with a total cash balance of \$160,967 and \$141,185 at June 30, 2016 and 2015, respectively.

**Fair Value Measurements**

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The University's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Bowling Green State University  
Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**2. Cash and Investments (continued)**

The University has the following recurring fair value measurements as of June 30, 2016 and 2015:

	Assets and Liabilities Measured at Fair Value on a Recurring Basis			
	Balance at June 30, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level:</b>				
International corporate stock	\$ 315,367	\$ 315,367	\$ -	\$ -
Debt Securities				
U.S. Treasury securities	21,607,582	21,607,582	-	-
U.S. government agencies	11,295,751		11,295,751	-
Municipal bonds	5,678,260	-	5,678,260	-
Total debt securities	<u>38,581,593</u>	<u>21,607,582</u>	<u>16,974,011</u>	-
Equity securities				
Mutual Funds				
Domestic	99,399,913	99,399,913	-	-
International	25,739,284	25,739,284	-	-
Alternative Investments				
Limited partnership	14,227,722	-	-	14,227,722
Collective equity	5,121,930	-	-	5,121,930
Total equity securities	<u>144,488,849</u>	<u>125,139,197</u>	<u>-</u>	<u>19,349,652</u>
Total investments by fair value level	<u>\$ 183,385,809</u>	<u>\$ 147,062,146</u>	<u>\$ 16,974,011</u>	<u>\$ 19,349,652</u>
<b>Investments measured at the net asset value (NAV)</b>				
Multi-strategy hedge funds	<u>\$ 28,936,074</u>			
Total investments measured at the NAV	<u>28,936,074</u>			
Total investments measured at fair value	<u>\$ 212,321,882</u>			

Bowling Green State University  
Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**2. Cash and Investments (continued)**

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

	Balance at June 30, 2015	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level:</b>				
International corporate stock	\$ 428,871	\$ 428,871	\$ -	\$ -
Debt Securities				
Municipal bonds	4,871,438	-	4,871,438	-
Total debt securities	4,871,438	-	4,871,438	-
Equity securities				
Mutual Funds				
Domestic	97,065,907	97,065,907	-	-
International	29,320,171	29,320,171	-	-
Alternative Investments				
Limited partnership	20,155,613	-	-	20,155,613
Collective equity	5,192,040	-	-	5,192,040
Total equity securities	151,733,731	126,386,078	-	25,347,653
Total investments by fair value level	<u>\$ 157,034,040</u>	<u>\$ 126,814,949</u>	<u>\$ 4,871,438</u>	<u>\$ 25,347,653</u>
<b>Investments measured at the net asset value (NAV)</b>				
Multi-strategy hedge funds	30,396,793			
Total investments measured at the NAV	<u>30,396,793</u>			
Total investments measured at fair value	<u>\$ 187,430,833</u>			

International corporate stock, equity securities and U.S. Treasury debt securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The remaining debt securities at June 30, 2016 and 2015 were determined primarily based on Level 2 inputs. The University estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The fair value of alternative investments at June 30, 2016 and 2015 was determined primarily based on Level 3 inputs. The University estimates the fair value of these investments using the University's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

**Investments in Entities that Calculate Net Asset Value per Share**

The University holds shares or interests in investment companies where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**2. Cash and Investments (continued)**

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>		
	<u>Fair Value</u>	<u>Fair Value</u>	<u>Unfunded</u>	<u>Redemption</u>	<u>Redemption</u>
			<u>Commitments</u>	<u>Frequency, if</u>	<u>Notice Period</u>
Multi-strategy hedge fund	\$28,936,074	\$30,396,792	\$ -	Quarterly	100 days
Total	<u>\$28,936,074</u>	<u>\$30,396,792</u>	<u>\$ -</u>		

The multi strategy hedge funds class invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The fair values of the investments in this class 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).

**Concentration Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The University's cash investment policy provides that investment pool direct placements are to be sufficiently diversified and provides that no more than 10 percent of its assets can be in any particular issue. The foregoing restrictions do not apply to securities that are issued or fully guaranteed by the United States government. The University did not have investments in any single issuer that equaled 10 percent or more in 2015 or 2014.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The University's investment in the State Treasurer's investment program that is not evidenced by securities that exist in physical or book entry form was \$110,127 and \$109,798 at June 30, 2016 and 2015, respectively. The remaining investments are uninsured and unregistered with securities held by the counterparty's trust department or agent in the University's name.

Bowling Green State University  
Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**2. Cash and Investments (continued)**

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

	<b>2016</b>	<b>2015</b>
Fixed income funds	<b>\$ 39,018,568</b>	\$ 38,598,002
Mutual funds	<b>73,311,173</b>	69,321,737
Corporate stocks	<b>265,024</b>	1,786,077
Money market funds	<b>2,934,748</b>	4,847,218
Alternative investments:		
Hedge funds	<b>21,101,040</b>	21,715,158
Private investment funds	<b>3,962,624</b>	3,108,450
Real estate funds and other	<b>2,386,798</b>	2,310,585
Total	<b>\$ 142,979,975</b>	\$ 141,687,227

The Foundation realized a net gain from the sale of investment securities of \$1,337,031 and \$3,957,522 for the years ended June 30, 2016 and 2015, respectively. The net depreciation in the fair value of investments totaled (\$2,576,714) and (\$5,727,490) for the years ended June 30, 2016 and 2015, respectively.

The Foundation has outstanding commitments to invest in various alternative investments at June 30, 2016 and 2015, amounting to approximately \$8,233,000 and \$3,679,000, respectively.

Certain Foundation investment securities are held by independent custodial and management agents. Custodial and management fees paid approximated \$115,000 and \$80,000 in 2016 and 2015, respectively.

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

	<b>2016</b>	<b>2015</b>
Money market funds	<b>\$ 19,383,595</b>	\$ 17,704,662

Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**3. Accounts Receivable**

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

	<b>2016</b>	<b>2015</b>
Student receivable for fees, room, and board	\$ 7,925,412	\$ 6,375,651
Research and sponsored programs	3,344,387	3,102,747
Other	1,989,261	1,624,867
	<b>13,259,060</b>	11,103,265
Less allowance for doubtful accounts	1,500,000	1,500,000
Totals	<b>\$ 11,759,060</b>	<b>\$ 9,603,265</b>

**4. Notes Receivable**

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

The University distributed \$118,123,902 and \$116,252,327 for student loans in 2016 and 2015, respectively, through the U.S. Department of Education federal direct lending program. These distributions and related funding sources are not included as revenues or expenses in the accompanying financial statements.

**5. Capital Assets**

Capital assets and accumulated depreciation and amortization of the University as of June 30, 2016 are summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements or Transfers</b>	<b>Ending Balance</b>
Land (non-depreciable)	\$ 9,177,884	\$ –	\$ –	\$ 9,177,884
Buildings	550,998,030	11,257,914	(8,772,829)	571,028,773
Infrastructure	100,519,021	801,183	(1,327,684)	102,647,888
Equipment	97,466,991	4,019,178	2,583,892	98,902,277
Library materials	26,371,604	2,292,918	2,760,769	25,903,753
Construction in progress (non-depreciable)	47,498,676	80,583,277	10,022,102	118,059,851
Capital leases	6,316,953	–	–	6,316,953
Capitalized interest	788,842	1,098,230	303,544	1,583,528
Total capital assets	<b>839,138,001</b>	<b>100,052,700</b>	<b>5,569,794</b>	<b>933,620,907</b>
Less accumulated depreciation and amortization	(385,541,124)	(27,537,664)	(5,427,910)	(407,650,878)
Net capital assets	<b>\$ 453,596,877</b>	<b>\$ 72,515,036</b>	<b>\$ 141,884</b>	<b>\$ 525,970,029</b>



## Bowling Green State University

## Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**5. Capital Assets (continued)**

The University has commitments of approximately \$116 million on various construction projects in progress as of June 30, 2016.

Capital assets and accumulated depreciation and amortization of the University as of June 30, 2015 are summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements or Transfers</b>	<b>Ending Balance</b>
Land (non-depreciable)	\$ 9,177,884	\$ –	\$ –	\$ 9,177,884
Buildings	531,547,614	10,284,728	(9,165,688)	550,998,030
Infrastructure	98,470,227	628,632	(1,420,162)	100,519,021
Equipment	95,785,685	3,587,471	1,906,165	97,466,991
Library materials	27,196,003	1,859,465	2,683,864	26,371,604
Construction in progress (non-depreciable)	29,389,927	36,991,925	18,883,176	47,498,676
Capital leases	6,316,953	–	–	6,316,953
Capitalized interest	866,216	437,711	515,085	788,842
Total capital assets	<u>798,750,509</u>	<u>53,789,932</u>	<u>13,402,440</u>	<u>839,138,001</u>
Less accumulated depreciation and amortization	<u>(369,556,507)</u>	<u>(26,266,786)</u>	<u>(10,282,169)</u>	<u>(385,541,124)</u>
Net capital assets	<u>\$ 429,194,002</u>	<u>\$ 27,523,146</u>	<u>\$ 3,120,271</u>	<u>\$ 453,596,877</u>

Capital assets and accumulated depreciation of the Corporation as of June 30, 2016 are summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
Land (non-depreciable)	\$ 873,499	\$ –	\$ –	\$ 873,499
Land improvements	1,384,056	–	–	1,384,056
Building	85,693,095	140,061	(112,396)	85,720,760
Furniture	3,746,625	5,300	(5,172)	3,746,753
Chartwells renovation	1,588,000	–	–	1,588,000
Total capital assets	<u>93,285,275</u>	<u>145,361</u>	<u>(117,568)</u>	<u>93,313,068</u>
Less accumulated depreciation	<u>(16,059,899)</u>	<u>(3,749,150)</u>	<u>19,524</u>	<u>(19,789,525)</u>
Net capital assets	<u>\$ 77,225,376</u>	<u>\$ (3,603,789)</u>	<u>\$ (98,044)</u>	<u>\$ 73,523,543</u>

## Bowling Green State University

## Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**5. Capital Assets (continued)**

Capital assets and accumulated depreciation of the Corporation as of June 30, 2015 are summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
Land (non-depreciable)	\$ 873,499	\$ -	\$ -	\$ 873,499
Land improvements	1,384,056	-	-	1,384,056
Building	85,693,095	-	-	85,693,095
Furniture	3,746,625	-	-	3,746,625
Chartwells renovation	1,588,000	-	-	1,588,000
Total capital assets	93,285,275	-	-	93,285,275
Less accumulated depreciation	(11,988,626)	(4,071,273)	-	(16,059,899)
Net capital assets	<u>\$ 81,296,649</u>	<u>\$ (4,071,273)</u>	<u>\$ -</u>	<u>\$ 77,225,376</u>

**6. Accounts Payable and Accrued Expenses**

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

	<b>2016</b>	<b>2015</b>
Accounts payable	\$ 19,203,755	\$ 18,775,604
Accrued payroll and withholdings	7,946,499	7,911,974
Accrued health claims	2,000,000	2,000,000
Accrued interest on bonds and capital lease	807,134	417,302
Total	<u>\$ 29,957,388</u>	<u>\$ 29,104,880</u>

Bowling Green State University  
Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**7. Long-Term Debt and Other Obligations**

Long-term debt and other obligations of the University for June 30, 2016 are summarized as follows:

Bonds	Rates	Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
2005 General Receipts Bonds	4.50-5.30	2005-2016	\$ 5,335,000	\$ -	\$ 5,335,000	\$ -	\$ -
2010 Series A Tax-Exempt	2.00-5.00	2010-2039	3,685,000	-	1,520,000	2,165,000	805,000
2010 Series B Build America	4.20-6.73	2015-2039	65,335,000	-	1,100,000	64,235,000	2,390,000
2012 Series A General Receipts Bond - 2003 Advance Refunding	1.92	2011-2019	6,175,000	-	1,500,000	4,675,000	1,530,000
2012 Series B General Receipts Bond - 2004 Advance Refunding	1.92	2011-2019	11,370,000	-	2,765,000	8,605,000	2,815,000
2014 General Receipts Bonds	Variable	2019-2048	40,000,000	-	-	40,000,000	-
2016 Bond Series A	3.75-5.00	2021-2046	-	70,000,000	-	70,000,000	-
Bond Premium			357,541	9,446,467	169,986	9,634,022	276,914
Total Bonds Payable			<u>132,257,541</u>	<u>79,446,467</u>	<u>12,389,986</u>	<u>199,314,022</u>	<u>7,816,914</u>
<b>Other liabilities</b>							
Vacation pay			7,300,867	5,172,854	4,992,288	7,481,433	5,664,103
Sick leave			5,139,015	112,315	-	5,251,330	439,094
Capital lease			2,557,569	-	1,265,561	1,292,008	1,292,008
Federal student loan deposits			8,318,432	-	-	8,318,432	-
Total other liabilities			<u>23,315,883</u>	<u>5,285,169</u>	<u>6,257,849</u>	<u>22,343,203</u>	<u>7,395,205</u>
Total long-term liabilities			<u>\$ 155,573,424</u>	<u>\$ 84,731,636</u>	<u>\$ 18,647,835</u>	<u>\$ 221,657,225</u>	<u>\$ 15,212,119</u>

Bowling Green State University  
Notes to Financial Statements (Continued)

June 30, 2016 and 2015

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

Long-term debt and other obligations of the University for June 30, 2015 are summarized as follows:

Bonds	Rates	Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
2004 General Receipts Bonds	5.10	2004-2015	\$ 2,400,000	\$ -	\$ 2,400,000	\$ -	\$ -
2005 General Receipts Bonds	4.50-5.30	2005-2016	10,420,000	-	5,085,000	5,335,000	5,335,000
2010 Series A Tax-Exempt	2.00-5.00	2010-2039	5,855,000	-	2,170,000	3,685,000	1,520,000
2010 Series B Build America	4.20-6.73	2015-2039	65,335,000	-	-	65,335,000	1,100,000
2012 Series A General Receipts Bond - 2003 Advance Refunding	1.92	2011-2019	7,650,000	-	1,475,000	6,175,000	1,500,000
2012 Series B General Receipts Bond - 2004 Advance Refunding	1.92	2011-2019	11,610,000	-	240,000	11,370,000	2,765,000
2014 General Receipts Bonds	Variable	2019-2048	40,000,000	-	-	40,000,000	-
Bond Premium			493,857	-	136,316	357,541	14,898
Total Bonds Payable			<u>143,763,857</u>	-	<u>11,506,316</u>	<u>132,257,541</u>	<u>12,234,898</u>
<b>Other liabilities</b>							
Vacation pay			7,051,682	5,066,861	4,817,676	7,300,867	5,644,320
Sick leave			5,377,899	-	238,884	5,139,015	438,209
Capital lease			3,797,224	-	1,239,655	2,557,569	1,292,008
Federal student loan deposits			8,318,432	-	-	8,318,432	-
Total other liabilities			<u>24,545,237</u>	<u>5,066,861</u>	<u>6,296,215</u>	<u>23,315,883</u>	<u>7,374,537</u>
Total long-term liabilities			<u>\$ 168,309,094</u>	<u>\$ 5,066,861</u>	<u>\$ 17,802,531</u>	<u>\$ 155,573,424</u>	<u>\$ 19,609,435</u>

Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

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

The scheduled maturities and interest of the University's bonds for the five fiscal years subsequent to June 30, 2016 and subsequent periods thereafter are as follows:

	Principal	Interest	Total
2017	\$ 7,540,000	\$ 6,455,967	\$ 13,995,967
2018	7,490,000	6,267,168	13,757,168
2019	7,585,000	6,066,249	13,651,249
2020	16,755,000	5,861,083	22,616,083
2021	4,080,000	5,280,649	9,360,649
2022-2026	22,035,000	24,151,657	46,186,657
2027-2031	25,635,000	19,711,606	45,346,606
2032-2036	32,215,000	14,535,478	46,750,478
2037-2041	31,680,000	8,336,566	40,016,566
2042-2046	30,225,000	2,998,288	33,223,288
2047-2048	4,440,000	38,409	4,478,409
	<u>\$ 189,680,000</u>	<u>\$ 99,703,120</u>	<u>\$ 289,383,120</u>

On May 7, 2014, the University issued \$40,000,000 of variable rate, tax exempt General Receipts Bonds, Series 2014. The proceeds will be used to finance the costs of various improvements to the University's campus, including (i) improvements to fully or partially renovate five academic classroom and instruction laboratory buildings and the supporting campus infrastructure, and also including improved replacement parking; (ii) partial renovation of the campus recreation and wellness facility; (iii) demolition, utility relocation and other site preparation work associated with one or more existing academic and residential buildings in preparation for future site-specific capital projects; and (iv) acquisition and installation of all related fixtures, furnishings and equipment.

This Series 2014 Bond has a stated maturity date of June 1, 2048 and bears interest at an adjustable rate, payable on the first business day of each month. The initial interest rate was .3637%; the rate will reset on the first of each month and is determined by a formula utilizing 68.50% of LIBOR plus a number of basis points that are assigned based on the University's then-current bond rating. At no time will the interest rate borne by this Series 2014 Bond exceed a maximum interest rate of 12% per year. The interest calculation for the Series 2014 Bond included in the above table of scheduled maturities is based upon the initial interest rate of .3637% per year.

Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

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

This Series 2014 Bond is subject to redemption at the option of the University prior to the stated maturity date in whole or in part, at the redemption price of 100% of the principal amount redeemed, plus accrued interest up to the redemption date. This Series 2014 Bond is subject to a mandatory tender by the Registered Owner, in whole but not in part, for purchase by the University in an amount equal to the outstanding principal amount of this Series 2014 Bond plus any accrued and unpaid interest on December 1, 2017.

On February 11, 2016, the University issued \$70,000,000 of fixed rate General Receipts Bonds, Series 2016A, with interest rates ranging from 3.75 percent to 5.00 percent, and maturities ranging from 2021 to 2046. The proceeds will be used to finance the costs of various improvements to the University's campus, including (i) improvements to fully or partially renovate five academic classroom and instruction laboratory buildings and the supporting campus infrastructure, and also including improved replacement parking; (ii) partial renovation of the campus recreation and wellness facility; (iii) demolition, utility relocation and other site preparation work associated with one or more existing academic and residential buildings in preparation for future site-specific capital projects; and (iv) acquisition and installation of all related fixtures, furnishings and equipment.

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

Interest expense related to long-term debt of the University for the years ended June 30, 2016 and 2015 was \$4,436,792 and \$4,078,613, respectively. Of this amount, \$794,686 and \$437,711 was capitalized by the University at June 30, 2016 and 2015, respectively.

The University had unspent bond proceeds, which are classified as restricted assets, at June 30, 2016 and 2015, of \$43,112,895 and \$22,936,435, respectively.

In December 2012, the University entered into a master tax-exempt lease/purchase agreement with Key Government Finance, Inc. in the amount of \$6,595,039. As of June 30, 2016, the University has \$1,292,008 remaining on the capital lease obligation which matures in December 2016. The master tax-exempt lease has a 0% stated interest rate and a 2.07% effective rate. Lease arrangements are used to provide financing for digital telecommunication equipment.

Bowling Green State University  
Notes to Financial Statements (Continued)

June 30, 2016 and 2015

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

Capital lease at June 30, 2016 is summarized as follows:

<b>Capital Lease</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due in One Year</b>
Master Tax-Exempt Lease/ Purchase Agreement	\$ 2,557,569	\$ -	\$ 1,265,561	\$ 1,292,008	\$ 1,292,008

Future minimum lease payments under the capital lease are as follows:

<b>Year</b>	<b>Total</b>
2017	\$ 1,319,008
Total Future Minimum Lease Payments	1,319,008
Less Amount Representing Interest	27,000
Total Obligation Under Capital Lease	\$ 1,292,008

Long-term liabilities of the Corporation for June 30, 2016 are summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due in One Year</b>
Bonds payable	\$ 79,505,000	\$ -	\$ 835,000	\$ 78,670,000	\$ 965,000
Construction funding payable	14,135,018	-	596,800	13,538,218	596,800
Total long-term liabilities	\$ 93,640,018	\$ -	\$ 1,431,800	\$ 92,208,218	\$ 1,561,800

Long-term liabilities of the Corporation for June 30, 2015 are summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due in One Year</b>
Bonds payable	\$ 80,215,000	\$ -	\$ 710,000	\$ 79,505,000	\$ 835,000
Construction funding payable	14,991,818	-	856,800	14,135,018	596,800
Total long-term liabilities	\$ 95,206,818	\$ -	\$ 1,566,800	\$ 93,640,018	\$ 1,431,800

Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

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

The interest and scheduled maturities of the Corporation's Series 2010 Bonds for the five fiscal years subsequent to June 30, 2016 and subsequent periods thereafter are as follows:

	Interest			Total
	Rate	Principal	Interest	
2017	4.25%	\$ 965,000	\$ 4,603,713	\$ 5,568,713
2018	4.50	1,105,000	4,562,700	5,667,700
2019	4.50	1,260,000	4,512,975	5,772,975
2020	5.00	1,315,000	4,456,275	5,771,275
2021	5.75	1,380,000	4,390,525	5,770,525
2022–2026	5.75	8,185,000	20,666,924	28,851,924
2027–2031	5.75	10,825,000	18,027,388	28,852,388
2032–2036	6.00	14,385,000	14,464,800	28,849,800
2037–2041	6.00	19,255,000	9,598,800	28,853,800
2042-2045	6.00	19,995,000	3,086,700	23,081,700
Total		\$ 78,670,000	\$ 88,370,800	\$ 167,040,800

The trustee for the Corporation's Series 2010 Bonds held unspent bond proceeds and capital contributions from the University of \$7,050,957 plus \$12,332,638 of net operating revenue and investment income for a total of \$19,383,595 as of June 30, 2016, which are classified as funds held by trustee. At June 30, 2015, the trustee held unspent bond proceeds and capital contributions from the University of \$7,050,670 plus \$10,653,992 of net operating revenue and investment income for a total of \$17,704,662, which are classified as funds held by trustee.

