

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

FINANCIAL STATEMENTS

June 30, 2000 and 1999



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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The Board of Directors
Bowling Green State University Foundation, Inc.
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We have reviewed the independent auditor's report of the Bowling Green State University Foundation, Inc., Wood County, prepared by Clifton Gunderson LTD., for the audit period July 1, 1999 through June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

January 24, 2001

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Independent Auditor's Report

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

We have audited the accompanying statements of assets, liabilities and net assets – cash basis of The Bowling Green State University Foundation, Inc. (an Ohio nonprofit corporation) as of June 30, 2000 and 1999, and the related statements of cash receipts, cash disbursements and changes in net assets – cash basis for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in the Summary of Significant Accounting Policies, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of The Bowling Green State University Foundation, Inc. as of June 30, 2000 and 1999, and its cash receipts, cash disbursements and changes in net assets for the years then ended, on the basis of accounting described in the Summary of Significant Accounting Policies.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2000 on our consideration of The Bowling Green State University Foundation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information for the year ended June 30, 2000 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic June 30, 2000 financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Gunderson LTD.

Toledo, Ohio
September 28, 2000

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC.
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS – CASH BASIS
June 30, 2000 and 1999

ASSETS	<u>2000</u>	<u>1999</u>
CASH	\$ 539,988	\$ 1,486,139
INVESTMENT SECURITIES , at market value:		
Corporate stocks	29,936,869	26,812,196
U.S. Government and agency obligations	11,168,206	13,707,856
Corporate bonds, debentures and other	<u>12,462,736</u>	<u>9,750,021</u>
Total investments	<u>53,567,811</u>	<u>50,270,073</u>
OTHER ASSETS	<u>17,140</u>	<u>4,200</u>
TOTAL ASSETS	<u>\$ 54,124,939</u>	<u>\$ 51,760,412</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Annuities payable	\$ 542,293	\$ 536,921
Other	<u>4,027</u>	<u>-</u>
Total liabilities	<u>546,320</u>	<u>536,921</u>
NET ASSETS		
Unrestricted	197,820	922,830
Temporarily restricted	21,124,886	20,855,126
Permanently restricted	<u>32,255,913</u>	<u>29,445,535</u>
Total net assets	<u>53,578,619</u>	<u>51,223,491</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 54,124,939</u>	<u>\$ 51,760,412</u>

These financial statements should be read only in connection with the
accompanying summary of significant accounting policies
and notes to financial statements.

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN NET ASSETS – CASH BASIS
Year Ended June 30, 2000
(with comparative totals for 1999)

	<u>2000</u>				<u>1999</u>
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>	<u>total</u>
REVENUE AND SUPPORT					
Contributions and gifts	\$ 539,048	\$ 4,702,241	\$ 2,745,944	\$ 7,987,233	\$ 5,410,490
Interest and dividends	637,449	1,079,073	-	1,716,522	1,872,413
Net realized and unrealized gains (losses) on investment securities	(915,919)	(91,576)	(293,426)	(1,300,921)	4,357,847
Other cash receipts	304,564	924,326	357,860	1,586,750	1,173,238
Assets released from restriction	<u>6,344,304</u>	<u>(6,344,304)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>6,909,446</u>	<u>269,760</u>	<u>2,810,378</u>	<u>9,989,584</u>	<u>12,813,988</u>
EXPENSES					
Program	6,742,735	-	-	6,742,735	4,397,277
Fund raising expenses	411,405	-	-	411,405	310,000
Operating	<u>480,316</u>	<u>-</u>	<u>-</u>	<u>480,316</u>	<u>405,675</u>
Total expenses	<u>7,634,456</u>	<u>-</u>	<u>-</u>	<u>7,634,456</u>	<u>5,112,952</u>
Change in net assets	<u>(725,010)</u>	<u>269,760</u>	<u>2,810,378</u>	<u>2,355,128</u>	<u>7,701,036</u>
NET ASSETS					
Beginning of year:					
As previously reported	922,830	9,168,291	41,132,370	51,223,491	43,522,455
Restatement resulting from classification changes to various funds (Note 6)	<u>-</u>	<u>11,686,835</u>	<u>(11,686,835)</u>	<u>-</u>	<u>-</u>
As restated	<u>922,830</u>	<u>20,855,126</u>	<u>29,445,535</u>	<u>51,223,491</u>	<u>43,522,455</u>
End of year	<u>\$ 197,820</u>	<u>\$ 21,124,886</u>	<u>\$ 32,255,913</u>	<u>\$ 53,578,619</u>	<u>\$ 51,223,491</u>

