

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

**FINANCIAL STATEMENTS
June 30, 2003 and 2002**



**Auditor of State
Betty Montgomery**

Board of Directors
Bowling Green State University Foundation, Inc.
Bowling Green, OH 43403

We have reviewed the Independent Auditor's Report of the Bowling Green State University Foundation, Inc., Wood County, prepared by Clifton Gunderson, for the audit period July 1, 2002 through June 30, 2003. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

November 17, 2003

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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 – modified cash basis of The Bowling Green State University Foundation, Inc. (an Ohio nonprofit corporation) as of June 30, 2003 and 2002, and the related statements of cash receipts, cash disbursements and changes in net assets – modified 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 modified 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, 2003 and 2002, 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 5, 2003 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information 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 audits of the basic 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 LLP

Toledo, Ohio
September 5, 2003

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC.
STATEMENTS OF ASSETS, LIABILITIES AND
NET ASSETS – MODIFIED CASH BASIS
June 30, 2003 and 2002

ASSETS	<u>2003</u>	<u>2002</u>
CASH	\$ 1,101,079	\$ 560,976
INVESTMENT SECURITIES , at fair value:		
Corporate stocks	32,556,010	27,321,289
U.S. Government and agency obligations	12,042,270	14,583,164
Corporate bonds, debentures and other	<u>11,326,819</u>	<u>11,406,628</u>
Total investment securities	<u>55,925,099</u>	<u>53,311,081</u>
OTHER ASSETS	<u>4,200</u>	<u>4,200</u>
TOTAL ASSETS	<u>\$ 57,030,378</u>	<u>\$ 53,876,257</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Annuities payable	<u>\$ 749,845</u>	<u>\$ 582,798</u>
NET ASSETS		
Unrestricted	693,061	577,454
Temporarily restricted	14,683,598	14,379,074
Permanently restricted	<u>40,903,874</u>	<u>38,336,931</u>
Total net assets	<u>56,280,533</u>	<u>53,293,459</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 57,030,378</u>	<u>\$ 53,876,257</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 – MODIFIED CASH BASIS
Year Ended June 30, 2003
(with comparative totals for 2002)

	<u>2003</u>				<u>2002</u> <u>total</u>
	<u>Unrestricted</u>	<u>Temporarily</u> <u>restricted</u>	<u>Permanently</u> <u>restricted</u>	<u>Total</u>	
REVENUE AND SUPPORT					
Contributions and gifts	\$ 720,022	\$ 4,865,898	\$ 2,895,444	\$ 8,481,364	\$ 7,603,182
Interest and dividends	359,408	838,597	112,730	1,310,735	1,681,244
Net realized and unrealized gains (losses) on investment securities	218,617	(528,131)	(14,232)	(323,746)	(3,958,354)
Other cash receipts	523,525	1,149,699	410,872	2,084,096	1,834,927
Restatement resulting from classification change	-	837,871	(837,871)	-	-
Assets released from restriction	<u>6,859,410</u>	<u>(6,859,410)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>8,680,982</u>	<u>304,524</u>	<u>2,566,943</u>	<u>11,552,449</u>	<u>7,160,999</u>
DISBURSEMENTS					
Programs:					
Capital projects	209,414	-	-	209,414	6,231,886
Other	7,177,420	-	-	7,177,420	7,025,131
Fund raising expenses	724,266	-	-	724,266	409,929
Operating expenses	<u>454,275</u>	<u>-</u>	<u>-</u>	<u>454,275</u>	<u>592,277</u>
Total disbursements	<u>8,565,375</u>	<u>-</u>	<u>-</u>	<u>8,565,375</u>	<u>14,259,223</u>
Change in net assets	115,607	304,524	2,566,943	2,987,074	(7,098,224)
NET ASSETS					
Beginning of year	<u>577,454</u>	<u>14,379,074</u>	<u>38,336,931</u>	<u>53,293,459</u>	<u>60,391,683</u>
End of year	<u>\$ 693,061</u>	<u>\$ 14,683,598</u>	<u>\$ 40,903,874</u>	<u>\$ 56,280,533</u>	<u>\$ 53,293,459</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 – MODIFIED CASH BASIS
Year Ended June 30, 2002
(with comparative totals for 2001)