The construction funding payable amounts of the Corporation for the five fiscal years subsequent to June 30, 2016 and thereafter are as follows:

Year	The Oaks (CFP II)	Carillon (CFP III)	Chartwells Renovation	Total Due
2017	\$ 376,364	\$ 220,436	\$ –	\$ 596,800
2018	376,364	220,436	–	596,800
2019	376,364	220,436	–	596,800
2020	376,364	220,436	–	596,800
2021	376,364	220,436	–	596,800
Thereafter	6,586,364	3,967,854	–	10,554,218
	\$ 8,468,184	\$ 5,070,034	\$ –	\$ 13,538,218



Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**8. Retirement Benefits**

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

STRS Ohio and OPERS offer three separate retirement plans:

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

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

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

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

The STRS Ohio Comprehensive Annual Financial Report can be downloaded from the STRS website at [www.strsoh.org](http://www.strsoh.org). The Ohio Revised Code provides statutory authority for employer and employee contributions. The University contributes 14% of covered payroll and the employee pretax contribution rate is 13% of covered payroll. A portion of employer contributions was allocated to post-employment healthcare benefits as disclosed in Note 9.

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

Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**8. Retirement Benefits (continued)**

Employees may opt out of STRS Ohio or OPERS and participate in the Alternative Retirement Program (ARP), a defined contribution plan. The University contributes 14% of covered payroll and the employee pretax contribution rate is 10% of covered payroll for employees who opt out of OPERS and 13% for employees who opt out of STRS. Benefits are dependent upon contributions and investment earnings. This plan does not include disability, annual cost-of-living adjustments, death benefits, or healthcare benefits.

STRS – Plan benefits are established under Chapter 3307 of the Revised Code, as amended by Substitute Senate Bill 342 in 2012, gives the Retirement Board the authority to make future adjustments to the member contribution rate, retirement age and service requirements, and the COLA as the need or opportunity arises, depending on the retirement system's funding progress.

Any member may retire who has (1) five years of service credit and attained age 60; (2) 25 years of service credit and attained age 55; or (3) 30 years of service credit regardless of age. Beginning August 1, 2015, eligibility requirements for an unreduced benefit will change. The maximum annual retirement allowance, payable for life considers years of credited service, final average salary (3-5 years) and multiplying by a factor ranging from 2.2 percent to 2.6 percent with 0.1 percent incremental increases for years greater than 30-31, depending on retirement age.

A defined benefit plan or combined plan member with five or more years of credited service who is determined to be disabled (illness or injury preventing the individual's ability to perform regular job duties for at least 12 months) may receive a disability benefit. Additionally, eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013 must have at least 10 years of qualifying service credit to apply for disability benefits.

A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the plan. Death benefit coverage up to \$2,000 can be purchased by participants in all three of the plans. Various other benefits are available to members' beneficiaries.

OPERS – Plan benefits are established under Chapter 145 of the Ohio Revised Code, as amended by Substitute Senate Bill 343 in 2012. The requirements to retire depends on years of service (15 to 30 years) and from attaining the age of 48 to 62, depending on when the employee became a member. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. Member retirement benefits are calculated on a formula that considers years of service (15-30 years), age (48-62 years) and final average salary, using a factor ranging from 1.0 percent to 2.5 percent.

A plan member who becomes disabled before age 60 or at any age, depending on when the member entered the plan, and has completed 60 contributing months is eligible for a disability benefit.

Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**8. Retirement Benefits (continued)**

A death benefit of \$500 - \$2,500 is determined by the number of years of service credit of the retiree. Benefits may transfer to a beneficiary upon death with 1.5 years of service credits with the plan obtained within the last 2.5 years, except for Law Enforcement and Public Safety personnel who are eligible immediately upon employment.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent.

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

	<u>2016</u>	<u>2015</u>
STRS Ohio	\$ 6,398,000	\$ 6,304,000
OPERS	7,934,000	7,679,000
ARP	5,884,000	4,361,000
Total	<u>\$ 20,216,000</u>	<u>\$ 18,344,000</u>

In June, 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The Statements also enhance accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with the statement, the University reported a Net Pension Liability of \$194.7 million at June 30, 2015 as a change in accounting principle adjustment to Unrestricted Net Position as of July 1, 2014.

Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**8. Retirement Benefits (continued)**

At June 30, 2016 and June 30, 2015, the University reported a liability for its proportionate share of the net pension liability of STRS/OPERS. For the year ended June 30, 2016, the net pension liability was measured as of June 30, 2015 for the STRS plan and December 31, 2015 for the OPERS plan. For the year ended June 30, 2015, the net pension liability was measured as of June 30, 2014 for the STRS plan and December 31, 2014 for the OPERS plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

Plan	Date	Net Pension Liability		Proportionate Share		Percent Change
		2016	2015	2016	2015	
STRS	July 1	\$ 145,252,543	\$ 130,415,104	0.5256%	0.5362%	-0.01%
OPERS	December 31	71,389,662	51,032,379	0.4131%	0.4245%	-0.01%

For the years ended June 30, 2016 and June 30, 2015, the University recognized pension expense of \$21,240,181 and \$16,162,212, respectively. The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2016 and June 30, 2015:

June 30, 2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,632,036	\$ 1,386,376
Net difference between projected and actual earnings on pension plan investments	21,198,887	10,446,063
Changes in proportion and differences between University contributions and proportionate share of contributions	-	2,988,733
University contributions subsequent to the measurement date	10,240,726	-
Total	<u>\$ 38,071,649</u>	<u>\$ 14,821,172</u>

Bowling Green State University  
Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**8. Retirement Benefits (continued)**

June 30, 2015	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,255,530	\$ 952,005
Net difference between projected and actual earnings on pension plan investments	2,742,595	24,127,289
Changes in proportion and differences between University contributions and proportionate share of contributions	-	13,252
University contributions subsequent to the measurement date	10,065,030	-
Total	\$ 14,063,155	\$ 25,092,546

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2017	\$ 1,299,248
2018	1,644,867
2019	2,417,276
2020	7,590,703
2021	(11,390)
Thereafter	69,047

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2017).

Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**8. Retirement Benefits (continued)**

**Actuarial Assumptions** – The total pension liability in the actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>STRS - as of 6/30/15</u>	<u>OPERS - as of 12/31/15</u>
Valuation date	July 1, 2015	December 31, 2015
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	2.0 percent	3.0 percent
Salary increases, including inflation	2.75 percent - 12.25 percent	4.25 percent - 10.05 percent
Inflation	2.75 percent	3.75 percent
Investment rate of return	7.75 percent, net of pension plan investment expense	8.00 percent, net of pension plan investment expense
Experience study date	Period of 5 years ended July 1, 2012	Period of 5 years ended December 31, 2010
Mortality basis	RP-2000 Combined Mortality Table (Projection 2022–Scale AA)	RP-2000 mortality table projected 20 years using Projection Scale AA

	<u>STRS - as of 6/30/14</u>	<u>OPERS - as of 12/31/14</u>
Valuation date	July 1, 2014	December 31, 2014
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	2.0 percent	3.0 percent
Salary increases, including inflation	2.75 percent - 12.25 percent	4.25 percent - 10.05 percent
Inflation	2.75 percent	3.75 percent
Investment rate of return	7.75 percent, net of pension plan investment expense	8.00 percent, net of pension plan investment expense
Experience study date	Period of 5 years ended July 1, 2012	Period of 5 years ended December 31, 2010
Mortality basis	RP-2000 Combined Mortality Table (Projection 2022–Scale AA)	RP-2000 mortality table projected 20 years using Projection Scale AA

**Discount Rate** – The discount rate used to measure the total pension liability was 7.75 percent and 8.0 percent for STRS and OPERS, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**8. Retirement Benefits (continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>STRS - as of 6/30/15</u>			<u>OPERS - as of 12/31/15</u>		
<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	31.00%	8.00%	Fixed Income	23.00%	2.31%
International Equity	26.00%	7.85%	Domestic Equities	20.70%	5.84%
Alternatives	14.00%	8.00%	Real Estate	10.00%	4.25%
Fixed Income	18.00%	3.75%	Private Equity	10.00%	9.25%
Real Estate	10.00%	6.25%	International Equity	18.30%	7.40%
Liquidity Reserves	1.00%	3.00%	Other Investments	18.00%	4.59%
Total	<u>100%</u>		Total	<u>100%</u>	

<u>STRS - as of 6/30/14</u>			<u>OPERS - as of 12/31/14</u>		
<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	31.00%	5.50%	Fixed Income	23.00%	2.31%
International Equity	26.00%	5.35%	Domestic Equities	19.90%	5.84%
Alternatives	14.00%	5.50%	Real Estate	10.00%	4.25%
Fixed Income	18.00%	1.25%	Private Equity	10.00%	9.25%
Real Estate	10.00%	4.25%	International Equity	19.10%	7.40%
Liquidity Reserves	1.00%	0.50%	Other Investments	18.00%	4.59%
Total	<u>100%</u>		Total	<u>100%</u>	

Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**8. Retirement Benefits (continued)**

**Sensitivity of the net pension liability to changes in the discount rate** – The following presents the net pension liability of the University at June 30, 2016, calculated using the discount rate listed below, as well as what the University net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

June 30, 2016

<u>Plan</u>	<u>1.00 percent decrease</u>		<u>Current Discount Rate</u>		<u>1.00 percent increase</u>	
STRS	6.75%	\$ 201,766,739	7.75%	\$ 145,252,543	8.75%	\$ 97,461,364
OPERS	7.00%	114,090,501	8.00%	71,389,662	9.00%	35,383,270
		<u>\$ 315,857,240</u>		<u>\$ 216,642,205</u>		<u>\$ 132,844,634</u>

June 30, 2015

<u>Plan</u>	<u>1.00 percent decrease</u>		<u>Current Discount Rate</u>		<u>1.00 percent increase</u>	
STRS	6.75%	\$ 186,713,880	7.75%	\$ 130,415,104	8.75%	\$ 82,819,280
OPERS	7.00%	94,213,530	8.00%	51,032,379	9.00%	14,679,210
		<u>\$ 280,927,410</u>		<u>\$ 181,447,483</u>		<u>\$ 97,498,490</u>

**Pension Plan Fiduciary Net Position** - Detailed information about the pension plan’s fiduciary net position is available in the separately issued STRS/OPERS financial report.

**Ohio Public Employees Deferred Compensation Program**

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

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

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



Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**8. Retirement Benefits (continued)**

The amounts on deposit with the Program's Board at June 30, 2016 and 2015 approximated \$13,948,531 and \$13,352,111, respectively, which represents the fair value at such dates.

**9. Post-Employment Healthcare Benefits**

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

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

Under Ohio law, post-employment healthcare benefits under STRS are permitted, but not mandated; therefore, a portion of employer contributions is set aside for funding for the post-employment health. Of the 14% employer contribution rate, 0% of covered payroll was allocated to post-employment health care for the years ended June 30, 2016 and June 30, 2015. For the year ended June 30, 2014, 1% of covered payroll was allocated to post-employment health care. The 14% employer contribution rate is the maximum rate established under Ohio law.

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

Under Ohio law, post-employment healthcare benefits under OPERS are permitted, but not mandated; therefore, a portion of employer contributions is set aside for funding post-employment health care. Effective January 1, 2014, the portion of employer contributions allocated to health care increased to 2% for both plans, as recommended by the OPERS actuary. Payment amounts vary depending on the number of covered dependents and coverage selected.

Bowling Green State University  
Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**9. Post-Employment Healthcare Benefits (continued)**

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

	<b>2016</b>	<b>2015</b>	<b>2014</b>
STRS Ohio	\$ -	\$ -	\$ 65,000
OPERS	<b>1,124,110</b>	<b>1,088,170</b>	838,066
Total	<b>\$ 1,124,110</b>	<b>\$ 1,088,170</b>	<b>\$ 903,066</b>

**10. Risk Management**

The University self-insures its healthcare program up to a specific limit of \$275,000 per individual event. The University has specific stop-loss coverage.

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

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Unpaid claims, July 1	<b>\$ 2,000,000</b>	\$ 2,000,000	\$ 2,000,000
Incurred claims	<b>19,049,603</b>	18,948,810	17,788,830
Paid claims	<b>(19,049,603)</b>	(18,948,810)	(17,788,830)
Unpaid claims, June 30	<b>\$ 2,000,000</b>	\$ 2,000,000	\$ 2,000,000

This actuarially determined liability for estimates of losses retained by the University for outstanding claims and claims incurred but not reported is the University's best estimate based on past experience and current claims outstanding. Actual claims experience may differ from the estimate.

Risk financing methods for property and casualty exposures include a combination of insurance, self-insurance, and risk pooling via a joint program formed with other four-year publicly funded universities in the state. This program is referred to as the Inter-University Council Insurance Consortium (IUC-IC) and it obligates member institutions to realize the first \$100,000 per covered loss for nearly all exposures before the claim reaches the pool and eventually the insured layers of the program. All of 14 member institutions participate in the program with the exception of The Ohio State University. The operation of the pool is managed by a Board of Governors consisting of one member representative and one alternate from each institution.

Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**10. Risk Management (Continued)**

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

**11. Contingencies**

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

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

Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**12. Foundation Net Assets**

The Foundation's temporarily restricted net assets at June 30, 2016 and 2015 were available for the following purposes:

	<b>2016</b>	<b>2015</b>
Scholarships	\$ 26,339,481	\$ 26,108,760
General and operational support	19,679,625	18,336,341
Capital and equipment	6,030,704	5,958,040
Professorships	2,210,089	2,379,659
Centers and institutes	1,471,693	1,481,878
Chair	1,236,327	1,331,881
Research	671,756	628,231
Faculty and staff	183,774	221,520
Fellowships	71,448	71,294
Total	<u>\$ 57,894,897</u>	<u>\$ 56,517,604</u>

The Foundation's summary of the net assets released from restrictions during the years ended June 30, 2016 and 2015 is as follows:

	<b>2016</b>	<b>2015</b>
General and operational support	\$ 8,362,849	\$ 7,085,867
Scholarships	3,573,240	2,948,826
Capital and equipment	1,979,544	849,835
Centers and institutes	203,773	298,466
Professorships	195,328	162,231
Chair	79,431	96,756
Faculty and staff	42,000	13,271
Research	2,327	18,611
Fellowship	-	16,000
Total	<u>\$ 14,438,492</u>	<u>\$ 11,489,863</u>

Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**12. Foundation Net Assets (continued)**

The Foundation's permanently restricted net assets at June 30, 2016 and 2015 are investments in perpetuity, the income from which is expendable to support the following purposes:

	<u>2016</u>	<u>2015</u>
Scholarships	\$ 57,793,035	\$ 53,330,251
General and operational support	17,896,401	17,531,059
Professorships	8,664,560	8,454,957
Capital and equipment	1,984,830	1,880,104
Centers and institutes	1,397,179	1,258,754
Chair	1,480,629	1,480,629
Faculty and Staff	1,011,316	1,010,666
Research	468,941	408,791
Fellowships	29,209	29,209
Total	<u>\$ 90,726,100</u>	<u>\$ 85,384,420</u>

**13. Related-Party Transactions**

The University leased the land comprising the two sites on which the Series 2010 Project facilities are constructed to the Corporation under a Ground Lease between the State of Ohio, acting by, through, and for the University, as lessor, and the Corporation, as lessee. The lease commenced on May 3, 2010 and will expire May 2, 2055. The Corporation shall have the right and option to extend this lease for up to two consecutive terms of 15 years each.

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

The Series 2010 Project includes two housing facilities, Falcon Heights and Centennial Hall, which were placed in service in August 2011. The University has the resources and processes in place to invoice and collect funds from students for housing and housing-related fees for all other residence halls. The University acts as an agent between the students and CFP I and will invoice, collect the student accounts on behalf of CFP I, and then distribute the monies to CFP I. CFP I records operating revenue from these activities, which totaled approximately \$8,999,000 and \$8,737,000 for the years ended June 30, 2016 and 2015, respectively. The University owed CFP I student housing and housing-related fees totaling approximately \$55,000 and \$56,000 for the years ended June 30, 2016 and 2015, respectively.

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

Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**13. Related-Party Transactions (continued)**

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

The University incurred costs during different stages of start-up and implementation of the Corporation and its subsidiaries. The University also incurred costs on behalf of the Corporation and its subsidiaries for various outside services related to the Series 2010 Project, The Oaks, and Carillon. These outside services include consulting, legal, engineering, architectural, and construction. In addition, certain salaries and fringe benefits of financial, accounting, development, and information technology personnel are incurred by the University but relate 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 \$32,000 for both fiscal years ended June 30, 2016 and 2015.

Chartwells provided approximately \$18,000,000 of funding for these projects for the year ended June 30, 2012. The Chartwells construction funding payable will be paid in annual installments, ranging from \$409,000 to \$857,000 over 27.5 years, through June 30, 2039. Due to the University's Management Agreement with Chartwells for the dining program and in exchange for the use of the dining facilities, the University repays the construction funding payable on behalf of the Corporation, as these are of approximate equal value. As such, the Corporation recognizes this non-cash transaction as a decrease to the construction funding payable and as in-kind support nonoperating revenue. For the years ended June 30, 2016 and 2015, the repayment and in-kind support revenue totaled \$596,800 and \$856,800, respectively. The University recognized in-kind nonoperating expense of \$596,800 and \$856,800 for the years ended June 30, 2016 and 2015, respectively.

The University can pay off the construction funding payable of \$18,000,000 early without penalty. The University also has a Food Services Agreement with Chartwells in which the University pays a management fee to Chartwells to manage the dining halls through fiscal year 2020. 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.

## **Required Supplemental Information**

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# Bowling Green State University

## Required Supplemental Information

### Schedule of Pension Funding Progress:

Plan year end	2016	
	OPERS	STRS
	December 31, 2015	June 30, 2015
University's proportion of the Plan's collective net pension liability:		
As a percentage	0.4131%	0.5256%
Amount	\$ 71,389,662	\$ 145,252,543
University's covered-employee payroll	\$ 62,112,087	\$ 46,225,751
University's proportionate share of the collective pension liability (amount), as a percentage of the University's covered-employee payroll	114.94%	314.22%
Fiduciary net position as a percentage of the total pension liability	81.19%	72.10%

### Schedule of Contributions

	2016	
	OPERS	STRS
Statutorily required contribution	\$ 7,934,000	\$ 6,284,849
Contributions in relation to the actuarially determined contractually required contribution	\$ 7,934,000	\$ 6,284,849
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 55,472,339	\$ 44,891,777
Contributions as a percentage of covered employee payroll	14.30%	14.00%

### Schedule of Pension Funding Progress:

Plan year end	2015	
	OPERS	STRS
	December 31, 2014	June 30, 2014
University's proportion of the Universities' collective net pension liability:		
As a percentage	0.4245%	0.5362%
Amount	\$ 51,032,379	\$ 130,415,104
University's covered-employee payroll	\$ 53,363,875	\$ 46,606,816
University's proportional share of the collective pension liability (amount), as a percentage of the University's covered-employee payroll	95.63%	279.82%
Fiduciary net position as a percentage of the total pension liability	86.53%	74.70%

### Schedule of Contributions

	2015	
	OPERS	STRS
Statutorily required contribution	\$ 7,679,000	\$ 6,304,000
Contributions in relation to the actuarially determined contractually required contribution	\$ 7,679,000	\$ 6,304,000
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 61,602,245	\$ 46,225,751
Contributions as a percentage of covered employee payroll	12.47%	13.64%



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, the Audit Committee, and  
the Board of Trustees  
Bowling Green State University

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 basic financial statements of Bowling Green State University (the "University"), a component unit of the State of Ohio, and its discretely presented component units as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 7, 2016. Our report includes a reference to other auditors who audited the financial statements of Bowling Green State University Foundation, Inc. and Subsidiary, as described in our report on Bowling Green State University's basic financial statements. The Foundation represents 62 percent, 89 percent, and 74 percent, respectively, of the assets, net position, and revenue of the discretely presented component units. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Bowling Green State University'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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 University'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.

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

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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Bowling Green State University's 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 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 the University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Moran, PLLC*

October 7, 2016

Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Audit Committee and  
the Board of Trustees  
Bowling Green State University

**Report on Compliance for Each Major Federal Program**

We have audited Bowling Green State University's (the "University") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2016. Bowling Green State University's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Bowling Green State University's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bowling Green State University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bowling Green State University's compliance.

