

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

Financial Report
with Supplemental Information
June 30, 2018



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, 2017 through June 30, 2018. 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 26, 2018

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Report Letter	1-3
Management's Discussion and Analysis	4-21
Financial Statements	
Statements of Net Position – Bowling Green State University	22
Statements of Revenues, Expenses, and Changes in Net Position – Bowling Green State University	23
Statements of Cash Flows – Bowling Green State University	24-25
Consolidated Statements of Financial Position – The Bowling Green State University Foundation, Inc. and Subsidiary	26
Consolidated Statement of Activities – The Bowling Green State University Foundation, Inc. and Subsidiary	27-28
Consolidated Statements of Financial Position – Centennial Falcon Properties, Inc. and Subsidiaries	29
Consolidated Statements of Activities and Changes in Net Assets – Centennial Falcon Properties, Inc. and Subsidiaries	30
Notes to Financial Statements	31-78
Required Supplemental Information	79-82
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	83-84
Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance	85-86
Schedule of Expenditures of Federal Awards	87-92
Notes to Schedule of Expenditures of Federal Awards	93
Schedule of Findings and Questioned Costs	94-96

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Independent Auditor's Report

To the Board of Directors
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 year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise 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 audit. We did not audit the financial statements of Bowling Green State University Foundation, Inc. and Subsidiary, which represents 92 percent, 98 percent, and 98 percent of the assets, net position, and revenue, respectively, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

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 as of June 30, 2018 and 2017 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.

To the Board of Directors
Bowling Green State University

Emphasis of Matter

As described in Notes 1 and 8 to the basic financial statements, the University adopted the provisions of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of July 1, 2017. Our opinion is not modified with respect to this matter.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of pension and OPEB funding progress, and schedules of 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 an opinion 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 the purpose of additional analysis as required by 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 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 the Board of Directors
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 8, 2018 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 8, 2018

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, 2018, 2017 and 2016. 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* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. 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*, the Bowling Green State University Foundation, Inc. (the "Foundation") and Centennial Falcon Properties, Inc. and Subsidiaries (the "Corporation") have been determined to be component units of the University. Accordingly, the Foundation and the Corporation are discretely presented in the University's financial statements. The Foundation and the Corporation are excluded from management's discussion and analysis. Complete financial statements for the Foundation can be obtained from the vice president for university advancement at Mileti Alumni Center, Bowling Green, Ohio 43403. Complete financial statements for the Corporation can be obtained from the vice president, 230 McFall Center, Bowling Green, Ohio 43403.

Noteworthy Financial Activity

The University's financial position remained strong at June 30, 2018, with total assets of \$889.6 million, net deferred outflows of \$24.8 million, and total liabilities of \$601.5 million, for a total net position of \$312.9 million. Net position decreased from \$345.0 million at June 30, 2017, reflecting a decrease of \$32.1 million.

Bowling Green State University

Management's Discussion and Analysis (continued)

In October 2011, the University's Board of Trustees approved the planning, programming and schematic design work supporting a \$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.

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, Series 2014, tax exempt, variable interest 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, Series 2016A, tax exempt, variable interest rate bonds.

In December 2016, the Board of Trustees approved additional funding for the project. On June 29, 2017, the University issued \$35,000,000 General Receipts, Series 2017A, tax exempt, fixed rate bonds.

In February 2017, the Board of Trustees approved funding that was used to acquire two student housing facilities from the Corporation. On August 10, 2017, the University issued \$73,560,000 General Receipts, Series 2017B, tax exempt, fixed rate bonds.

In June 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). Throughout the following discussion, the impact of GASB Statement No. 68 is highlighted.

In June 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 requires governments providing postemployment benefits other than pensions (e.g. healthcare) to recognize their unfunded benefit obligation as a liability, and to more comprehensively and comparably measure the annual costs of these other postemployment benefits ("OPEB"). The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with the Statement, the University reported a net OPEB liability of \$68.2 million as a change in accounting principle adjustment to unrestricted net position as of July 1, 2017. Throughout the following discussion, the impact of GASB Statement No. 75 is highlighted for the initial year of adoption, 2018.

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.

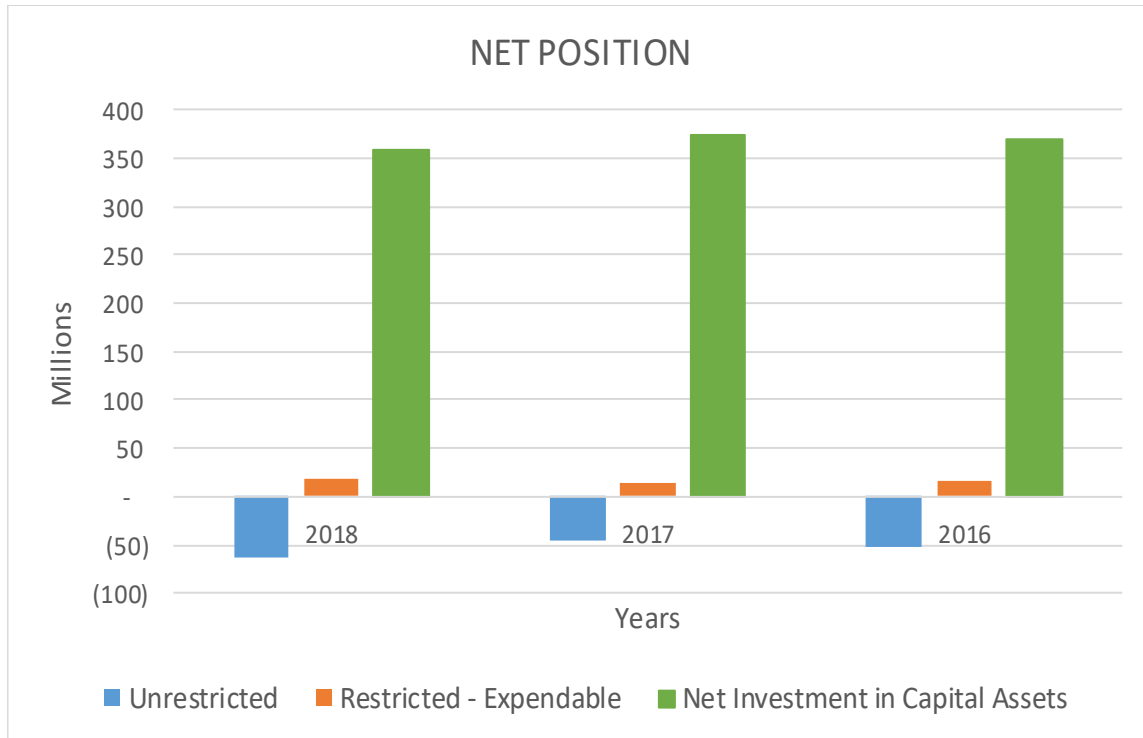
Bowling Green State University Condensed Statement of Net Position as of June 30, 2018, 2017, and 2016 (in thousands)

	2018	2017	2016
Assets			
Current assets	\$ 245,346	\$ 222,332	\$ 207,690
Non-current assets:			
Capital assets	601,008	559,591	525,970
Other	43,204	55,034	56,721
Total non-current assets	644,212	614,625	582,691
Total assets	889,558	836,957	790,381
Deferred outflows	55,991	64,799	38,072
Liabilities			
Current liabilities	48,930	49,680	57,941
Non-current liabilities	552,546	502,613	423,087
Total liabilities	601,476	552,293	481,028
Deferred inflows	31,204	4,420	14,822
Net position			
Net investment in capital assets	359,364	375,303	368,871
Restricted, expendable	17,680	15,045	15,726
Unrestricted	(64,175)	(45,307)	(51,994)
Total net position	\$ 312,869	\$ 345,041	\$ 332,603

Bowling Green State University

Management's Discussion and Analysis (continued)

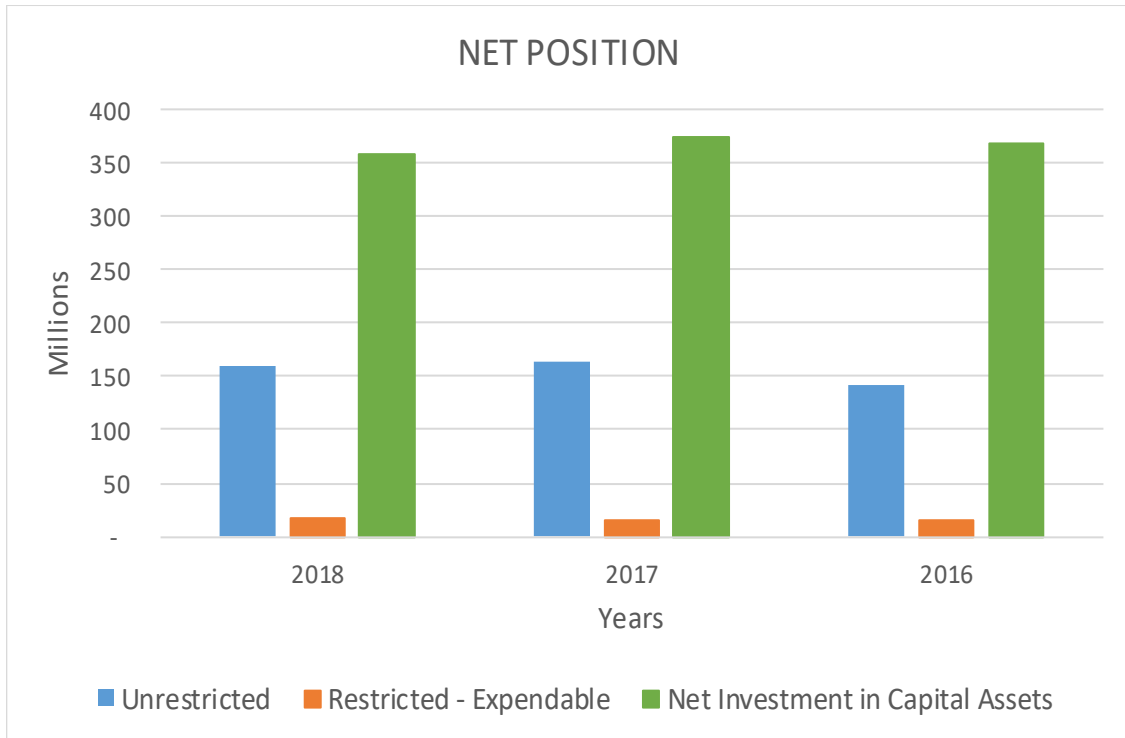
The following chart provides a graphical breakdown of net position by category for the fiscal years ended June 30, 2018, 2017 and 2016 – *with* the impact of GASB Statement No. 68 and GASB Statement No. 75 adoption:



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, 2018, 2017 and 2016 – *without* the impact of GASB Statement No. 68 and GASB Statement No. 75 adoption:



2018 Versus 2017

University assets totaled \$889.6 million at June 30, 2018, compared to \$837.0 million at June 30, 2017, reflecting an increase of \$52.6 million.

- In fiscal year 2018, the University's current assets of \$245.3 million were sufficient to cover current liabilities of \$48.9 million (current ratio of 5.0).
- Accounts receivable, net of allowance for doubtful accounts were \$9.8 million at June 30, 2018, reflecting an overall decrease of \$2.2 million from the prior year.
- University investments were \$221.2 million, or 24.9% of total assets at June 30, 2018, and increased by \$24.3 million over 2017. Net investment income of \$11.7 million was recorded during the year.

Bowling Green State University

Management's Discussion and Analysis (continued)

- Cash and cash equivalents were \$8.1 million at June 30, 2018, and decreased \$0.3 million over 2017 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, 2018, restricted investments were \$30.4 million and decreased by \$11.7 million over 2017, related to bond draws made during the year.
- Capital assets (net of depreciation) were \$601.0 million (67.6% total assets) at June 30, 2018 compared to \$559.6 million (66.9% of total assets) at June 30, 2017, reflecting an increase of \$41.4 million. The annual increase reflects the University's continued strategic focus on capital improvements, related infrastructures, and capital renewals, as well as the acquisition of two residence halls from the Corporation.
- The University reported net deferred outflows of \$24.8 million at June 30, 2018 related to GASB Statement No. 68 and GASB Statement No. 75. Certain amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and post-retirement benefits are subject to amortization and will be expensed through recognition of annual amortization amounts in subsequent years' pension and OPEB expense. Employer contributions subsequent to the measurement date are recognized as a reduction in the net pension and OPEB liability balances in the following year.

University liabilities totaled \$601.5 million at June 30, 2018 compared to \$552.3 million at June 30, 2017.

- Total current liabilities at June 30, 2018 of \$48.9 million reflect a decrease over June 30, 2017 current liabilities of \$49.7 million primarily due to a reduction in accounts payable and accrued expenses.
- Long-term debt and other obligations increased in 2018 overall by \$69.6 million. Additions of \$73.6 million in debt principal were offset by \$9.5 million in annual principal payments on outstanding debt.
- Pension obligations at June 30, 2018 was \$185.3 million compared to \$269.1 million at June 30, 2017. The decrease of \$83.8 million is the result of the change in the net pension liability directly related to GASB Statement No. 68.
- At June 30, 2018, the University reported a liability for the first time of \$64.1 million for its proportionate share of the net other postemployment benefits (OPEB) liability of OPERS and STRS due to the adoption of GASB Statement No. 75 as discussed in Note 1 and 8.

Bowling Green State University

Management's Discussion and Analysis (continued)

The University's total net position at June 30, 2018 is \$312.9 million, compared to the prior year of \$345.0 million, for a decrease of \$32.1 million. This decrease is attributable to a number of factors including:

- The change in net position for 2018 included income of \$52.3 million related to the current year change in net pension and OPEB liabilities related to GASB Statement No. 68 and GASB Statement No. 75. This was offset by a beginning of year adjustment for change in accounting principal of \$68.2 million.
- A decrease in operating revenue directly related to enrollment level decreases in 2018 of approximately \$2.9 million, offset by an increase of approximately \$5.2 million in auxiliary enterprises net revenue.
- A \$38.6 million decrease in operating expenses in 2018 compared to 2017. Approximately \$52.3 million of this decrease is directly related to GASB Statement No. 68 and GASB Statement No. 75 pension and OPEB expense. An additional decrease in operating expense of approximately \$5.1 million was related to enrollment level decreases in 2018. Depreciation and amortization expense increased approximately \$6.5 million related to the significant ongoing construction initiatives. The transfer to CFP I LLC of \$14.5M is related to the defeasance of debt associated with two student housing facilities the University acquired from the Corporation in fiscal year 2018.
- An increase in state appropriations of approximately \$1.3 million.
- A \$2.3 million decrease in net investment earnings due to poor market conditions in 2018.

Of the total net assets, \$377.0 million is invested in capital assets or is restricted. The remaining (\$64.2) million in unrestricted net assets has been designated or allocated for specific for specific academic, research and support purposes, reserves, and quasi-endowments.

2017 Versus 2016

University assets totaled \$837.0 million at June 30, 2017, compared to \$790.4 million at June 30, 2016, reflecting an increase of \$46.6 million.

- Current assets: In fiscal year 2017, the University's current assets of \$222.3 million were sufficient to cover current liabilities of \$49.7 million (current ratio of 4.5).
- Accounts receivable, net of allowance for doubtful accounts were \$12.0 million at June 30, 2017, reflecting an overall increase of \$0.2 million from the prior year.