These financial statements should be read only in connection with the
accompanying summary of significant accounting policies
and notes to financial statements.

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN NET ASSETS – CASH BASIS
Year Ended June 30, 1999
(with comparative totals for 1998)

	<u>1999</u>				<u>1998</u>
	<u>Unrestricted</u>	<u>Temporarily</u> <u>restricted</u>	<u>Permanently</u> <u>restricted</u>	<u>Total</u>	<u>total</u>
REVENUE AND SUPPORT					
Contributions and gifts	\$ 532,670	\$ 2,024,685	\$ 2,853,135	\$ 5,410,490	\$ 5,068,224
Interest and dividends	483,371	1,389,042	-	1,872,413	1,583,266
Net realized and unrealized gains on investment securities	50,045	4,307,802	-	4,357,847	5,088,015
Other cash receipts	200,132	973,106	-	1,173,238	1,868,254
Assets released from restrictions	<u>3,688,469</u>	<u>(3,688,469)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>4,954,687</u>	<u>5,006,166</u>	<u>2,853,135</u>	<u>12,813,988</u>	<u>13,607,759</u>
EXPENSES					
Program	4,397,277	-	-	4,397,277	5,266,883
Fund raising expenses	310,000	-	-	310,000	295,000
Operating	<u>405,675</u>	<u>-</u>	<u>-</u>	<u>405,675</u>	<u>494,959</u>
Total expenses	<u>5,112,952</u>	<u>-</u>	<u>-</u>	<u>5,112,952</u>	<u>6,056,842</u>
Change in net assets	<u>(158,265)</u>	<u>5,006,166</u>	<u>2,853,135</u>	<u>7,701,036</u>	<u>7,550,917</u>
NET ASSETS					
Beginning of year:					
As previously reported	1,081,095	8,423,162	34,018,198	43,522,455	35,971,538
Restatement resulting from classification changes to various funds (Note 6)	<u>-</u>	<u>7,425,798</u>	<u>(7,425,798)</u>	<u>-</u>	<u>-</u>
As restated	<u>1,081,095</u>	<u>15,848,960</u>	<u>26,592,400</u>	<u>43,522,455</u>	<u>35,971,538</u>
End of year	<u>\$ 922,830</u>	<u>\$ 20,855,126</u>	<u>\$ 29,445,535</u>	<u>\$ 51,223,491</u>	<u>\$ 43,522,455</u>

These financial statements should be read only in connection with the
accompanying summary of significant accounting policies
and notes to financial statements.

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC.
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2000 and 1999

The Bowling Green State University Foundation, Inc. (the Foundation) is a non-profit corporation which assists in the development and advancement of Bowling Green State University (the University) and serves as a depository for contributions and gifts to the University. Significant accounting policies followed in preparing the financial statements of the Foundation are presented below.

BASIS OF PRESENTATION

The financial statements of the Foundation have been prepared on the cash basis of accounting except for recording investments at market value and recording a liability relating to annuity contracts. The cash basis differs from the accrual basis in that it provides for the recognition of revenues when received rather than when earned and the recognition of expenses when disbursed rather than when incurred.

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

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

NET ASSETS

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

Permanently Restricted Net Assets – Permanently restricted net assets represent funds for which donors have stipulated that the corpus is to be maintained.

Temporarily Restricted Net Assets – Temporarily restricted net assets represent contributions received whereby the donors have specified that the funds be held by the Foundation strictly in a fiduciary manner for a designated purpose.