To the Audit Committee and  
the Board of Trustees  
Bowling Green State University

### **Opinion on Each Major Federal Program**

In our opinion, Bowling Green State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

Management of Bowling Green State University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bowling Green State University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Plante & Moran, PLLC*

October 7, 2016

# Bowling Green State University

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2016

Federal Grantor, CFDA Title, Pass-Through Grantor, Project Name	CFDA Number	Agency Number	Passed Through to Subrecipients	Expenditures
<b>STUDENT FINANCIAL AID CLUSTER</b>				
<b>U.S. Department of Education:</b>				
Direct awards:				
Federal Supplemental Educational Opportunity Grants	84.007		\$	661,919
Federal Work-Study Program	84.033			618,941
Federal Perkins Loans	84.038			9,336,912
Federal Pell Grant Program	84.063			22,398,363
Federal Direct Subsidized Student Loans	84.268			33,331,146
Federal Direct Unsubsidized Student Loans	84.268			49,439,600
Federal Direct PLUS Loans	84.268			35,353,156
Teacher Education Assistance for College and Higher Education Grants	84.379			588,360
Federal Nursing Student Loans	93.364			711,647
<b>TOTAL STUDENT FINANCIAL AID CLUSTER</b>				<b>152,440,044</b>
<b>RESEARCH &amp; DEVELOPMENT CLUSTER</b>				
<b>U.S. Department of Agriculture:</b>				
Agricultural and Food Research Initiative:				
Pass-through from:				
Virginia Polytechnic Institute and State University:				
Integrated Management of Oomycete Diseases of Soybean and	10.310	0422183-19755/422262		100,469
<b>Total U.S. Department of Agriculture</b>				<b>100,469</b>
<b>U.S. Department of Commerce:</b>				
Economic Development – Technical Assistance:				
Direct award:				
Rural Universities Consortium University Center	11.303	06-66-05704	\$	103,757
Pass-through from:				
Purdue University:				
Great Lakes Regional Training Initiative: An EDA University Centers Collaborative Phase 2	11.303	06-86-05885		4,637
Sea Grant Support:				
Pass-through from:				
Ohio State University Research Foundation:				
Source Tracking and Toxicogenicity of Planktothrix in Sand	11.417	NA14OAR4170067/60043512		34,321
A Study on Special Event: Annual Walleye Festival at Por	11.417	NA14OAR4170067/60052964		4,445
What Makes Planktothrix Bloom? An Examination of Physiol	11.417	NA14OAR4170067/60053686		2,493
Coastal Zone Management Administration:				
Pass-through from:				
University of Toledo:				
Building Resilient Shorelines for a Healthier Lake Erie Phase 1	11.419	NA13NOS4190057/DNRFH013		7,208
Building Resilient Shorelines for a Healthier Lake Erie Phase 2	11.419	NA13NOS4190057/DNRFH017		43,311
<b>Total U.S. Department of Commerce</b>				<b>287,281</b>
<b>U.S. Department of Defense and Research</b>				
Basic Scientific Research:				
Direct Award:				
Adverse Cross-Cultural Interactions: Testing a Model of Resiliency	12.431	W911NF-14-2-0048		10,664
14,823				
Air Force Defense Research Sciences Program:				
Direct award:				
Wavelength Shifting Polymers Based on Sensitized Triplet	12.800	FA9550-13-1-0106		402,321
402,321				
Pass-through from:				
Infoscitex Corporation:				
Human Deception Detection from Whole Body Motion Analysis	12.800	FA8650-12-D-6364		43,778
<b>Total U.S. Department of Defense and Research</b>				<b>460,922</b>
<b>U.S. Department of Justice:</b>				
Promoting Evidence Integration in Sex Offender Mgmt Discretionary Grant Prog:				
Pass-through from:				
Fairleigh Dickinson University:				
Campus Sexual Misconduct: Using Perpetrator Risk Assessment	16.203	2014-AW-BX-K002		1,929
Second Chance Act Reentry Initiative:				
Pass-through from:				
Lucas County Juvenile Court:				
Lucas County Re-Entry Program Second Chance Act two - Phase	16.812	2014-BJ-SCA-1416		25,452
National Institute of Justice Research, Evaluation, Development Project Grants:				
Direct awards:				
Police Integrity Lost: A Study of Law Enforcement Officers Arrested	16.560	2011-IJ-CX-0024		1,479
<b>Total U.S. Department of Justice</b>				<b>28,860</b>

# Bowling Green State University

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2016

<b>U.S. Department of Transportation:</b>				
University Transportation Centers Program				
Pass-through from:				
San Jose State University:				
Assessing the Socio-Economic Impacts of Mass Transit Sys	20.701	DTRT12-G-UTC21	\$	37,636
<b>Total U.S. Department of Transportation</b>				<u>37,636</u>
<b>U.S. Office of Personnel Management:</b>				
Intergovernmental Personnel Act (IPA) Assignment:				
Direct award:				
Intergovernmental Personnel Act (IPA) Assignment	27.011	1248631		(7,142)
<b>Total U.S. Office of Personnel Management</b>				<u>(7,142)</u>
<b>National Aeronautics and Space Administration</b>				
Aerospace Education Services Project				
Pass-through from:				
AmericaView:				
Ground Data Acquisition and Processing for Hyperspectral	43.001	AV14-NASAGRC-BGSU01		350
NASA Jet Propulsion Laboratory:				
Investigation of Earthquake Rupture Mechanism and Proces	43.CON	1546861 / NNN12AA01C		1,258
<b>Total National Aeronautics and Space Administration</b>				<u>1,608</u>
<b>National Science Foundation</b>				
Engineering Grants:				
Direct awards:				
Collaborative: Room-Temperature Electrophosphorescence	47.041	ECCS-1202439		66,529
Low-Temperature Assembly of All-Inorganic Solar Cells	47.041	CBET-1236355		125,866
Exploring the Feasibility of Plasmonic Nanocrystal Solar	47.041	CBET-1510503		17,901
Pass-through from:				
University of Michigan:				
Improving Decision Making and Equity in Engineering Admin	47.041	3002985880		10,957
Mathematical and Physical Sciences:				
Direct awards:				
EXTREEMS-QED: Computational Mathematics and Statistics	47.049	DMS-1331036		130,610
CAREER: Iminium Salts as Potential Water Oxidation Catal	47.049	CHE-1055397		38,563
Development of Nanocomposite Inorganic Materials for Phot	47.049	CHE-1112227		(2,559)
Deciphering Light Induced Double Bond Isomerization	47.049	CHE-1152070		68,452
49th Spring Topology and Dynamics Conference	47.049	DMS-1539762		18,067
Molecular-Wire Energy Transfer and Exciton Diffusion in	47.049	DMR-1006761		132,449
Energy Funneling in Plasmonic Nanocrystal Composites for	47.049	CHE-1465052		23,917
Photochemistry, Spin, and Molecular Motion: Connections	47.049	CHE-1464817		92,750
Workshop: Photocatalysis, Photoconversion, and Photoelec	47.049	CHE-1622670		19,703
Geosciences:				
Direct awards:				
Collaborative Research: Characterizing Arctic Climate	47.050	EAR-1204049		27,142
Investigating Early Miocene Sub-Ice Volcanoes in Antarct	47.050	PLR-1443576		36,691
Computer and Information Science and Engineering:				
Direct awards:				
CI-EN: Boa: A Collaboratory for Studying Software and it	47.070	CNS-1512947		34,827
SHF: Large: Collaborative Research: Inferring Software S	47.070	CCF-1518776		37,594
Building a Cyberlearning Research Program: An Early Care	47.070	IIS-1541669		23,135
Biological Sciences:				
Direct awards:				
SG: Microbes Promote Ice Formation in Inland Waters	47.074	DEB-1354707		31,248
Collaborative Research: Navigation and the Neural Integr	47.074	DEB-1457304		38,481
Education and Human Resources:				
Direct awards:				
iEvolue: Inquiry and Engagement to Invigorate and Optimize	47.076	DUE-1238136	\$	101,252
SET-GO: Science, Engineering & Technology Gateway Ohio	47.076	DUE 0757001		123,204
GRAMS: Granting Access to Mathematics and Science	47.076	DUE-0850026		44,323
GRAMS II: Granting Access to Mathematics and Science	47.076	DUE-0966189		247,382
Collaborative Research: AGEP-T: Northern Ohio AGEP Allia	47.076	HRD-1432921		5,866
Project SEA Change: Using Social Connectivity to Improve	47.076	DUE-1525623		138,167
MATH: EAGER: Collaborative Research: Implementing a Peer	47.076	DUE-1544342		21,152
Office of International Science and Engineering:				
Pass-through from:				
CRDF Global:				
Computational Compositional Mapping of Magnetic and Stru	47.079	OISE-9531011		19,469
Trans-NSF Recovery Act Research Support:				
Direct awards:				
CAREER: Monitor Ultrafast Excited-State Selective (ARRA)	47.082	CHE-0847707		3,322
<b>Total National Science Foundation</b>				<u>2,969,464</u>

# Bowling Green State University

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2016

### Department of Energy:

Office of Science and Financial Assessment:				
Direct award:				
Chemical Imaging Studies	81.049	DEFG02-06ER15827	\$	108,839
Pass-through from:				
National Renewable Energy Laboratory:				
From Modules to Atoms: Increasing Reliability/Stability	81.087	XEJ-6-62131-01		<u>27,674</u>
<b>Total Department of Energy</b>				<u>136,513</u>

### U.S. Department of Education:

Migrant Education:				
Pass-through from:				
Ohio Department of Education:				
Statewide Migrant Education Needs Assessment, Service Delivery	84.011	EDU010000013540		65
Ohio Migrant Education - Year 2	84.011	EDUD201510398		22,973
Mathematics and Science Partnerships:				
Pass-through from:				
ODE Center for Curriculum and Assessment:				
Common Core for Achievement & Middle Grades Mathematical	84.366	MSP CAMP		
Common Core for Mathematical Proficiency in Elementary Scho	84.366	PO 13364		2,987
Common Core for Achievement & Middle Grades Mathematical	84.366	PO 13710		21,226
Common Core for Mathematical Proficiency in Elementary S	84.366	S366B140036/PO14834		84,064
Common Core for Achievement & Middle Grades Mathematical	84.366	S366B140036/PO14833		78,647
Common Core for Mathematical Proficiency in Elementary S	84.366	S366B140036/PO16432		290,803
Common Core for Achievement & Middle Grades Mathematical	84.366	S366B140036/PO16431		191,152
ONLS in Mathematics - Building a PK-5 Foundation for Suc	84.366	S366B140036/PO15249	\$	27,310
<b>Total U.S. Department of Education</b>				<u>882,107</u>

### U.S. Department of Health and Human Services:

Occupational Safety and Health Program:				
Pass-through from:				
University of Cincinnati:				
An Examination of Emotional Labor in the Nursing Supervisor-Sub	93.262	L14-4500081769		(9)
A Test of the Work Stressor-Vulnerability Model of Alcoh	93.262	5T42OH008432-10		3,916
Get ACTIVE! A Pilot Acceptance and Commitment Therapy Wo	93.262	5T42OH008432-10		3,468
PPHF 2015: Nutrition, Physical Activity and Obesity Base:				
Pass-through from:				
ProMedica	93.757	U580P005453/38-27960		21,418
ProMedica	93.757	U580P005453		7,162
Biomedical Research and Research Training:				
Direct awards:				
Single-Molecule Patch-Clamp FRET Imaging Microscopy	93.859	1R01GM098089-01A1		425,961
A Population-Level Analysis of Novel Antimicrobial Products	93.859	1R15GM104834-01		84,317
Integrated Resources to Elucidate RNA Sequence-Structure	93.859	2R01GM085328-05	124,047	338,835
Control Mechanisms of the Nitric Oxide Synthases	93.859	R01GM051491-17A1		93,779
Child Health and Human Development Extramural Research:				
Direct awards:				
Center for Family and Demographic Research Year 8	93.865	2R24HD050959-08		207,661
Life Course, Relationship, and Situational Contexts of Today's Youth	93.865	1R01HD066087-01A1		151,935
Neighborhood Change and Violence in Adolescence	93.865	1R15HD070098-01A1		124,501
Measuring Marriage & Divorce at the County Level	93.865	1R03HD078653-01		72,114
Distal Determinants of Disparities in Unintended Ferti	93.865	1R01HD078412-01A1	154,778	270,650
Social and Interpersonal Environments and Parent-Child R	93.865	R15HD083891		83,325
Aging Research:				
Direct award:				
Health and Well-being Effects on Later-life Divorce and	93.866	1R15AG047588-01		114,312
Pass-through from:				
University of Michigan:				
Parents and Adult Childrens Reports of Intergeneration	93.866	P01AG029409		<u>19,816</u>
<b>Total U.S. Department of Health and Human Services</b>				<u>2,023,161</u>

**TOTAL RESEARCH & DEVELOPMENT CLUSTER** 6,920,879

### TRIO CLUSTER

#### U.S. Department of Education

Direct awards:				
Student Support Services	84.042	P042A101256		94,766
Student Support Services	84.042A	P042A150838		432,970
Educational Talent Search Program	84.044	P044A110535		410,363
Upward Bound	84.047A	P047A121619		370,382
McNair Post-Baccalaureate Achievement	84.217A	P217A120231		<u>179,617</u>
<b>TOTAL TRIO CLUSTER</b>				<u>1,488,098</u>

# Bowling Green State University

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2016

### HIGHWAY PLANNING AND CONSTRUCTION CLUSTER

#### Department of Transportation:

Highway Planning and Construction:

Pass-through from:

Ohio Department of Transportation:

Dedolomitization and Alkali Reactions in Ohio-Sourced Do

20.205

E150155

\$ 11,930

#### TOTAL HIGHWAY PLANNING AND CONSTRUCTION CLUSTER

11,930

### HIGHWAY SAFETY CLUSTER

#### Department of Transportation:

State and Community Highway Safety

Pass-through from:

Ohio Department of Public Safety:

Safe Communities- Northwest Ohio

20.600

SC-2014-87-00-0-00047

(89)

Safe Communities- Northwest Ohio

20.600

SC-2015-87-00-0-00047

19,478

Safe Communities - Northwest Ohio

20.600

SC-2016-87-00-0-00541

37,091

#### TOTAL HIGHWAY SAFETY CLUSTER

56,480

### CCDF CLUSTER

#### U.S. Department of Health and Human Services:

Child Care Mandatory and Match:

Pass-through from:

Ohio Educational Telecommunications Network:

Ohio Ready to Learn

93.596

G-1 415-17-0272

29

Ohio Ready to Learn

93.596

G-1617-17-0242

32,625

#### TOTAL CCDF CLUSTER

32,654

### OTHER GRANTS AND CONTRACTS

#### U.S. Department of Defense:

Basic, Applied and Advanced Research:

Pass-through from:

Academy of Applied Science:

Ohio Junior Science and Humanities Symposium

12.630

W911NF-10-2-0076

(13)

Ohio Junior Science and Humanities Symposium

12.630

W911NF-10-2-0076

20,000

#### Total U.S. Department of Defense

19,987

#### U.S. Department of the Interior:

National Cooperative Geologic Mapping:

Pass-through from:

AmericaView:

State View Program Development and Operations for the St

15.810

AV15-OH01/G14AP00002

2,934

#### Total U.S. Department of the Interior

2,934

#### U.S. Department of Labor:

Employment and Training Administration:

Pass-through from:

Toledo Public Schools:

Project Evaluation for Pathways to Prosperity

17.274

73422

(3,540)

#### Total U.S. Department of Labor

(3,540)

#### Department of State:

Educational Exchange Teachers:

Pass-through from:

International Research Exchange Board:

Teaching Excellence & Achievement Program (TEA) at BGSU

19.408

S-ECAGD-15-CA-1018

196,893

#### Total Department of State

196,893

#### National Endowment for the Humanities:

Promotion of the Humanities Fellowships and Stipends:

Pass-through from:

Ohio Humanities Council:

Interdisciplinary Symposium on Improvisation

45.129

MA15-004

2,667

#### Total National Endowment for the Humanities

2,667

#### Environmental Protection Agency:

Environmental Education Grants:

Pass-through from:

Harrisburg University of Science & Tech:

GLISTEN Environmental Stewardship & Service-Learning

66.951

NE 00E01029

63

#### Total Environmental Protection Agency

63



# Bowling Green State University

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2016

### Department of Education:

Vocational Education Basic Grants:

Pass-through from:

Ohio Department of Education:

Career-Technical Education (CTE) Teacher Education Preparation	84,048	VEPD-TPR-12-062893	\$ 278
Career-Technical Education (CTE) Teacher Education Prepa	84,048	EDU20A01566451	111,147

Safe and Drug-Free Schools and Communities National Programs:

Pass-through from:

Northwest Ohio Educational Service Center:

Williams County Safe Schools/Healthy Students Initiative	84,184	CFDA 84.184	42,118
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Twenty-First Century Community Learnings Centers:

Pass-through from:

Ottawa-Glandorf Local Schools:

OASIS - Ottawa Elementary (Ottawa Afterschool Student Interv	84,287	8920	(666)
OASIS - Ottawa Elementary (Ottawa Afterschool Student In	84,287	Prime 8920	7,274

Putnam County Educational Service Center:

Evaluation of Continental 21st Century After-School Prog	84,287	Prime #9249	7,535
Evaluation of Leipsic 21st Century After-School Program	84,287	Prime #9195	7,712
Evaluation of Columbus Grove 21st Century After-School P	84,287	Prime 9028	7,756

Special Education - State Pers:

Pass-through from:

OH Coalition Educ of Children with Disabilities:

SPDG Grant - Year 3	84,323	CFDA 84.323A	19,096
SPDG Grant - Year 4	84,323	CFDA 84.323A	133,723

Improving Teacher Quality State Grants:

Pass-through from:

Ohio Department of Higher Education:

Black Swamp - Math Teachers Circle (BS - MTC)	84,367	14-06	39,458
Science Teaching Advancement through Modeling Physical S	84,367	14-08	122,643
ASSETS: Advancing the Science Skill of Elementary Teache	84,367	15-07	14,684
Science Teaching Advancement through Modeling Physical S	84,367	15-06	13,022

**Total U.S. Department of Education**

525,780

### U.S. Department of Health and Human Services:

Personal Responsibility Education Program:

Pass-through from:

Lucas County Regional Health District:

Personal Responsibility Education Program	93,092	04810011PR0115	6,215
Personal Responsibility Education Program	93,092	04810011PR0516	36,466

Substance Abuse & Mental Health Services Projects of Regional & Natl Significance:

Direct award:

Suicide Prevention Grant - Empowering a Community	93,243	1U79SM060492-01	62,103
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Block Grants for Prevention and Treatment of Substance Abuse:

Pass-through from:

Ohio Department of Alcohol and Drug Addiction Services:

BGSU High-Risk Drinking Prevention Program	93,959	998207HEDUCP14-9854	0
BGSU High-Risk Drinking Prevention Program	93,959	998207-HEDUC-P169854	3,383

**Total U.S. Department of Health and Human Services**

108,167

**TOTAL OTHER GRANTS AND CONTRACTS**

852,951

**TOTAL FEDERAL EXPENDITURES**

\$ 924,129 **\$ 161,803,036**

# Bowling Green State University

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## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2016

### **Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Bowling Green State University under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Bowling Green State University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Bowling Green State University.

### **Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, *Cost Principles for Educational Institutions*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

### **Note 3 - Indirect Costs**

The University recovers indirect costs by means of provisional fixed indirect cost rates. The provisional fixed rates are a result of negotiated agreements with the U.S. Department of Health and Human Services. The predetermined fixed rate for on-campus research is 42 percent of modified total direct costs, and the off-campus predetermined rate is 21 percent of modified total direct costs effective July 1, 2015 until June 30, 2019.

The University has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

# **Bowling Green State University**

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## **Notes to Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2016**

### **Note 4 - Federal Direct Student Loans and Other Loans**

The University acts as an intermediary for students receiving Federal Direct Student Loans (CFDA #84.268), which include Direct Loans and Parents' Loans for Undergraduate Students, from the federal government. The federal government is responsible for billings and collections of the loans. The University assists the federal government by processing the applications and applying funds to student accounts from the federal government. Since this program is administered by the federal government, new loans made in the fiscal year ended June 30, 2016, related to Federal Direct Loans, are considered current year federal expenditures, whereas the outstanding loan balance is not.

The outstanding balances on the Federal Perkins Loans and the Federal Nursing Student Loans at June 30, 2016 are \$8,238,187 and \$601,397, respectively.

# Bowling Green State University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2016

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)?  Yes  No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.364	Student Financial Aid Cluster
10.310, 11.303, 11.417, 11.419, 12.431, 12.800, 16.203, 16.560, 16.812, 20.701, 27.011, 43.001, 43.CON, 47.041, 47.049, 47.05, 47.070, 47.074, 47.076, 47.079, 47.082, 81.049, 81.087, 84.011, 84.366, 93.262, 93.757, 93.859, 93.865, 93.866	Research and Development Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

# **Bowling Green State University**

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## **Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016**

### **Section II - Financial Statement Audit Findings**

None

### **Section III - Federal Program Audit Findings**

None

# Bowling Green State University

## Summary Schedule of Prior Audit Findings Year Ended June 30, 2016

Prior Year Finding Number	Fiscal Year in Which the Finding Initially Occurred	Federal Program, CFDA Number, and Name	Original Finding Description	Status/Partial Corrective Action (as applicable)	Planned Corrective Action (if finding not corrected)
2015-001	2015	Student Financial Aid Cluster (Federal Perkins Loan Program - CFDA 84.038)	Bowling Green State University (BGSU) uses a third-party service organization, Electronic Computer Systems Inc. (ECSI), to send a list of students requiring an exit interview, which then BGSU performs exit interviews. Certain students were excluded from the Perkins loan listings transferred to BGSU. These loans did not receive the required exit interview upon separation.	Corrected - The University has made immediate changes in business processes whereby new reporting and system interfaces have been changed to improve reporting to and from ECSI. In addition, internal quality assurance checks will be made on all Federal Perkins recipients to verify enrollment in order to improve our exit interview process.	N/A

# Bowling Green State University

## Summary Schedule of Prior Audit Findings (Continued) Year Ended June 30, 2016

Prior Year Finding Number	Fiscal Year in Which the Finding Initially Occurred	Federal Program, CFDA Number, and Name	Original Finding Description	Status/Partial Corrective Action (as applicable)	Planned Corrective Action (if finding not corrected)
2015-002	2015	Student Financial Aid Cluster (Pell - CFDA 84.063, Federal Direct Loans - CFDA 84.268)	Bowling Green State University (BGSU) utilizes a third-party service organization, National Student Clearinghouse, to submit student status confirmation reports on their behalf. BGSU submitted a status change report to the National Student Clearinghouse; however, the status was not reported to NSLDS.	Corrected - The University has implemented the following processes to ensure compliance with the reporting requirements. <ul style="list-style-type: none"> <li>• A data submission schedule was created to define when student enrollment and degree data will be submitted to the National Student Clearinghouse (NSC), and has been shared with all staff members involved in the enrollment reporting process. The calendar is continually updated and distributed a minimum of every six weeks, and every 30 days for summer term.</li> <li>• Data remediation processes are conducted after each data submission to the NSC to ensure they were accepted. Discrepancies are identified and any data issues are resolved after each submission. Any data changes are also changed in NSLDS to prevent untimeliness in reporting.</li> <li>• Internal quality assurance populations are reviewed at the end of each term to ensure withdrawal and degree records are reviewed in NSC and compared to NSLDS to ensure successful and accurate transmissions occurred. Random selections are made from the data files to ensure diversity of samples.</li> <li>• NSC has developed and implemented an automated process whereby students are re-added to the NSLDS rosters, ensuring that data reported by the University is transmitted to the NSLDS for all students.</li> </ul>	NA

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**Bowling Green State University  
National Collegiate Athletics Association**

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**Agreed-upon Procedures Report  
Related to NCAA Constitution 3.2.4.15**

**June 30, 2016**

# **Bowling Green State University National Collegiate Athletics Association Report**

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Independent Accountant's Report on  
The Application of Agreed-upon Procedures

Dr. Mary Ellen Mazey, Ph.D.  
Bowling Green State University

We have performed the procedures enumerated below, which were agreed to by the President of Bowling Green State University (the "Institution"), solely to assist you in evaluating whether the accompanying Intercollegiate Athletics Program Statement of Revenue and Expenses (the "Statement") of Bowling Green State University is in compliance with the National Collegiate Athletics Association (NCAA), Constitution 3.2.4.15 for the year ended June 30, 2016. Bowling Green State University's management is responsible for the statement of revenue and expenses (the "statement") and the statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

**Agreed-Upon Procedures Related to the Statement of Revenue and Expenses**

The procedures that we performed and our results are as follows:

**Internal Control Structure**

A. In preparation for our procedures related to the Institution's internal control structure:

- 1) We met with Jim Elsasser, associate athletic director for internal affairs and inquired about the general control environment over intercollegiate athletic finances, the level of control consciousness in the Institution, the competence of personnel, and the protection of records and equipment.
- 2) We obtained the audited financial statements for the year ended June 30, 2016 and there were no additional reports regarding internal controls and any corrective action taken in response to comments concerning the internal control structure.
- 3) We obtained any documentation of the accounting systems and procedures unique to the Intercollegiate Athletics Department.
- 4) Cash disbursements and athletic employee payroll are addressed in connection with the audit of the Institution's financial statements. The following control environment and accounting systems are (a) unique to the intercollegiate athletics and (b) have not been addressed in connection with the audit of the Institution's financial statements, and, as a result, we performed the following procedures:

Dr. Mary Ellen Mazey, Ph.D.  
Bowling Green State University

**Procedure:** We selected the following athletic department cash receipt and agreed to the remittance advices or copies of checks and deposits made to the business office.