Bowling Green State University

Management's Discussion and Analysis (continued)

- University current investments were \$196.9 million, or 23.5% of total assets at June 30, 2017, and increased by \$18.1 million over 2016. Net investment gains of \$10.1 million were recorded during the year.
- Cash and cash equivalents were \$8.4 million at June 30, 2017, and decreased \$2.6 million over 2016 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 for long-term debt issues. At June 30, 2017, restricted investments were \$42.1 million and decreased by \$1.0 million over 2016. Bond draws of \$36.0 million were made during the year. This was offset by the Series 2017A bond issue in June, 2017 of \$35 million, which was held by the trustee at June 30, 2017 and is available for future construction draws.
- Capital assets (net of depreciation) were \$559.6 million (66.9% total assets) at June 30, 2017 compared to \$526.0 million (66.5% of total assets) at June 30, 2016, reflecting an increase of \$33.6 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 \$60.4 million at June 30, 2017 related to GASB Statement No. 68. 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 \$552.3 million at June 30, 2017 compared to \$481.0 million at June 30, 2016.

- Total current liabilities at June 30, 2017 of \$49.7 million reflect a decrease over June 30, 2016 of \$8.3 million primarily due to the reduction in accounts payable and accrued expenses.
- Long-term debt and other obligations increased in 2017 overall by \$27.1 million. Additions of \$35 million in debt principal were offset by \$7.5 million in annual principal payments on outstanding debt.
- Pension obligations at June 30, 2017 were \$269.1 million compared to \$216.6 million at June 30, 2016. The increase of \$52.5 million is the result of the increase in the net pension liability directly related to GASB Statement No. 68.

Bowling Green State University

Management's Discussion and Analysis (continued)

The University's total net position at June 30, 2017 is \$345.0 million, compared to the prior year of \$332.6 million, for an increase of \$12.4 million. This increase is attributable to a number of factors including:

- The change in net position for 2017 included \$15.3 million expense reflecting the current year change in net pension liability related to GASB Statement No. 68.
- An increase in operating revenue directly related to enrollment level increases in 2017 of approximately \$4.1 million, and an increase of approximately \$2.5 million in auxiliary enterprises net revenue.
- A \$30.8 million increase in operating expenses in 2017 compared to 2016. Approximately \$14.0 million of the increase in educational and general categories and \$1.3 million of the increase in auxiliary enterprises is directly related to GASB Statement No. 68 pension expense. The remaining \$6.6 million is related to enrollment level increases. Depreciation and amortization expense increased approximately \$2.7 million related to the significant ongoing construction initiatives. An approximate \$1.1 million is related to auxiliary enterprises. Other expenses increased by \$5.1 million related to disposal of plant facilities.
- An increase in state appropriations of approximately \$4.4 million.
- A \$10.5 million increase in net investment earnings due to an improvement in investment market conditions.

Of the total net assets, \$390.3 million is invested in capital assets or is restricted. The remaining (\$45.3) million in unrestricted net assets has been designated or allocated for specific for specific academic, research and support purposes, reserves, and quasi-endowments.

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, 2018, 2017 and 2016 (in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating revenues:			
Student tuition and fees	\$ 155,225	\$ 158,146	\$ 154,070
Auxiliary enterprises	80,059	74,832	72,379
Grants and contracts	17,426	16,319	18,619
Sales and service	3,721	3,202	3,418
Other operating revenues	8,830	8,314	5,026
Total operating revenues	<u>265,261</u>	<u>260,813</u>	<u>253,512</u>
Operating expenses:			
Educational and general	182,303	235,531	214,802
Scholarships and fellowships	17,439	17,065	17,844
Auxiliary enterprises	68,021	72,808	70,397
Operations and maintenance of plant	17,692	20,555	19,898
Depreciation and amortization	36,731	30,225	27,538
Other expenses	9,372	8,394	3,328
Total operating expenses	<u>331,558</u>	<u>384,578</u>	<u>353,807</u>
Operating loss	<u>(66,297)</u>	<u>(123,765)</u>	<u>(100,295)</u>
Non-operating revenues (expenses):			
State appropriations	77,246	75,950	71,526
Other non-operating revenues and expenses	17,092	35,918	27,577
Total non-operating revenues	<u>94,338</u>	<u>111,868</u>	<u>99,103</u>
(Loss) Income before other changes	28,041	(11,897)	(1,192)
Capital appropriations, grants and gifts	7,976	24,336	24,238
Change in net position	36,017	12,439	23,046
Net position			
Net position at the beginning of the year	345,042	332,603	309,557
Adjustment for change in accounting principle - GASB 75	(68,191)	-	-
Net position at the end of year	<u>\$ 312,868</u>	<u>\$ 345,042</u>	<u>\$ 332,603</u>

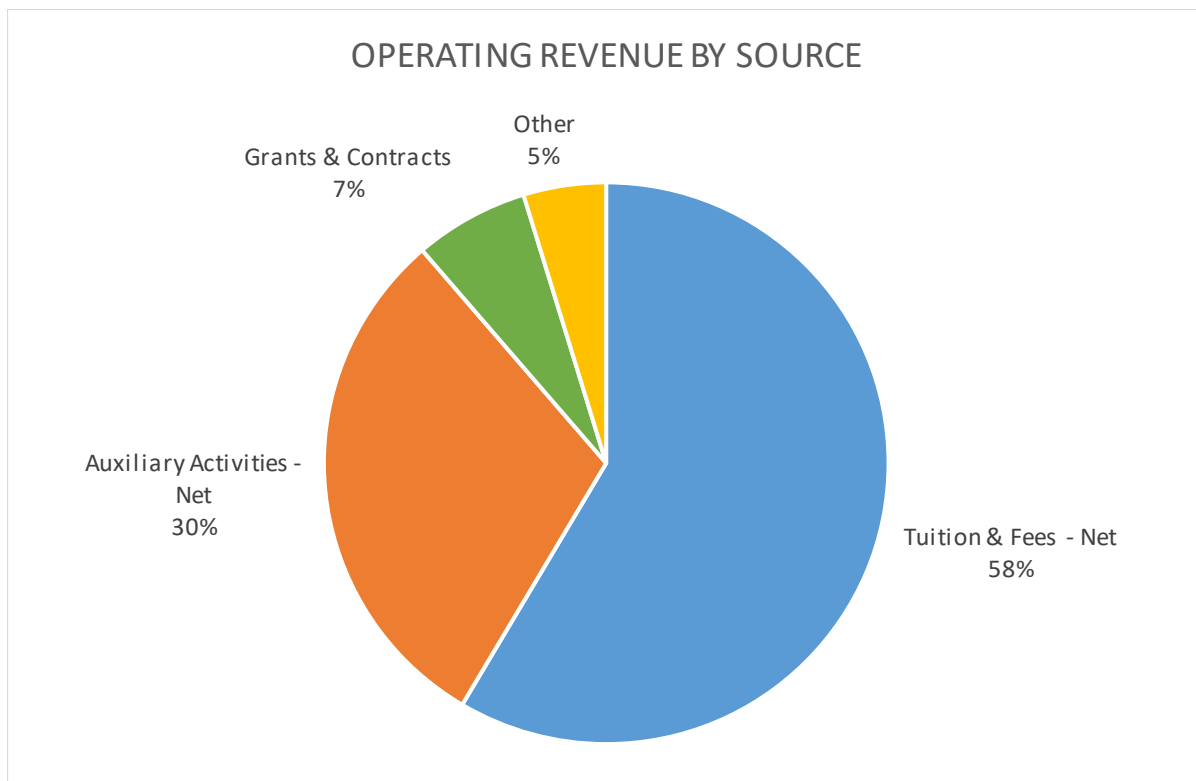
Bowling Green State University

Management's Discussion and Analysis (continued)

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.

Following is a graphic illustration of operating revenue by source at June 30, 2018:



2018 versus 2017

The most significant sources of operating revenues for the University are tuition and fees of \$155.2 million, a decrease of \$2.9 million, or 1.8% over 2017. Decreases in student tuition and fees are due to overall enrollment level decreases experienced in all semesters in 2018 compared to the prior year. Overall tuition rates and fees remained flat for FY 2018.

Bowling Green State University

Management's Discussion and Analysis (continued)

Auxiliary enterprises, another significant source of University revenues, increased from \$74.8 million in 2017 to \$80.1 million in 2018. Despite decreases in enrollment, the University experienced revenue increases in certain auxiliary units such as residence life, primarily as a result of adding two additional student housing facilities in fiscal year 2018, which were acquired from the Corporation in August 2017.

Grants and contracts revenue of \$17.4 million for the year ending June 30, 2018 reflect an increase of \$1.1 million over 2017 and is 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.

2017 versus 2016

The most significant sources of operating revenues for the University are tuition and fees of \$158.1 million, an increase of \$4.1 million, or 2.6% over 2016. Increases in student tuition and fees are due to overall enrollment level increases experienced in all semesters in 2017 compared to the prior year. Overall tuition rates and fees remained flat for FY 2017.

Auxiliary enterprises, another significant source of University revenues, increased from \$72.4 million in 2016 to \$74.8 million in 2017. Consistent with enrollment increases, revenue increases were experienced in certain auxiliary units such as residence life and dining.

Grants and contracts of \$16.3 million at June 30, 2017 reflect a decrease of \$2.3 million over June 30, 2016 and is 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.

2018 versus 2017

Total operating expenditures of \$331.6 million at June 30, 2018 decreased overall by \$53.0 million, or 13.7% over 2017.

- Educational and general expenditures consist of instruction, research, public services, academic support, student services and institutional support and total \$182.3 million at June 30, 2018 compared to \$235.5 million at June 30, 2017, reflecting an overall decrease of \$53.2 million, of which \$48.1 million is related to pension and OPEB expense due to GASB Statement No. 68 and GASB Statement No. 75. An increase in expense of \$4.0 million is attributable to salary adjustments required by the faculty collective bargaining agreement.

Bowling Green State University

Management's Discussion and Analysis (continued)

- In other operating expense categories, depreciation and amortization expense increased approximately \$6.5 million directly related to the significant ongoing construction initiatives.

2017 versus 2016

Total operating expenditures of \$384.6 million at June 30, 2017 increased overall by \$30.8 million, or 8.7% over 2016.

- Educational and general expenditures consist of instruction, research, public services, academic support, student services and institutional support and total \$235.5 million at June 30, 2017 compared to \$214.8 million at June 30, 2016, reflecting an overall increase of \$20.7 million, of which \$15.3 million is related to pension expense due to GASB Statement No. 68. An additional \$4.2 million is attributable to salary adjustments and required by the faculty collective bargaining agreement.
- In other operating expense categories, depreciation and amortization expense increased approximately \$2.7 million directly related to the significant ongoing construction initiatives. An increase of approximately \$5.1 million in other operating expenses was recognized and is primarily related to disposals of plant facilities.

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 \$77.2 million in the current year, reflecting an increase of \$1.3 million, or 1.7% over 2017.
- Non-exchange grants and contracts had an overall increase of \$1.7 million in 2018. Pell Grant Funds experienced an increase of \$1.1 million in 2018, and Ohio Opportunity Grants increased by \$626 thousand.
- Net investment income of \$11.7 million reflects a decrease of \$2.3 million over prior year income of \$14.0 million due to weaker market performance during fiscal year 2018.

Bowling Green State University

Management's Discussion and Analysis (continued)

- A transfer of approximately \$15.4 million to CFP I included in non-operating expenses was recognized and is primarily related to disposals of plant facilities and the defeasance of debt associated with two student housing facilities the University acquired from the Corporation in fiscal year 2018.

Capital Assets and Debt Administration

At June 30, 2018, the University had \$601.0 million of capital assets (net of accumulated depreciation), compared to \$559.6 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 \$41.4 million or 7.4% 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 \$36.7 million for 2018 and \$30.2 million for 2017. Detailed information about the University's capital assets is presented in Note 5 to the financial statements.

On June 29, 2017, the University issued \$35,000,000 of fixed rate General Receipts Bonds, Series 2017A, with a fixed interest rate of 1.6%, and a maturity in year 2049. The proceeds will be used to finance the cost 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.

On August 10, 2017, the University issued \$73,560,000 of fixed rate General Receipts Bonds, Series 2017B, with interest rates ranging from 3.0% to 5.0% and maturities ranging from 2018 to 2045. The proceeds were used to finance the acquisition of two student housing facilities from the Corporation.

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 years ended June 30, 2018, 2017 and 2016 (in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash provided (used) by:			
Operating activities	\$ (76,881)	\$ (76,524)	\$ (73,147)
Non-capital financing activities	90,457	102,409	98,828
Capital financing activities	(12,946)	(25,956)	(13,225)
Investing activities	<u>(988)</u>	<u>(2,554)</u>	<u>(8,645)</u>
Net increase (decrease) in cash	(358)	(2,625)	3,811
Cash and cash equivalents, beginning of year	<u>8,468</u>	<u>11,093</u>	<u>7,282</u>
Cash and cash equivalents, end of year	<u>\$ 8,110</u>	<u>\$ 8,468</u>	<u>\$ 11,093</u>

For the year ended June 30, 2018:

- Major sources of cash provided by operating activities included student tuition and fees of \$156.2 million, auxiliary enterprises of \$81.2 million, and research grants and contracts of \$17.6 million. Major uses of cash in operations included payments to employees and benefits of \$218.0 million, payments to vendors for supplies and services of \$107.5 million, and payments for scholarships and fellowships of \$17.4 million.
- Non-capital financing activities included cash provided from state appropriations of \$77.2 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 proceeds from capital debt issuance of \$81.9 million and state capital appropriations of \$7.1 million. Cash used to purchase capital assets was \$83.9 million, principal paid on long-term debt was \$9.5 million, and interest paid on long-term debt was \$9.4 million.
- Investing activities included proceeds from sales and maturities of investments of \$87.9 million and investment income of \$8.4 million. Purchases of investments were \$97.2 million.

Bowling Green State University

Management's Discussion and Analysis (continued)

For the year ended June 30, 2017:

- Major sources of cash provided by operating activities included student tuition and fees of \$159.5 million, auxiliary enterprises of \$83.1 million, and research grants and contracts of \$16.4 million. Major uses of cash in operations included payments to employees and benefits of \$214.8 million, payments to vendors for supplies and services of \$105.2 million, and payments for scholarships and fellowships of \$17.1 million.
- Non-capital financing activities included cash provided from state appropriations of \$75.9 million and grants received for other than capital purposes (primarily from the Federal Pell Grant Program) of \$26.5 million.
- Primary sources of cash from capital financing activities were from state capital appropriations of \$22.1 million, other capital grants (gifts) received of \$2.3 million, and proceeds from capital debt issuance of \$35.0 million. Cash used to purchase capital assets was \$70.5 million, principal paid on long-term debt was \$8.8 million, and interest paid on long-term debt was \$6.0 million.
- Investing activities included proceeds from sales and maturities of investments of \$115.3 million and investment income of \$20.4 million. Purchases of investments were \$138.3 million.

Bowling Green State University

Management's Discussion and Analysis (continued)

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 remained fairly steady over the course of the past twelve months. Although Ohio's unemployment rates have mostly gradually improved since January 2015, the State experienced a 0.1% increase in unemployment in July 2018.

In 2011, Bowling Green State University embarked upon a significant capital reinvestment effort. Since that time, numerous capital projects continue 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 \$1,048.4 million, an increase of \$344.8 million, reflecting the significant capital reinvestment progress that has occurred.

Since last year, following the completed renovation of two of the University's original, historical academic buildings (Moseley Hall and University Hall), renovation work has begun on Hanna Hall, now re-named Maurer Hall, to serve as the University's home for the College of Business. Re-opening is expected in late summer of 2020.

The University has launched several significant initiatives intended to improve freshmen to sophomore retention in recent years. Freshman to sophomore (fall to fall) retention has risen from slightly less than 70% in fall 2013 to 77-78% for fall 2018. The University has set a goal of achieving an 80.0% freshmen to sophomore retention rate by 2020.

