



CONSOLIDATED FINANCIAL STATEMENTS

The Bowling Green State University Foundation, Inc.  
and Subsidiary  
Years Ended June 30, 2010 and 2009  
With Report of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**





Mary Taylor, CPA  
Auditor of State

Board of Directors  
Bowling Green State University Foundation, Inc. and Subsidiary  
Mileti Alumni Center  
Bowling Green, Ohio 43403-0053

We have reviewed the *Report of Independent Auditors* of the Bowling Green State University Foundation, Inc. and Subsidiary, Wood County, prepared by Ernst & Young LLP, for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

November 23, 2010

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The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Financial Statements

Years Ended June 30, 2010 and 2009

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The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statements of Financial Position

	June 30	
	2010	2009
<b>Assets</b>		
Current assets:		
Cash	\$ 287,776	\$ 929,200
Contributions receivable, net of allowance for uncollectible contributions ( <i>Note 2</i> )	1,597,826	6,629,326
Interest receivable	3,472	29,840
Total current assets	<u>1,889,074</u>	<u>7,588,366</u>
Investments ( <i>Notes 1 and 3</i> ):		
Corporate bond funds	36,355,457	26,019,490
Mutual funds	33,143,881	27,787,633
Alternative investments	13,706,854	7,486,664
Corporate stocks	4,577,921	15,945,376
Money market funds	2,970,021	3,773,012
U.S. government and agency obligations	171,258	226,505
Total investments	<u>90,925,392</u>	<u>81,238,680</u>
Prepaid and other assets	171,157	4,200
Long-term contributions receivable, net of allowance for uncollectible contributions ( <i>Note 2</i> )	11,716,825	8,597,518
Cash value of life insurance ( <i>Note 4</i> )	1,428,416	1,373,855
Total assets	<u>\$ 106,130,864</u>	<u>\$ 98,802,619</u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 215,495	\$ 318,662
Total current liabilities	<u>215,495</u>	<u>318,662</u>
Annuities payable	1,350,574	1,350,345
Total liabilities	<u>1,566,069</u>	<u>1,669,007</u>
Net (deficit) assets ( <i>Notes 1, 6, 7, 8, and 9</i> ):		
Unrestricted	(757,011)	(6,181,132)
Temporarily restricted	33,594,116	34,682,245
Permanently restricted	71,727,690	68,632,499
Total net assets	<u>104,564,795</u>	<u>97,133,612</u>
Total liabilities and net assets	<u>\$ 106,130,864</u>	<u>\$ 98,802,619</u>

See accompanying notes.

The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support, revenue, and gains</b>				
Contributions and gifts (net)	\$ 553,033	\$ 5,971,067	\$ 2,593,497	\$ 9,117,597
Interest and dividends	267,187	2,072,215	-	2,339,402
Net realized and unrealized gains	5,261,259	3,217,878	-	8,479,137
Other revenue	1,172,498	219,869	51,376	1,443,743
Transfers (Note 7)	-	(450,318)	450,318	-
Net assets released from restriction (Note 6)	12,118,840	(12,118,840)	-	-
Total support, revenue, and gains	<u>19,372,817</u>	<u>(1,088,129)</u>	<u>3,095,191</u>	<u>21,379,879</u>
<b>Expenses</b>				
Program services	12,348,549	-	-	12,348,549
Fund raising	1,017,862	-	-	1,017,862
Operating	582,285	-	-	582,285
Total expenses	<u>13,948,696</u>	<u>-</u>	<u>-</u>	<u>13,948,696</u>
Change in net assets	5,424,121	(1,088,129)	3,095,191	7,431,183
Net (deficit) assets at beginning of year	(6,181,132)	34,682,245	68,632,499	97,133,612
Net (deficit) assets at end of year (Note 8)	<u>\$ (757,011)</u>	<u>\$ 33,594,116</u>	<u>\$ 71,727,690</u>	<u>\$ 104,564,795</u>

See accompanying notes.