Unrestricted Net Assets – Unrestricted net assets are available for use by the Board of Directors for purposes they so approve.

As discussed in Note 7, the Foundation restated the classification of certain funds during the year ended June 30, 2000.

Effective July 1, 1998, the Foundation adopted a spending policy with respect to all endowed funds. The spending policy provides for a range of 5% to 7%, with the Board of Directors approving an initial percentage of 5%. Effective January 1, 1999, the Foundation adopted a policy of charging an administrative fee on all endowed funds, unless prohibited by the guidelines of the fund. The initial fee as approved by the Board of Directors was 1%. The fee is based on the prior three year average market value balance of the fund.

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC.
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2000 and 1999

INVESTMENT SECURITIES

Investment securities are stated at current quoted market value. Purchases and sales of investments are recorded on the settlement date. Realized gains or losses from sale of investments are determined using the cost basis of the investments sold. Interest and dividend income is reported when received.

Permanently restricted net assets participate in an investment pool in which each fund has a specific unit value interest. All investment income derived from investments in the pool is allocated to the participating net assets based upon the current unit value interest of each fund. Realized and unrealized gains and losses are allocated to the participating net assets based upon the prior three year average balance of each fund.

INCOME TAXES

The Internal Revenue Service has issued a determination letter stating that the Foundation is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code.

RECLASSIFICATIONS

Certain reclassifications were made to the 1999 amounts to conform to the 2000 presentation.

This information is an integral part of the accompanying financial statements.

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2000 and 1999

NOTE 1 - INVESTMENT SECURITIES

Following is a summary of investment securities held by the Foundation as of June 30, 2000 and 1999:

	<u>2000</u>		<u>1999</u>	
	<u>Market value</u>	<u>Cost</u>	<u>Market value</u>	<u>Cost</u>
Corporate stocks	\$ 29,936,869	\$ 23,400,671	\$ 26,812,196	\$ 18,016,577
U.S. Government and agency obligations	11,168,206	11,649,318	13,707,856	14,051,252
Corporate bonds, debentures and other	<u>12,462,736</u>	<u>12,316,406</u>	<u>9,750,021</u>	<u>9,591,926</u>
Total	<u>\$ 53,567,811</u>	<u>\$ 47,366,395</u>	<u>\$ 50,270,073</u>	<u>\$ 41,659,755</u>

Net unrealized gains of investments decreased by \$2,408,902 in 2000 and increased by \$1,684,420 in 1999, as follows:

	<u>2000</u>	<u>1999</u>
Net unrealized gains:		
Beginning of year	\$ 8,610,318	\$ 6,925,898
End of year	<u>6,201,416</u>	<u>8,610,318</u>
Net increase (decrease)	<u>\$(2,408,902)</u>	<u>\$ 1,684,420</u>

Certain investments of the Foundation are held by independent custodial and management agents. Custodial and management fees paid totalled \$249,000 for 2000 and \$113,000 for 1999 and are reported as reductions to interest and dividends in the statements of cash receipts, cash disbursements and changes in net assets.

NOTE 2 - LIABILITIES

The Foundation receives life annuity donations. Fixed payments from these funds are to be remitted to the donor from the donor's specified date of commencement until death, at which time the balance will be recorded as an endowed contribution. The Foundation reports as a contribution the difference between the funds received and the present value of all expected annuity payments to be made to the donor. A portion of the payments to the donors is charged to the annuities payable account each year. Life annuity donations received were \$20,000 in 2000 and \$30,105 in 1999.

In 1984, the Foundation received a trust fund of approximately \$102,000. Income of 8% of the original trust corpus was to be distributed annually from this fund to the trust grantor for a period of fifteen years. Earnings in excess of 8% were to be added to the trust corpus. After fifteen years, the fund was to be used to establish a permanently restricted scholarship fund. The Foundation accounted for the trust fund as deferred support during the fifteen-year period and recognized the fund as an increase in permanently restricted net assets during 1999.