Fall 2018 headcount enrollment (15 day) has improved overall by 1.2% (210) over prior year. Consistent with other Midwest universities, the University continues to pursue enrollment growth in non-traditional aged students, online/distance programs, and professional master's programs as the traditional 18-year old population continues to decline.

Following a presidential transition effective December 31, 2017, the University's new president led the campus through a refresh and reaffirmation of the University's existing strategic plan. Significant numbers of faculty, staff and students participated. The Board of Trustees is expected to consider approval of the revised Plan later in calendar year 2018. While the Plan's primary objectives have not significantly changed, specific initiatives identified related to revised, comprehensive enrollment and scholarship strategies for traditional and post-traditional students

Bowling Green State University

Management's Discussion and Analysis (continued)

will provide important guidance to ensure the University's long term health and vitality. Retention efforts should also continue to improve in more targeted ways with an initiative focused on expanding the use of data-driven tools to early-predict student success and the use of more active or intrusive interventions.

Bowling Green State University

Statements of Net Position

	June 30	
	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,110,374	\$ 8,467,969
Investments	221,223,034	196,946,373
Accounts receivable, net	9,820,888	11,965,854
Inventories	1,549,074	1,485,637
Notes receivable	1,330,939	1,455,226
Prepaid and other assets	3,311,883	2,010,884
Total current assets	<u>245,346,192</u>	<u>222,331,943</u>
Noncurrent assets:		
Investments - non-restricted	5,433,100	5,209,935
Assets - restricted	30,417,412	42,061,447
Cash surrender value of life insurance and annuities	613,316	485,981
Notes receivable	6,739,745	7,276,567
Capital assets, net	601,008,443	559,590,737
Total noncurrent assets	<u>644,212,016</u>	<u>614,624,667</u>
Total assets	<u>889,558,208</u>	<u>836,956,610</u>
Deferred Outflows of Resources		
Deferred outflows related to pensions	51,590,294	64,798,691
Deferred outflows related to OPEB	4,400,433	-
Total deferred outflows of resources	<u>55,990,727</u>	<u>64,798,691</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	20,194,049	22,450,386
Unearned revenue	11,399,689	12,063,017
Deposits	984,612	1,032,969
Current portion of long-term debt and other obligations	16,351,428	14,133,166
Total current liabilities	<u>48,929,778</u>	<u>49,679,538</u>
Noncurrent liabilities:		
Long-term debt and other obligations	303,142,510	233,540,858
Net pension liability	185,296,746	269,072,210
Net OPEB liability	64,107,143	-
Total noncurrent liabilities	<u>552,546,399</u>	<u>502,613,068</u>
Total liabilities	<u>601,476,177</u>	<u>552,292,606</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	25,453,388	4,420,597
Deferred inflows related to OPEB	5,751,339	-
Total deferred inflows of resources	<u>31,204,727</u>	<u>4,420,597</u>
Net position		
Net investment in capital assets	359,363,695	375,303,497
Restricted for expendable:		
Loans	2,516,157	2,547,728
Capital projects	15,163,603	12,497,549
Unrestricted (deficit)	(64,175,424)	(45,306,676)
Total net position	<u>\$ 312,868,031</u>	<u>\$ 345,042,098</u>

See accompanying notes.

Bowling Green State University

Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30	
	2018	2017
Revenues		
Operating revenues:		
Student tuition and fees (net of scholarship allowances of \$63,567,490 for 2018 and \$61,853,835 for 2017)	\$ 155,224,899	\$ 158,145,538
Federal grants and contracts	6,502,330	6,207,560
State grants and contracts	3,889,444	3,597,685
Local grants and contracts	51,577	4,546
Nongovernmental grants and contracts	6,982,450	6,509,426
Sales and services of educational departments	3,721,322	3,201,889
Auxiliary enterprises (net of scholarship allowances of \$2,889,268 for 2018 and \$2,960,321 for 2017)	80,059,093	74,832,146
Other operating revenues	8,830,240	8,314,156
Total operating revenues	265,261,355	260,812,946
Expenses		
Operating expenses:		
Educational and general:		
Instruction	108,144,204	139,217,048
Research	7,740,312	7,619,699
Public services	3,964,526	5,052,624
Academic support	22,832,422	29,771,182
Student services	13,345,724	17,766,583
Institutional support	26,276,241	36,104,113
Operations and maintenance of plant	17,691,818	20,554,497
Student aid	17,439,334	17,064,818
Auxiliary enterprises	68,021,301	72,807,555
Depreciation and amortization	36,730,732	30,225,394
Other expenses	9,371,923	8,394,322
Total operating expenses	331,558,537	384,577,835
Operating loss	(66,297,182)	(123,764,889)
Nonoperating revenues (expenses):		
State appropriations	77,245,740	75,949,995
Non-exchange grants and contracts	28,244,215	26,522,010
Investment income, net	11,721,071	14,042,429
Interest on capital asset-related debt	(7,821,733)	(4,049,833)
In-kind support – Centennial Falcon Properties, Inc.	(596,800)	(596,800)
Transfer to CFP I LLC	(14,454,425)	–
Net nonoperating revenues	94,338,068	111,867,801
Gain (Loss) before other changes	28,040,886	(11,897,088)
Other changes:		
Capital appropriations	7,126,392	22,076,887
Capital grants and gifts	849,879	2,258,999
Total other changes	7,976,271	24,335,886
Change in net position	36,017,157	12,438,798
Net position		
Net position at the beginning of year	345,042,098	332,603,300
Adjustment for change in accounting principle - GASB 75 (Note 1 and 8)	(68,191,224)	–
Net position at the beginning of year, as restated	276,850,874	–
Net position at the end of year	\$ 312,868,031	\$ 345,042,098

See accompanying notes.

Bowling Green State University

Statements of Cash Flows

	Year Ended June 30	
	2018	2017
Operating activities		
Tuition and fees	\$ 156,219,880	\$ 159,483,076
Research grants and contracts	17,604,446	16,441,531
Payments to vendors for supplies and services	(107,484,486)	(105,229,991)
Payments to employees and benefits	(217,987,585)	(214,755,767)
Payments for scholarships and fellowships	(17,439,334)	(17,064,818)
Student loans granted, net of repayments	605,155	299,676
Agency payments to Centennial Falcon Properties, Inc.	(737,723)	(9,105,587)
Auxiliary enterprises	81,164,546	83,107,031
Sales and services of educational departments	3,721,322	3,201,889
Other receipts	7,452,351	7,099,003
Net cash used in operating activities	(76,881,428)	(76,523,957)
Noncapital financing activities		
State appropriations	77,245,740	75,949,995
Direct lending receipts	130,728,065	133,930,235
Direct lending disbursements	(130,709,532)	(133,396,745)
Grants received for other than capital purposes	28,244,215	26,522,010
Transfer to CFP I LLC	(14,454,425)	-
In-kind support – Centennial Falcon Properties	(596,800)	(596,800)
Net cash provided by noncapital financing activities	90,457,263	102,408,695
Capital financing activities		
Proceeds from capital debt	81,939,642	35,000,000
Capital appropriations	7,126,392	22,076,887
Capital grants received	849,879	2,258,999
Purchases of capital assets	(83,939,307)	(70,481,658)
Principal paid on long-term debt	(9,475,000)	(8,832,008)
Interest paid on long-term debt	(9,447,028)	(5,977,758)
Net cash used in capital financing activities	(12,945,422)	(25,955,538)
Investing activities		
Proceeds from sales and maturities of investments	87,870,690	115,329,097
Investment income	8,384,995	20,416,277
Purchase of investments	(97,243,693)	(138,299,134)
Net cash used in investing activities	(988,008)	(2,553,760)
Net decrease in cash and cash equivalents	(357,595)	(2,624,560)
Cash and cash equivalents at beginning of year	8,467,969	11,092,529
Cash and cash equivalents at end of year	\$ 8,110,374	\$ 8,467,969

See accompanying notes

Bowling Green State University

Statements of Cash Flows (continued)

	Year Ended June 30	
	2018	2017
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (66,297,182)	\$ (123,764,889)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	36,730,732	30,225,395
Pension and OPEB expense (recovery)	(52,267,452)	15,302,389
Disposal expense	6,672,497	8,540,341
Amortization of bond premium	-	(542,476)
Changes in assets and liabilities:		
Accounts receivable, net	2,138,729	(206,908)
Inventories	(63,437)	551,603
Other assets	(1,300,999)	331,551
Accounts payable and accrued liabilities	(2,868,291)	(7,483,750)
Unearned revenue	(663,328)	865,430
Deposits held for others	(66,890)	(1,074,228)
Compensated absences	443,084	391,283
Loans to students	661,109	340,302
Net cash used in operating activities	\$ (76,881,428)	\$ (76,523,957)

See accompanying notes.

The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statements of Financial Position

	June 30	
	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,423,501	\$ 1,154,260
Contributions receivable, net of allowance for uncollectible contributions of \$5,515,370 in 2018 and \$5,935,578 in 2017	3,235,852	3,052,099
Total current assets	<u>4,659,353</u>	<u>4,206,359</u>
Investments:		
Fixed income funds	39,965,853	36,554,078
Mutual funds	79,785,986	76,999,246
Alternative investments	55,820,862	47,844,523
Corporate stocks	53,546	78,324
Money market funds	2,291,227	1,726,242
Total investments	<u>177,917,474</u>	<u>163,202,413</u>
Prepaid and other assets	106,416	113,662
Long-term contributions receivable, net of allowance for uncollectible contributions of \$515,713 in 2018 and \$492,020 in 2017	9,121,137	8,827,950
Beneficial interest in trust held by others	144,022	152,408
Cash value of life insurance	1,622,114	1,650,362
Total assets	<u>\$ 193,570,516</u>	<u>\$ 178,153,154</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 181,211	\$ 213,368
Total current liabilities	<u>181,211</u>	<u>213,368</u>
Annuities payable	2,686,667	2,803,689
Total liabilities	<u>2,867,878</u>	<u>3,017,057</u>
Net assets:		
Unrestricted	13,033,941	10,082,301
Temporarily restricted	81,046,697	71,686,719
Permanently restricted	96,622,000	93,367,077
Total net assets	<u>190,702,638</u>	<u>175,136,097</u>
Total liabilities and net assets	<u>\$ 193,570,516</u>	<u>\$ 178,153,154</u>

See accompanying notes.

The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenue, and gains				
Contributions and gifts (net)	\$ 466,004	\$ 13,931,829	\$ 2,861,233	\$ 17,259,066
Provision for uncollectible contributions	–	430,744	37,387	468,131
University support	3,689,751	–	–	3,689,751
Interest and dividends	874,320	1,857,291	–	2,731,611
Net realized and unrealized gains	2,760,213	5,515,106	–	8,275,319
Other revenue	7,609	1,117,575	–	1,125,184
Transfers	(4,866)	(786,758)	791,624	–
Net assets released from restriction	12,705,809	(12,705,809)	–	–
Total support, revenue, and gains	<u>20,498,840</u>	<u>9,359,978</u>	<u>3,690,244</u>	<u>33,549,062</u>
Expenses				
Program services	13,089,329	–	–	13,089,329
Fundraising	2,949,828	–	–	2,949,828
Operating	1,508,043	–	–	1,508,043
Total expenses	<u>17,547,200</u>	<u>–</u>	<u>–</u>	<u>17,547,200</u>
Change in net assets from operations	2,951,640	9,359,978	3,690,244	16,001,862
Change in split interest agreements	–	–	(435,321)	(435,321)
Change in net assets	2,951,640	9,359,978	3,254,923	15,566,541
Net assets at beginning of year	<u>10,082,301</u>	<u>71,686,719</u>	<u>93,367,077</u>	<u>175,136,097</u>
Net assets at end of year	<u>\$ 13,033,941</u>	<u>\$ 81,046,697</u>	<u>\$ 96,622,000</u>	<u>\$ 190,702,638</u>

See accompanying notes.

The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenue, and gains				
Contributions and gifts (net)	\$ 1,182,787	\$ 15,331,301	\$ 2,821,128	\$ 19,335,216
Provision for uncollectible contributions	—	(1,035,459)	(152,374)	(1,187,833)
University support	3,617,400	—	—	3,617,400
Interest and dividends	749,812	1,776,995	—	2,526,807
Net realized and unrealized losses	3,779,098	8,595,643	—	12,374,741
Other revenue	24,961	998,442	26,706	1,050,109
Transfers	137,564	59,580	(197,144)	—
Net assets released from restriction	11,934,680	(11,934,680)	—	—
Total support, revenue, and gains	<u>21,426,302</u>	<u>13,791,822</u>	<u>2,498,316</u>	<u>37,716,440</u>
Expenses				
Program services	11,413,991	—	—	11,413,991
Fundraising	3,123,875	—	—	3,123,875
Operating	2,494,915	—	—	2,494,915
Total expenses	<u>17,032,781</u>	<u>—</u>	<u>—</u>	<u>17,032,781</u>
Change in net assets from operations	4,393,521	13,791,822	2,498,316	20,683,659
Change in split interest agreements	—	—	142,661	142,661
Change in net assets	4,393,521	13,791,822	2,640,977	20,826,320
Net assets at beginning of year	<u>5,688,780</u>	<u>57,894,897</u>	<u>90,726,100</u>	<u>154,309,777</u>
Net assets at end of year	<u>\$ 10,082,301</u>	<u>\$ 71,686,719</u>	<u>\$ 93,367,077</u>	<u>\$ 175,136,097</u>

See accompanying notes.

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Financial Position

	June 30	
	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,180,030	\$ 895,452
Funds held by Bowling Green State University	250,476	267,138
Funds held by trustee – current portion	–	1,485,225
Other receivable, net of allowance for doubtful accounts of \$0 in 2018 and \$7,150 in 2017	–	4,289
Prepaid expense	76,396	15,520
Total current assets	2,506,902	2,667,624
Other assets:		
Funds held by trustee – net of current portion	–	19,302,047
Capital assets, net	14,477,746	70,249,698
Total other assets	14,477,746	89,551,745
Total assets	\$ 16,984,648	\$ 92,219,369
Liabilities and net assets		
Short-term liabilities:		
Accounts payable	\$ –	\$ 48,392
Payroll liabilities	–	11,872
Unearned income	–	55,226
Accrued interest payable	–	380,225
Accrued expenses	–	82,884
Bonds and construction payable – current portion and current unamortized discount and issuance costs	596,800	1,583,990
Total short-term liabilities	596,800	2,162,589
Long-term liabilities:		
Bonds payable – net of current portion and unamortized discount and issuance costs of \$0 in 2018 and \$2,124,079 in 2017	–	74,593,731
Construction funding payable – net of current portion	11,747,818	12,344,618
Total long-term liabilities	11,747,818	86,938,349
Total liabilities	12,344,618	89,100,938
Net assets:		
Unrestricted	4,640,030	3,118,431
Total liabilities and net assets	\$ 16,984,648	\$ 92,219,369

See accompanying notes.

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Activities and Changes in Net Assets

	Year Ended June 30	
	2018	2017
Revenues:		
Operating revenue	\$ 54,911	\$ 9,100,205
In-kind support from Bowling Green State University	23,000	35,000
Total revenues	77,911	9,135,205
Expenses:		
Payroll, benefits, and taxes	96,220	682,978
Management fees	29,819	265,245
Utilities	24,727	295,159
Building maintenance	47,084	176,534
Operating and administrative	47,998	151,293
Insurance	6,157	61,483
Interior unit expenses	58,224	141,206
Common area expenses	6,790	53,054
Bad debt expense (recovery)	(7,150)	4,324
Grounds expenses	1,576	26,414
Marketing and advertising	2,543	34,818
Depreciation	1,075,695	3,275,226
Total operating expenses	1,389,683	5,167,734
Operating income (loss)	(1,311,772)	3,967,471
Nonoperating revenue (expense):		
Investment income	9,037	2,245
In-kind support from Bowling Green State University	596,800	596,800
Transfer of assets from Bowling Green State University	14,454,425	-
Loss on disposal of assets	(319)	(17,360)
Amortization of discount and issuance costs-related debt	(12,722)	(119,293)
Loss on extinguishment of debt	(11,721,120)	-
Interest on capital asset-related debt	(492,730)	(4,600,295)
Net nonoperating income (loss)	2,833,371	(4,137,903)
Change in net assets	1,521,599	(170,432)
Net assets:		
Net assets at the beginning of year - unrestricted	3,118,431	3,288,863
Net assets at the end of year - unrestricted	\$ 4,640,030	\$ 3,118,431

See accompanying notes.