<u>Date</u>	<u>Description</u>	<u>Amount</u>
September 4, 2015	Men's Basketball	\$ 1,280

**Result:** We noted no exceptions. The receipts were agreed to remittance advices or copies of checks and to the deposit amount with the business office and bank, respectively.

### **NCAA Reporting**

B. **Procedure:** The Financial Report Submission to the NCAA is now due on January 15, 2017. We obtained the financial data detailing operating revenue, expenses, and capital related to the Institution's intercollegiate athletics program that will be submitted to the NCAA and compared the amounts to the Intercollegiate Athletics Program Statement of Revenue and Expenses included in the agreed-upon procedures for the reporting period.

**Results:** We noted no discrepancies.

C. **Procedure:** We agreed the sports sponsored reported in the NCAA membership financial reporting system to the squad lists of the Institution. The NCAA membership financial reporting system populates the sports from the NCAA membership database as they are reported by the Institution.

**Results:** We noted no discrepancies in the sports sponsored between the NCAA membership financial reporting system and the squad lists.

D. **Procedure:** We obtained the Institution's Sports Sponsorship and Demographics Forms Report for the reporting year. We validated that the countable sports reported by the Institution meet the minimum requirements set forth in Bylaw 20.9.6.3 for the number of contests and number of participants in each contest that is counted toward meeting the minimum contest requirement. We ensured that the Institution has properly reported these countable sports for revenue distribution purposes.

**Results:** We noted no discrepancies in the sports reported as countable sports in the demographics report between the report and game schedules/squad lists. We verified the Institution met the minimum requirements of Bylaw 20.9.6.3 without exception.

### **Notes and Disclosures**

- E. **Procedure:** We obtained and described the Institution's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets, in Note 2. We agreed the schedule to the Institution's general ledger. We obtained repayment schedules for all outstanding intercollegiate athletics debt maintained by the Institution during the reporting period. We recalculated annual maturities (consisting of principal and interest) provided in the schedules obtained and agreed the total annual maturities to supporting documentation and the Institution's general ledger, as applicable. The intercollegiate athletics debt is disclosed in Note 3.

**Result:** We noted no exceptions.

- F. **Procedure:** We obtained and disclosed significant additions to restricted funds related to intercollegiate athletics, as well as significant changes to endowment and plant funds. Significant is defined as exceeding 10 percent of total revenue or expense in the statement. We will obtain and disclose the value of endowments at the fiscal year end that are dedicated to the sole support of athletics. We will obtain and disclose the value of all pledges at the fiscal year end that support athletics. We will obtain and disclose the athletics department fiscal year-end fund balance.

**Result:** See Notes 1 and 4 for disclosures

### **Statement of Revenue and Expenses**

- G. **Procedure:** We obtained the Intercollegiate Athletics Program Statement of Revenue and Expenses for the reporting period, prepared by management, and agreed all amounts back to the Institution's general ledger.

**Result:** Procedures were performed without exception.

- H. **Procedure:** We compared revenue and expenditure amounts from the statement to prior year amounts and budget estimates. We obtained and documented an understanding of any variations exceeding the lesser of \$1 million or 10 percent of total revenue or expenses.

**Result:** See Appendix A

- I. **Procedure:** We performed additional procedures on the following revenue and expense categories unless the specific reporting category is less than 0.5 percent of total revenue or expenses.

**Result:** See procedures below

## **Revenue**

- J. **Procedure:** We agreed each revenue reported in the statement during the reporting period to supporting schedules provided by the Institution. We compared a sample of operating revenue receipts obtained from the supporting schedules to supporting documentation as described in the procedures below.

**Result:** The supporting schedules provided by the Institution agreed to the statement without exception.

We performed the following procedures for the indicated revenue category:

1) Ticket Sales

**Procedure:** We agreed tickets sold for men's football, men's basketball, and men's hockey events during the reporting period, including complimentary tickets provided during the reporting period and unsold tickets to the related revenue reported by the Institution in the statement and related attendance figures and recalculated totals within a 1 percent variance.

**Result:** Procedures were performed without exception

2) Student Fees

**Procedure:** We compared and agreed student fees reported by the Institution in the statement for the reporting period to student enrollments during the same reporting period. We obtained the Institution's methodology for allocating student fees to intercollegiate athletics programs and recalculated totals.

**Result:** We noted the budgeted amount for student fees approved by the Institution was \$12,582,362. We noted that the actual variance between budget and collections is absorbed each year by the Institution. In the current year, the statement of revenue and expenses reflects the budgeted amount.

3) Direct Institutional Support

**Procedure:** We were asked to agree the direct institutional support recorded by the Institution during the reporting period to correspondence with the budget office for the approval and authorization of direct institutional support.

- 4) **Result:** Direct institutional support was less than .5 percent of total revenue, so this procedure was not performed.

5) Guarantees

**Procedure:** We selected a sample of five settlement reports for away games and contractual agreements pertaining to revenue derived from guaranteed contests during the reporting period and agreed each selection to the Institution's general ledger. We recalculated totals. We agreed a sample of five revenue receipts obtained from the revenue supporting schedules to supporting documentation, which included the agreement to the related contractual agreement, payment received by the Institution, and the Institution's general ledger.

**Result:** We selected the following games/agreements:

<u>Event Date</u>	<u>Sporting Event</u>	<u>Guarantee Amount</u>
September 12, 2015	Men's Football - University of Maryland	\$ 325,000
November 23, 2015	Men's Basketball - Florida Gulf Coast University	10,000
February 19, 2016	Men's Hockey - Alaska	15,450
April 6, 2016	Men's Baseball - University of Michigan	20,000
September 5, 2015	Men's Football - University of Tennessee	1,200,000

We obtained the respective contractual agreements, agreed amounts to the contracts, and agreed amounts to the Institution's general ledger. The hockey related event was a travel stipend reimbursement. All other procedures were performed without exception.

6) Contributions (Gifts)

**Procedure:** We obtained supporting documentation for each contribution of moneys, goods, or services received directly by an intercollegiate athletics program for any affiliated or outside organization, agency, or group of individuals that constitute 10 percent or more in aggregate of all contributions received for intercollegiate athletics during the reporting periods.

**Result:** We obtained the general ledger detail for contribution revenue and identified only one contribution over 10 percent. We agreed the contribution to the disbursement request from Bowling Green State University Foundation, noting the donor was William D. Frack. See Note I for contributions over 10 percent.

7) NCAA Distributions

**Procedure:** We compared and agreed the amounts recorded in the revenue and expense reporting to general ledger detail for NCAA distributions and other corroborative supporting documents and recalculated totals.

Dr. Mary Ellen Mazey, Ph.D.  
Bowling Green State University

**Result:** We selected the following distributions:

<u>Date</u>	<u>Program</u>	<u>Distribution Amount</u>
August 6 2015	NCAA Distribution	\$ 528,873
September 22, 2015	NCAA Distribution	278,079

We agreed the above distributions to payment detail and traced the deposits to bank statements. Procedures were performed without exception.

8) Conference Distributions

**Procedure:** We obtained and inspected all agreements related to the Institution's conference distributions and participation in revenue from tournaments during the reporting period to gain an understanding of the relevant terms and conditions. We compared the related revenue to the Institution's general ledger.

**Result:** We selected the following distribution:

<u>Date</u>	<u>Program</u>	<u>Distribution Amount</u>
June 15, 2016	Mid-American Conference	\$ 1,200,000

We agreed the above distribution to the Mid-American Conference Budget and Finance Committee meeting minutes from May 10, 2016, noting each member Institution was to receive a general distribution of \$1.2 million. Procedures were performed without exception.

9) Program Sales, Concessions, Novelty Sales, and Parking

**Procedure:** We compared and agreed related revenue to the Institution's general ledger detail of program sales, concessions, novelty sales, and parking as well as other corroborative supporting documents and recalculated totals.

**Result:** We noted no exceptions.

10) Royalties, Licensing, Advertisements, and Sponsorships

**Procedure:** We obtained and inspected a sample of five agreements related to the Institution's participation in revenue from royalties, licensing, advertisements, and sponsorships during the reporting period and gained an understanding of the relevant terms and conditions. We compared and agreed the related revenue to the Institution's general ledger and recalculated totals.



**Result:** We selected the following licensing/sponsorship transactions:

<u>Date</u>	<u>Program</u>	<u>Receipt Amount</u>
June 21, 2016	Nonprogram specific	\$ 158,000
January 27, 2016	Nonprogram specific	4,545
January 11, 2016	Nonprogram specific	61,035
August 28, 2015	Nonprogram specific	517
August 28, 2015	Nonprogram specific	23,807

Procedures were performed without exception.

#### 11) Sports Camp Revenue

**Procedure:** We requested sports camp contracts between the Institution and persons conducting the Institution sports camps or clinics during the reporting period. We obtained schedules of camp participants. We selected a sample of individual camp participant cash receipts from the schedule of sports camp participants and agreed each selection to the Institution's general ledger and recalculated totals.

**Result:** We agreed the following cash receipts from sports camp revenue below:

<u>Date</u>	<u>Program</u>	<u>Camp Revenue Amount</u>
June 13, 2016	Falcon Football Camp PSU One Day	\$ 5,440
June 11, 2016	Falcon Football Camp 7 on 7 / Big Man	2,380
June 6, 2016	Falcon Football Camp Specialist Camp	530
June 4, 2016	Falcon Football Camp Top Flight One Day	1,730
June 3, 2016	Falcon Football Camp Cleveland - Baldwin Wallace University	1,770
	Total revenue recorded	11,850

We noted that the Institution has no sports camp contracts between the Institution and the persons conducting the camps because the Institution oversees and conducts all camps internally. We noted the Institution was paid directly from the host of each camp for the total amount collected from each camper. The Institution was not paid by individual campers. We traced the above camps to deposit detail and traced the \$11,850 of revenue recorded to the general ledger noting no exceptions.

#### 12) Bowl Revenue

**Procedure:** We will obtain and inspect agreements related to the Institution's revenue from post-season bowl participation during the reporting period. We agreed bowl revenue to the Institution's general ledger, and the statement and recalculated totals.

Dr. Mary Ellen Mazey, Ph.D.  
Bowling Green State University

**Result:** We selected the following bowl revenue transaction:

<u>Date</u>	<u>Description</u>	<u>Amount</u>
June 22, 2016	Supplemental Bowl Stipend \$	259,550

The above amount was agreed to email correspondence from MAC Sports to the Institution which indicated a supplemental bowl stipend was approved which included the amount above.

13) Athletics Restricted Endowment and Investment Income

**Procedure:** We will obtain and inspect endowment agreements (if any) to gain an understanding of the relevant terms and conditions. We will compare the classification and use of endowment and investment income reported during the reporting period to the uses of income defined within the agreements and recalculate totals.

**Results:** The Institution does not have any endowment agreements.

14) Other

**Procedure:** We agreed other revenue (stadium suites and miscellaneous revenue) to the Institution's general ledger and the statement and recalculated totals.

**Result:** Procedure performed without exception

**Expenses**

K. **Procedure:** We agreed each expense reported in the statement during the reporting period to supporting schedules provided by the Institution. We agreed a sample of operating expense receipts obtained from the supporting schedules to supporting documentation as described in the procedures below.

**Result:** The supporting schedules provided by the Institution agreed to the statement without exception.

We performed the following procedures for the indicated expenditure category:

1) Athletic Student Aid

**Procedure:** We selected a sample of 39 students (at least 10 percent of the total student athletes since the Institution uses NCAA's Compliance Assistant software to prepare athletic aid detail) from the listing of institutional student aid recipients during the reporting period. We obtained individual student-account detail for each selection and agreed total aid allocated from the related aid award letter to the student's account.

Dr. Mary Ellen Mazey, Ph.D.  
Bowling Green State University

- a. We performed a check of each student selected to ensure that his or her information was reported accurately in either the NCAA's Compliance Assistant software or entered directly into the NCAA Membership Financial Reporting System using the following criteria:
  - i. The equivalency value for each student athlete in all sports, including head-count sports, need to be converted to a full-time equivalency value. The full-time equivalency value is calculated using the athletic grant amount reported on the squad list as the numerator and the full grant amount which is the total cost for tuition, fees, books, and room and board for an academic year as the denominator. If using the NCAA compliance assistant software, this equivalency value should already be calculated on that squad list labeled "Rev. Dist. Equivalent Award."
  - ii. A student athlete participates can only be included in one sport. NCAA Compliance Assistant software will place an asterisk by the student athlete within the sport that is not countable towards grants-in-aid revenue distribution per sport hierarchy listed in the Division I manual.
  - iii. All equivalency calculations should be rounded to two decimal places. The NCAA Compliance Assistant software and the online summary form will automatically round to two decimal places.
  - iv. The full grant amount should be the full cost of tuition for an academic year, not semester.
  - v. If a sport is discontinued and the grant(s) are still being honored by the Institution, the grant(s) may be included in the total.
  - vi. Student athletes receiving athletic aid who have exhausted their athletic eligibility or are inactive due to medical reasons should be included in the grants-in-aid calculation, marked properly on the squad list and on the grants-in-aid submission form.
  - vii. Only athletic aid awarded in sports in which the NCAA conducts championship competitions, emerging sports for women, and football should be included in the calculations.
- b. We recalculated totals for each sport and overall.

Dr. Mary Ellen Mazey, Ph.D.  
Bowling Green State University

**Result:** The total amount of student aid from the squad list agreed within \$70,824 to the amount of student financial aid included in the statement of revenue and expenditures of \$6,216,932. We noted an amount of \$305,866 for books and preseason housing included in the student financial aid amount reported on the statement of revenue and expenditures. This portion was not agreed to student award letters because books and preseason housing amounts are not included in student award letters. We discussed with management and noted the \$70,824 difference is due to students receiving funds for internships through the athletic department as well as additional aid for scholarships not related to athletic aid. The students' accounts selected are summarized below:

<u>Student Tested</u>	<u>Amount Awarded</u>	<u>Student Tested</u>	<u>Amount Awarded</u>
1	\$ 23,585	20	\$ 19,463
2	31,118	21	22,558
3	11,000	22	28,845
4	23,203	23	31,003
5	30,550	24	10,000
6	28,871	25	13,500
7	14,465	26	31,101
8	23,014	27	10,000
9	28,930	28	2,000
10	22,059	29	5,000
11	23,014	30	3,000
12	5,000	31	1,000
13	2,000	32	4,000
14	24,633	33	6,500
15	30,794	34	14,000
16	3,000	35	19,049
17	20,419	36	13,240
18	17,000	37	11,500
19	5,000	38	19,044
		39	23,592

## 2) Guarantees

**Procedure:** We obtained and inspected five home-game settlement reports received by the Institution during the reporting period and agreed related expenses to the Institution's general ledger. We obtained and inspected the five contractual agreements pertaining to expenses recorded by the Institution from guaranteed contests during the reporting period. We compared and agreed related amounts expensed by the Institution during the reporting period to the Institution's general ledger and recalculated totals.

**Result:** We selected the following away-game settlement reports:

<u>Event Date</u>	<u>Sporting Event</u>	<u>Guarantee Amount</u>
November 18, 2015	Men's Basketball - University of Cincinnati	\$ 50,000
October 3, 2015	Hockey - University of Toronto	3,500
December 2, 2015	Women's Basketball - University of Evansville	7,000
September 19, 2015	Football - University of Memphis	200,000
November 6, 2015	Men's Basketball - Notre Dame College	3,000

Procedures were performed without exception.

3) Coaching Salaries, Benefits, and Bonuses Paid by the Institution and Related Entities

**Procedure:** We obtained and inspected a listing of coaches employed by the Institution and related entities during the reporting period. We selected a sample of five coaches' contracts that includes football and men's and women's basketball from the above listing. We compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the Institution and related entities in the statement during the reporting period. We obtained and inspected payroll summary registers for each selection. We compared and agreed related payroll summary registers to the related coaching salaries, benefits, and bonuses paid by the Institution and related entities expense recorded by the Institution in the statement during the reporting period and recalculated totals. We compared and agreed the totals recorded to any employment contracts executed for the sample selected.

**Result:** We selected coaching contracts from the following programs:

<u>Coach</u>	<u>Program</u>
1	Football
2	Men's Basketball
3	Men's Hockey
4	Women's Basketball
5	Women's Soccer

Procedures were performed with the exception of two cell phone authorization forms. For two of the samples above, we were unable to agree the cell phone stipend to supporting documentation. We noted no other exceptions.

4) Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the Institution and Related Entities

**Procedure:** We selected a sample of five support staff/administrative personnel employed by the Institution and related entities during the reporting period. We obtained and inspected payroll summary registers, for each selection. We agreed related payroll summary registers to the related support staff/administrative salaries, benefits and bonuses paid by the Institution and related entities expense recorded by the Institution in the statement during the reporting period. We also recalculated totals.

**Result:** We selected staff from the following programs:

<u>Staff</u>	<u>Staff Title</u>	<u>Program</u>
1	Assistant AD for Academics	Non-program specific
2	Secretary	Men's Football
3	Video Assistant	Men's Football
4	Account Executive	Nonprogram specific
5	Senior Budget Coordinator	Nonprogram specific

Procedures were performed without exception.

5) Recruiting

**Procedure:** We obtained the Institution's recruiting expense policies. We agreed to existing institutional- and NCAA-related policies. We obtained general ledger detail and agreed to the total expenses reported.

**Result:** Procedures were performed without exception.

6) Team Travel

**Procedure:** We obtained the Institution's team travel policies. We agreed to existing institutional- and NCAA-related policies. We obtained general ledger detail and agreed to the total expenses reported.

**Result:** Procedures were performed without exception.

7) Equipment, Uniforms, and Supplies

**Procedure:** We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction to validate existence of the transaction and accuracy of recording. We agreed to supporting invoice and recalculated totals.

**Result:** We selected the following transaction:

<u>Date</u>	<u>Program</u>	<u>Expense Description</u>	<u>Expense Amount</u>
January 25, 2016	Men's Football	Office Furniture	\$ 14,672

Procedures were performed without exception.

8) Game Day Expenses

**Procedure:** We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction to validate existence of the transaction and accuracy of recording. We agreed to supporting invoice and recalculated totals.

**Result:** We selected the following transaction:

<u>Date</u>	<u>Program</u>	<u>Expense Description</u>	<u>Expense Amount</u>
October 15, 2015	Men's Hockey	Assessment Fees	\$ 43,800

Procedures were performed without exception.

9) Sports Camp Expenses

**Procedure:** We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction to validate existence of the transaction and accuracy of recording. We agreed to supporting invoice and recalculated totals.

**Result:** We selected the following transaction:

<u>Date</u>	<u>Program</u>	<u>Expense Description</u>	<u>Expense Amount</u>
August 20, 2015	Nonprogram specific	Men's Soccer	\$ 23,742

Procedures were performed without exception.

10) Athletic Facility Debt Service, Leases, and Rental Fees

**Procedure:** We obtained a listing of debt service schedules, lease payments, and rental fees for athletic facilities for the reporting year. We agreed a sample of three facility payments including the top two highest facility payments to additional supporting documentation (e.g. debt financing agreements, leases, rental agreements). We agreed amounts recorded to amounts listed in the general ledger detail and recalculated totals.

**Result:** We selected the following facility payments:

<u>Date</u>	<u>Program</u>	<u>Expense Amount</u>
November 24, 2015	Other sports	\$ 24,458
February 29, 2015	Intercollegiate athletics	77
May 5, 2016	Hockey	99,775

Procedures were performed with the following exception: We noted all rental expenses were for internal rental expenses paid to other Institution facility departments for the use of their property and had no invoices for the rental agreements. We obtained communication with related individuals, noting expense transfer was approved.