	<u>2002</u>				<u>2001</u> <u>total</u>
	<u>Unrestricted</u>	<u>Temporarily</u> <u>restricted</u>	<u>Permanently</u> <u>restricted</u>	<u>Total</u>	
REVENUE AND SUPPORT					
Contributions and gifts	\$ 529,655	\$ 4,791,627	\$ 2,281,900	\$ 7,603,182	\$ 10,570,765
Interest and dividends	430,942	1,127,793	122,509	1,681,244	1,882,991
Net realized and unrealized gains (losses) on investment securities	96,340	(3,976,068)	(78,626)	(3,958,354)	(91,118)
Other cash receipts	532,225	1,054,079	248,623	1,834,927	1,604,879
Restatement resulting from classification change	-	205,515	(205,515)	-	-
Assets released from restriction	<u>12,290,549</u>	<u>(12,290,549)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>13,879,711</u>	<u>(9,087,603)</u>	<u>2,368,891</u>	<u>7,160,999</u>	<u>13,967,517</u>
DISBURSEMENTS					
Programs:					
Capital projects	6,231,886	-	-	6,231,886	290,985
Other	7,025,131	-	-	7,025,131	6,046,996
Fund raising expenses	409,929	-	-	409,929	363,061
Operating expenses	<u>592,277</u>	<u>-</u>	<u>-</u>	<u>592,277</u>	<u>453,411</u>
Total disbursements	<u>14,259,223</u>	<u>-</u>	<u>-</u>	<u>14,259,223</u>	<u>7,154,453</u>
Change in net assets	(379,512)	(9,087,603)	2,368,891	(7,098,224)	6,813,064
NET ASSETS					
Beginning of year	<u>956,966</u>	<u>23,466,677</u>	<u>35,968,040</u>	<u>60,391,683</u>	<u>53,578,619</u>
End of year	<u>\$ 577,454</u>	<u>\$ 14,379,074</u>	<u>\$ 38,336,931</u>	<u>\$ 53,293,459</u>	<u>\$ 60,391,683</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, 2003 and 2002

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). All program expenses are for the benefit of 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 modified cash basis of accounting, with investment securities stated at fair value and the inclusion of the liability relating to annuity contracts. Such basis differs from the accrual basis of accounting 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.

INVESTMENT SECURITIES VALUATION AND INCOME RECOGNITION

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

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

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

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC.
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2003 and 2002

NET ASSETS

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

Permanently Restricted Net Assets – Permanently restricted net assets represent contributions received whereby the donors have stipulated that the corpus is to be maintained permanently, but permit the Foundation to use or expend part or all of the income for either specified or unspecified purposes.

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.

SPENDING POLICY AND ADMINISTRATIVE FEE

The Foundation has adopted a spending policy with respect to amounts available for distribution on all endowed funds. The spending policy provides for a range of 3% to 7%, with the Board of Directors approving 3% for 2003 and 5% for 2002.

The Foundation has adopted a policy of charging an administrative fee on all endowed funds, unless prohibited by the guidelines of the fund. The Board of Directors approved an administrative fee of .9% for the years ended June 30, 2003 and 2002. The Board of Directors also approved the charging of such fee on certain non-endowed funds. The fee is based on the prior three-year average market value balance for endowed funds and on the prior two-year average for certain non-endowed funds. The administrative fee amounted to \$432,466 in 2003 and \$413,063 in 2002 and is included in unrestricted other cash receipts.

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.

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

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

NOTE 1 - INVESTMENT SECURITIES

Following is a summary of investment securities at June 30, 2003 and 2002:

	<u>2003</u>		<u>2002</u>	
	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>
Corporate stocks	\$ 32,556,010	\$ 33,125,192	\$ 27,321,289	\$ 27,081,150
U.S. Government and agency obligations	12,042,270	11,791,881	14,583,164	14,066,879
Corporate bonds, debentures and other	<u>11,326,819</u>	<u>11,184,422</u>	<u>11,406,628</u>	<u>11,352,425</u>
Total	<u>\$ 55,925,099</u>	<u>\$ 56,101,495</u>	<u>\$ 53,311,081</u>	<u>\$ 52,500,454</u>

Net unrealized gains (losses) of investments at June 30, 2003 and 2002, were as follows:

	<u>2003</u>	<u>2002</u>
Beginning of year	\$ 810,627	\$ 4,489,701
End of year	<u>(176,396)</u>	<u>810,627</u>
Net unrealized losses for the year	<u>\$ (987,023)</u>	<u>\$ (3,679,074)</u>

Realized gains (losses) from sales of investment securities amounted to \$663,277 in 2003 and (\$279,280) in 2002.

Certain investment securities are held by independent custodial and management agents. Custodial and management fees paid approximated \$243,000 for 2003 and \$291,000 for 2002 and are reported as reductions to interest and dividends in the accompanying statements of cash receipts, cash disbursements and changes in net assets.

NOTE 2 - ANNUITIES PAYABLE

The Foundation receives life annuity donations. Fixed payments from these funds are to be remitted to the donor from the donor's specified date of commencement until death, at which time any remaining balance will be recorded as a 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.

NOTE 3 - LIFE INSURANCE POLICIES

The Foundation is owner and beneficiary of certain life insurance policies which have a total face value of approximately \$3,797,000 at June 30, 2003 and \$3,826,000 at June 30, 2002. Premiums on these policies are generally paid by the insured individuals. The cash surrender value of such policies, which approximated \$499,000 at June 30, 2003 and \$673,000 at June 30, 2002, has not been recorded in the accompanying statements of assets, liabilities and net assets.