The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended June 30, 2009

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Support, revenue, and gains</b>				
Contributions and gifts (net)	\$ 555,708	\$ 6,973,207	\$ 1,388,784	\$ 8,917,699
Interest and dividends	358,218	2,263,872	-	2,622,090
Net realized and unrealized losses	(8,862,988)	(13,486,557)	-	(22,349,545)
Other revenue	1,085,145	372,675	35,098	1,492,918
Transfers (Note 7)	-	(190,500)	190,500	-
Net assets released from restriction (Note 6)	11,541,770	(11,541,770)	-	-
Total support, revenue, and gains	<u>4,677,853</u>	<u>(15,609,073)</u>	<u>1,614,382</u>	<u>(9,316,838)</u>
<b>Expenses</b>				
Program services	12,198,521	-	-	12,198,521
Fund raising	865,335	-	-	865,335
Operating	675,124	-	-	675,124
Total expenses	<u>13,738,980</u>	<u>-</u>	<u>-</u>	<u>13,738,980</u>
Change in net assets	(9,061,127)	(15,609,073)	1,614,382	(23,055,818)
Net assets at beginning of year	2,879,995	50,291,318	67,018,117	120,189,430
Net (deficit) assets at end of year (Note 8)	<u>\$ (6,181,132)</u>	<u>\$ 34,682,245</u>	<u>\$ 68,632,499</u>	<u>\$ 97,133,612</u>

See accompanying notes.

The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statements of Cash Flows

	<b>Year Ended June 30</b>	
	<b>2010</b>	<b>2009</b>
<b>Operating activities</b>		
Change in net assets	\$ 7,431,183	\$ (23,055,818)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gains) losses	(8,479,137)	22,349,545
Contributions of securities	(428,556)	(277,339)
Provision for uncollectible contributions, net of actuarial adjustment on annuity obligations	(42,858)	53,343
Changes in operating assets and liabilities:		
Contributions and accounts receivable	1,955,280	1,582,959
Interest receivable	26,368	14,364
Prepaid and other assets	(166,957)	-
Accounts payable and accrued liabilities	(103,167)	9,963
Total adjustments	<u>(7,239,027)</u>	<u>23,732,835</u>
Net cash provided by operating activities	<u>192,156</u>	<u>677,017</u>
<b>Investing activities</b>		
Sales of investments	94,586,626	24,825,004
Purchases of investments	(95,365,645)	(25,140,897)
Net change in cash surrender value of life insurance	(54,561)	(216,107)
Net cash used in investing activities	<u>(833,580)</u>	<u>(532,000)</u>
(Decrease) increase in cash	(641,424)	145,017
Cash at beginning of year	929,200	784,183
Cash at end of year	<u>\$ 287,776</u>	<u>\$ 929,200</u>

*See accompanying notes.*

# The Bowling Green State University Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

Years Ended June 30, 2010 and 2009

### **1. Organization and Significant Accounting Policies**

The consolidated financial statements include accounts of The Bowling Green State University Foundation, Inc. (the Foundation) and The Bowling Green State University Foundation LLC (the Corporation). Significant intercompany accounts and transactions have been eliminated.

The Foundation is a non-profit Ohio corporation that assists in the development and advancement of Bowling Green State University (the University). All program expenses are for the benefit of the University.

In July 2004, the Corporation was formed as a wholly owned subsidiary of the Foundation. The Corporation was organized to acquire, hold title to, and collect income from real property to the benefit of the Foundation and the University.

Significant accounting policies followed in preparing the financial statements of the Foundation are presented below.

#### **Basis of Accounting**

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

#### **Use of Estimates**

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

#### **Investments**

Investments are recorded at fair value (see Note 3).

Realized gains or losses from sale of securities are determined using the cost basis of the securities sold. Interest and dividend income is reported when earned. Permanently restricted endowment funds participate in an investment pool in which each fund has a specific unit value interest. All investment income, including realized and unrealized gains and losses, derived from investments in the endowment investment pool is allocated to the participating endowment fund based upon the current year's average balance of each endowment fund.