11) Direct Overhead and Administrative Support (Allocated Expenses)

**Procedure:** We obtained general ledger detail and agreed to the total expenses reported. We selected a sample of five transactions to validate existence of the transactions and accuracy of recording. We agreed to supporting invoice and recalculated totals.

**Result:** We selected the following transactions:

<u>Date</u>	<u>Program</u>	<u>Expense Description</u>	<u>Amount</u>
November 10, 2015	Nonprogram specific	Fan bus transportation	\$ 2,138
December 10, 2015	Nonprogram specific	Stadium graphics for under suite	12,000
December 23, 2015	Men's Hockey	WCHA final tickets	9,660
February 25, 2016	Men's football	Moving expenses	6,850
March 3, 2016	Nonprogram specific	Falcon sport properties sponsor	12,500

Procedures were performed without exception.

12) Medical Expenses and Medical Insurance

**Procedure:** We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction to validate the existence of the transaction and accuracy of recording. We agreed to supporting invoice and recalculated totals.

**Result:** We selected the following transaction:

<u>Date</u>	<u>Program</u>	<u>Expense Description</u>	<u>Amount</u>
June 24, 2016	Nonprogram specific	Medical Expenses - ICA	\$ 1,495

Procedures were performed without exception.



Memberships and Dues

**Procedure:** We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction to validate the existence of the transaction and accuracy of recording. We agreed to supporting invoice and recalculated totals.

**Result:** We selected the following transaction:

<u>Date</u>	<u>Program</u>	<u>Expense Description</u>	<u>Amount</u>
July 10, 2015	Men's Hockey	Institutional Memberships	\$ 19,315

Procedures were performed without exception.

13) Student-Athlete Meals (non-travel)

**Procedure:** We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction to validate the existence of the transaction and accuracy of recording. We agreed to supporting invoice and recalculated totals.

**Result:** We selected the following transaction:

<u>Date</u>	<u>Program</u>	<u>Expense Description</u>	<u>Amount</u>
August 25, 2015	Men's Football	Student athlete meals	\$ 11,200

Procedures were performed with one exception related to classification on the Statement of Revenue and Expenses. The amount above for Student athlete meals was reported as preseason housing and recorded in student financial aid, instead of being classified as Student athlete meals.

14) Bowl Expenses

**Procedure:** We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction to validate the existence of the transaction and accuracy of recording. We agreed to supporting invoice and recalculated totals.

**Result:** We selected the following transaction:

<u>Date</u>	<u>Program</u>	<u>Expense Description</u>	<u>Amount</u>
February 22, 2016	Men's Football	Hospitality Charges for GoDaddy Bowl	\$ 119,599

Procedures were performed without exception.

Dr. Mary Ellen Mazey, Ph.D.  
Bowling Green State University

15) Other Operating Expenses

**Procedure:** We agreed other expenses (films/broadcasting, fundraising, marketing, and promotion) to the Institution's general ledger and/or the statement and recalculated totals.

**Result:** We noted no exceptions.

**Affiliated and Outside Organizations**

L. **Procedure:** In preparation for our procedures related to the Institution's affiliated and outside organizations we performed the following:

- 1) Inquired of management as to whether they have identified any affiliated and outside organizations that meet any of the following criteria:
  - i. Booster organizations established by or on behalf of an intercollegiate athletics program
  - ii. Independent or affiliated foundations or other organizations that have, as a principal purpose, generating or maintaining of grants-in-aid or scholarships funds, gifts, endowments or other moneys, goods, or services to be used entirely or in part by the intercollegiate athletics program
  - iii. Alumni organizations that have, as one of its principal purposes the generating of moneys, goods, or services for or on behalf of an intercollegiate athletics program and that contribute moneys, goods, or services directly to an intercollegiate athletics program, booster group, or independent or affiliated foundation as previously noted
- 2) We also obtained documentation on the Institution's practices and procedures for monitoring the internal controls in place and financial activities of these organizations. We inquired of management on the procedures for gathering information on the nature and extent of affiliated and outside organization activity for or on behalf of the Institution's intercollegiate athletic program.
- 3) We obtained and inspected audited financial statements of the organization and any additional reports regarding internal controls and any corrective action taken in response to comments concerning the control environment that were provided to us by management.

**Result:** We noted the only affiliated organization was the Bowling Green State University Foundation, Inc. We obtained and inspected the audited financial statements of the Bowling Green State University Foundation, Inc. and the management letter as a result of their June 30, 2016 audit.

Dr. Mary Ellen Mazey, Ph.D.  
Bowling Green State University

M. **Procedure:** For expenses on or on behalf of intercollegiate athletic programs by affiliated and outside organizations not under the Institution's accounting control, we requested those organization's financial statements for the reporting period.

**Result:** There were no expenses on behalf of intercollegiate athletic programs affiliated and outside organizations not under the Institution's accounting control. No additional procedures were performed.

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

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

*Plante & Morse, PLLC*

October 4, 2016

# National Collegiate Athletics Association Report

## Intercollegiate Athletics Program Statement of Revenue and Expenses For the Year Ended June 30, 2016

Revenue	Men's Football	Men's Basketball	Men's Hockey	Other Sports	Nonprogram Specific	Total
Ticket sales	\$ 1,408,840	\$ 182,417	\$ 269,150	\$ 139,926	\$ -	\$ 2,000,333
Bowl revenue	263,135	-	-	-	-	263,135
Concessions/Parking	59,989	11,257	34,982	10,105	77,870	194,203
Student activity fees	-	-	-	-	12,528,362	12,528,362
Institutional support	-	-	-	-	-	-
Game guarantees	2,061,570	10,000	50,190	43,160	-	2,164,920
NCAA distribution	-	-	-	-	1,153,103	1,153,103
Conference contributions	25,000	127,138	-	-	1,200,000	1,352,138
Licensing/Sponsorships	-	-	-	-	429,384	429,384
Parking	-	-	-	-	-	-
Stadium suites	-	-	-	-	-	-
Gifts	167,265	862,673	8,315	402,015	728,001	2,168,268
Sports camps	-	-	-	24,961	308,890	333,851
Miscellaneous	49,615	-	5,807	1,297	191,892	248,611
<b>Total revenue</b>	<b>\$ 4,035,414</b>	<b>\$ 1,193,485</b>	<b>\$ 368,445</b>	<b>\$ 621,464</b>	<b>\$ 16,617,500</b>	<b>\$ 22,836,308</b>
<b>Expenses</b>						
Coaches salaries	\$ 1,972,862	\$ 891,659	\$ 531,240	\$ 2,207,510	\$ -	\$ 5,603,271
Other salaries	154,389	28,548	1,043	47,630	3,024,451	3,256,060
Staff benefits	-	-	-	-	-	-
Non-Employee Comp.	-	-	-	-	-	-
Films/Broadcasting	30,056	6,500	6,325	7,500	131,505	181,887
Fundraising, marketing, & promotions	-	-	-	-	96,610	96,610
Team travel	537,835	265,046	169,858	873,925	663	1,847,326
Recruiting	169,359	133,420	39,734	173,787	3,900	520,199
Other travel	-	-	-	-	-	-
Student athlete meals	128,310	12,153	10,072	15,787	-	166,323
Game day	-	-	-	-	-	-
Athletic student aid	2,443,044	467,251	563,379	2,998,385	50,739	6,522,798
Medical expense & insurance	-	-	-	-	341,762	341,762
Equipment	513,713	132,149	177,494	620,317	237,314	1,680,988
Facility rental	2,677	-	99,775	26,062	351	128,865
Game guarantees	200,000	207,000	3,500	10,000	-	420,500
Stadium suites internal financing	-	-	-	-	-	-
Sports camps	-	-	-	-	220,122	220,122
Memberships	-	500	19,315	1,080	241,398	262,293
Game expenses	74,949	90,565	46,005	133,682	288,523	633,723
Bowl Expenses	322,258	-	-	-	-	322,258
Telephone	-	-	-	-	-	-
Allocated expenses	275,279	154,679	96,780	266,955	721,175	1,514,868
<b>Total expenses</b>	<b>\$ 6,824,731</b>	<b>\$ 2,389,469</b>	<b>\$ 1,764,520</b>	<b>\$ 7,382,620</b>	<b>\$ 5,358,512</b>	<b>\$ 23,719,853</b>
<b>Revenue (under) over expenditures</b>	<b>\$ (2,789,317)</b>	<b>\$ (1,195,984)</b>	<b>\$ (1,396,076)</b>	<b>\$ (6,761,157)</b>	<b>\$ 11,258,988</b>	<b>\$ (883,545)</b>

# National Collegiate Athletics Association Report

## Notes to Intercollegiate Athletics Program Statement of Revenue and Expenses For the Year Ended June 30, 2016

### Note 1 - Contributions

The value of all endowments dedicated to the sole support of athletics at June 30, 2016 is \$7,876,811. The value of all pledges dedicated to the sole support of athletics at June 30, 2016 is \$2,082,876. The athletic department fiscal year-end fund balance for year end June 30, 2016 is (\$1,210,716). Individual contributions of moneys, goods, or services received directly by the Institution's intercollegiate athletics program from any affiliated or outside organization, agency, or individuals (e.g., contributions by corporate sponsors) that constitutes 10 percent or more of all contributions received for intercollegiate athletics during the year ending June 30, 2016 are as follows:

<u>Donor</u>	<u>Designation</u>	<u>Amount</u>
William D. Frack	William D. Frack Division I Men's Basketball Investment	\$ 862,173

### Note 2 - Intercollegiate Athletics-related Assets

Property and equipment are recorded at cost or, if donated, the fair value at the time of donation. Expense for maintenance and repairs are charged to current expense as incurred. Depreciation is computed using the straight-line method. No depreciation is recorded on land. Expenses for major renewals and betterments that extend the useful lives of the assets are capitalized. Estimated service lives range from 4-10 years depending on class.

The current year capitalized additions and deletions to facilities during the year ending June 30, 2016 are as follows:

	<u>Additions</u>	<u>Deletions</u>
Machinery and equipment	\$ 29,862	\$ (4,000)
Furniture	<u>14,672</u>	<u>-</u>
Cost - Athletics facilities	44,534	(4,000)
Accumulated depreciation	<u>(7,172)</u>	<u>167</u>
Book value - Athletics facilities	<u>\$ 37,362</u>	<u>\$ -</u>
Book value - Other university facilities	<u>\$ 100,052,701</u>	<u>\$ 5,569,794</u>

# National Collegiate Athletics Association Report

## Notes to Intercollegiate Athletics Program Statement of Revenue and Expenses For the Year Ended June 30, 2016

### Note 2 - Intercollegiate Athletics-related Assets (Continued)

The total estimated book values of property, plant, and equipment, net of depreciation, of the Institution as of the year ended June 30, 2016, are as follows:

Machinery and equipment	\$	889,212
Furniture		142,025
Computer and software		127,933
Vehicles		-
Cost - Athletics facilities		<u>1,159,170</u>
Accumulated depreciation		<u>(787,288)</u>
Book value - Athletics facilities	\$	<u>371,882</u>
Book value - Other university facilities	\$	<u>407,650,877</u>

### Note 3 - Intercollegiate Athletics-Related Debt

The annual debt service and debt outstanding for the Institution as of the year ended June 30, 2016 is as follows:

	Annual Debt Service	Debt Outstanding
Athletics-related facilities	\$ -	\$ -
Institution's total	<u>\$ 12,220,000</u>	<u>\$ 189,680,000</u>

There was no intercollegiate athletics debt outstanding for the year ended June 30, 2016 as it was paid in full during fiscal year ended June 30, 2015.

# **National Collegiate Athletics Association Report**

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## **Notes to Intercollegiate Athletics Program Statement of Revenue and Expenses For the Year Ended June 30, 2016**

### **Note 4 - Restricted and Endowment and Plant Funds**

During the year, the Institution had the following significant changes exceeding 10 percent to endowment or plant funds related to intercollegiate athletics that are as follows:

- A change was reflected as Fund 300122, Ice Hockey Fund, with a value of \$10,032 as of June 30, 2015 to a value of \$64,611 as of June 30, 2016. The increase was primarily due to additional current year contributions that exceeded transfers to the Institution.
- A change was reflected as Fund 301096, Sebo Athletic Center Fund, with a value of \$51,000 as of June 30, 2015 to a value of \$0 as of June 30, 2016. The decrease is due to donations received during the prior period for outstanding capital projects that were requested by the Institution to be used for future renewals and replacements.
- A change was reflected as Fund 302445, William D. Frack Division I Men's Basketball Fund, with a value of \$794,570 as of June 30, 2015 to a value of \$724,862 as of June 30, 2016. The decrease is due to current year transfers to the Institution to cover operating expenses. Transfers exceeded current year contributions to the fund.

# National Collegiate Athletics Association Report

## Appendix A Revenue and Expense Variance – Actual to Actual

	2015-2016 Actual	2014-2015 Actual	\$ Change	Explanation Provided by Intercollegiate Athletics Senior Fiscal Manager
<b>Revenue</b>				
Game Guarantees - Football	2,061,570.00	900,000.00	1,161,570.00	There were three game guarantees in current fiscal year versus only two in previous year
Conference Contributions - Nonprogram Specific	1,200,000.00	-	1,200,000.00	Conference contributions reported in the NCAA distributions line in the previous fiscal year
<b>Expenditures</b>				
Other Salaries - Nonprogram Specific	3,024,450.81	1,915,688.90	1,108,761.91	This line includes staff benefits in current year which were reported in separate line in previous year



# National Collegiate Athletics Association Report

## Appendix A (Continued) Revenue and Expense Variance – Actual to Budget

	2015-2016 Actual	Budget	\$ Change	Explanation Provided by Intercollegiate Athletics Senior Fiscal Manager
<b>Revenue</b>				
Men's Football	4,035,413.68	1,424,000.00	2,611,413.68	Majority of football revenue budgeted at the nonprogram specific category
Men's Basketball	1,193,485.37	-	1,193,485.37	All of Basketball revenue budgeted at the nonprogram specific category
Nonprogram Specific	16,617,500.20	19,867,062.00	(3,249,561.80)	Some revenue budgeted at nonprogram specific category recognized in other programs
<b>Expenditures</b>				
Men's Football	6,824,730.55	5,634,764.00	1,189,966.55	There were more expenses due to the coaching transition and more travel and equipment expenses

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

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**Consolidated Financial Report**  
**June 30, 2016**

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## Independent Auditor's Report

To Management and 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 (the "Corporation"), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015 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.

#### ***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, 2016 and 2015 and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2016 on our consideration of Centennial Falcon Properties, Inc. and Subsidiaries' internal control over financial reporting and on 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 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*

October 4, 2016

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Financial Position

	June 30	
	2016	2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 561,847	\$ 670,509
Funds held by Bowling Green State University	285,232	297,889
Funds held by trustee – current portion	1,348,643	1,221,426
Other receivable, net of allowance for doubtful accounts of \$15,670 in 2016 and \$13,190 in 2015	38,844	42,893
Prepaid expense	14,444	18,826
Total current assets	<u>2,249,010</u>	<u>2,251,543</u>
Other assets:		
Funds held by trustee – net of current portion	18,034,952	16,483,236
Capital assets, net	73,523,543	77,225,376
Bond issuance and discount costs, net of accumulated amortization of \$741,012 in 2016 and \$620,436 in 2015	2,243,372	2,363,948
Total other assets	<u>93,801,867</u>	<u>96,072,560</u>
Total assets	<u>\$ 96,050,877</u>	<u>\$ 98,324,103</u>
<b>Liabilities and net assets</b>		
Short-term liabilities:		
Accounts payable	\$ 25,977	\$ 87,371
Payroll liabilities	8,298	26,147
Unearned income	52,715	45,147
Accrued interest payable	383,643	386,426
Accrued expenses	83,163	81,585
Bonds and construction payable – current portion	1,561,800	1,431,800
Total short-term liabilities	<u>2,115,596</u>	<u>2,058,476</u>
Long-term liabilities:		
Bonds payable – net of current portion	77,705,000	78,670,000
Construction funding payable – net of current portion	12,941,418	13,538,218
Total long-term liabilities	<u>90,646,418</u>	<u>92,208,218</u>
Total liabilities	92,762,014	94,266,694
Net assets:		
Unrestricted	3,288,863	4,057,409
Total liabilities and net assets	<u>\$ 96,050,877</u>	<u>\$ 98,324,103</u>

See accompanying notes.

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Activities and Changes in Net Assets

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Operating revenue	\$ 8,999,437	\$ –	\$ 8,999,437
In-kind support from Bowling Green State University	32,000	–	32,000
Total revenues	<u>9,031,437</u>	–	<u>9,031,437</u>
Expenses:			
Payroll, benefits, and taxes	638,395	–	638,395
Management fees	260,052	–	260,052
Utilities	294,816	–	294,816
Building maintenance	129,393	–	129,393
Operating and administrative	135,950	–	135,950
Insurance	57,635	–	57,635
Interior unit expenses	156,425	–	156,425
Common area expenses	60,092	–	60,092
Bad debt expense	15,580	–	15,580
Ground expenses	22,618	–	22,618
Marketing and advertising	25,819	–	25,819
Depreciation and amortization	3,869,726	–	3,869,726
Total operating expenses	<u>5,666,501</u>	–	<u>5,666,501</u>
Operating income	3,364,936	–	3,364,936
Nonoperating revenue (expense):			
Investment income	2,091	–	2,091
In-kind support from Bowling Green State University	596,800	–	596,800
Loss on disposal of asset	(98,044)	–	(98,044)
Interest on capital asset-related debt	(4,634,329)	–	(4,634,329)
Net nonoperating loss	<u>(4,133,482)</u>	–	<u>(4,133,482)</u>
Change in net assets	(768,546)	–	(768,546)
Net assets:			
Net assets at the beginning of year	4,057,409		4,057,409
Net assets at the end of year	<u>\$ 3,288,863</u>	\$ –	<u>\$ 3,288,863</u>

See accompanying notes.



Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Activities and Changes in Net Assets (continued)

Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Operating revenue	\$ 8,736,529	\$ –	\$ 8,736,529
In-kind support from Bowling Green State University	32,000	–	32,000
Total revenues	<u>8,768,529</u>	–	<u>8,768,529</u>
Expenses:			
Payroll, benefits, and taxes	584,180	–	584,180
Management fees	255,007	–	255,007
Utilities	144,648	–	144,648
Building maintenance	153,019	–	153,019
Operating and administrative	150,148	–	150,148
Insurance	60,599	–	60,599
Interior unit expenses	38,895	–	38,895
Common area expenses	42,361	–	42,361
Bad debt expense	20,417	–	20,417
Ground expenses	24,758	–	24,758
Marketing and advertising	20,342	–	20,342
Depreciation and amortization	4,192,943	–	4,192,943
Total operating expenses	<u>5,687,317</u>	–	<u>5,687,317</u>
Operating income	3,081,212	–	3,081,212
Nonoperating revenue (expense):			
Investment income	1,842	–	1,842
In-kind support from Bowling Green State University	856,800	–	856,800
Interest on capital asset-related debt	(4,663,146)	–	(4,663,146)
Net nonoperating loss	<u>(3,804,504)</u>	–	<u>(3,804,504)</u>
Change in net assets	(723,292)	–	(723,292)
Net assets:			
Net assets at the beginning of year	4,780,701		4,780,701
Net assets at the end of year	<u>\$ 4,057,409</u>	<u>\$ –</u>	<u>\$ 4,057,409</u>

See accompanying notes.

# Centennial Falcon Properties, Inc. and Subsidiaries

## Consolidated Statements of Cash Flows

	<b>Year Ended June 30</b>	
	<b>2016</b>	<b>2015</b>
Operating activities:		
Cash received related to operating revenue	<b>\$ 8,996,584</b>	\$ 8,707,968
Cash paid to vendors and employees	<b>(1,823,587)</b>	(1,397,063)
Net cash provided by operating activities	<b>7,172,997</b>	7,310,905
Financing activities:		
Principal paid on bonds payable	<b>(835,000)</b>	(710,000)
Interest paid	<b>(4,637,113)</b>	(4,665,513)
Net cash used in financing activities	<b>(5,472,113)</b>	(5,375,513)
Investing activities:		
Purchases of capital assets	<b>(145,361)</b>	-
Net investment activity	<b>(1,678,933)</b>	(2,583,658)
Interest received	<b>2,091</b>	1,842
Net cash used in investing activities	<b>(1,822,203)</b>	(2,581,816)
Net decrease in cash and cash equivalents	<b>(121,319)</b>	(646,424)
Cash and cash equivalents at beginning of year	<b>968,398</b>	1,614,822
Cash and cash equivalents at end of year	<b>\$ 847,079</b>	\$ 968,398

*See accompanying notes.*

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (continued)

	<b>Year Ended June 30</b>	
	<b>2016</b>	<b>2015</b>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<b>\$ 3,364,936</b>	\$ 3,081,212
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	<b>3,869,726</b>	4,192,943
Changes in assets and liabilities:		
Decrease in accounts receivable	<b>6,530</b>	10,718
Increase in allowance for doubtful accounts	<b>(2,480)</b>	(3,221)
Decrease in prepaid expenses	<b>4,382</b>	586
(Decrease) increase in accounts payable	<b>(61,394)</b>	35,577
(Decrease) increase in payroll liabilities	<b>(17,849)</b>	5,436
Increase (decrease) in unearned income	<b>7,568</b>	(15,640)
Increase in accrued expenses	<b>1,578</b>	3,294
Net cash provided by operating activities	<b>\$ 7,172,997</b>	<b>\$ 7,310,905</b>

*See accompanying notes.*

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# 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 is not expected to have assets other than the Series 2010 Project. Interest rates range 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 August 1, 2011. The two-building housing facilities, Falcon Heights and Centennial Hall, were opened 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)**

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, 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.