Bowling Green State University

Notes to Financial Statements

June 30, 2018 and 2017

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

Nature of Operations

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

Reporting Entity

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

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 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. 39, *Determining Whether Certain Organizations Are Component Units*, requires the University to reflect the Foundation and the Corporation as discretely presented component units in the financial statements based on the significance of their respective relationships with the University. The Foundation and the Corporation are private nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards that have been codified in Accounting Standards Codification (ASC) No. 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, 2018 and 2017

**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, 2018 and 2017, the Foundation distributed \$7,173,041 and \$8,398,088, 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 legally 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 facilities 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 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 ranged 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, 2018 and 2017

**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 on August 1, 2011. The two housing facilities, Falcon Heights and Centennial Hall, were opened on August 19, 2011.

On August 10, 2017, the University issued \$73,560,000 of General Receipts Bonds, Series 2017B. Proceeds from the bonds provided funds to advance refund the Series 2010 Bonds held by CFP I. As a result of this transaction, the University acquired two student housing facilities and their contents known as Falcon Heights and Centennial Hall from CFP I. The University recorded the net book value of the student housing facilities of approximately \$55 million and also approximately \$13 million of CFP I’s remaining assets.

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. 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.

Bowling Green State University
Notes to Financial Statements (Continued)

June 30, 2018 and 2017

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

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 are 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.

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.

Other Postemployment Benefit Costs

For purposes of measuring the net other postemployment benefits (“OPEB”) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of 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. For this purpose, OPERS/STRS recognized benefit payments 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, 2018 and 2017

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

Upcoming Pronouncements

In November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The University is currently evaluating the impact of this standard, specifically related to the Organization's hazardous chemicals used on campus. The provisions of this statement are effective for the University's financial statements for fiscal year 2019.

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. The University is currently evaluating the impact of this standard, specifically related to holding assets for other organizations and alumni/student club accounts. The provisions of this statement are effective for the University's financial statements for fiscal year 2020.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, which increases the usefulness of government entities' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The new lease standard is not expected to have a significant effect on the University's financial statements. The provisions of this statement are effective for the University's financial statements for fiscal year 2021.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the University's financial statements for fiscal year 2021.

Bowling Green State University
Notes to Financial Statements (Continued)

June 30, 2018 and 2017

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

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 \$8,110,374 and \$8,467,969 at June 30, 2018 and 2017, 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.

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. 72, *Fair Value Measurement and Application*. 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.

Bowling Green State University
Notes to Financial Statements (Continued)

June 30, 2018 and 2017

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

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. Assets are depreciated over the estimated useful lives ranging from five to forty years for the respective assets. 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.

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 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's deferred inflows of resources for certain pension-related and OPEB-related amounts, such as the difference between projected and actual earnings of the plan's investments (see Note 8 for more details).

Bowling Green State University
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

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

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 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's reports deferred outflows of resources for certain pension-related and OPEB-related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date (see Note 8 for more details).

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 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.

Bowling Green State University
Notes to Financial Statements (Continued)

June 30, 2018 and 2017

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

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.

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, 2018 and 2017

**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 nonexchange 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, 2018 and 2017

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

Adoption of New Accounting Pronouncement

The GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which requires governments providing other postemployment benefit (“OPEB”) plans to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with the statements, the University has reported a change in accounting principle adjustment to unrestricted net position of \$68,191,224, which is the net of the net OPEB liability and related deferred outflows of resources as of July 1, 2017. June 30, 2017 amounts have not been restated to reflect the impact of GASB Statement No. 75 because the information is not available to calculate the impact on OPEB expense for the fiscal year ended June 30, 2017.

Bowling Green State University
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

2. Cash and Investments

Deposits

Amounts available for deposit at June 30, 2018 and 2017 are as follows:

	2018	2017
Cash (carrying amounts)	\$ 7,929,796	\$ 8,281,559
Reconciling items (net) to arrive at bank balances of deposit	(190,067)	(180,349)
Total available for deposit and investment (bank balances of deposits)	\$ 7,739,729	\$ 8,101,210

The carrying amount shown above does not include \$180,579 and \$186,410 held in cash funds at June 30, 2018 and 2017, respectively.

Approximately \$396,073 and \$532,904 at June 30, 2018 and 2017, respectively, was covered by federal depository insurance and \$4,260,689 and \$7,568,306 at June 30, 2018 and 2017, respectively, was covered by collateral held by third-party trustees pursuant to paragraph 135.181 of the Ohio Revised Code in collateral pools securing all public funds on deposit with specific depository institutions; the remainder was not collateralized or insured, leaving it exposed to custodial credit risk. Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the University may not be able to recover its deposits or collateral securities. The University maintains active relationships with multiple cash equivalent accounts to reduce its exposure to custodial credit risk at any single institution.

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, 2018 and 2017

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 the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79, *Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants*, which establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investment at amortized cost. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price at which the investment could be sold on June 30, 2018.

Bowling Green State University
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

2. Cash and Investments (continued)

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

	<u>2018</u>	<u>2017</u>
Equity mutual funds	\$ 91,910,606	\$ 80,758,639
Fixed income mutual funds	67,871,572	60,674,424
U.S. government obligations	13,820,146	-
U.S. government agencies	12,259,617	-
Money market funds	12,681,909	49,871,966
Municipal bonds	5,481,185	5,232,933
Common and preferred stocks	414,568	432,793
STAR Ohio	206,274	110,975
Alternative investments:		
Collective trust funds	15,797,037	15,799,169
Hedge funds	33,962,703	31,336,856
Limited partnerships	2,667,929	-
Total	<u>\$ 257,073,546</u>	<u>\$ 244,217,755</u>

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

	<u>2018</u>	<u>2017</u>
Interest and dividends, net	\$ 5,294,435	\$ 3,937,669
Net appreciation in market value of investments	<u>6,426,636</u>	<u>10,104,760</u>
Total	<u>\$ 11,721,071</u>	<u>\$ 14,042,429</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, 2018 and 2017, the University realized a net gain from the sale of investments of \$3,090,559 and \$16,478,609, respectively. The unrealized appreciation (depreciation) during the years ended June 30, 2018 and 2017 was \$3,336,077 and (\$6,373,849), respectively. This resulted in net appreciation in the fair value of investments during the years ended June 30, 2018 and 2017 of \$6,426,636 and \$10,104,760, respectively.

Bowling Green State University
Notes to Financial Statements (Continued)

June 30, 2018 and 2017

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, 2018, the University had the following interest-bearing investments and maturities:

Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	Greater Than 10 Years
U.S. government obligations	\$ 13,820,146	\$ 9,844,013	\$ 3,976,133	\$ -	\$ -
U.S. government agencies	12,259,617	12,259,617	-	-	-
Municipal bonds	5,481,185	23,687	24,398	-	5,433,100
STAR Ohio	206,274	206,274	-	-	-
Total	\$ 31,767,222	\$ 22,333,591	\$ 4,000,531	\$ -	\$ 5,433,100

As of June 30, 2017, the University had the following interest-bearing investments and maturities:

Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	Greater Than 10 Years
Municipal bonds	\$ 5,232,933	\$ 22,998	\$ 48,085	\$ -	\$ 5,161,850
STAR Ohio	110,975	110,975	-	-	-
Total	\$ 5,343,908	\$ 133,973	\$ 48,085	\$ -	\$ 5,161,850

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.

Bowling Green State University
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

2. Cash and Investments (continued)

The credit ratings of the University's interest-bearing investments at June 30, 2018 are as follows:

Credit Rating (Standard & Poor's)	Other Investments
AAA	\$ 26,286,037
AA	5,433,100
Not rated	48,085
Total	\$ 31,767,222

The credit ratings of the University's interest-bearing investments at June 30, 2017 are as follows:

Credit Rating (Standard & Poor's)	Other Investments
AAA	\$ 110,975
AA	5,161,850
Not rated	71,083
Total	\$ 5,343,908

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 \$108,811 and \$158,095 at June 30, 2018 and 2017, 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.

Bowling Green State University
Notes to Financial Statements (Continued)

June 30, 2018 and 2017

2. Cash and Investments (continued)

In instances whereby 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.

The University has the following recurring fair value measurements as of June 30, 2018 and 2017:

Assets Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2018	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)
Investments by fair value level				
International corporate stock	\$ 414,568	\$ 414,568	\$ -	\$ -
Debt securities:				
U.S. government obligations	13,820,146	13,820,146	-	-
U.S. government agencies	12,259,617	-	12,259,617	-
Municipal bonds	5,481,185	-	5,481,185	-
Total debt securities	31,560,948	13,820,146	17,740,802	-
Equity securities:				
Mutual funds:				
Domestic	124,613,631	124,613,631	-	-
International	35,168,547	35,168,547	-	-
Total equity securities	159,782,178	159,782,178	-	-
Total investments by fair value level	191,757,694	<u>\$174,016,892</u>	<u>\$ 17,740,802</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
Multi-strategy hedge funds	33,962,703			
Private investments	2,667,929			
Limited partnership	15,797,037			
Total investments measured at the NAV	<u>52,427,669</u>			
Total investments measured at fair value	<u>\$244,185,363</u>			

Bowling Green State University
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

2. Cash and Investments (continued)

Assets Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2017	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)
Investments by fair value level				
International corporate stock	\$ 432,793	\$ 432,793	\$ -	\$ -
Debt securities:				
Municipal bonds	5,232,933	-	5,232,933	-
Total debt securities	5,232,933	-	5,232,933	-
Equity securities:				
Mutual funds:				
Domestic	107,536,835	107,536,835	-	-
International	33,896,228	33,896,228	-	-
Total equity securities	141,433,063	141,433,063	-	-
Total investments by fair value level	147,098,789	<u>\$141,865,856</u>	<u>\$ 5,232,933</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
Multi-strategy hedge funds	31,336,856			
Limited partnership	15,799,169			
Total investments measured at the NAV	47,136,025			
Total investments measured at fair value	<u>\$194,234,814</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, 2018 and 2017 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 is determined primarily based on Level 3 inputs. The University estimates the fair value of these investments using the fund manager's financial statements and calculation of the University's proportionate ownership share of the fund. At June 30, 2018 and 2017, the University did not value any investments based on Level 3 inputs.

Bowling Green State University
Notes to Financial Statements (Continued)

June 30, 2018 and 2017

2. Cash and Investments (continued)

Short-term investment on the statement of net position at June 30, 2018 and 2017 include investments in STAR Ohio of \$206,274 and \$110,975, respectively. The investments in STAR Ohio are measured at amortized cost; therefore, they are not included in the tables above. There are no limitations or restrictions on any STAR Ohio participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given to STAR Ohio 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transactions to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the STAR Ohio investors will be combined for these purposes.

Investments in Entities that Calculate Net Asset Value per Share

The University holds shares or interests in investment companies whereby 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.

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

	June 30, 2018	June 30, 2017	June 30, 2018		
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if	Redemption Notice Period
Multi-strategy					
Hedge funds	\$ 33,962,703	\$ 31,336,856	\$ -	Quarterly	100 days
Private investment	\$ 2,667,929	\$ -	\$ 7,756,072	N/A	N/A
Limited partnership	\$ 15,797,037	\$ 15,799,169	\$ -	N/A	N/A
Total	<u>\$ 52,427,669</u>	<u>\$ 47,136,025</u>	<u>\$ 7,756,072</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.

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% 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% or more in 2018 or 2017.

Bowling Green State University
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

2. Cash and Investments (continued)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The University's investment in the state treasurer's investment program that is not evidenced by securities that exist in physical or book entry form was \$206,274 and \$110,975 at June 30, 2018 and 2017, respectively. The remaining investments are uninsured and unregistered with securities held by the counterparty's trust department or agent in the University's name.

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

Assets Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2018	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)
Investments by fair value level				
Cash equivalents and money market funds	\$ 2,143,066	\$ 2,143,066	\$ -	\$ -
Domestic corporate stock	53,546	53,546	-	-
Equity securities:				
Mutual funds:				
Domestic funds	47,343,165	47,343,165	-	-
International funds	30,046,451	30,046,451	-	-
Fixed income funds	37,478,871	37,478,871	-	-
Total equity securities	114,868,487	114,868,487	-	-
Split interest agreements:				
Cash equivalents and money market funds	148,161	148,161	-	-
Mutual funds	2,396,370	2,396,370	-	-
Fixed income funds	2,486,982	2,486,982	-	-
Beneficial interest in trust held by others	144,022	-	-	144,022
Total split interest agreements	5,175,535	5,031,513	-	144,022
Total investments by fair value level	<u>\$122,240,634</u>	<u>\$122,096,612</u>	<u>\$ -</u>	<u>\$ 144,022</u>

Investments measured at the net asset value (NAV)

Hedge funds	27,263,220
Private investment funds	27,483,381
Real estate funds and other	1,074,261
Total investments measured at the NAV	<u>55,820,862</u>
Total investments measured at fair value	<u>\$178,061,496</u>

Bowling Green State University
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

2. Cash and Investments (continued)

Assets Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2017	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)
Investments by fair value level				
Cash equivalents and money market funds	\$ 1,573,812	\$ 1,573,812	\$ -	\$ -
Domestic corporate stock	78,324	78,324	-	-
Equity securities:				
Mutual funds:				
Domestic funds	46,151,001	46,151,001	-	-
International funds	28,374,881	28,374,881	-	-
Fixed income funds	33,671,839	33,671,839	-	-
Total equity securities	108,197,721	108,197,721	-	-
Split interest agreements:				
Cash equivalents and money market funds	152,430	152,430	-	-
Mutual funds	2,473,364	2,473,364	-	-
Fixed income funds	2,882,239	2,882,239	-	-
Beneficial interest in trust held by others	152,408	-	-	152,408
Total split interest agreements	5,660,441	5,508,033	-	152,408
Total investments by fair value level	<u>\$115,510,298</u>	<u>\$115,357,890</u>	<u>\$ -</u>	<u>\$ 152,408</u>
Investments measured at the net asset value (NAV)				
Hedge funds	25,423,390			
Private investment funds	20,084,511			
Real estate funds and other	2,336,622			
Total investments measured at the NAV	<u>47,844,523</u>			
Total investments measured at fair value	<u>\$163,354,821</u>			

Bowling Green State University
Notes to Financial Statements (Continued)

June 30, 2018 and 2017

2. Cash and Investments (continued)

The Foundation realized a net gain from the sale of investment securities of \$5,856,182 and \$15,044,667 for the years ended June 30, 2018 and 2017, respectively. The net appreciation (depreciation) on the fair value of investments totaled \$2,419,137 and \$(2,669,926) for the years ended June 30, 2018 and 2017, respectively.

The Foundation has outstanding commitments to invest in various alternative investments at June 30, 2018 and 2017, amounting to approximately \$19,681,000 and \$7,332,000, respectively.

Certain Foundation investment securities are held by independent custodial and management agents. Custodial and management fees paid approximated \$119,000 and \$107,000 in 2018 and 2017, respectively.