# The Bowling Green State University Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements (continued)

### **1. Organization and Significant Accounting Policies (continued)**

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 fair 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.

#### **Net Asset Classifications**

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

- Permanently restricted net assets represent contributions received whereby the donors have stipulated that the corpus is to be maintained permanently but permit the Foundation to use or expend part or all of the income for either specified or unspecified purposes. The unexpended income from these donated assets is classified as temporarily restricted net assets.
- Temporarily restricted net assets contain donor-imposed restrictions that permit the Foundation to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Foundation.
- Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired. The governing board has the right to approve the use of these funds.

#### **Promises to Give**

Unconditional promises to give are recognized as revenues on a discounted basis in the period made. Conditional promises to give are recognized when the conditions on which they depend are substantially met and the promises become unconditional.

# The Bowling Green State University Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements (continued)

### **1. Organization and Significant Accounting Policies (continued)**

#### **Restricted and Unrestricted Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted and reported in the statements of activities as net assets released from restriction.

#### **Income Taxes**

The Foundation is incorporated under the laws of the State of Ohio as a non-profit corporation and is exempt from federal, state, and local income taxes. The Internal Revenue Service has determined that the Foundation is a tax-exempt organization as defined under Section 501(c)(3) of the Internal Revenue Code. The Corporation is incorporated as a limited liability corporation.

#### **Annuities Payable**

The Foundation receives life annuity donations. Fixed payments from these funds are to be remitted to the donor from the donor's specified date of commencement until death, at which time any remaining balance will revert to the Foundation. The Foundation reports as a contribution the difference between the funds received and the present value of all expected annuity payments to be made to the donor. A portion of the payments to the donors is charged to the annuities payable account each year.

# The Bowling Green State University Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements (continued)

### 1. Organization and Significant Accounting Policies (continued)

#### Fair Value Measurements

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

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

Level 2 – Inputs, other than quoted prices in active markets, that are observable either directly or indirectly

Level 3 – Unobservable inputs for which there is little or no market data, which requires the Foundation to develop assumptions

See Note 3 for further discussion of fair value measurements.

#### Reclassifications

Certain reclassifications have been made to the 2009 financial statements to be comparative to the 2010 presentation.

#### New Accounting Standards

Effective July 1, 2009, the Financial Accounting Standard Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162* (ASC), which became the single official authoritative, non-governmental source for generally accepted accounting principles (GAAP). The historical GAAP hierarchy was eliminated, and the ASC became the only level of authoritative GAAP. Hence, all other literature became non-authoritative. The ASC is effective for financial statements issued for interim and annual periods ending after September 15, 2009. As the ASC was not intended to change existing GAAP, it did not have any effect on the financial position, statement of activities, or cash flows of the Foundation.

# The Bowling Green State University Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements (continued)

### 1. Organization and Significant Accounting Policies (continued)

In April 2009, the FASB issued FASB Staff Position (FSP) 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*. FSP 157-4 amended the guidance codified in ASC 820, *Fair Value Measurements and Disclosures*, to provide additional guidance on estimating fair value when the volume and level of activity for an asset or liability have significantly decreased in relation to its normal market activity. FSP 157-4 also provided additional guidance on circumstances that may indicate that a transaction is not orderly and on defining major categories of debt and equity securities to comply with the disclosure requirements of ASC 820. The Foundation has adopted the guidance in FSP 157-4 for the reporting period. Adoption of FSP 157-4 did not have a material effect on the financial position, statement of activities, or cash flows of the Foundation.

In September 2009, the FASB issued Accounting Standards Update (ASU) 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. ASU 2009-12 amended ASC 820 to allow entities to use net asset value (NAV) per share (or its equivalent), as a practical expedient, to measure fair value when the investment does not have a readily determinable fair value and the NAV is calculated in a manner consistent with investment company accounting. The Foundation adopted the guidance in ASU 2009-12 for the reporting period ended June 30, 2010, and has used the practical expedient to measure the fair value of investments within the scope of this guidance based on the investment's NAV. In addition, as a result of adopting ASU 2009-12, the Foundation has provided additional disclosures regarding the nature and risks of investments within the scope of this guidance (see Note 3). Adoption of ASU 2009-12 did not have a material effect on the financial position, statement of activities, or cash flows of the Foundation.