Chartwells funded a total of \$1,588,000 of minor construction upgrades and modernization of food service venues intended to be actively managed by Chartwells under contract and located in the University's student union, Kreischer, Founders, and McDonald, on behalf of the Corporation. The necessary funding associated with these upgrades and associated debt repayment is contained in the Amended Food Service Management Agreement by and between Chartwells and the University. The Corporation recorded \$1,588,000 as capital assets and construction funding payable described in Note 4. The loan does 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 can 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.

# Centennial Falcon Properties, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

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

#### **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 three nonprofit single-member limited liability companies; CFP I, CFP II and CFP III. All significant intercompany transactions are eliminated.

#### **Upcoming Pronouncements**

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Corporation's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Corporation has not yet determined which application it will use or the potential effects of the new standard on the financial statements, if any.

# Centennial Falcon Properties, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

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

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. The new ASU does not change what qualifies as debt issuance costs or how they are measured; however, it does change the presentation and disclosures of debt issuance costs in the financial statements by requiring these amounts to be presented as a direct deduction from the carrying amount of the related debt. The new guidance will be effective for periods beginning after December 15, 2015 and therefore, will be adopted in the next fiscal year.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in August, 2016. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow FASB not-for-profit rules, including changing from three classes of net assets to two classes, net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Corporation, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Corporation's year ending June 30, 2019 and thereafter and must be applied on a retrospective basis. The Corporation is currently evaluating the impact this standard will have on the financial statements.

#### **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 2016 and 2015; accordingly, no provision or benefit for income taxes has been included in the accompanying consolidated financial statements.

# Centennial Falcon Properties, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

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

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, 2016 and 2015, 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**

The Corporation has classified student housing and housing-related fees as operating revenue and has recognized revenue ratably over the rental period. Amounts billed and collected before the rental period are included in unearned income.

#### **Unearned Income**

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

#### **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, 2016, cash and cash equivalents and funds held by Bowling Green State University totaled \$847,079. At June 30, 2015, cash and cash equivalents and funds held by Bowling Green State University totaled \$968,398.

At June 30, 2016 and 2015, funds held by trustee were \$19,383,595 and \$17,704,662, respectively. The balance includes \$1,277,694 in capital contributions from the University. Bank of New York, acting as trustee, is responsible for holding, managing, and distributing all CFP I funds as outlined in Section V of the Indenture Trustee Agreement.



# Centennial Falcon Properties, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

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

#### **Other Receivable**

Other receivable is due from the University and consists of housing and housing-related fees charged to students for rooms located in Falcon Heights and Centennial Hall (the Series 2010 Project). CFP I follows University policy when calculating allowance for doubtful accounts. Receivables more than one year old are written off and returned to the University for collection. The University will retain subsequent cash collections. See Note 5 for details of this relationship.

#### **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.

#### **Bond Costs**

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

Amortization of bond discount costs and issuance costs totaled \$120,576 and \$121,669 for the years ended June 30, 2016 and 2015, respectively. Amortization expense for the next five fiscal years, 2017–2021, is approximately as follows: \$119,000, \$118,000, \$116,000, \$114,000, and \$112,000, respectively.

# Centennial Falcon Properties, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

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

#### **Fair Value Measurements**

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

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

Level 2 - Inputs, other than quoted prices in active markets, that are observable either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 - Unobservable inputs for which there is little or no market data, which requires the Corporation to develop assumptions. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

#### **Net Asset Classifications**

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

- Permanently restricted net assets represent funds received whereby the corpus is to be maintained permanently, but the Corporation is allowed to use or expend part or all of the income for either specified or unspecified purposes.
- Temporarily restricted net assets contain restrictions that permit the Corporation to use or expend the assets as specified in contractual agreements. The restrictions are satisfied either by the passage of time or by actions of the Corporation. No restrictions were present June 30, 2016 or 2015.

# Centennial Falcon Properties, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

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

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

#### 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.

#### Functional Expenses

In 2016, expenses related to program services were \$10,284,791 and expenses related to management and general expenses were \$114,083. In 2015, expenses related to program services were \$10,222,264 and expenses related to management and general expenses were \$128,199.

#### Subsequent Events

The Corporation evaluated the effect of subsequent events through October 4, 2015, 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. Investments

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

	<u>2016</u>	<u>2015</u>
Money market funds – Level 2	<u>\$19,383,595</u>	<u>\$ 17,704,662</u>

The Corporation records its investments in money market funds at their current fair value based on amortized cost, which approximates fair value.

## Centennial Falcon Properties, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 3. Capital Assets

Capital assets and accumulated depreciation as of June 30, 2016 are summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Land	\$ 873,499	\$ –	\$ –	\$ 873,499
Land improvements	1,384,056	–	–	1,384,056
Building	85,693,095	140,061	(112,396)	85,720,760
Furniture	3,746,625	5,300	(5,172)	3,746,753
Chartwells renovation	1,588,000	–	–	1,588,000
Total capital assets	93,285,275	145,361	(117,568)	93,313,068
Less accumulated depreciation	(16,059,899)	(3,749,150)	19,524	(19,789,525)
Net capital assets	<u>\$ 77,225,376</u>	<u>\$ (3,603,789)</u>	<u>\$ (98,044)</u>	<u>\$ 73,523,543</u>

Capital assets and accumulated depreciation as of June 30, 2015, are summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Land	\$ 873,499	\$ –	\$ –	\$ 873,499
Land improvements	1,384,056	–	–	1,384,056
Building	85,693,095	–	–	85,693,095
Furniture	3,746,625	–	–	3,746,625
Chartwells renovation	1,588,000	–	–	1,588,000
Total capital assets	93,285,275	–	–	93,285,275
Less accumulated depreciation	(11,988,626)	(4,071,273)	–	(16,059,899)
Net capital assets	<u>\$ 81,296,649</u>	<u>\$ (4,071,273)</u>	<u>\$ –</u>	<u>\$ 77,225,376</u>

Depreciation and amortization expense was \$3,869,726 and \$ 4,192,943 during fiscal years 2016 and 2015, respectively.

#### 4. Long-term Liabilities

The trustee for the Series 2010 Bonds held unspent bond proceeds and capital contributions from the University of \$7,050,957 plus \$12,332,638 of net operating revenue and investment income for a total of \$19,383,595 as of June 30, 2016, which are classified as funds held by trustee. At June 30, 2015, the trustee held unspent bond proceeds and capital contributions from the University of \$7,050,670 plus \$10,653,992 of net operating revenue and investment income for a total of \$17,704,662, which are classified as funds held by trustee.

Centennial Falcon Properties, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**4. Long-term Liabilities (continued)**

Interest expense related to bonds payable was \$4,634,329 and \$4,663,146 for the years ended June 30, 2016 and 2015, respectively. Actual interest paid was \$4,637,113 and \$4,665,513 for years ended June 30, 2016 and 2015, respectively.

Long-term liabilities of the Corporation at June 30, 2016 are as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due in One Year</b>
Bonds payable	\$ 79,505,000	\$ —	\$ 835,000	\$ 78,670,000	\$ 965,000
Construction funding payable	14,135,018	—	596,800	13,538,218	596,800
Total long-term liabilities	<u>\$ 93,640,018</u>	<u>\$ —</u>	<u>\$ 1,431,800</u>	<u>\$ 92,208,218</u>	<u>\$ 1,561,800</u>

Long-term liabilities of the Corporation at June 30, 2015 are as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due in One Year</b>
Bonds payable	\$ 80,215,000	\$ —	\$ 710,000	\$ 79,505,000	\$ 835,000
Construction funding payable	14,991,818	—	856,800	14,135,018	596,800
Total long-term liabilities	<u>\$ 95,206,818</u>	<u>\$ —</u>	<u>\$ 1,566,800</u>	<u>\$ 93,640,018</u>	<u>\$ 1,431,800</u>

The interest and scheduled maturities of the Series 2010 Bonds for the five fiscal years subsequent to June 30, 2016 and subsequent periods thereafter are as follows:

	<b>Interest Rate</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	4.25%	\$ 965,000	\$ 4,603,713	\$ 5,568,713
2018	4.50	1,105,000	4,562,700	5,667,700
2019	4.50	1,260,000	4,512,975	5,772,975
2020	5.00	1,315,000	4,456,275	5,771,275
2021	5.75	1,380,000	4,390,525	5,770,525
2022-2026	5.75	8,185,000	20,666,924	28,851,924
2027-2031	5.75	10,825,000	18,027,388	28,852,388
2032-2036	6.00	14,385,000	14,464,800	28,849,800
2037-2041	6.00	19,255,000	9,598,800	28,853,800
2042-2045	6.00	19,995,000	3,086,700	23,081,700
Total		<u>\$ 78,670,000</u>	<u>\$ 88,370,800</u>	<u>\$ 167,040,800</u>

# Centennial Falcon Properties, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 4. Long-Term Liabilities (continued)

The valuation for the estimated fair value of the Corporation's debt obligation is computed by a third-party service and is primarily driven by market conditions. Based on the inputs in determining the estimated fair value of the debt, this liability would be considered Level 2. Fair values of the Corporation's fixed-rate debt obligations at June 30, 2016 are as follows:

Maturity	Outstanding	Bond Price	Fair Value
6/1/2017	\$ 965,000	102.422	\$ 988,372
6/1/2019	2,365,000	107.192	2,535,091
6/1/2020	1,315,000	111.054	1,460,360
6/1/2031	20,390,000	110.056	22,440,418
6/1/2045	53,635,000	110.234	59,124,006
	<u>\$ 78,670,000</u>		<u>\$ 86,548,247</u>

The construction funding payable amounts for the five fiscal years subsequent to June 30, 2016 and subsequent periods thereafter are as follows:

Year	The Oaks (CFP II)	Carillon (CFP III)	Chartwells Renovation	Total Due
2017	\$ 376,364	\$ 220,436	\$ –	\$ 596,800
2018	376,364	220,436	–	596,800
2019	376,364	220,436	–	596,800
2020	376,364	220,436	–	596,800
2021	376,364	220,436	–	596,800
Thereafter	6,586,364	3,967,854	–	10,554,218
	<u>\$ 8,468,184</u>	<u>\$ 5,070,034</u>	<u>\$ –</u>	<u>\$ 13,538,218</u>

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

### 5. Related-Party Transactions

The University leased the land comprising the two sites on which the Series 2010 Project facilities are constructed to the Corporation under a Ground Lease between the state of Ohio, acting by, through, and for the University, as lessor, and the Corporation, as lessee. The lease commenced on May 3, 2010 and will expire May 2, 2055. The Corporation shall have the right and option to extend this lease for up to two consecutive terms of 15 years each.

## Centennial Falcon Properties, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **5. Related-Party Transactions (continued)**

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

The Series 2010 Project includes two housing facilities, Falcon Heights and Centennial Hall, which were placed in service August 2011. The University has the resources and processes in place to invoice and collect funds from students for housing and housing-related fees for all other residence halls. The University acts as an agent between the students and CFP I and will invoice, collect the student accounts on behalf of CFP I, and then distribute the monies to CFP I. CFP I records operating revenue from these activities, which totaled approximately \$8,999,000 and \$8,737,000 for the years ended June 30, 2016 and 2015, respectively. The University owed CFP I student housing and housing-related fees, which totaled approximately \$55,000 and \$56,000 for the years ended June 30, 2016 and 2015, respectively.

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

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

The University incurred costs 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 & administrative expense of \$32,000 for both fiscal years ended 2016 and 2015.

## Centennial Falcon Properties, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **5. Related-Party Transactions (continued)**

Chartwells provided approximately \$18,000,000 of funding for these projects for the year ended June 30, 2012. The Chartwells construction funding payable will be paid in annual installments, ranging from \$409,000 to \$857,000 over 27.5 years, through June 30, 2039. Due to the University's Management Agreement with Chartwells for the dining program and in exchange for the use of the dining facilities, the University repays the construction funding payable on behalf of the Corporation, as these are of approximately equal value. As such, the Corporation recognizes this non-cash transaction as a decrease to the construction funding payable and as in-kind support non-operating revenue. For June 30, 2016 and 2015, the repayment and in-kind support non-operating revenue totaled \$596,800 and \$856,800, respectively.

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 2020. 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.



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 (the "Corporation"), which comprise the consolidated statements of financial position as of June 30, 2016, 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 October 4, 2016.

**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 the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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. 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 the Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Moran, PLLC*

October 4, 2016

**CFP I LLC**  
(a not-for-profit corporation)

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**Financial Report**  
**June 30, 2016**

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## Independent Auditor's Report

To Management and the Board of Directors  
CFP I LLC

### **Report on the Financial Statements**

We have audited the accompanying financial statements of CFP I LLC, which comprise the statements of financial position as of June 30, 2016 and 2015 and the related statements of activities and changes in net assets 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 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

To Management and the Board of Directors  
CFP I LLC

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CFP I LLC as of June 30, 2016 and 2015 and the changes in net assets and its 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 October 4, 2016 on our consideration of CFP I LLC's internal control over financial reporting and on 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 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 CFP I LLC's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

October 4, 2016

# CFP I LLC

## Statements of Financial Position

	June 30	
	2016	2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 561,847	\$ 670,509
Funds held by trustee – current portion	1,348,643	1,221,426
Other receivable, net of allowance for doubtful accounts of \$15,670 in 2016 and \$13,190 in 2015	38,844	42,893
Prepaid expenses	14,444	18,826
Total current assets	1,963,778	1,953,654
Other assets:		
Funds held by trustee – net of current portion	18,034,952	16,483,236
Capital assets, net	57,525,340	60,351,745
Bond issuance and discount costs, net of accumulated amortization of \$741,012 in 2016 and \$620,436 in 2015	2,243,372	2,363,948
Total other assets	77,803,664	79,198,929
Total assets	\$ 79,767,442	\$ 81,152,583
<b>Liabilities and net assets</b>		
Short-term liabilities:		
Accounts payable	\$ 25,977	\$ 87,371
Payroll liabilities	8,298	26,147
Unearned income	52,715	45,147
Interest payable	383,643	386,426
Accrued expenses	83,163	81,586
Long-term liabilities – current portion	965,000	835,000
Total short-term liabilities	1,518,796	1,461,677
Long-term liabilities:		
Bonds payable – net of current portion	77,705,000	78,670,000
Total long-term liabilities	77,705,000	78,670,000
Total liabilities	79,223,796	80,131,677
Net assets:		
Unrestricted	543,646	1,020,906
Total liabilities and net assets	\$ 79,767,442	\$ 81,152,583

*See accompanying notes.*

CFP I LLC

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Operating	\$ 8,999,437	\$ –	\$ 8,999,437
In-kind support from Bowling Green State University	26,000		26,000
Total revenues	<u>9,025,437</u>	–	<u>9,025,437</u>
Expenses:			
Payroll, benefits, and taxes	638,395	–	638,395
Management fees	260,052	–	260,052
Utilities	294,816	–	294,816
Building maintenance	129,393	–	129,393
Operating and administrative	117,292	–	117,292
Insurance	57,635	–	57,635
Interior unit expenses	156,425	–	156,425
Common area expenses	60,092	–	60,092
Ground expenses	22,618	–	22,618
Bad debt	15,580	–	15,580
Marketing and advertising	25,819	–	25,819
Depreciation and amortization	2,996,613	–	2,996,613
Total operating expenses	<u>4,774,730</u>	–	<u>4,774,730</u>
Operating income	4,250,707	–	4,250,707
Nonoperating revenue (expense):			
Investment income	2,091	–	2,091
Loss on disposal of equipment	(95,729)	–	(95,729)
Interest on capital asset-related debt	(4,634,329)	–	(4,634,329)
Net nonoperating loss	<u>(4,727,967)</u>	–	<u>(4,727,967)</u>
Change in net assets	(477,260)	–	(477,260)
Net assets:			
Net assets at the beginning of year	1,020,906	–	1,020,906
Net assets at the end of year	<u>\$ 543,646</u>	<u>\$ –</u>	<u>\$ 543,646</u>

See accompanying notes.



CFP I LLC

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Operating	\$ 8,736,529	\$ –	\$ 8,736,529
In-kind support from Bowling Green State University	23,000		23,000
Total revenues	<u>8,759,529</u>	–	<u>8,759,529</u>
Expenses:			
Payroll, benefits, and taxes	584,182	–	584,182
Management fees	255,007	–	255,007
Utilities	144,648	–	144,648
Building maintenance	153,020	–	153,020
Operating and administrative	127,772	–	127,772
Insurance	60,599	–	60,599
Interior unit expenses	38,895	–	38,895
Common area expenses	42,361	–	42,361
Ground expenses	24,757	–	24,757
Bad debt	20,417	–	20,417
Marketing and advertising	20,342	–	20,342
Depreciation and amortization	2,994,091	–	2,994,091
Total operating expenses	<u>4,466,091</u>	–	<u>4,466,091</u>
Operating income	4,293,438	–	4,293,438
Nonoperating revenue (expense):			
Investment income	1,842	–	1,842
Interest on capital asset-related debt	(4,663,146)	–	(4,663,146)
Net nonoperating loss	<u>(4,661,304)</u>	–	<u>(4,661,304)</u>
Change in net assets	(367,866)	–	(367,866)
Net assets:			
Net assets at the beginning of year	1,388,772	–	1,388,772
Net assets at the end of year	<u>\$ 1,020,906</u>	<u>\$ –</u>	<u>\$ 1,020,906</u>

See accompanying notes.

# CFP I LLC

## Statements of Cash Flows

	<b>Year Ended June 30</b>	
	<b>2016</b>	<b>2015</b>
Operating activities:		
Cash received related to operating revenue	\$ 8,996,584	\$ 8,707,968
Cash paid to vendors and employees	<u>(1,810,930)</u>	<u>(1,383,688)</u>
Net cash provided by operating activities	<b>7,185,654</b>	7,324,280
Financing activities:		
Principal paid on long-term liabilities	(835,000)	(710,000)
Cash paid for interest	<u>(4,637,113)</u>	<u>(4,665,513)</u>
Net cash used in financing activities	<b>(5,472,113)</b>	(5,375,513)
Investing activities:		
Net investment activity	(1,678,933)	(2,583,658)
Interest received	2,091	1,842
Purchase of capital assets	<u>(145,361)</u>	
Net cash used in investing activities	<b>(1,822,203)</b>	(2,581,816)
Net decrease in cash and cash equivalents	<b>(108,662)</b>	(633,049)
Cash and cash equivalents at beginning of year	<b>670,509</b>	1,303,558
Cash and cash equivalents at end of year	<b><u>\$ 561,847</u></b>	<b><u>\$ 670,509</u></b>

# CFP I LLC

## Statements of Cash Flows (continued)

	<b>Year Ended June 30</b>	
	<b>2016</b>	<b>2015</b>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ <b>4,250,707</b>	\$ 4,293,438
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,996,613	2,994,091
Changes in assets and liabilities:		
Decrease in accounts receivable	6,530	10,718
Increase in allowance for doubtful accounts	(2,480)	(3,221)
Decrease in prepaid expenses	4,382	586
(Decrease) Increase in accounts payable	(61,394)	35,577
(Decrease) Increase in payroll liabilities	(17,849)	5,436
Increase (Decrease) in unearned income	7,568	(15,640)
Increase in accrued expenses	1,577	3,295
Net cash provided by operating activities	\$ <b>7,185,654</b>	\$ 7,324,280

*See accompanying notes.*

# CFP I LLC

## Notes to Financial Statements

June 30, 2016 and 2015

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

#### **Nature of Operations**

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

#### **Reporting Entity**

The Corporation is a legal, separate component unit of the University formed in 2010 as a nonprofit corporation under the laws of the State of Ohio and determined by the Internal Revenue Service to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. 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 the Bowling Green State University's Foundation Board.

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

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

# CFP I LLC

## Notes to Financial Statements (continued)

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

#### Financial Statement Presentation

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

#### Basis of Accounting

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

#### Upcoming Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Corporation's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Corporation has not yet determined which application it will use or the potential effects of the new standard on the financial statements, if any.

In April 2015, the Financial Accounting Standards Board issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. The new ASU does not change what qualifies as debt issuance costs or how they are measured; however, it does change the presentation and disclosures of debt issuance costs in the financial statements by requiring these amounts to be presented as a direct deduction from the carrying amount of the related debt. The new guidance will be effective for periods beginning after December 15, 2015, and therefore will be adopted in the next fiscal year.

# CFP I LLC

## Notes to Financial Statements (continued)

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

The Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, in August 2016. ASU 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes, net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Corporation, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Corporation's year ending June 30, 2019 and thereafter and must be applied on a retrospective basis. The Corporation is currently evaluating the impact this standard will have on the financial statements.

#### **Use of Estimates**

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

#### **Income Tax**

CFP I has been granted tax-exempt status under Section 501(a)(3) of the Internal Revenue Code (the "Code") as an organization described in Section 501(c)(3) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax. CFP I had no significant unrelated business taxable income during fiscal years 2016 and 2015; accordingly, no provision or benefit for income taxes has been included in the accompanying financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by CFP I and recognize a tax liability if CFP I 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 CFP I and has concluded that as of June 30, 2016 and 2015, there are no uncertain positions taken or expected to be taken that require recognition of a liability or disclosure in the financial statements. CFP I is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

# CFP I LLC

## Notes to Financial Statements (continued)

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

#### **Cash and Cash Equivalents**

CFP I considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. At June 30, 2016 and 2015, cash and cash equivalents totaled \$561,847 and \$670,509, respectively.

At June 30, 2016 and 2015, funds held by trustee were \$19,383,595 and \$17,704,662, respectively. The balance includes \$1,277,694 in capital contributions from the University for 2016 and 2015. Bank of New York, acting as trustee, is responsible for holding, managing, and distributing all CFP I funds as outlined in Section V of the Indenture Trustee Agreement.