The investment value of funds held by trustee for 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:

	2018	2017
Money market funds	\$ -	\$ 20,787,272

Due to the defeasance of Series 2010 Bonds, trustee held funds is no longer required.

3. Accounts Receivable

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

	2018	2017
Student receivable for fees, room and board	\$ 6,836,340	\$ 8,473,385
Research and sponsored programs	3,113,485	3,566,185
Other	1,371,063	1,426,284
Subtotal	11,320,888	13,465,854
Less allowance for doubtful accounts	1,500,000	1,500,000
Totals	\$ 9,820,888	\$ 11,965,854

Bowling Green State University
Notes to Financial Statements (Continued)

June 30, 2018 and 2017

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 \$113,683,327 and \$117,767,416 for student loans in 2018 and 2017, 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, 2018 are summarized as follows:

	Beginning Balance	Additions	Retirements or Transfers	Ending Balance
Land (non-depreciable)	\$ 9,571,491	\$ 773,826	\$ (178,390)	\$ 10,166,927
Buildings	627,453,466	55,652,292	(18,346,836)	664,758,922
Infrastructure	120,829,244	8,444,820	60,563,136	189,837,200
Equipment	101,149,615	2,621,974	256,755	104,028,344
Library materials	25,321,480	2,152,948	(2,594,128)	24,880,300
Construction in progress (non-depreciable)	100,738,692	14,319,401	(61,917,154)	53,140,939
Capitalized interest	2,479,796	1,155,674	(2,041,527)	1,593,943
Total capital assets	987,543,784	85,120,935	(24,258,144)	1,048,406,575
Less accumulated depreciation and amortization	(427,953,047)	(36,730,733)	17,285,648	(447,398,132)
Net capital assets	\$ 559,590,737	\$ 48,390,202	\$ (6,972,496)	\$ 601,008,443

Bowling Green State University
Notes to Financial Statements (Continued)

June 30, 2018 and 2017

5. Capital Assets (continued)

The University has commitments of approximately \$53.1 million on various construction projects in progress as of June 30, 2018.

Capital assets and accumulated depreciation and amortization of the University as of June 30, 2017 are summarized as follows:

	Beginning Balance	Additions	Retirements or Transfers	Ending Balance
Land (non-depreciable)	\$ 9,177,884	\$ 393,607	\$ -	\$ 9,571,491
Buildings	571,028,773	8,993,292	47,431,401	627,453,466
Infrastructure	102,647,888	2,921,314	15,260,042	120,829,244
Equipment	98,902,277	3,741,630	(1,494,292)	101,149,615
Library materials	25,903,753	2,011,269	(2,593,542)	25,321,480
Construction in progress (non-depreciable)	118,059,851	52,420,770	(69,741,929)	100,738,692
Capital leases	6,316,953	-	(6,316,953)	-
Capitalized interest	1,583,528	1,904,561	(1,008,293)	2,479,796
Total capital assets	933,620,907	72,386,443	(18,463,566)	987,543,784
Less accumulated depreciation and amortization	(407,650,878)	(30,225,394)	9,923,225	(427,953,047)
Net capital assets	\$ 525,970,029	\$ 42,161,049	\$ (8,540,341)	\$ 559,590,737

Capital assets and accumulated depreciation of the Corporation as of June 30, 2018 are summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land (non-depreciable)	\$ 873,499	\$ 145,810	\$ (636,311)	\$ 382,998
Land improvements	1,384,056	-	(978,779)	405,277
Buildings	85,720,760	-	(67,359,361)	18,361,399
Construction in progress (non-depreciable)	6,596	-	(6,596)	-
Furniture	3,623,242	-	(2,699,350)	923,892
Chartwells renovation	1,588,000	-	-	1,588,000
Total capital assets	93,196,153	145,810	(71,680,397)	21,661,566
Less accumulated depreciation and amortization	(22,946,455)	(1,075,695)	16,838,330	(7,183,820)
Net capital assets	\$ 70,249,698	\$ (929,885)	\$ (54,842,067)	\$ 14,477,746

Bowling Green State University
Notes to Financial Statements (Continued)

June 30, 2018 and 2017

5. Capital Assets (continued)

Capital assets and accumulated depreciation of the Corporation as of June 30, 2017 are summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land (non-depreciable)	\$ 873,499	\$ -	\$ -	\$ 873,499
Land improvements	1,384,056	-	-	1,384,056
Buildings	85,720,760	-	-	85,720,760
Construction in progress (non-depreciable)	-	6,596	-	6,596
Furniture	3,746,753	12,145	(135,656)	3,623,242
Chartwells renovation	1,588,000	-	-	1,588,000
Total capital assets	93,313,068	18,741	(135,656)	93,196,153
Less accumulated depreciation and amortization	(19,789,525)	(3,275,226)	118,296	(22,946,455)
Net capital assets	<u>\$ 73,523,543</u>	<u>\$ (3,256,485)</u>	<u>\$ (17,360)</u>	<u>\$ 70,249,698</u>

6. Accounts Payable and Accrued Expenses

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

	2018	2017
Accounts payable	\$ 9,276,474	\$ 12,674,688
Accrued payroll and withholdings	7,291,056	7,161,134
Accrued health claims	2,400,000	2,000,000
Accrued interest on bonds and capital lease	1,226,519	614,564
Total	<u>\$ 20,194,049</u>	<u>\$ 22,450,386</u>

Bowling Green State University
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

7. Long-Term Debt and Other Obligations

Long-term debt and other obligations of the University for June 30, 2018 are summarized as follows:

Bonds	Rates	Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
2010 Series A Tax-Exempt	2.00-5.00	2010-2039	\$ 1,360,000	\$ -	\$ 680,000	\$ 680,000	\$ 680,000
2010 Series B Build America	4.20-6.73	2015-2039	61,845,000	-	2,390,000	59,455,000	2,390,000
2012 Series A General Receipts Bond - 2003							
Advance Refunding	1.92	2011-2019	3,145,000	-	1,555,000	1,590,000	1,590,000
2012 Series B General Receipts Bond - 2004							
Advance Refunding	1.92	2011-2019	5,790,000	-	2,865,000	2,925,000	2,925,000
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	-
2017 Bond Series A	1.6	2049	35,000,000	-	-	35,000,000	-
2017 Bond Series B	3.00-5.00	2018-2045	-	73,560,000	1,985,000	71,575,000	1,385,000
Bond premium			9,091,546	8,379,642	1,087,812	16,383,376	1,207,364
Total bonds payable			226,231,546	81,939,642	10,562,812	297,608,376	10,177,364
Other liabilities							
Vacation pay			7,526,761	5,634,409	5,399,133	7,762,037	5,726,679
Sick leave			5,597,285	464,263	-	6,061,548	447,385
Federal student loan deposits			8,318,432	128,779	385,234	8,061,977	-
Total other liabilities			21,442,478	6,227,451	5,784,367	21,885,562	6,174,064
Total long-term liabilities			\$ 247,674,024	\$ 88,167,093	\$ 16,347,179	\$ 319,493,938	\$ 16,351,428

Bowling Green State University
Notes to Financial Statements (Continued)

June 30, 2018 and 2017

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

Long-term debt and other obligations of the University for June 30, 2017 are summarized as follows:

Bonds	Rates	Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
2010 Series A Tax-Exempt	2.00-5.00	2010-2039	\$ 2,165,000	\$ -	\$ 805,000	\$ 1,360,000	\$ 680,000
2010 Series B Build America	4.20-6.73	2015-2039	64,235,000	-	2,390,000	61,845,000	2,390,000
2012 Series A General Receipts Bond - 2003							
Advance Refunding	1.92	2011-2019	4,675,000	-	1,530,000	3,145,000	1,555,000
2012 Series B General Receipts Bond - 2004							
Advance Refunding	1.92	2011-2019	8,605,000	-	2,815,000	5,790,000	2,865,000
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	-
2017 Bond Series A	1.6	2049	-	35,000,000	-	35,000,000	-
Bond premium			9,634,022	-	542,476	9,091,546	556,876
Total bonds payable			199,314,022	35,000,000	8,082,476	226,231,546	8,046,876
Other liabilities							
Vacation pay			7,481,433	5,489,230	5,443,902	7,526,761	5,645,869
Sick leave			5,251,330	345,955	-	5,597,285	440,421
Capital lease			1,292,008	-	1,292,008	-	-
Federal student loan deposits			8,318,432	-	-	8,318,432	-
Total other liabilities			22,343,203	5,835,185	6,735,910	21,442,478	6,086,290
Total long-term liabilities			\$ 221,657,225	\$ 40,835,185	\$ 14,818,386	\$ 247,674,024	\$ 14,133,166

Bowling Green State University
Notes to Financial Statements (Continued)

June 30, 2018 and 2017

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, 2018 and subsequent periods thereafter are as follows:

	Principal	Interest	Total
2019	\$ 8,970,000	\$ 10,617,040	\$ 19,587,040
2020	18,195,000	10,164,127	28,359,127
2021	6,360,000	9,496,329	15,856,329
2022	6,715,000	9,266,148	15,981,148
2023	6,915,000	9,005,934	15,920,934
2024-2028	37,835,000	40,909,192	78,744,192
2029-2033	45,855,000	32,862,829	78,717,829
2034-2038	54,795,000	23,464,841	78,259,841
2039-2043	53,630,000	13,029,179	66,659,179
2044-2048	39,055,000	2,794,265	41,849,265
2049-2051	2,900,000	46,560	2,946,560
	\$281,225,000	\$161,656,444	\$442,881,444

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 variable rate resets on the first of each month; in 2018 the rate calculation was modified to 68.50% of LIBOR plus a number of basis points (currently 38 basis points) that are assigned based on the University's then-current bond rating. The rate in effect at June 30, 2018 was 1.98%. 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 rate in effect on July 1, 2018.

Bowling Green State University
Notes to Financial Statements (Continued)

June 30, 2018 and 2017

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.

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% to 5.00%, 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.

On June 29, 2017, the University issued \$35,000,000 of fixed rate General Receipts Bonds, Series 2017A with a fixed interest rate of 1.60% and a maturity in 2049. The proceeds will be used to finance the cost 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.

On August 10, 2017, the university issued \$73,560,000 of fixed rate General Receipts Bonds, Series 2017B, with interest rates ranging from 3.00% to 5.00%, and maturities ranging from 2018 to 2045. Proceeds from the bonds were used to advance refund the Series 2010 Bonds held by CFP I. As a result of this transaction, the University acquired two student housing facilities and their contents known as Falcon Heights and Centennial Hall from CFP I.

Bowling Green State University
Notes to Financial Statements (Continued)

June 30, 2018 and 2017

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

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, 2018 and 2017 was \$9,447,027 and \$5,977,758, respectively. Of this amount, \$1,155,674 and \$1,904,560 was capitalized by the University at June 30, 2018 and 2017, respectively.

The University had unspent bond proceeds, which are classified as restricted assets, at June 30, 2018 and 2017 of \$30,417,412 and \$42,061,447, respectively.

Long-term liabilities of the Corporation for June 30, 2018 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Bonds payable	\$ 77,705,000	\$ -	\$(77,705,000)	\$ -	\$ -
Less unamortized discount and issuance costs	(2,124,079)	-	2,124,079	-	-
Construction funding payable	12,941,418	-	(596,800)	12,344,618	596,800
Total long-term liabilities	<u>\$ 88,522,339</u>	<u>\$ -</u>	<u>\$(76,177,721)</u>	<u>\$ 12,344,618</u>	<u>\$ 596,800</u>

Long-term liabilities of the Corporation for June 30, 2017 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Bonds payable	\$ 78,670,000	\$ -	\$ (965,000)	\$ 77,705,000	\$ 1,105,000
Less unamortized discount and issuance costs	(2,243,372)	-	119,293	(2,124,079)	(117,810)
Construction funding payable	13,538,218	-	(596,800)	12,941,418	596,800
Total long-term liabilities	<u>\$ 89,964,846</u>	<u>\$ -</u>	<u>\$(1,442,507)</u>	<u>\$ 88,522,339</u>	<u>\$ 1,583,990</u>

Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2018 and 2017

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

The construction funding payable amounts of the Corporation for the five fiscal years subsequent to June 30, 2018 and thereafter are as follows:

	The Oaks (CFP II)	Carillon (CFP III)	Total Due
2019	\$ 376,364	\$ 220,436	\$ 596,800
2020	376,364	220,436	596,800
2021	376,364	220,436	596,800
2022	376,364	220,436	596,800
2023	376,364	220,436	596,800
Thereafter	5,833,636	3,526,982	9,360,618
	<u>\$ 7,715,456</u>	<u>\$ 4,629,162</u>	<u>\$ 12,344,618</u>

8. Employee Benefit Plans

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.

Bowling Green State University
Notes to Financial Statements (Continued)

June 30, 2018 and 2017

8. Employee Benefit Plans (continued)

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

The STRS Ohio Comprehensive Annual Financial Report can be downloaded from the STRS website at www.strsoh.org. The Ohio Revised Code provides statutory authority for employer and employee contributions. The University contributes 14% of covered payroll and the employee pretax contribution rate is 14% of covered payroll. A portion of employer contributions was allocated to postemployment healthcare benefits.

The OPERS Comprehensive Annual Financial Report can be downloaded from the OPERS website at www.opers.org. The Ohio Revised Code provides statutory authority for employer and employee contributions. The University contributes 14% of covered payroll and the employee pretax contribution rate is 10% of covered payroll. A portion of employer contributions was allocated to postemployment healthcare benefits.

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 14% 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 on August 1, 2015, eligibility requirements for an unreduced benefit changed. 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% to 2.6% with 0.1% 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.

Bowling Green State University
Notes to Financial Statements (Continued)

June 30, 2018 and 2017

8. Employee Benefit Plans (continued)

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.

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.

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 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% to 2.5%.

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, 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 3.0%.

Postemployment healthcare – In addition to pension benefits, the Ohio Revised Code provides authority for public employers to fund postemployment healthcare benefits through their contributions. The portion of employer contributions, for all employers, allocated to health care was 2.0% during calendar years 2017 and 2016.

Bowling Green State University

Notes to Financial Statements (Continued)

June 30, 2018 and 2017

8. Employee Benefit Plans (continued)

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, postemployment healthcare benefits under OPERS are permitted, but not mandated; therefore, a portion of employer contributions is set aside for funding postemployment health care. Effective January 1, 2017, the portion of employer contributions allocated to health care decreased from 2% to 1%, and as of January 1, 2018, it decreased to 0%, as recommended by the OPERS actuary. Payment amounts vary depending on the number of covered dependents and coverage selected.

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.

The amounts on deposit with the Program’s board at June 30, 2018 and 2017 approximated \$18,669,292 and \$16,423,751, respectively, which represents the fair value at such dates.