In July 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements*. ASU 2010-06 amended certain of the disclosures required under ASC 820. The guidance in ASU 2010-06 clarified that disclosures should be presented separately for each class of assets and liabilities measured at fair value and provided guidance on how to determine the appropriate classes of asset and liabilities to be presented. ASU 2010-06 also clarified the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. In addition, ASU 2010-06 introduced new requirements to disclose the amounts (on a gross basis) and reasons for any significant transfers between Levels 1, 2, and 3 of the fair value hierarchy and present information regarding the purchases, sales, issuances, and settlements of Level 3 assets and liabilities on a gross basis. With the exception of the requirement to present changes in Level 3 measurements on a gross basis, which is delayed until 2011, the guidance in ASU 2010-06

# The Bowling Green State University Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements (continued)

### 1. Organization and Significant Accounting Policies (continued)

becomes effective for reporting periods beginning after December 15, 2009. The adoption of this standard had no effect on the Foundation's financial position, statement of activities, or cash flows.

Effective July 1, 2009, the Foundation adopted a new accounting standard for accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attributes for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provided guidance on derecognition, classification, interest and penalties, disclosure and transition. The adoption of this standard had no effect on the Foundation's financial position, statement of activities, or cash flows.

### Subsequent Events

On July 1, 2009, the Foundation adopted a new accounting standard that establishes the accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued. The Foundation has evaluated subsequent events through October 1, 2010, the date the financial statements were available to be issued.

### 2. Contributions Receivable and Contributed Services

Contributors to the Foundation have made written unconditional promises to give, on which management has set up an allowance for uncollectible pledges. Contributions receivable reflect net present value using the Internal Revenue Code Section 7520 discount rate of 3.20% and 2.80% as of June 30, 2010 and 2009, respectively. Write-offs of uncollectible pledges for the years ended June 30, 2010 and 2009, amounted to approximately \$957,000 and \$1,189,000, respectively, and are recorded net of contributions and gifts.

Contributions receivable at June 30 are due as follows:

	<u>2010</u>	<u>2009</u>
Within one year	\$ 1,668,369	\$ 6,787,023
One to five years	11,145,201	8,805,034
More than five years	1,650,044	679,082
	<u>14,463,614</u>	<u>16,271,139</u>
Less allowance	(238,630)	(281,717)
Present value discount	(910,333)	(762,578)
Total	<u>\$ 13,314,651</u>	<u>\$ 15,226,844</u>



# The Bowling Green State University Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements (continued)

### **2. Contributions Receivable and Contributed Services (continued)**

The Foundation has conditional promises to give of approximately \$62,395,000 and \$60,449,000 for estates or planned gifts as of June 30, 2010 and 2009, respectively, which are not shown in the accompanying financial statements until the condition has been fulfilled.

Expenses related to occupancy of facilities, certain salaries and fringe benefits of financial, accounting, and development personnel are paid by the University on behalf of the Foundation and are not shown in the accompanying financial statements. The Foundation approximates the value of these items at \$2,097,000 in 2010 and \$2,026,000 in 2009.

### **3. Investments**

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

The Foundation records its investments in government bonds at their current fair values based on quoted market prices in markets that are not active for all significant inputs, which is consistent with Level 2 in the hierarchy. Some mutual funds not actively traded in open markets are also included in this category.