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

NOTE 4 - OTHER CASH RECEIPTS

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

NOTE 5 - CONTRIBUTIONS AND CONTRIBUTED SERVICES

Contributions and gifts received include \$605,634 in 2003 (none in 2002) from the BGSU Alumni Association.

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 are estimated to approximate \$332,000 for 2003 and \$317,000 for 2002. In addition, the University paid approximately \$132,000 in 2003 of fees and expenses relating to the current capital campaign of the Foundation.

NOTE 6 - RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2003 and 2002 are available for the following purposes:

	<u>2003</u>	<u>2002</u>
Student aid	\$ 4,573,687	\$ 5,896,611
General support of colleges and departments	7,586,271	6,406,091
Property and equipment	1,262,579	299,415
Endowed chairs and professorships	679,590	740,337
Research	369,347	574,447
Faculty and staff	112,752	382,828
Fellowship	<u>99,372</u>	<u>79,345</u>
Total temporarily restricted net assets	<u>\$ 14,683,598</u>	<u>\$ 14,379,074</u>

The following represents a summary of the net assets released from restrictions during the years ended June 30, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Student aid	\$ 1,676,230	\$ 1,619,696
General support of colleges and departments	4,485,389	4,200,272
Property and equipment	209,414	6,231,886
Various other programs	<u>488,377</u>	<u>238,695</u>
Total net assets released from restrictions	<u>\$ 6,859,410</u>	<u>\$12,290,549</u>

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

NOTE 6 - RESTRICTED NET ASSETS (CONTINUED)

Permanently restricted net assets at June 30, 2003 and 2002 are restricted to investments in perpetuity, the income from which is expendable to support the following purposes:

	<u>2003</u>	<u>2002</u>
Student aid	\$ 26,584,979	\$ 25,677,033
General support of colleges and departments	4,471,366	5,679,645
Property and equipment	3,014,044	2,098,208
Endowed chairs and professorships	4,290,596	2,917,771
Research	1,442,815	1,637,339
Faculty and staff	583,838	185,814
Fellowship	<u>516,236</u>	<u>141,121</u>
Total permanently restricted net assets	<u>\$ 40,903,874</u>	<u>\$ 38,336,931</u>

Because of the decline in the market value of the Foundation's investment securities in 2003 and 2002, the value of certain permanently restricted funds has been reduced below the original corpus of the funds. Such deficiencies amounted to approximately \$796,500 and \$642,100 at June 30, 2003 and 2002, respectively. The deficiencies have been covered by the restatement of an unrestricted board-designated fund.

NOTE 7 - RESTATEMENT OF NET ASSETS

During 2003 and 2002, certain funds which originally had been reported as temporarily restricted became fully endowed funds once the fund's balance exceeded \$25,000. As a result, \$202,684 and \$337,689 of net assets have been restated as of June 30, 2003 and 2002, respectively, to reflect such balances as permanently restricted net assets. In addition, \$1,040,555 and \$543,204 of net assets have been restated in 2003 and 2002, respectively, from permanently restricted to temporarily restricted. Such amounts relate to portions of funds which are available for specific programs and for improvements to the hockey arena but had been classified as permanently restricted net assets, including a \$737,791 board-designated fund in 2003.

NOTE 8 - CONCENTRATIONS OF CREDIT RISK

The Foundation maintains all of its cash in four commercial banks. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. Total cash held by banks with balances in excess of insured limits totalled \$1,255,028 and \$703,358 at June 30, 2003 and 2002, respectively.

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

SUPPLEMENTAL INFORMATION

THE BOWLING GREEN STATE UNIVERSITY FOUNDATION, INC.
SCHEDULES OF OPERATING EXPENSES – MODIFIED CASH BASIS
Years Ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Travel and lodging	\$ 27,566	\$ 39,030
Supplies, printing and postage	48,774	41,155
Professional development	24,994	17,906
Professional fees	74,198	131,605
Student wages	30,418	37,143
Stewardship	77,765	80,678
Bank service charges	40,612	32,787
Insurance	1,047	8,671
Annual report	22,699	27,465
Computer programming	28,786	34,361
Dues and memberships	10,927	9,554
Subscriptions and publications	7,569	7,184
Filing fees, advertising and recruiting	8,364	3,065
Gifts, premiums and flowers	4,493	6,534
Research services	12,153	3,697
Building improvements and equipment	33,532	111,166
Vehicle repairs and maintenance	<u>378</u>	<u>276</u>
TOTAL OPERATING EXPENSES	<u>\$ 454,275</u>	<u>\$ 592,277</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, 2003, and have issued our report thereon dated September 5, 2003. 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.

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, contracts and grants, 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We also noted other matters involving the internal control over financial reporting that we have reported to management of The Bowling Green State University Foundation, Inc. in a separate letter dated September 5, 2003.

This report is intended solely for the information and use of the Board of Directors, management and the State of Ohio Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Toledo, Ohio
September 5, 2003

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Betty Montgomery**

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BOWLING GREEN 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
DECEMBER 2, 2003**