#### **Other Receivable**

Other receivable is due from the University and consists of housing and housing-related fees charged to students for rooms located in Falcon Heights and Centennial Hall (the Series 2010 Project). CFP I follows University policy when calculating the allowance for doubtful accounts. Receivables more than one year old are written off and returned to the University for collection. The University will retain subsequent cash collections. See Note 5 for details of this relationship.

#### **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 CFP I includes all items with a cost of \$5,000 or more and an estimated useful life of greater than one year. Infrastructure and improvements other than to buildings are capitalized if the cost exceeds \$100,000. 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.

#### **Bond Costs**

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

Amortization of bond discount costs and issuance costs totaled \$120,576 and \$121,670 for the years ended June 30, 2016 and 2015, respectively. Amortization expense for the next five fiscal years, 2017–2021, is approximately as follows: \$119,000, \$118,000, \$116,000, \$114,000, and \$112,000, respectively.

# CFP I LLC

## Notes to Financial Statements (continued)

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

#### **Revenues**

CFP I has classified its student housing and housing-related fees as operating revenue ratably over the rental period. Amounts billed and collected before the rental period are included in unearned income.

#### **Unearned Income**

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

#### **Fair Value Measurements**

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

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

Level 2 – Inputs, other than quoted prices in active markets, that are observable either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 – Unobservable inputs for which there is little or no market data, which requires CFP I to develop assumptions. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

#### **Net Asset Classifications**

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

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



# CFP I LLC

## Notes to Financial Statements (continued)

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

- The assets as specified in contractual agreements. The restrictions are satisfied either by the passage of time or by actions of CFP I. No restrictions were present at June 30, 2016 or 2015.
- Unrestricted net assets are not restricted. The governing board has the right to approve the use of these funds within the debt covenant guidelines.

### Business and Concentrations of Credit Risk

CFP I's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and investments. CFP I 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 they are subject to significant risk.

### Functional Expenses

In 2016, expenses related to program services were \$9,409,364 and expenses related to management and general expenses were \$95,424. In 2015, expenses related to program services were \$9,023,413 and expenses related to management and general expenses were \$105,824.

### Subsequent Events

CFP I evaluated the effect of subsequent events through October 4, 2016, 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. Investments

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

	<u>2016</u>	<u>2015</u>
Money market funds – Level 2	<u>\$ 19,383,595</u>	<u>\$ 17,704,662</u>

CFP I records its investments in money market funds at their current fair value based on amortized cost, which approximates fair value.

# CFP I LLC

## Notes to Financial Statements (continued)

### 3. Capital Assets

Capital assets and accumulated depreciation as of June 30, 2016 are summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Land	\$ 636,311	\$ –	\$ –	\$ 636,311
Land improvements	978,779	–	–	978,779
Building	67,331,696	140,061	(112,396)	67,359,361
Furniture	2,508,498	5,300	–	2,513,798
Total capital assets	71,455,284	145,361	(112,396)	71,488,249
Less accumulated depreciation	(11,103,539)	(2,876,037)	16,667	(13,962,909)
Net capital assets	\$ 60,351,745	\$ (2,730,676)	\$ (95,729)	\$ 57,525,340

Capital assets and accumulated depreciation as of June 30, 2015 are summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Land	\$ 636,311	\$ –	\$ –	\$ 636,311
Land improvements	978,779	–	–	978,779
Building	67,331,696	–	–	67,331,696
Furniture	2,508,498	–	–	2,508,498
Total capital assets	71,455,284	–	–	71,455,284
Less accumulated depreciation	(8,231,118)	(2,872,421)	–	(11,103,539)
Net capital assets	\$ 63,224,166	\$ (2,872,421)	\$ –	\$ 60,351,745

Depreciation expense was \$2,876,037 and \$2,872,421 for fiscal years 2016 and 2015, respectively.

### 4. Bonds Payable

The trustee for the Series 2010 Bonds held unspent bond proceeds and capital contributions from the University of \$7,050,957 plus \$12,332,638 of net operating revenue and investment income for a total of \$19,383,595 as of June 30, 2016, which are classified as funds held by trustee. At June 30, 2015, the trustee held unspent bond proceeds and capital contributions from the University of \$7,050,669 plus \$10,653,993 of net operating revenue and investment income for a total of \$17,704,662, which are classified as funds held by trustee.

# CFP I LLC

## Notes to Financial Statements (continued)

### 4. Bonds Payable (continued)

Interest expense related to bonds payable was \$4,634,329 and \$4,663,146 for the years ended June 30, 2016 and 2015, respectively. Actual interest paid was \$4,637,113 and \$4,665,513 for the years ended June 30, 2016 and 2015, respectively.

Bonds payable of CFP I at June 30, 2016 are as follows:

	<b>Beginning Balance</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due in One Year</b>
Bonds payable	<b>\$ 79,505,000</b>	<b>\$ 835,000</b>	<b>\$ 78,670,000</b>	<b>\$ 965,000</b>

Bonds payable of CFP I at June 30, 2015 are as follows:

	<b>Beginning Balance</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due in One Year</b>
Bonds payable	\$ 80,215,000	\$ 710,000	\$ 79,505,000	\$ 835,000

The interest and scheduled maturities of the Series 2010 Bonds for the five fiscal years subsequent to June 30, 2016 and subsequent periods thereafter are as follows:

	<b>Interest Rate</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	4.25%	\$ 965,000	\$ 4,603,713	\$ 5,568,713
2018	4.50	1,105,000	4,562,700	5,667,700
2019	4.50	1,260,000	4,512,975	5,772,975
2020	5.00	1,315,000	4,456,275	5,771,275
2021	5.75	1,380,000	4,390,525	5,770,525
2022-2026	5.75	8,185,000	20,666,924	28,851,924
2027-2031	5.75	10,825,000	18,027,388	28,852,388
2032-2036	6.00	14,385,000	14,464,800	28,849,800
2037-2041	6.00	19,255,000	9,598,800	28,853,800
2042-2045	6.00	19,995,000	3,086,700	23,081,700
Total		\$78,670,000	\$ 88,370,800	\$ 167,040,800

# CFP I LLC

## Notes to Financial Statements (continued)

### 4. Bonds Payable (continued)

The valuation for the estimated fair value of CFP I's debt obligation is completed by a third-party service and is primarily driven by market conditions. Based on the inputs determining the estimated fair value of the debt, this liability would be considered Level 2. Fair values of CFP I's fixed rate debt obligations at June 30, 2016 are as follows:

Maturity	Outstanding	Bond Price	Fair Value
6/1/2017	\$ 965,000	102.422	\$ 988,372
6/1/2019	2,365,000	107.192	2,535,091
6/1/2020	1,315,000	111.054	1,460,360
6/1/2031	20,390,000	110.056	22,440,418
6/1/2045	53,635,000	110.234	59,124,006
	<u>\$ 78,670,000</u>		<u>\$ 86,548,247</u>

### 5. Related-Party Transactions

The University leased the land comprising the two sites on which the Series 2010 Project facilities are constructed to the Corporation under a Ground Lease between the State of Ohio, acting by, through, and for the University, as lessor, and the Corporation, as lessee. The lease commenced on May 3, 2010, and will expire May 2, 2055. The Corporation shall have the right and option to extend this lease for up to two consecutive terms of 15 years each.

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

The Series 2010 Project includes two housing facilities, Falcon Heights and Centennial Hall, which were placed in service in August 2011. The University has the resources and processes in place to invoice and collect funds from students for housing and housing-related fees for all other residence halls. The University acts as an agent between the students and CFP I and will invoice, collect the student accounts on behalf of CFP I, and then distribute the monies to CFP I. CFP I records operating revenue from these activities, which totaled approximately \$8,999,000 and \$8,737,000 for the years ended June 30, 2016 and 2015, respectively. The University owed CFP I student housing and housing-related fees, which totaled approximately \$55,000 and \$56,000 for the years ended June 30, 2016 and 2015, respectively.

The University incurred costs of certain salaries and fringe benefits for financial, accounting, development, and information technology personnel related to CFP I. These expenses are paid by the University on behalf of CFP I and are shown in the accompanying financial statements as in-kind support and operating and administrative expense of \$26,000 as of June 30, 2016 and \$23,000 as of June 30, 2015.

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  
CFP I LLC

We have audited, 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, the financial statements of CFP I LLC (CFP I), which comprise the statement of financial position as of June 30, 2016 and the related statements of activities and changes in net assets and cash flows for the year then ended, and related notes to the financial statements, and have issued our report thereon dated October 4, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered CFP I LLC'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 CFP I's internal control. Accordingly, we do not express an opinion on the effectiveness of CFP I'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 CFP I'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. 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  
CFP I LLC

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether CFP I LLC's 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 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 CFP I's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CFP I's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Morse, PLLC*

October 4, 2016

**WBGU-TV**  
**(A Public Telecommunications Entity**  
**Operated by Bowling Green State University)**

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**Financial Report**  
**with Supplemental Information**  
**June 30, 2016**

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## Independent Auditor's Report

To Management, the Audit Committee,  
and the Board of Trustees  
WBGU-TV

### **Report on the Financial Statements**

We have audited the accompanying financial statements of WBGU-TV (WBGU or the "Station"), a public telecommunications entity owned by Bowling Green State University, as of and for the years ended June 30, 2016 and 2015 and the related notes to the financial statements, which collectively comprise WBGU-TV's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and in accordance with 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of WBGU-TV as of June 30, 2016 and 2015 and the respective changes in its net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To Management, the Audit Committee,  
and the Board of Trustees  
WBGU-TV

***Emphasis of Matter***

We draw attention to Note I, which explains that the financial statements of WBGU-TV are intended to present the net position, the changes in net position, and cash flows of only that portion of the University's business-type activities that is not attributable to the transactions of the department. They do not purport to, and do not, present fairly the net position of Bowling Green State University as of June 30, 2016 and 2015, the changes in its net position, or the changes in its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Matters***

Management has omitted schedules of the Station's proportionate share of the net pension liability and Station contributions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

***Required Supplemental Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2016 on our consideration of WBGU-TV's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 WBGU-TV's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

October 7, 2016

# WBGU-TV

## Management's Discussion and Analysis

### Overview of the Financial Statements and Financial Analysis

This section of WBGU-TV's annual financial report presents management's discussion and analysis of the financial performance of the television station during the fiscal years ended June 30, 2016, 2015, and 2014. This discussion is unaudited and provides an overview of the financial activities and should be read in conjunction with the accompanying financial statements and footnotes.

### Using the Annual Financial Statement

This annual report consists of financial statements prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. In fiscal year 2013, WBGU-TV adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement supersedes paragraphs 10 and 12 of GASB Statement No. 35. GASB Statement No. 63 establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position. The financial statements prescribed by GASB Statement No. 63 (the statement of net position, statement of revenue, expenses, and changes in net position, and the statement of cash flows) are prepared under the accrual basis of accounting, whereby revenue and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The statement of net position includes all assets and liabilities. Over time, an increase or decrease in net position (the difference between assets and liabilities) is one indicator of the improvement or erosion of WBGU-TV's overall financial health.

The statement of revenue, expenses, and changes in net position presents the revenue earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. WBGU-TV's dependency on the operating subsidy from Bowling Green State University typically results in operating deficits because the financial reporting model classifies this operating subsidy as nonoperating revenue. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

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

# WBGU-TV

## Management's Discussion and Analysis (continued)

### Noteworthy Financial Activity

- Revenue from contributions and memberships increased from the prior year.
- Revenue from fees and services increased from the prior year.
- Support from the University decreased from the prior year.

### Condensed Statements of Net Position as of June 30, 2016, 2015, and 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Assets</b>			
Current assets	\$ 2,848,583	\$ 2,732,290	\$ 2,804,595
Noncurrent assets:			
Capital assets	1,198,326	1,408,593	1,578,643
Other	<u>1,557,927</u>	<u>1,615,742</u>	<u>1,682,461</u>
Total noncurrent assets	<u>2,756,253</u>	<u>3,024,335</u>	<u>3,261,104</u>
Total assets	<u>5,604,836</u>	<u>5,756,625</u>	<u>6,065,699</u>
 <b>Deferred Outflows of Resources</b>	 182,050	 48,060	 -
<b>Liabilities</b>			
Current liabilities	1,017,154	973,249	741,520
Noncurrent liabilities	<u>658,838</u>	<u>529,947</u>	<u>153,460</u>
Total liabilities	<u>1,675,992</u>	<u>1,503,196</u>	<u>894,980</u>
 <b>Deferred Inflows of Resources</b>	 16,730	 6,695	
<b>Net Position</b>			
Net investment in capital assets	1,198,326	1,408,593	1,578,643
Unrestricted	1,337,911	1,270,458	1,909,615
Restricted for:			
Nonexpendable endowments	1,057,044	1,057,044	1,057,044
Expendable	<u>500,883</u>	<u>558,699</u>	<u>625,417</u>
Total net position	<u>\$ 4,094,164</u>	<u>\$ 4,294,794</u>	<u>\$ 5,170,719</u>

**Current assets** consist of cash and cash equivalents, receivables, and unexpired program rights. Current assets totaled \$2,849,000 at June 30, 2016 as compared to \$2,732,000 at June 30, 2015 and \$2,805,000 at June 30, 2014.

### Fiscal year 2016 compared to 2015

- Cash and cash equivalents increased \$140,000 due primarily to an increase in contributions and memberships.

## WBGU-TV

### Management's Discussion and Analysis (continued)

#### Fiscal year 2015 compared to 2014

- Cash and cash equivalents decreased \$61,000 due primarily to a reduction in cash flows from normal operating activity which is offset by an increase in unexpended grant funding.

**Noncurrent assets** include capital assets, net of accumulated depreciation, and endowment investments at fair value. Noncurrent assets totaled \$2,756,000 at June 30, 2016 as compared to \$3,024,000 at June 30, 2015 and \$3,261,000 at June 30, 2014.

#### Fiscal year 2016 compared to 2015

- Capital assets decreased by \$210,000 due to depreciation of existing capital assets. Endowment investments decreased by \$58,000 due to depreciation of the investments as a result of unfavorable market conditions.

#### Fiscal year 2015 compared to 2014

- Capital assets decreased by \$170,000 due to depreciation of existing capital assets. Endowment investments decreased by \$67,000 due to depreciation of the investments as a result of unfavorable market conditions.

**Total liabilities** include accounts payable, accrued expenses, unearned revenue, compensated balances, and pension obligations. Total liabilities totaled \$1,676,000 at June 30, 2016 as compared to \$1,503,000 at June 30, 2015 and \$895,000 at June 30, 2014.

#### Fiscal year 2016 compared to 2015

- Pension obligations increased by \$144,000 as a result of the increase in the net pension liability directly related to GASB 68, *Accounting and Financial Reporting for Pensions*. WBGU reported a liability at June 30, 2015 for the first time of \$410,000 for its proportionate share of the net pension liability of OPERS due to the adoption of GASB 68.

#### Fiscal year 2015 compared to 2014

- Unearned revenue increased \$244,000 due to an increase in cash flows from unexpended grant funding. WBGU-TV reported a liability for its proportionate share of the net pension liability of OPERS due to the adoption of GASB 68 in the amount of \$410,000.

## WBGU-TV

### Management's Discussion and Analysis (continued)

**Net position** presents the difference between WBGU's assets and liabilities. Total net position totaled \$4,094,000 at June 30, 2016 as compared to \$4,295,000 at June 30, 2015 and \$5,171,000 at June 30, 2014.

#### Fiscal year 2016 compared to 2015

- The unrestricted net position for 2016 increased \$67,000 primarily due to an increase of contributions and memberships.
- The invested in capital assets net position decreased \$210,000 due to the depreciation of existing capital assets.

#### Fiscal year 2015 compared to 2014

- In accordance with GASB 68, WBGU-TV reported a net pension liability of \$372,000 as a change in accounting principle adjustment to the unrestricted net position as of July 1, 2014.
- The unrestricted net position for 2015, excluding the accounting principle adjustment, decreased \$267,000 due to fluctuations in normal operating activity.
- The invested in capital assets net position decreased \$170,000 due to the depreciation of existing capital assets.

# WBGU-TV

## Management's Discussion and Analysis (continued)

### Condensed Statements of Revenue, Expenses, and Changes in Net Position for the Years Ended June 30, 2016, 2015, and 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Operating Revenue:</b>			
Contributions and memberships	\$ 578,331	\$ 368,653	\$ 454,700
Contributed services	573,698	298,555	270,726
Fees and services	518,581	445,306	452,317
Grants and contracts	1,179,651	1,213,851	1,130,370
Other operating revenue	-	200	22,316
Total operating revenue	2,850,261	2,326,565	2,330,429
<b>Operating Expenses:</b>			
Program services	3,121,844	3,082,790	3,216,455
Supporting services	981,245	895,214	932,259
Total operating expenses	4,103,089	3,978,004	4,148,714
Operating loss	(1,252,828)	(1,651,439)	(1,818,285)
<b>Nonoperating Revenue:</b>			
Operating subsidies	444,399	656,724	1,106,910
Donated facilities and support	617,330	511,182	477,610
Investment (loss) gain, net	(9,531)	(20,039)	188,900
Other nonoperating revenue	-	-	8,175
Total nonoperating revenue	1,052,198	1,147,867	1,781,595
Change in net position	(200,630)	(503,572)	(36,690)
Net position at the beginning of year	4,294,794	5,170,719	5,207,409
Adjustment for change in accounting principle GASB68	-	(372,353)	-
Net position at the end of year	\$ 4,094,164	\$ 4,294,794	\$ 5,170,719

Total operating revenue for fiscal years ended June 30, 2016, 2015, and 2014 was \$2.9 million, \$2.3 million, and \$2.3 million, respectively.

#### Fiscal year 2016 compared to 2015

- Contributions and memberships increased \$210,000 primarily due to receipt of a large estate gift.
- Contributed services increased \$275,000 primarily due to increased activity of Ohio Broadcast Educational Media Commission, which provides these services.

#### Fiscal year 2015 compared to 2014

- Grants and contracts revenue increased \$83,000 due to increased support from granting agencies.
- Contributions and memberships decreased \$86,000 primarily due to less donor activity.

## WBGU-TV

### Management's Discussion and Analysis (continued)

Total operating expenses for fiscal years ended June 30 2016, 2015, and 2014 were \$4.1 million, \$4.0 million, and \$4.1 million respectively.

#### Fiscal year 2016 compared to 2015

- Program services increased \$39,000 primarily due to increased donated services and indirect administrative support. Support services increased \$86,000 primarily due to donated services and indirect administrative support.

#### Fiscal year 2015 compared to 2014

- Program services decreased \$134,000 primarily due to a decrease in program acquisitions.

Total nonoperating revenue for fiscal years ended June 30, 2016, 2015, and 2014 was \$1.1 million, \$1.1 million, and \$1.8 million, respectively.

#### Fiscal year 2016 compared to 2015

- Operating subsidies from BGSU decreased \$212,000 primarily due to staffing reductions.
- Donated facilities and support increased \$106,000 due to an increase in the institutional support allocation factor.

#### Fiscal year 2015 compared to 2014

- Operating subsidies from BGSU decreased \$450,000 primarily due to staffing reductions.
- Investment income decreased \$209,000 due to unfavorable market conditions.

#### Capital Assets

WBGU had \$1,198,326, \$1,408,593, and \$1,578,643 invested in capital assets as of June 30, 2016, 2015, and 2014, respectively. The most significant impact on the carrying amounts for each year is related to depreciation expense. The depreciation was offset by purchases of capital assets of \$36,811, \$130,344, and \$360,348 for 2016, 2015, and 2014, respectively.

#### Cash Flows

WBGU used cash in operations of \$315,451, \$634,187, and \$1,378,213 in 2016, 2015, and 2014, respectively. The largest cash inflows was from grants, cash from contributions and memberships, and cash from fees and services. Cash outflows relate to amounts paid to vendors and employees.



## WBGU-TV

### Management's Discussion and Analysis (continued)

WBGU had cash inflows from noncapital financing activities, which consist of operating subsidies of \$444,399, \$656,724, and \$1,106,910 during 2016, 2015, and 2014, respectively.

Cash outflows from capital financing activities consists of capital asset purchases mentioned previously in the capital assets section.

Cash inflows from investing activities consist of investment income of \$48,285, \$46,679, and \$44,929 in 2016, 2015, and 2014, respectively.

#### **Economic Factors Affecting the Future of WBGU-TV**

The economy of Ohio, while improving, has had an impact on WBGU-TV's ability to increase membership dollars by a large percentage. The level of private annual giving did increase this past year in dollars and number of members. WBGU-TV will continue to strive to increase both private giving and production services in the coming year.