Contributions – State retirement law requires contributions by covered employees and their employers, and Chapter 3307 of the Ohio Revised Code (“ORC”) limits the maximum rate of contributions. The retirement boards of the systems individually set contributions rates within the allowable limits. The adequacy of employer contribution rates is determined annually by actuarial valuation using the entry age normal cost method. Under these provisions, each University’s contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Bowling Green State University
Notes to Financial Statements (Continued)

June 30, 2018 and 2017

8. Employee Benefit Plans (continued)

Member contributions are set at the maximums authorized by the ORC. The plans' 2018 employer and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate			Member Contribution Rate
	Post-Retirement			Total
	Pension	Healthcare	Total	
STRS Ohio	14.00%	0.00%	14.00%	14.00%
OPERS - State/Local	13.00%	1.00%	14.00%	10.00%
OPERS - Law Enforcement	17.10%	1.00%	18.10%	13.00%

The plans' 2017 employer and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate			Member Contribution Rate
	Post-Retirement			Total
	Pension	Healthcare	Total	
STRS Ohio (beginning 7/1/16)	14.00%	0.00%	14.00%	14.00%
OPERS - State/Local (through 12/31/16)	12.00%	2.00%	14.00%	10.00%
OPERS - State/Local (beginning 1/1/17)	13.00%	1.00%	14.00%	10.00%
OPERS - Law Enforcement (through 12/31/16)	16.10%	2.00%	18.10%	13.00%
OPERS - Law Enforcement (beginning 1/1/17)	17.10%	1.00%	18.10%	13.00%

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

	2018		2017	
	Pension	OPEB	Pension	OPEB
STRS Ohio	\$ 6,877,000	\$ -	\$ 6,577,000	\$ -
OPERS	8,129,000	624,000	8,294,000	1,192,000
ARP	6,474,000	-	6,203,000	-
Total	\$ 21,480,000	\$ 624,000	\$ 21,074,000	\$ 1,192,000

Bowling Green State University
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

8. Employee Benefit Plans (continued)

Net Pension Liability, Deferrals, and Pension Expense – At June 30, 2018 and 2017, the University reported a liability for its proportionate share of the net pension liability of STRS/OPERS. For the year ended June 30, 2018, the net pension liability was measured as of July 1, 2017 for the STRS plan and December 31, 2017 for the OPERS plan. For the year ended June 30, 2017, the net pension liability was measured as of July 1, 2016 for the STRS plan and December 31, 2016 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	Measurement Date	Net Pension Liability		Proportionate Share		Percent Change
		2018	2017	2018	2017	
STRS	July 1	\$121,738,070	\$172,801,506	0.5125%	0.5162%	-0.7168%
OPERS	December 31	63,558,676	96,270,704	0.4089%	0.4250%	-3.7882%

For the years ended June 30, 2018 and 2017, the University recognized pension income of \$28,054,276 and expense of \$36,376,389, respectively. The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2018 and 2017:

June 30, 2018	University Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,788,594	\$ 2,417,642
Changes of assumptions	34,343,524	-
Net difference between projected and actual earnings on pension plan investments	-	17,883,800
Changes in proportion and differences between University contributions and proportionate share of contributions	524,107	5,151,946
University contributions subsequent to the measurement date	11,934,069	-
Total	\$ 51,590,294	\$ 25,453,388

Bowling Green State University
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

8. Employee Benefit Plans (continued)

June 30, 2017	University Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,949,059	\$ 1,410,099
Changes of assumptions	15,368,514	-
Net difference between projected and actual earnings on pension plan investments	28,780,244	-
Changes in proportion and differences between University contributions and proportionate share of contributions	992,715	3,010,498
University contributions subsequent to the measurement date	11,708,159	-
Total	\$ 64,798,691	\$ 4,420,597

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

Year Ended	
June 30	Amount
2019	\$ 9,474,133
2020	7,539,758
2021	914,010
2022	(3,690,468)
2023	(13,389)
Thereafter	(21,207)

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

Bowling Green State University
Notes to Financial Statements (Continued)

June 30, 2018 and 2017

8. Employee Benefit Plans (continued)

Net OPEB Liability, Deferrals, and OPEB Expense – At June 30, 2018, the University reported a liability for its proportionate share of the net OPEB liability of STRS/OPERS. For the year ended June 30, 2018, the net OPEB liability was measured as of June 30, 2017 for the STRS plan and December 31, 2017 for the OPERS plan. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of those dates. The University’s proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the benefit plan relative to the projected contributions of all participating reporting units, actuarially determined.

Plan	Measurement Date	Net OPEB Liability 2018	Proportionate Share 2018
STRS	June 30	\$ 19,994,643	0.5125%
OPERS	December 31	\$ 44,112,500	0.4062%

For the year ended June 30, 2018, the University recognized OPEB expense of \$9,863,512. The University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30, 2018:

	University Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources
June 30, 2018		
Differences between expected and actual experience	\$ 1,188,576	\$ -
Changes of assumptions	3,211,857	1,610,633
Net difference between projected and actual earnings on OPEB plan investments	-	4,140,706
Changes in proportion and differences between University contributions and proportionate share of contributions	-	-
University contributions subsequent to the measurement date	-	-
Total	\$ 4,400,433	\$ 5,751,339

Bowling Green State University
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

8. Employee Benefit Plans (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Year Ended		Amount
June 30		
2019	\$	440,781
2020		440,781
2021		(969,081)
2022		(1,111,247)
2023		(76,070)
Thereafter		(76,070)

Bowling Green State University
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

8. Employee Benefit Plans (continued)

Actuarial Assumptions – The total pension liability and OPEB liability is based on the results of an actuarial valuation were determined using the following actuarial assumptions for 2017, applied to all periods included in the measurement on June 30, 2018:

	STRS	OPERS
Valuation date - Pension	July 1, 2017	December 31, 2017
Valuation date - OPEB	July 1, 2017	December 31, 2016
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	0.0 percent	3.0 percent
Salary increases, including inflation	2.5 percent - 12.5 percent	3.25 percent - 10.75 percent
Inflation	2.5 percent	3.25 percent
Investment rate of return - pension	7.45 percent, net of pension plan investment expense	7.50 percent, net of pension plan investment expense
Investment rate of return - OPEB	4.51 percent, net of investment expenses, including inflation	6.50 percent, net of investment expenses
Health care cost trend rates	6.00 percent to 11 percent initial	7.50 percent initial, 3.25 percent
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended December 31, 2015
Mortality basis	RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016.	RP-2014 Healthy Annuitant Mortality Table

The following are actuarial assumptions for 2016, applied to all periods included in the measurement on June 30, 2017:

	STRS	OPERS
Valuation date	July 1, 2016	December 31, 2016
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	3.25 percent - 10.75 percent
Inflation	2.75 percent	3.25 percent
Investment rate of return	7.75 percent, net of pension plan investment expense	7.50 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, 2015
Mortality basis	RP-2000 Combined Mortality Table (Projection 2022-Scale AA)	RP-2014 Healthy Annuitant Mortality Table

Discount Rate – The discount rate used to measure the total pension liability at June 20, 2018 was 7.45% and 7.50% for STRS and OPERS, respectively. The discount rate used to measure the total pension liabilities at June 30, 2017 was 7.75% and 7.50% 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, 2018 and 2017

8. Employee Benefit Plans (continued)

The discount rates used to measure the total OPEB liabilities at June 30, 2018 were 4.13% and 3.85%, 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 become insufficient to make all projected future benefit payments for current active and inactive employees for STRS and OPERS. Therefore, a blended rate was used, which consisted of the long-term expected rate of return on OPEB plan investments for the funded benefit payments and a 20-year municipal bond rate applied to the unfunded benefit payment period to determine the total OPEB liability.

The long-term expected rate of return on pension plan and OPEB 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 (geometric for STRS) real rates of return for each major asset class are summarized in the following table:

STRS as of 7/1/17			OPERS as of 12/31/17				
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Investment Category	Defined Benefit Portfolio		Health Care Portfolio	
				Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	28.00%	5.10%	Fixed Income	23.00%	2.20%	34.00%	1.88%
International Equity	23.00%	5.30%	Domestic Equity	19.00%	6.37%	21.00%	6.37%
Alternatives	17.00%	4.84%	Real Estate	10.00%	5.26%	0.00%	0.00%
Fixed Income	21.00%	0.75%	Private Equity	10.00%	8.97%	0.00%	0.00%
Real Estate	10.00%	3.75%	International Equity	20.00%	7.88%	22.00%	7.88%
Liquidity Reserves	1.00%	0.00%	REITs	0.00%	0.00%	6.00%	5.91%
Total	<u>100.00%</u>		Other Investments	18.00%	5.26%	17.00%	5.39%
			Total	<u>100.00%</u>		<u>100.00%</u>	

STRS as of 7/1/16			OPERS as of 12/31/16		
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Investment Category	Long-term Expected Real Rate of Return	
				Target Allocation	Rate of Return
Domestic Equity	31.00%	5.50%	Fixed Income	23.00%	2.75%
International Equity	26.00%	5.35%	Domestic Equity	20.70%	6.34%
Alternatives	14.00%	5.50%	Real Estate	10.00%	4.75%
Fixed Income	18.00%	1.25%	Private Equity	10.00%	8.97%
Real Estate	10.00%	4.25%	International Equity	18.30%	7.95%
Liquidity Reserves	1.00%	0.50%	Other Investments	18.00%	4.92%
Total	<u>100.00%</u>		Total	<u>100.00%</u>	

Bowling Green State University
Notes to Financial Statements (Continued)

June 30, 2018 and 2017

8. Employee Benefit Plans (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, 2018 and 2017, calculated using the discount rate listed below, as well as what the University’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:

June 30, 2018						
Plan	1.00 Percent Decrease		Current Discount Rate		1.00 Percent Increase	
STRS	6.45%	\$174,507,382	7.45%	\$ 121,738,070	8.45%	\$ 77,287,836
OPERS	6.50%	113,590,415	7.50%	63,558,676	8.50%	21,884,363
		<u>\$288,097,797</u>		<u>\$ 185,296,746</u>		<u>\$ 99,172,199</u>

June 30, 2017						
Plan	1.00 Percent Decrease		Current Discount Rate		1.00 Percent Increase	
STRS	6.75%	\$229,639,162	7.75%	\$ 172,801,506	8.75%	\$124,855,596
OPERS	6.50%	147,466,184	7.50%	96,270,704	8.50%	53,624,905
		<u>\$377,105,346</u>		<u>\$ 269,072,210</u>		<u>\$178,480,501</u>

Sensitivity of the OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability of the University at June 30, 2018, calculated using the discount rate listed below, as well as what the University’s net OPEB 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, 2018						
Plan	1.00 Percent Decrease		Current Discount Rate		1.00 Percent Increase	
STRS	3.13%	\$ 26,842,488	4.13%	\$ 19,994,643	5.13%	\$ 14,582,608
OPERS	2.85%	58,605,359	3.85%	44,112,500	4.85%	32,387,921
		<u>\$ 85,447,847</u>		<u>\$ 64,107,143</u>		<u>\$ 46,970,529</u>

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate – The following presents the net OPEB liability of the University, calculated using the healthcare cost trend rate listed below, as well as what the University’s net OPEB liability would be if it were calculated using a health care cost trend rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

June 30, 2018				
Plan	1.00 Percent Decrease		Current Discount Rate	
STRS		\$ 13,891,421		\$ 19,994,643
OPERS		42,206,258		44,112,500
		<u>\$ 56,097,679</u>		<u>\$ 64,107,143</u>

Bowling Green State University
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

8. Employee Benefit Plans (continued)

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

Assumption Changes – During the current measurement period, the STRS Board adopted certain assumption changes which impacted the annual actuarial valuations prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75% to 7.45%.

9. Risk Management

The University self-insures its healthcare program up to a specific limit of \$300,000 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:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Unpaid claims, July 1	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Incurred claims	20,182,610	16,760,429	19,049,603
Paid claims	<u>(19,782,610)</u>	<u>(16,760,429)</u>	<u>(19,049,603)</u>
Unpaid claims, June 30	<u>\$ 2,400,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>

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, 2018 and 2017

9. 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.

10. 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, 2018 and 2017

11. Foundation Net Assets

The Foundation's temporarily restricted net assets at June 30, 2018 and 2017 were available for the following purposes:

	<u>2018</u>	<u>2017</u>
Scholarships	\$ 28,202,963	\$ 24,551,321
General and operational support	31,529,550	30,964,837
Capital and equipment	13,947,353	9,152,405
Professorships	3,202,255	2,874,587
Centers and institutes	1,710,375	1,760,123
Chair	1,411,592	1,360,628
Research	726,337	699,251
Faculty and staff	257,279	248,685
Fellowships	58,993	74,882
Total	<u>\$ 81,046,697</u>	<u>\$ 71,686,719</u>

The Foundation's summary of the net assets released from restrictions during the years ended June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
General and operational support	\$ 6,576,985	\$ 6,496,680
Scholarships	4,399,240	3,870,443
Capital and equipment	864,766	782,711
Centers and institutes	309,497	290,991
Professorships	344,341	287,631
Chair	118,208	117,701
Faculty and staff	73,271	47,434
Research	18,725	39,317
Fellowships	776	1,772
Total	<u>\$ 12,705,809</u>	<u>\$ 11,934,680</u>

Bowling Green State University
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

11. Foundation Net Assets (continued)

The Foundation's permanently restricted net assets at June 30, 2018 and 2017 are investments in perpetuity, the income from which is expendable to support the following purposes:

	2018	2017
Scholarships	\$ 58,629,589	\$ 55,924,928
General and operational support	22,825,425	22,478,317
Professorships	8,796,298	8,689,017
Capital and equipment	1,954,633	2,000,687
Centers and institutes	1,407,635	1,281,758
Chair	1,480,629	1,480,629
Faculty and staff	1,012,316	1,011,816
Research	486,266	470,716
Fellowships	29,209	29,209
Total	\$ 96,622,000	\$ 93,367,077

12. Related Party Transactions

The University leased the land comprising the two sites on which the Series 2010 Project facilities were 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 was terminated on August 10, 2017.

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 was terminated on August 10, 2017.

The Series 2010 Project includes two housing facilities, Falcon Heights and Centennial Hall, which were placed in service in August 2011. During fiscal year 2017, the University acted as an agent between University students and CFP I and invoiced, collected the student accounts on behalf of CFP I, and then distributed the monies to CFP I. As of June 30, 2017, the University owed CFP I student housing and housing-related fees totaling approximately \$11,000. In August 2017, the ownership of these two facilities was transferred to the University. CFP I recognized a transfer of \$14.1 million and a loss on debt extinguishment of \$11.7 million in fiscal year 2018 related to this transaction.

Bowling Green State University
Notes to Financial Statements (Continued)

June 30, 2018 and 2017

12. Related Party Transactions (continued)

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

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

The University incurred costs 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 \$23,000 and \$35,000 for the fiscal years ended June 30, 2018 and 2017, respectively.

Chartwells provided approximately \$18,000,000 of funding for these projects during 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, 2018 and 2017, the repayment and in-kind support revenue totaled \$596,800 and \$596,800, respectively. The University recognized in-kind nonoperating expense of \$596,800 and \$596,800 for the years ended June 30, 2018 and 2017, respectively.