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2000 and 1999

NOTE 3 - LIFE INSURANCE POLICIES

The Foundation is owner and beneficiary of certain life insurance policies which have a total face value of \$3,633,000 at June 30, 2000 and \$2,688,000 at June 30, 1999. The cash surrender value of such policies approximated \$449,000 at June 30, 2000 and \$413,000 at June 30, 1999. Premiums on these policies are paid by the insured individuals. Since the Foundation is on the cash basis of accounting, the cash surrender value of these policies has not been recorded on the accompanying statement of assets, liabilities and net assets.

NOTE 4 - OTHER CASH RECEIPTS

Other cash receipts represent monies received from various activities sponsored by University departments and organizations. The net proceeds from these activities are recorded in the appropriate funds by the Foundation.

NOTE 5 - CONTRIBUTED SERVICES

Expenses related to occupancy of facilities, and salaries and fringe benefits of financial and accounting personnel are paid by the University on behalf of the Foundation and are not shown in the accompanying financial statements. The value of these items approximated \$232,000 in 2000 and \$230,000 in 1999.

NOTE 6 - RESTATEMENT OF NET ASSETS

During 2000, the Foundation determined that cumulative unrealized and realized gains and losses prior to July 1, 1999 had been reported as additions/deductions to the original corpus, and consequently accounted for as permanently restricted net assets instead of as temporarily restricted net assets. The beginning of year net assets as of June 30, 1999 and 1998 have been restated to properly reflect such balances as temporarily restricted net assets.

NOTE 7 - FUTURE CHANGE IN ACCOUNTING PRINCIPLE

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 136, "Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others". Statement 136 becomes effective in fiscal years beginning after December 15, 1999. Adoption of Statement 136 by the Foundation for its fiscal year ending June 30, 2001 may impact how the Foundation records certain of its activities. However, the impact of adopting Statement 136 has not yet been determined.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC.
SCHEDULE OF OPERATING EXPENSES
Year Ended June 30, 2000

Travel, meals and cultivation	\$ 108,291
Postage and printing	50,405
Professional development	48,547
Professional fees	42,498
Student wages	40,338
Campaign and marketing	38,039
Stewardship	33,976
Bank fees	31,844
Insurance	28,504
Annual report	12,570
Dues and memberships	11,627
Subscriptions and publications	8,793
Advertising and recruiting	8,122
Other	<u>16,762</u>
TOTAL OPERATING EXPENSES	<u>\$ 480,316</u>



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**Independent Auditor's Report on Compliance and on Internal Control
Over Financial Reporting Based on Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

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

We have audited the financial statements of The Bowling Green State University Foundation, Inc. as of and for the year ended June 30, 2000, and have issued our report thereon dated September 28, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether The Bowling Green State University Foundation, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Bowling Green State University Foundation, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect The Bowling Green State University Foundation, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described below.



Segregation of Duties

The limited number of Foundation personnel make it difficult to achieve ideal internal accounting control through a complete segregation of employee duties. As a result, the concentration of closely related duties and responsibilities in both the cash disbursements and cash receipts areas make it difficult to establish an ideal system of automatic internal checks on the accuracy and reliability of financial information. Presently, the same accounting clerk opens the mail, processes accounts payable activity, prepares checks from the voucher packets, and mails the checks. This condition increases the possibility that errors or defalcations may occur and not be detected on a timely basis. When this condition exists, management's close supervision and review of accounting information is the best means of presenting and detecting errors and irregularities. With respect to the preparation and mailing of signed checks, we recommend that someone other than the person preparing the checks physically mail the checks. We also recommend management review such procedures to determine if perhaps personnel of the Foundation may be able to perform certain procedures to maximize internal control under the circumstances.

* * * * *

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we considered the inadequate segregation of duties to be a material weakness. We also noted other matters involving the internal control over financial reporting that we reported to management of The Bowling Green State University Foundation, Inc. in a separate letter dated September 28, 2000.

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

Clifton Gunderson LTD.

Toledo, Ohio
September 28, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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BOWLING STATE UNIVERSITY FOUNDATION, INC.

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
FEBRUARY 06, 2001**