**WBGU-TV**  
**Statements of Net Position**  
**June 30**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 2,824,973	\$ 2,684,551
Receivables:		
Accounts receivable	2,540	11,354
Grants and contracts	14,075	29,159
Unexpired program rights	6,995	7,226
Total current assets	2,848,583	2,732,290
<b>Noncurrent assets:</b>		
Endowment investments	1,557,927	1,615,742
Capital assets, net	1,198,326	1,408,593
Total noncurrent assets	2,756,253	3,024,335
Total assets	5,604,836	5,756,625
<b>Deferred Outflows of Resources</b>	182,050	48,060
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	19,648	18,359
Unearned revenue	912,985	884,127
Current portion of accrued compensated balances	84,521	70,763
Total current liabilities	1,017,154	973,249
<b>Noncurrent liabilities:</b>		
Accrued compensated absences (net of current portion)	104,852	120,303
Pension obligations	553,986	409,644
Total noncurrent liabilities	658,838	529,947
Total liabilities	1,675,992	1,503,196
<b>Deferred Inflows of Resources</b>	16,730	6,695
<b>Net position:</b>		
Net investment in capital assets	1,198,326	1,408,593
Unrestricted	1,337,911	1,270,458
Restricted for:		
Nonexpendable endowments	1,057,044	1,057,044
Expendable	500,883	558,699
Total net position	\$ 4,094,164	\$ 4,294,794

*See accompanying notes*

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

	<u>2016</u>	<u>2015</u>
<b>Revenue</b>		
<b>Operating revenue:</b>		
Contributions and memberships	\$ 578,331	\$ 368,653
Contributed services	573,698	298,555
Fees and services:		
Public broadcasting services	319,686	290,716
Business and industry	198,895	154,590
State and local grants	332,135	334,083
Private and other grants	847,516	879,768
Miscellaneous	-	200
Total operating revenue	<u>2,850,261</u>	<u>2,326,565</u>
<b>Expenses</b>		
<b>Operating expenses:</b>		
Program services:		
Programming and production	1,806,662	1,726,837
Broadcasting	1,260,977	1,291,008
Public information and promotion	54,205	64,945
Support services:		
Management and general	476,153	455,696
Fundraising and membership development	505,092	439,518
Total operating expenses	<u>4,103,089</u>	<u>3,978,004</u>
<b>Operating loss</b>	(1,252,828)	(1,651,439)
<b>Nonoperating revenue</b>		
Operating subsidies	444,399	656,724
Donated facilities and support	617,330	511,182
Investment income, net	<u>(9,531)</u>	<u>(20,039)</u>
Net nonoperating revenue	<u>1,052,198</u>	<u>1,147,867</u>
Change in net position	(200,630)	(503,572)
<b>Net position</b>		
Net position at the beginning of year	4,294,794	5,170,719
Adjustment for change in accounting principle - GASB 68 (Note 6)	-	(372,353)
Net position at the end of year	<u>\$ 4,094,164</u>	<u>\$ 4,294,794</u>

*See accompanying notes*

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

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities</b>		
Contributions and memberships	\$ 578,331	\$ 368,653
Fees and services	517,250	467,978
Grants	1,234,024	1,309,535
Other receipts	-	200
Payments to vendors for supplies and services	(1,231,774)	(1,421,322)
Payments to employees and benefits	<u>(1,413,282)</u>	<u>(1,359,231)</u>
Net cash used in operating activities	<u>(315,451)</u>	<u>(634,187)</u>
<b>Cash flows from noncapital financing activities</b>		
Operating subsidies	<u>444,399</u>	<u>656,724</u>
Net cash provided by noncapital financing activities	<u>444,399</u>	<u>656,724</u>
<b>Cash flows from capital financing activities</b>		
Purchase of capital assets	<u>(36,811)</u>	<u>(130,344)</u>
Net cash used in capital financing activities	<u>(36,811)</u>	<u>(130,344)</u>
<b>Cash flows from investing activities</b>		
Investment income	<u>48,285</u>	<u>46,679</u>
Net cash provided by investing activities	<u>48,285</u>	<u>46,679</u>
Net increase (decrease) in cash	140,422	(61,128)
Cash and cash equivalents at beginning of year	<u>2,684,551</u>	<u>2,745,679</u>
Cash and cash equivalents at end of year	<u>\$ 2,824,973</u>	<u>\$ 2,684,551</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$ (1,252,828)	\$ (1,651,439)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	247,078	300,394
Pension expense	20,387	(4,074)
Donated facilities and support	617,330	511,182
Changes in assets and liabilities:		
Accounts receivable, net	23,897	6,470
Unexpired program rights	231	4,708
Accounts payable	3,174	(5,356)
Accrued wages and vacation pay	(3,578)	(39,719)
Unearned revenue	28,858	243,647
Net cash used in operating activities	<u>\$ (315,451)</u>	<u>\$ (634,187)</u>

*See accompanying notes*

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

### Nature of Operations

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

### Basis of Presentation

WBGU-TV follows all applicable Governmental Accounting Standards Board (GASB) pronouncements. The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for publicly owned colleges and universities and is presented in accordance with the reporting model as prescribed in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, and No. 63. WBGU follows the "business-type" activities requirements of GASB Statement No. 34. This approach requires the following components of WBGU's financial statements:

- Management's discussion and analysis
- Basic financial statements including a statement of net position; statement of revenues, expenses, and changes in net position; statement of cash flows; and notes to the financial statements

GASB Statement No. 34, as amended by No. 63, establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following four net position categories:

- *Net investment in capital assets*: This represents WBGU-TV's total investment in capital assets.
- *Unrestricted*: Unrestricted net position represents resources derived from sales and services provided by WBGU-TV. These resources are used for transactions relating to the obligations of WBGU-TV and may be used at the discretion of the Board of Trustees to meet current expenses for any purpose.
- *Restricted for non-expendable endowments*: Restricted non-expendable endowments are gifts that have been received for endowment purposes, the corpus of which cannot be expended.

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

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

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

### **Pension**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Ohio Public Employees Retirement System Pension Plan (OPERS) and additions to and deductions from OPERS fiduciary net position have been determined on the same basis as they are reported by OPERS. OPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **Deferred Outflows/Inflows of Resources**

**Deferred Outflows:** In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government deferred outflows of resources related to the net pension liability (see Note 6 for more details).

**Deferred Inflows:** In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government deferred inflows of resources related to the net pension liability (see Note 6 for more details).

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

### **Upcoming Pronouncement**

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Under GASB Statement No. 75 and similar to GASB Statement No. 68 (pensions), WBGU-TV, as a cost-sharing employer, will be required to recognize its proportionate share of the collective unfunded net other postemployment benefits (OPEB) liability, OPEB expense, and deferred OPEB outflows (inflows) of the State's Retirement System plan within its financial statements. This will be a significant change for every participating employer in all cost-sharing plans around the country. Institutions will see a significant liability reflected on their balance sheets along with an impact to OPEB expenses and a corresponding reduction to unrestricted net position. There are also expanded disclosures and required supplemental information to be added to WBGU-TV's financial statements. WBGU-TV will also be required to track certain components of the net OEPB liability (deferred inflows/outflows) and amortize over the appropriate periods in accordance with the standard. WBGU-TV has not yet determined what its share of the unfunded net OPEB liability is but it is expected to be significant and material to WBGU-TV's financial statements. The provisions of this statement are effective for financial statements for the year ending June 30, 2018.

### **Cash and Cash Equivalents**

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

### **Accounts Receivable**

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

### **Unexpired Program Rights and Unearned Revenue**

Unexpired program rights include expenses for programs produced by WBGU-TV, which will be broadcast subsequent to the end of the fiscal year. Unearned revenue includes amounts received for the production of programs that will be broadcast subsequent to the end of the fiscal year. Concurrent with broadcasting of the programs, these costs will be reported as incurred operating expenses and the related amounts received will be reported as earned revenue in the statements of revenue, expenses, and changes in net position. Unearned revenue also includes amounts received from grant and contract sponsors that have not been earned.

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

### **Endowment Investments**

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

The governing body of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, WBGU-TV classifies as net position restricted for nonexpendable endowments (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net position restricted for nonexpendable endowments is classified as restricted for expendable net position until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Foundation has its investment and spending policies for endowment assets such that it attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specific period(s). Under this policy, as approved by the governing body, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs over the long term. Actual returns in any given year may vary.



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

WBGU-TV records the annual income of the endowment as nonoperating revenue that is restricted for expenditure upon meeting donor stipulations. The net appreciation on investments of donor-restricted endowments that are available for expenditure was \$500,883 and \$558,699 at June 30, 2016 and 2015, respectively.

The Foundation has adopted a spending policy with respect to amounts available for distribution on all endowed funds. The spending policy provides for a range of 3% to 7% of the three-year rolling average market value of endowed fund balances, with the Board of Directors approving 3% for 2016 and 2015.

The Foundation has adopted a policy of charging an administrative fee on all endowed funds, unless prohibited by the guidelines of the funds. The fee is based on the prior two-year average market value balance for the endowed funds and certain non-endowed funds. The administrative fee charged to WBGU-TV amounted to \$21,528 and \$21,884 in 2016 and 2015, respectively, and has been netted with the investment income included in nonoperating revenue on the statements of revenue, expenses, and changes in net position.

### **Capital Assets**

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

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

### **Net Position**

WBGU-TV's net position is classified as follows:

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

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

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

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

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

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

### Revenue Recognition

All revenue from programmatic sources is considered to be operating revenue. Included in nonoperating revenue are University support, investment income, endowed, and capital grants and gifts.

### In-kind Contributions and Donated Personal Services of Volunteers

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

The value of donated personal services of volunteers has been excluded from both revenue and expense. The volunteer support for the years ended June 30, 2016 and 2015 consisted of:

	2016		2015	
	Hours	Total	Hours	Total
Programming and production	1,822	\$ 42,926	2,334	\$ 53,857
Public information and promotion			-	-
Fundraising	196	4,618	62	1,430
Management and general	180	4,241	168	3,876
Total	<u>2,198</u>	<u>\$ 51,785</u>	<u>2,564</u>	<u>\$ 59,163</u>

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

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

### **Administrative Support and Donated Facilities from the University**

Administrative support and donated facilities are calculated and recorded as both revenue and expense based upon the University's "modified other sponsored activities indirect cost rate" as defined by the Corporation for Public Broadcasting (CPB), which was 1.5% and 1.2% for fiscal years ended June 30, 2016 and 2015, respectively. Donated facilities and administrative support from the University consist of allocated overhead costs related to financial, student, and development department costs and certain other expenses incurred by the University on behalf of WBGU-TV. All support received from the University is recorded as nonoperating revenue.

### **Income Taxes**

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

### **Reclassification**

Deferred outflows of resources totaling \$48,060 related to OPERS and STRS which were presented with deferred inflows of resources of \$6,695 in 2015 have been reclassified to their respective deferred inflows/outflows of resources lines on the 2015 statement of net position.

### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of revenue, expenses, and changes in net position. Accordingly, certain costs have been allocated among program and support services benefited based on total personnel costs and other systematic bases.

## **2. Cash and Investments**

GASB Statement No. 40, *Deposits and Investment Risk Disclosure*, requires the disclosure of essential risk information about deposits and investments. The disclosure requirements cover five main areas: credit risk, interest rate risk, custodial credit risk, concentration of credit risk, and foreign exchange exposure. In addition, under GASB Statement No. 72, *Fair Value Measurement and Application*, certain fair value disclosures are required. Since the investments of WBGU-TV are held by the Foundation, which is a separate 501(c)(3) organization from the University, this information is not available. Fair value disclosures for the entire pool are included in the Foundation's audited financial statements.

The cash balances as of June 30, 2016 and 2015 are pooled funds that are held and managed by the University and Foundation.

## 2. Cash and Investments (continued)

Endowment investments represent WBGU-TV's share of pooled investment funds held and managed by the Foundation. The values of these investments held by the Foundation as of June 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
WBGU-TV Silver Anniversary	\$ 1,129,603	\$ 1,171,586
WBGU-TV Programming Endowment Fund	44,882	46,463
WBGU-TV Equipment	25,019	25,950
The Younger Family Fund	291,105	301,923
Jorgen Larsen WBGU Programming Fund	67,318	69,820
Total	<u>\$ 1,557,927</u>	<u>\$ 1,615,742</u>

## 3. Capital Assets

The property and equipment reported below are titled to the University but are utilized by WBGU-TV. Capital asset and accumulated depreciation activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Land	\$ 40,000	\$ —	\$ —	\$ 40,000
Buildings	2,410,108	—	—	2,410,108
Equipment	8,451,694	36,811	78,581	8,409,924
Total capital assets	<u>10,901,802</u>	36,811	78,581	10,860,032
Less accumulated depreciation	9,493,209	247,078	78,581	9,661,706
Capital assets, net	<u>\$ 1,408,593</u>	<u>\$ (210,267)</u>	<u>\$ —</u>	<u>\$ 1,198,326</u>

The property and equipment reported below are titled to the University but are utilized by WBGU-TV. Capital asset and accumulated depreciation activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Land	\$ 40,000	\$ —	\$ —	\$ 40,000
Buildings	2,410,108	—	—	2,410,108
Equipment	8,321,350	130,344	—	8,451,694
Total capital assets	<u>10,771,458</u>	130,344	—	10,901,802
Less accumulated depreciation	9,192,815	300,394	—	9,493,209
Capital assets, net	<u>\$ 1,578,643</u>	<u>\$ (170,050)</u>	<u>\$ —</u>	<u>\$ 1,408,593</u>

#### 4. Accounts Payable and Accrued Expenses

The composition of accounts payable and accrued expenses at June 30, 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Accounts payable	\$ 7,401	\$ 4,227
Accrued payroll	12,247	14,132
Total	<u>\$ 19,648</u>	<u>\$ 18,359</u>

#### 5. Compensated Absences

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

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

Compensated absences for June 30, 2016 are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Vacation pay	\$ 117,814	\$ 63,241	\$ 60,607	\$ 120,448	\$ 77,426
Sick leave	73,252	4,958	9,285	68,925	7,095
Total	<u>\$ 191,066</u>	<u>\$ 68,199</u>	<u>\$ 69,892</u>	<u>\$ 189,373</u>	<u>\$ 84,521</u>

## 5. Compensated Absences (continued)

Compensated absences for June 30, 2015 are summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due in One Year</b>
Vacation pay	\$ 150,936	\$ 64,535	\$ 97,657	\$ 117,814	\$ 70,763
Sick leave	76,223	9,028	11,999	73,252	0
Total	<u>\$ 227,159</u>	<u>\$ 73,563</u>	<u>\$ 109,656</u>	<u>\$ 191,066</u>	<u>\$ 70,763</u>

## 6. Retirement Benefits

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

OPERS offers three separate retirement plans:

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

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

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

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

The OPERS Comprehensive Annual Financial Report can be downloaded from the OPERS website at [www.opers.org](http://www.opers.org). The Ohio Revised Code provides statutory authority for employer and employee contributions. The University contributes 14% of covered payroll, and the employee pretax contribution rate is 10% of covered payroll. A portion of employer contributions was allocated to postemployment healthcare benefits as disclosed in Note 7.

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

## 6. Retirement Benefits (continued)

Plan benefits are established under Chapter 145 of the Ohio Revised Code, as amended by Substitute Senate Bill 343 in 2012. The requirements to retire depend on years of service (15 to 30 years) and from attaining the age of 48 to 62, depending on when the employee became a member. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. Member retirement benefits are calculated on a formula that considers years of service (15-30 years), age (48-62 years), and final average salary, using a factor ranging from 1.0 percent to 2.5 percent.

A plan member who becomes disabled before age 60 or at any age, depending on when the member entered the plan, and has completed 60 contributing months is eligible for a disability benefit.

A death benefit of \$500 - \$2,500 is determined by the number of years of service credit of the retiree. Benefits may transfer to a beneficiary upon death with 1.5 years of service credits with the plan obtained within the last 2.5 years.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent.

WBGU receives an allocation of the University's required and actual contributions to the plan. Employer contributions to the following retirement benefit program for June 30 are summarized as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
OPERS	\$ 147,169	\$ 150,884	\$ 162,133
ARP	7,608	7,471	7,384
Total	<u>\$ 154,777</u>	<u>\$ 158,355</u>	<u>\$ 169,517</u>

In June 2015, WBGU adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. In accordance with the statement, WBGU reported a net pension liability of \$372,353 at June 30, 2015 as a change in accounting principle adjustment to unrestricted net position as of July 1, 2014.

## 6. Retirement Benefits (continued)

At June 30, 2016, WBGU reported a liability for its proportionate share of the University's net pension liability of OPERS. The net pension liability was measured as of December 31, 2015 for the OPERS plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. WBGU's proportion of the net pension liability was based on WBGU's employee payroll expense as a percentage of the University's total payroll expense.

Plan	Measurement Date	Net Pension Liability		Proportionate Share		Percent Change
		2016	2015	2016	2015	
OPERS	December 31	\$ 553,986	\$ 409,644	0.7100%	0.8100%	-0.1000%

For the years ended June 30, 2016 and 2015, WBGU recognized pension expense of \$175,164 and \$154,281, respectively. WBGU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2016 and 2015.

<b>June 30, 2016</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 75	\$ (10,029)
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	153,355	-
Changes in proportion and differences between WBGU contributions and proportionate share of contributions	-	(6,701)
University contributions subsequent to the measurement date	28,620	-
Total	<u>\$ 182,050</u>	<u>\$ (16,730)</u>
<b>June 30, 2015</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ (6,565)
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	18,912	-
Changes in proportion and differences between WBGU contributions and proportionate share of contributions	-	(130)
University contributions subsequent to the measurement date	29,148	-
Total	<u>\$ 48,060</u>	<u>\$ (6,695)</u>



## 6. Retirement Benefits (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2016	\$ 30,387
2017	32,887
2018	38,475
2019	34,536
2020	(82)
Thereafter	497

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2017).

**Actuarial Assumptions** - The total pension liability in the actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>OPERS - as of 12/31/15</u>	<u>OPERS - as of 12/31/14</u>
Valuation date	December 31, 2015	December 31, 2014
Actuarial cost method	Individual entry age	Individual entry age
Cost of living	3.0 percent	3.0 percent
Salary increases, including inflation	4.25 percent - 10.05 percent	4.25 percent - 10.05 percent
Inflation	3.75 percent	3.75 percent
Investment rate of return	8.00 percent, net of pension plan investment expense	8.00 percent, net of pension plan investment expense
Experience study date	Period of 5 years ended December 31, 2010	Period of 5 years ended December 31, 2010
Mortality basis	RP-2000 mortality table projected 20 years using Projection Scale AA	RP-2000 mortality table projected 20 years using Projection Scale AA

**Discount Rate** - The discount rate used to measure the total pension liability was 8.0 percent for OPERS for each year. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## 6. Retirement Benefits (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	OPERS - 12/31/2015		OPERS - 12/31/2014	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	23.00%	2.31%	23.00%	2.31%
Domestic Equities	20.70%	5.84%	19.90%	5.84%
Real Estate	10.00%	4.25%	10.00%	4.25%
Private Equity	10.00%	9.25%	10.00%	9.25%
International Equity	18.30%	7.40%	19.10%	7.40%
Other Investments	18.00%	4.59%	18.00%	4.59%
Total	100.00%		100.00%	

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of WBGU at June 30, 2016 and 2015, calculated using the discount rate listed below, as well as what WBGU's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

Plan	1.00 percent decrease		Current Discount Rate		1.00 percent increase	
2016 OPERS	7.00%	\$ 498,587	8.00%	\$ 553,986	9.00%	\$ 609,385
2015 OPERS	7.00%	\$ 758,419	8.00%	\$ 409,644	9.00%	\$ 118,168

**Pension Plan Fiduciary Net Position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

## 7. Postemployment Healthcare Benefits

In addition to pension benefits, the Ohio Revised Code provides authority for public employers to fund postemployment healthcare benefits through their contributions to OPERS.

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

Under Ohio law, postemployment healthcare benefits under OPERS are permitted, but not mandated; therefore, a portion of employer contributions is set aside for funding post-employment health care. Effective January 1, 2014, the portion of employer contributions allocated to healthcare increased to 2% for both plans, as recommended by the OPERS actuary. Payment amounts vary depending on the number of covered dependents and coverage selected.

Employer contributions to the OPERS retirement benefit program for June 30, 2016, 2015, and 2014 are \$17,963, \$21,381, and \$17,169, respectively.

## 8. Corporation for Public Broadcasting Grants

The Corporation for Public Broadcasting (CPB) is a private, non-profit grantmaking organization responsible for funding more than 1,000 television and radio stations. WBGU-TV receives grant funds from the CPB to assist in the operations of the station. During 2016 and 2015, the grant funds recorded as revenue were as follows:

	<u>2016</u>	<u>2015</u>
Community Service Grant	\$ 818,604	\$ 811,740
Interconnection Grant	15,296	14,735
Fiscal Stabilization Grant	13,616	53,293
Total	<u>\$ 847,516</u>	<u>\$ 879,768</u>

## 9. Nonfederal Financial Support (NFFS)

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS. NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment and meeting all of the respective criteria for each.

## **9. Nonfederal Financial Support (NFFS) (continued)**

A “contribution” is cash, property, or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation, or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution, or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station. However, to eliminate distortions in the TV CSG grant program precipitated by extraordinary infusions of new capital investments in DTV, all capital contributions received for purposes of acquiring new equipment or upgrading existing or building new facilities regardless of source or form of the contribution are not included in calculating the 2016 NFFS. This change excludes all revenue received for any capital purchases.

A “payment” is cash, property, or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, an educational institution or organization, or a nonprofit entity; (2) the form of the payment must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS was \$2,573,537 and \$2,107,544 for 2016 and 2015, respectively.

## **10. University Support**

The WBGU-TV operations are supported in part by the general revenue of the University. The University provides for the general operating costs of WBGU-TV’s operations. The University’s direct support for the years ended June 30, 2016 and 2015 amounted to \$444,399 and \$656,724, respectively. In addition, the University provided for the years ended June 30, 2016 and 2015, an estimated \$617,330 and \$511,182 of indirect administrative support, respectively. The indirect administrative support revenue was calculated using the University’s “modified other sponsored activities indirect costs rate” of 1.5% and 1.2% for the years ended June 30, 2016 and 2015, respectively.

## **11. Contingencies**

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

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, the Audit Committee,  
and the Board of Trustees  
WBGU-TV

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 financial statements of WBGU-TV (the "Station"), a public telecommunications entity operated by Bowling Green State University, which comprise the statement of net position as of June 30, 2016 and the related statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and related notes to the financial statements, and have issued our report thereon dated October 7, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered WBGU-TV'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 Station's internal control. Accordingly, we do not express an opinion on the effectiveness of the Station'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 Station'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. 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 Audit Committee,  
and the Board of Trustees  
WBGU-TV

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether WBGU-TV's 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 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 the Station'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 Station's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Moran, PLLC*

October 7, 2016



# Dave Yost • Auditor of State

**BOWLING GREEN STATE UNIVERSITY**

**WOOD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 22, 2016**