Bowling Green State University
Notes to Financial Statements (Continued)

June 30, 2018 and 2017

12. Related Party Transactions (continued)

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

Bowling Green State University

Required Supplemental Information

Schedule of Pension Funding Progress

Plan year end	2018	
	OPERS	STRS
	December 31, 2017	June 30, 2017
University's proportion of the plan's collective net pension liability:		
As a percentage	0.4089%	0.5125%
Amount	\$ 63,558,676	\$ 121,738,070
University's covered employee payroll	\$ 74,061,634	\$ 48,957,254
University's proportionate share of the plan's collective pension liability (amount) as a percentage of the University's covered employee payroll	85.82%	248.66%
Fiduciary net position as a percentage of the total pension liability	84.85%	75.29%

Schedule of Contributions

	2018	
	OPERS	STRS
	December 31, 2017	June 30, 2017
Statutorily required contribution	\$ 8,128,775	\$ 6,877,222
Contributions in relation to the actuarially determined contractually required contribution	\$ 8,128,775	\$ 6,877,222
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 57,625,045	\$ 49,123,014
Contributions as a percentage of covered employee payroll	14.11%	14.00%

Schedule of Pension Funding Progress

Plan year end	2017	
	OPERS	STRS
	December 31, 2016	June 30, 2016
University's proportion of the plan's collective net pension liability:		
As a percentage	0.4220%	0.5162%
Amount	\$ 96,270,704	\$ 172,801,507
University's covered employee payroll	\$ 74,474,934	\$ 46,828,962
University's proportionate share of the plan's collective pension liability (amount) as a percentage of the University's covered employee payroll	129.27%	369.01%
Fiduciary net position as a percentage of the total pension liability	77.38%	66.80%

Schedule of Contributions

	2017	
	OPERS	STRS
	December 31, 2016	June 30, 2016
Statutorily required contribution	\$ 8,293,880	\$ 6,566,167
Contributions in relation to the actuarially determined contractually required contribution	\$ 8,293,880	\$ 6,566,167
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 58,800,542	\$ 46,901,194
Contributions as a percentage of covered employee payroll	14.11%	14.00%

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 plan's 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
	December 31, 2015	June 30, 2015
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 OPEB Funding Progress

Plan year end	2018	
	OPERS	STRS
	December 31, 2017	June 30, 2017
University's proportion of the plan's collective net OPEB liability:		
As a percentage	0.4062%	0.5125%
Amount	\$ 44,112,500	\$ 19,994,643
University's covered employee payroll	\$ 74,061,634	\$ 48,957,254
University's proportionate share of the plan's collective OPEB liability (amount) as a percentage of the University's covered employee payroll	59.56%	40.84%
Fiduciary net position as a percentage of the total OPEB liability	77.25%	47.11%

Schedule of Contributions

	2018	
	OPERS	STRS
	December 31, 2017	June 30, 2017
Statutorily required contribution	\$ 624,385	\$ -
Contributions in relation to the actuarially determined contractually required contribution	\$ 624,385	\$ -
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 57,625,045	\$ 49,123,014
Contributions as a percentage of covered employee payroll	1.08%	0.00%

Bowling Green State University

Required Supplemental Information

Notes to required supplemental information:

Changes of benefit terms: There were no change in benefit terms affecting the STRS and OPERS plans.

Changes of assumptions:

STRS: During the plan year ended June 30, 2017, there were changes to several assumptions for STRS. The cost-of-living adjustment dropped from 2.00% to 0.00%. The wage inflation dropped from 2.75% to 2.50%. The investment rate of return decreased from 7.75% to 7.45%. The mortality tables used changed from RP-2000 to RP-2014.

OPERS: During the plan year ended December 31, 2016, there were changes to several assumptions for OPERS. The wage inflation dropped from 3.75% to 3.25%. The projected salary increase range changed from 4.25-10.05% to 3.25-10.75%. The mortality tables used changed from RP-2000 to RP-2014.

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 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 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, 2018 and the related notes to the financial statements, which collectively comprise the University's financial statements and have issued our report thereon dated October 8, 2018. 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 financial statements. The Foundation represents 92 percent, 98 percent, and 98 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 the 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.

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 the 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*.

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

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 8, 2018

Report on Compliance for Each Major Federal Program and 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 the University's major federal program for the year ended June 30, 2018. The the University's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The University's basic financial statements include the operations of the Bowling Green State University Foundation, Inc. and Subsidiary, which received \$0 in federal awards, which is not included in the schedule during the year ended June 30, 2018. Our audit, described below, did not include the operations of Bowling Green State University Foundation, Inc. and Subsidiary because the component unit did not have any federal expenditures.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the 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, 2018.

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

Report on Internal Control Over Compliance

Management of the 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 the 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. Material weaknesses may exist that have not been identified. However, we identified certain a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2018-001, that we consider to be a significant deficiency.

The University's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 8, 2018

Bowling Green State University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

<i>Federal Grantor, CFDA Title, Project Name</i>	<i>CFDA Number</i>	<i>Pass Through Grantor</i>	<i>Federal/Pass Through Award Number</i>	<i>Pass Through to Subrecipients</i>	<i>Expenditures</i>
STUDENT FINANCIAL AID CLUSTER					
U.S. Department of Education					
Federal Supplemental Educational Opportunity Grants	84.007			\$	667,267
Federal Work-Study Program	84.033				556,354
Federal Perkins Loans	84.038				8,546,384
Federal Pell Grant Program	84.063				21,721,252
Federal Direct Subsidized Student Loans	84.268				30,502,333
Federal Direct Unsubsidized Student Loans	84.268				47,799,561
Federal Direct PLUS Loans	84.268				35,381,433
Teacher Education Assistance for College and Higher Education Grants	84.379				767,419
Federal Nursing Student Loans	93.364				654,946
TOTAL STUDENT FINANCIAL AID CLUSTER					146,596,949
RESEARCH & DEVELOPMENT CLUSTER					
U.S. Department of Agriculture					
Agricultural and Food Research Initiative:					
Development of High Oxygen-Barrier Multilayer Polymer Films for Improved Shelf Life of Foods Processed Using Microwave and High Pressure Technologies					
	10.310	Washington State University	2016-67017-24597		823
Total U.S. Department of Agriculture					823
U.S. Department of Commerce					
Integrated Ocean Observing System Community Modeling to Support the The Alliance for Coastal Technologies (ACT) National Scale Efforts Toward Verification and Validation of Observing Technologies					
	11.012	University of Maryland Center for Enviro Sci	NA16NOS0120017		30,563
Economic Development Technical Assistance:					
Rural Universities Consortium University Center	11.303		06-66-05704		(4,631)
Rural Universities Consortium University Center	11.303		ED16CHI3030034	\$ 54,596	125,458
Sea Grant Support:					
A Study on Special Event: Annual Walleye Festival at Port Clinton	11.417	Ohio State University Research Foundation	NA14OAR4170067/60052964		1,343
What Makes Planktothrix Bloom? An Examination of Physiological Ecology from a Genomics Perspective	11.417	Ohio State University Research Foundation	NA14OAR4170067/60053686		5,551
Development of an Efficient Approach to Quantify and Control a Fish Disease Caused by Saprolegnia sp	11.417	Ohio State University Research Foundation	NA18OAR4170100		27,679
Trace Element Uptake in Grass Carp Otoliths	11.417	Ohio State University Research Foundation	NA14OAR4170067		1,861
Metagenomic and Metatranscriptomic Surveys of Ohio Lakes with Emerging Toxins of Concern	11.417	Ohio State University Research Foundation	NA14OAR4170067		384
Understanding the Enemy: Effects of Nutrients on Invasive Flowering Rush in Lake Erie Diked Wetlands	11.417	Ohio State University Research Foundation	NA14OAR4170067		2,213
Coastal Zone Management Administration:					
Building Resilient Shorelines for a Healthier Lake Erie Phase 2	11.419	University of Toledo	NA13NOS4190057		2,301
Building Resilient Shorelines for a Healthier Lake Erie (Phase 3)	11.419	University of Toledo	NA15NOS4190096		5,932
Monitoring Water Clarity in Sandusky Bay	11.419	Ohio State University Research Fndn/ODNR	DNRFH020 306-15		19,870
Reconnected Wetlands: Northern Pike Use of Grated Systems	11.419	Ohio Department of Natural Resources	NA16NOS4190094		6,533
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes					
Rapid Response-Maumee River	11.432	Woods Hole Oceanographic Institution	NA14OAR4320158		2,400
Center for Sponsored Coastal Ocean Research Coastal Ocean Program					
ECO HAB 2017 Linking Process Models and Field Experiments to Forecast Algal Bloom Toxicity in Lake Erie	11.478	Ohio State University Research Foundation	NA17NOS4780186		3,066
Science, Technology, Business and/or Education Outreach: Incorporating Standards Education into Digital Forensics Curricula	11.620		70NANB17H321		20,930
Total U.S. Department of Commerce					251,453

Bowling Green State University

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2018

Federal Grantor, CFDA Title, Project Name	CFDA Number	Pass Through Grantor	Federal/Pass Through Award Number	Pass Through to Subrecipients	Expenditures
U.S. Department of the Interior					
Wildlife Without Borders - Latin America & the Caribbean (Central America)					
Kirtland Snake eDNA Test of Concept	15.640	Toledo Zoo	F15AC00041	\$	4,038
State Wildlife Grants:					
Reproductive Ecology and Habitat Selection of Greater Sage-Grouse in	15.634	South Dakota State University			5,411
Total U.S. Department of the Interior					<u>9,449</u>
U.S. Department of Justice					
Second Chance Act Reentry Initiative:					
Lucas County Re-Entry Program Second Chance Act two - Phase	16.812	Lucas County Juvenile Court	2014-BJ-SCA-1416		30,221
National Institute of Justice Research, Evaluation, Development Project					
Pathways Linking Parental Incarceration and Child Well-Being	16.560		2016-IJ-CX-0012		159,918
Total U.S. Department of Justice					<u>190,139</u>
U.S. Department of State					
General Department of State Assistance:					
Photoprocesses on the Femtosecond Time Scale in Stacked Cytosines	19.700	CRDF Global	S-LMAQM-14-GR-1049		3,544
Total U.S. Department of State					<u>3,544</u>
National Aeronautics and Space Administration					
Science:					
Space-Geodetic Exploration of Linkages Between Time-Dependent Surface	43.001	University of California, Berkeley	NNX17AE01G		34,634
Project ASSETS+	43.001		EPDP		13,045
Total National Aeronautics and Space Administration					<u>47,679</u>
National Science Foundation					
Engineering Grants:					
Exploring the Feasibility of Plasmonic Nanocrystal Solar Cells Utilizing	47.041		CBET-1510503		123,521
Mathematical and Physical Sciences:					
EXTREEMS-QED: Computational Mathematics and Statistics	47.049		DMS-1331036		149,359
CAREER: Iminium Salts as Potential Water Oxidation Catalysts	47.049		CHE-1055397		35,113
Energy Funneling in Plasmonic Nanocrystal Composites for Photocatalytic	47.049		CHE-1465052		72,290
Photochemistry, Spin, and Molecular Motion: Connections	47.049		CHE-1464817		155,872
CAREER: Controlling Mechanical Properties of Materials Using Photoactive	47.049		CHE-1653892		40,864
Reaction Limited Synthesis of Atomically-Defined Semiconductor	47.049		DMR-1710063		46,482
Deciphering and Reprogramming Light Induced Double Bond Isomerization	47.049		CHE-1710191		44,822
Manipulating Photochemical Reactivity through Restricted Bond Rotations	47.049		CHE-1811795		113,002
Geosciences:					
Investigating Early Miocene Sub-Ice Volcanoes in Antarctica	47.050		PLR-1443576		30,141
Computer and Information Science and Engineering:					
CI-EN: Boa: A Collaboratory for Studying Software	47.070		CNS-1512947		47,049
SHF: Large: Collaborative Research: Inferring Software Specifications from	47.070		CCF-1518776		32,814
SaTC: Core: Small: Collaborative: Data-Driven Approaches for Large-Scale	47.070		CNS-1718214		22,673
Biological Sciences:					
SG: Microbes Promote Ice Formation in Inland Waters	47.074		DEB-1354707		8,282
Collaborative Research: Navigation and the Neural Integration of Multimodal	47.074		DEB-1457304		47,535
Collaborative Research: Climatic and Anthropogenic Forcing of Wetland	47.074	Ohio State University Research Fndn	EF-1340648		17,794
Social, Behavioral, and Economic Sciences:					
Mechanisms Underlying Cessation of IPV Perpetration: A Longitudinal Study	47.075		SES-1558755		137,051
Education and Human Resources:					
iEvolve: Inquiry and Engagement to Invigorate and Optimize	47.076		DUE-1238136	\$ 492,882	1,206,356
Collaborative Research: AGEP-T: Northern Ohio AGEP Alliance	47.076		HRD-1432921		30,516
Project SEA Change: Using Social Connectivity to Improve	47.076		DUE-1525623	89,622	539,074
MATH: EAGER: Collaborative Research: Implementing a Peer	47.076		DUE-1544342		12,757
Collaborative Research: Visualizing Chemistry with Infrared Imaging	47.076		DUE-1626302		6,491
Collaborative Research: Validity Evidence for Measurement in Mathematics	47.076		DRL-1644314		5,133
Collaborative Research: Developing & Evaluating Assessments of Problem	47.076		DRL-1720646		130,078
Collaborative Research: Mathematics Graduate Student Peer-Mentorship	47.076		DUE-1725264		86,138
Visualizing Chemistry with Infrared Imaging	47.076	Ithaca College	DUE-1813313		12,695
Total National Science Foundation					<u>3,153,902</u>

Bowling Green State University

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2018

<i>Federal Grantor, CFDA Title, Project Name</i>	<i>CFDA Number</i>	<i>Pass Through Grantor</i>	<i>Federal/Pass Through Award Number</i>	<i>Pass Through to Subrecipients</i>	<i>Expenditures</i>
Department of Energy					
Office of Science and Financial Assessment:					
Chemical Imaging Studies	81.049		DEFG02-06ER15827	\$	31,751
Solution-Processed Photovoltaic Devices Utilizing Semiconductor Excitonic Renewable Energy Research and Development:	81.049		DE-SC0016872		135,014
From Modules to Atoms: Increasing Reliability/Stability	81.087	National Renewable Energy Laboratory	XEJ-6-62131-01		64,837
Metastability and Long-Term Degradation in CIGS Devices: Effect of Alkali	81.087	University of Nevada, Las Vegas	DE-EE0007750		11,338
Total Department of Energy					242,940
U.S. Department of Education					
Mathematics and Science Partnerships:					
Common Core for Achievement & Middle Grades Mathematical Proficiency - ONLS in Mathematics - Building a PK-5 Foundation for Success	84.366	Ohio Department of Ed	S366B140036/PO13710		(3)
Common Core for Achievement & Middle Grades Mathematical Proficiency - ONLS in Mathematics - Building a PK-5 Foundation for Success	84.366	Ohio Department of Ed	S366B140036/PO15249		3,289
Common Core for Mathematical Proficiency in Elementary Schools - ONLS in Mathematics - Building a PK-5 Foundation for Success	84.366	Ohio Department of Ed			47,527
Common Core for Mathematical Proficiency in Elementary & Middle Schools K-2 Impact	84.366	Ohio Department of Ed	EDUMJS116	\$ 48,106	41,919
Science Strong: Science Inquiry and Modeling of Nutrient Pollution and Algal	84.366	Ohio Department of Ed	S366B160036		79,295
		Teaching & Learning Collaborative	S366B160036		392,578
		Ohio Department of Education	S366B160036		62,864
Total U.S. Department of Education					668,306
U.S. Department of Health and Human Services					
Health Program for Toxic Substances and Disease Registry:					
Environmental Toxins and Toxicants as Risk Factors for Amyotrophic Lateral Occupational Safety and Health Program:	93.161	Dartmouth College	RO1TS000245-01		14,543
Negative Responses to Workplace Incivility in Home Care Workers	93.262	University of Cincinnati	5T420H008432-12		4,849
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart					
Public Health Prevention Strategies for Obesity, Diabetes, Heart Disease and Healthy Lenawee 2020: Public Health Prevention Strategies for Obesity,	93.757	ProMedica	U580P005453		(117)
Public Health Prevention Strategies for Obesity, Diabetes, Heart Disease and	93.757	ProMedica	20170170-00		15,345
Biomedical Research and Research Training:	93.757	ProMedica	38-2796005		14,366
Single-Molecule Patch-Clamp FRET Imaging Microscopy	93.859		1R01GM098089-01A1		136,396
Integrated Resources to Elucidate RNA Sequence-Structure	93.859		2R01GM085328-05	124,136	271,993
Properties of Endogenous Retroviral Elements in Canines	93.859		R15GM122028		59,686
Computational Design of Highly Fluorescent Rhodopsins	93.859		R15GM126627		5,470
Genetic Basis of Metabolite Production Against Clinically-Derived Pathogens	93.859		1R15GM124585-01A1		19,941
Child Health and Human Development Extramural Research:					
Distal Determinants of Disparities in Unintended Fertility	93.865		1R01HD078412-01A1	220,866	299,664
Social and Interpersonal Environments and Parent-Child Relationships	93.865		R15HD083891		92,937
Archiving County and State Nuptiality Data	93.865		R03HD091474		32,877
Center for Family and Demographic Research	93.865		P2CHD050959		173,953
Exposure to Violence and Subsequent Weapons Use: Mediating and	93.865	University of Michigan	R01HD084652-01A1		50,120
Center for Family and Demographic Research	93.865		R24HD050959		2,664
Aging Research:					
Health and Well-being Effects on Later-life Divorce	93.866		1R15AG047588-01		82,465
Total U.S. Department of Health and Human Services					1,277,152
TOTAL RESEARCH & DEVELOPMENT CLUSTER				1,030,208	5,845,387
TRIO CLUSTER					
U.S. Department of Education					
Student Support Services	84.042		P042A101256		1,092
Student Support Services	84.042		P042A150838		610,245
Educational Talent Search Program	84.044		P044A160537		344,822
Upward Bound	84.047		P047A121619		185,082
Upward Bound	84.047		P047A170206		175,621
McNair Post-Baccalaureate Achievement	84.217		P217A120231		88,505
McNair Post-Baccalaureate Achievement	84.217		P217A170157		143,944
TOTAL TRIO CLUSTER				-	1,549,311

Bowling Green State University

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2018

<i>Federal Grantor, CFDA Title, Project Name</i>	<i>CFDA Number</i>	<i>Pass Through Grantor</i>	<i>Federal/Pass Through Award Number</i>	<i>Pass Through to Subrecipients</i>	<i>Expenditures</i>
CHILD NUTRITION CLUSTER					
U.S. Department of Agriculture					
Summer Food Service Program for Children:					
Ohio Summer Food Service Program for Upward Bound at BGSU	10.559		SFSP	\$	7,666
TOTAL CHILD NUTRITION CLUSTER				-	7,666
FISH AND WILDLIFE CLUSTER					
Department of the Interior					
Wildlife Restoration and Basic Hunter Education:					
Pheasant Ecology in Landscapes with Disparate Habitat Availability:		South Dakota State University/SD			
Optimizing Landscape for Wildlife and Agricultural Production	15.611	Game, Fish and Parks	17-0600-029		28,488
Oak Openings Region Biodiversity Model	15.611	The Nature Conservancy	P101081 A102968		1,985
TOTAL FISH AND WILDLIFE CLUSTER				-	30,473
HIGHWAY SAFETY CLUSTER					
Department of Transportation					
State and Community Highway Safety:					
Safe Communities - Northwest Ohio					
	20.600	Ohio Department of Public Safety	SC-2014-87-00-0-00047		574
Safe Communities - Northwest Ohio		Ohio Department of Public Safety	SC-2015-87-00-0-00047		3,951
	20.600				
Safe Communities - Northwest Ohio		Ohio Department of Public Safety	SC-2016-87-00-0-00541		(2,763)
	20.600				
Safe Communities - Northwest Ohio		Ohio Department of Public Safety	SC-2017-87-00-0-00570		11,733
Safe Communities - Northwest Ohio	20.600	Ohio Department of Public Safety	SC-2018-BGSU-00017		33,188
TOTAL HIGHWAY SAFETY CLUSTER				-	46,683
DRINKING WATER STATE CLUSTER					
Capitalization Grants for Drinking Water State Revolving Funds:					
Molecular Sequencing of Ohio Cyanobacteria Samples	66.468	Ohio Environmental Protection Agency	FS-98595416		15,632
TOTAL DRINKING WATER STATE CLUSTER				-	15,632
CCDF CLUSTER					
U.S. Department of Health and Human Services					
Child Care and Development Block Grant:					
		Ohio Educational Telecommunications			
FY 18 Ohio Ready to Learn	93.575	Network	G-1819-17-0090		32,673
TOTAL CCDF CLUSTER				-	32,673
MEDICAID CLUSTER					
U.S. Department of Health and Human Services					
Medical Assistance Program:					
2017 Ohio Medicaid Assessment Survey (OMAS)	93.778	Ohio State Univer Res Fndn/Ohio Dept Medicaid	G-1617-05-0003		6,397
2018 Ohio Medicaid Assessment Survey (OMAS)	93.778	Ohio State Univer Res Fndn/Ohio Dept Medicaid	G-1819-05-0094		13,177
TOTAL MEDICAID CLUSTER				-	19,574

Bowling Green State University

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2018

<i>Federal Grantor, CFDA Title, Project Name</i>	<i>CFDA Number</i>	<i>Pass Through Grantor</i>	<i>Federal/Pass Through Award Number</i>	<i>Pass Through to Subrecipients</i>	<i>Expenditures</i>
OTHER GRANTS AND CONTRACTS					
U.S. Department of Defense					
Basic, Applied and Advanced Research:					
Ohio Junior Science and Humanities Symposium 2018	12.630	Academy of Applied Science	W911SR-15-2-0001		\$ 19,550
Total U.S. Department of Defense					<u>19,550</u>
U.S. Department of the Interior					
National Cooperative Geologic Mapping:					
State View Program Development and Operations for the St	15.810	AmericaView	AV15-OH01/G14AP00002		11,791
Total U.S. Department of the Interior					<u>11,791</u>
Department of State					
Academic Exchange Programs - Undergraduate Programs:					
Mandela Washington Fellowship Institute For Young African Leaders	19.009	International Research Exchange Board	S-ECAGD-16-CA-1146		118,072
Academic Exchange Programs - Teachers:					
Teaching Excellence & Achievement Program (TEA) at BGSU	19.408	International Research Exchange Board	S-ECAGD-15-CA-1018		(3,178)
Teaching Excellence & Achievement Program (TEA) at BGSU	19.408	International Research Exchange Board	S-ECAGD-16-CA-1019		2,848
Teaching Excellence & Achievement Program (TEA) at BGSU	19.408	International Research Exchange Board	FY15-TEA-BGSU-01		(1,136)
Empowering Teacher Leaders for 21st Century Teaching & Learning:					
Examining Gender in Education and Working Towards Educational Equity	19.408	International Research Exchange Board	S-ECAGD-17-CA-1014		206,967
Academic Exchange Programs - English Language Programs:					
English Access Microscholarship Program (ACCESS)	19.421	FHI 360	S-ECAGD-13-CA-180		92,538
Public Diplomacy Programs for Afghanistan and Pakistan:					
Pakistan English Access Microscholarship Teacher Exchange	19.501	FHI 360	SPK33014CA064		(830)
Total Department of State					<u>415,281</u>
National Endowment for the Humanities					
Promotion of the Humanities Teaching and Learning Resources and Curriculum Development					
Understanding Im/Migration: Local and Global Perspectives	45.162		AK-255394-17		53,531
Promotion of the Humanities-Federal/State Partnership:					
Bearing Witness to Humanity: Exploring a Curriculum of Civic Responsibility in the Shadow of the Holocaust	45.129	Ohio Humanities Council	ED14-021		1,005
Total National Endowment for the Humanities					<u>56,162</u>
National Endowment for the Arts					
Promotion of the Arts Grants to Organizations and Individuals:					
BGSU Presents the New Music from Bowling Green Radio Series	45.024		17-5900-7030		10,000
Total National Endowment for the Arts					<u>10,000</u>
Department of Education					
Vocational Education Basic Grants:					
Career-Technical Education (CTE) Teacher Education Preparation and	84.048	Ohio Department of Education	VO48A160035		(5,635)
Career-Technical Education (CTE) Teacher Education Preparation and	84.048	Ohio Department of Education	V048A170035		96,980
Twenty-First Century Community Learnings Centers:					
Evaluation of Columbus Grove 21st Century After-School Program (Year 3)	84.287	Putnam County Educational Service	S287C170035		9,342
Evaluation of Continental 21st Century After-School Program (Year 3)	84.287	Putnam County Educational Service	S287C170035		9,236
Evaluation of Leipsic 21st Century After-School Program Year 3	84.287	Putnam County Educational Service	S287C170035		9,316
Supporting Effective Instruction State Grant:					
Black Swamp - Math Teachers Circle (BS - MTC)	84.367	Ohio Department of Higher Education	14-06		(13)
Science Teaching Advancement through Modeling Physical Science	84.367	Ohio Department of Higher Education	14-08		3,072
Science Teaching Advancement through Modeling Physical Sciences	84.367	Ohio Department of Higher Education	15-06		(13)
Science Teaching Advancement through Modeling Physical Science -	84.367	Ohio Department of Higher Education	S367B150030		142,631
Project ASSETS II: Advancing the Science Skills of Elementary Teachers and	84.367	Ohio Department of Higher Education	S367B150030		66,184
Principal Preparation and Innovation: The Career and Technical Education	84.367	Ohio Department of Higher Education	S637A170034		45,276
Total U.S. Department of Education					<u>376,376</u>

Bowling Green State University

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2018

<i>Federal Grantor, CFDA Title, Project Name</i>	<i>CFDA Number</i>	<i>Pass Through Grantor</i>	<i>Federal/Pass Through Award Number</i>	<i>Pass Through to Subrecipients</i>	<i>Expenditures</i>
U.S. Department of Health and Human Services					
Affordable Care Act Personal Responsibility Education Program:					
Personal Responsibility Education Program (PREP) for Foster Care and Substance Abuse & Mental Health Services Projects of Regional & Natl Harbor Primary and Behavioral Health Care Integration (HPBHCI)	93.092	Lucas County Regional Health District	04810011PR0115	\$	(30)
Williams County Safe Schools/Healthy Students Initiative	93.243	Harbor	1H79SM062202-01		34,495
Williams County Safe Schools/Healthy Students Initiative	93.243	Northwest Ohio Educational Service	SSHS1700284		1,779
Williams County Safe Schools/Healthy Students Initiative	93.243	Northwest Ohio Educational Service	SSHS1800393		32,119
Block Grants for Prevention and Treatment of Substance Abuse:					
BGSU High-Risk Drinking Prevention Program	93.959	Ohio Department of Mental Health and	1700212		1
BGSU High-Risk Drinking Prevention Program	93.959	Ohio Department of Mental Health and	1800439-336618		2,514
Total U.S. Department of Health and Human Services					<u>70,878</u>
TOTAL OTHER GRANTS AND CONTRACTS				-	960,038
TOTAL FEDERAL EXPENDITURES				\$ 1,030,208	\$ 155,104,386

Notes to Schedule of Expenditures of Federal Awards

June 30, 2018

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 (the "University") under programs of the federal government for the year ended June 30, 2018. The information in the 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 the University, it is not intended to and does not present the financial position, changes in net position, or cash flows of the 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, 2016 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.

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, 2018, 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, 2018 are \$7,442,675 and \$570,756, respectively.

Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

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 X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X None reported

Federal Awards

Internal control over major programs:

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

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

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Opinion
84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.364	Student Financial Aid Cluster	Unmodified

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

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Audit Findings

Reference Number	Finding
Current Year	None

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2018

Section III - Federal Program Audit Findings

Reference Number	Finding
2018-001	<p>CFDA Number, Federal Agency, and Program Name - Student Financial Aid Cluster (Federal Direct Loans - 84.268)</p> <p>Federal Award Identification Number and Year - 84.268 - 2018</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Significant deficiency</p> <p>Repeat Finding - Yes</p> <p>2017-003</p> <p>Criteria - Changes in a student's status are required to be reported to the National Student Loan Data System (NSLDS) or the guarantee agency within 30 days of the change or included in a student status confirmation report sent to NSLDS within 60 days of the status change (34 CFR Section 682.610).</p> <p>Condition - The University did not report certain student status changes in a timely manner.</p> <p>Questioned Costs - N/A, no questioned costs</p> <p>Identification of How Questioned Costs Were Computed - N/A</p> <p>Context - Of the 40 student status changes selected for enrollment reporting testing, eight of those status changes were not reported in a timely manner.</p> <p>Cause and Effect - A lack of procedures and control to ensure all student status changes were reported in a timely fashion. As a result, status changes were reported late.</p> <p>Recommendation - BGSU should implement a process in order to maintain compliance with the reporting requirements.</p> <p>Views of Responsible Officials and Corrective Action Plan - We concur. The BGSU Office of Records and Registration (R&R) will validate that status changes reported to NSLDS via NSC have been recognized within the mandatory reporting period; BGSU R&R staff will manually post the status change in NSLDS.</p>

October 6, 2018

Federal Audit Clearinghouse
RE: Bowling Green State University
Summary Schedule of Prior audit Findings
Fiscal Year Ended June 30, 2018

Prior Year Finding Number: 2017-001
Fiscal Year in Which the Finding Initially Occurred: 2013
Federal Program, CFDA Number and Name: N/A
Original Finding Description: The University identified a capital lease asset incorrectly recorded in the general ledger twice. The capital lease for phone equipment was put in a separate capital lease account during fiscal year 2013, rather than being put in construction in progress account since it was not yet placed in service. In 2014, the asset was put in service and recorded as an addition in a separate equipment account. As a result, the phone equipment was booked in two fixed asset accounts and remained on the books this way until fiscal year 2017. When the lease obligation and rental payments ceased in December 2016 for this phone equipment, the University identified the asset was incorrectly recorded in two accounts in the general ledger.
Status/Partial Corrective Action (as applicable): Fully Corrected
Planned Corrective Action: N/A

Prior Year Finding Number: 2017-002
Fiscal Year in Which the Finding Initially Occurred: 2017
Federal Program, CFDA Number and Name: Student Financial Aid Cluster (Pell – 84.063, Federal Direct Loans – 84.268, Federal Supplemental Educational Opportunity Grants – 84.007)
Original Finding Description: The University identified one student whose status was changed from dependent to independent without proper supporting documentation to verify the independent status.
Status/Partial Corrective Action (as applicable): Fully Corrected
Planned Corrective Action: N/A

Prior Year Finding Number: 2017-003
Fiscal Year in Which the Finding Initially Occurred: 2017
Federal Program, CFDA Number and Name: Student Financial Aid Cluster (Pell – 84.063, Federal Direct Loans – 84.263)
Original Finding Description: During testing, it was identified that the University did not appropriately update the status for one graduated student within the required 30-day timeframe.
Status/Partial Corrective Action (as applicable): Partially Corrected
Planned Corrective Action: A review of status change updates will be made within the required 30-day timeframe. Changes not made by the service provider will be manually changed by University staff.

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Bowling Green State University
Corrective Action Plan
Related to the Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Name of contact person responsible for planned corrective actions:

Name: Robert E. Swanson
Title: Controller
Bowling Green State University
Address: 1851 N. Research Drive
City, State, Zip: Bowling Green, OH 43403
Phone number: 419/372-8597
Email: rswanso@bgsu.edu

Finding No. 2018-001 - Student Financial Aid Cluster (Pell - 84.063, Federal Direct Loans - 84.268)

Criteria – Changes in a student’s status are required to be reported to the National Student Loan Data System (NSLDS) or the guaranty agency within 30 days of the change or included in a student status confirmation report sent to NSLDS within 60 days of the status change (34 CFR Section 682.610).

Condition – The University did not report certain student status changes in a timely manner.

Questioned Costs – N/A, no questioned costs.

Context – Of the 40 student status changes selected for enrollment reporting testing, 8 of those status changes were not reported in a timely manner.

Cause and Effect – A lack of procedures and control to ensure all student status changes were reported in a timely fashion. As a result, status changes were reported late.

Recommendation – BGSU should implement a process in order to maintain compliance with the reporting requirements.

Views of Responsible Officials and Planned Corrective Actions:

We concur. The BGSU Office of Records and Registration (R/R) will validate that status changes reported to NSLDS via NSC have been recognized within the required reporting period. If the status change has not been recognized by NSLDS, within the mandatory reporting period, BGSU R/R staff will manually post the status change in NSLDS.



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
DECEMBER 6, 2018**