The Foundation also holds investments in various limited partnerships, real estate investment trusts, arbitration funds, and other private investments. These investments are treated as Level 3 in the hierarchy. The Foundation records its investments in these investments at their reported NAV, which represents fair value as reported by the general partner or fund manager. Investments held in publicly traded securities are generally valued at quoted market prices. Investments without readily determinable quoted market prices in active markets are valued based on estimates by partnership manager, fund managers, and various valuation committees and include original costs, restrictions affecting marketability, operating results, financial condition of the issuers, and the price of most recent financing transactions. In management's opinion, the stated values approximate fair value as determined by the respective managers. Due to the inherent uncertainty of valuation, the estimated fair values may differ significantly from values that would have been used had a readily available market value for the investments existed, and the differences could be material. Some of the Level 3 investments held by the Foundation have time limitations on liquidation. These vary from six months to the term of the limited partnership, trust, or fund. During this period, the Foundation, unless certain events occur, will be unable to liquidate these investments. The Foundation is subject to unrelated business income tax related to its investments in various partnerships.

The Bowling Green State University Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

**3. Investments (continued)**

Following is a summary of fair value of investments at June 30:

	<u>2010</u>	<u>2009</u>
Corporate bond funds	\$ 36,355,457	\$ 26,019,490
Mutual funds	33,143,881	27,787,633
Corporate stocks	4,577,921	15,945,376
Money market funds	2,970,021	3,773,012
U.S. government and agency obligations	171,258	226,505
Alternative investments:		
Private investment	7,234,043	4,309,441
Fund of funds	5,323,662	661,910
Real estate funds	1,149,149	2,515,313
Subtotal alternative investments	<u>13,706,854</u>	<u>7,486,664</u>
Total	<u>\$ 90,925,392</u>	<u>\$ 81,238,680</u>

Net unrealized gains (losses) on investments at June 30 were as follows:

	<u>2010</u>	<u>2009</u>
Beginning of year	\$ (14,394,758)	\$ 4,194,040
End of year	(3,748,446)	(14,394,758)
Net unrealized gains (losses) for the year	<u>\$ 10,646,308</u>	<u>\$ (18,588,798)</u>

Realized losses from sales of investment securities amounted to \$2,167,171 in 2010 and \$3,760,747 in 2009.

The Bowling Green State University Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

**3. Investments (continued)**

The Foundation measures certain financial assets at fair value on a recurring basis. The fair value of these financial assets was determined using the following inputs at June 30, 2010 and 2009:

	Level 1	Level 2	Level 3	June 30, 2010
<b>Assets</b>				
Cash and money market funds*	\$ 3,257,797	\$ —	\$ —	\$ 3,257,797
Domestic corporate stocks	4,577,921	—	—	4,577,921
Mutual funds:				
Domestic funds	12,009,810	5,440,617	—	17,450,427
International funds	15,693,454	—	—	15,693,454
U.S. government and agency obligations	—	171,258	—	171,258
Corporate bond funds	36,355,457	—	—	36,355,457
Alternative investments	—	—	13,706,854	13,706,854
<b>Total assets</b>	<b>\$ 71,894,439</b>	<b>\$ 5,611,875</b>	<b>\$ 13,706,854</b>	<b>\$ 91,213,168</b>
	Level 1	Level 2	Level 3	June 30, 2009
<b>Assets</b>				
Cash and money market funds*	\$ 4,702,212	\$ —	\$ —	\$ 4,702,212
Domestic corporate stocks	15,945,376	—	—	15,945,376
Mutual funds:				
Domestic funds	8,715,904	9,198,731	—	17,914,635
International funds	9,872,998	—	—	9,872,998
U.S. government and agency obligations	—	226,505	—	226,505
Corporate bond funds	26,019,490	—	—	26,019,490
Alternative investments	—	—	7,486,664	7,486,664
<b>Total assets</b>	<b>\$ 65,255,980</b>	<b>\$ 9,425,236</b>	<b>\$ 7,486,664</b>	<b>\$ 82,167,880</b>

\*Includes cash used for operating purposes amounting to \$287,776 and \$929,200 as of June 30, 2010 and 2009, respectively.

The Bowling Green State University Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

**3. Investments (continued)**

The changes in fair value of the Foundation's financial instruments within Level 3 of the valuation hierarchy are as follows for the years ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Fair value, beginning of year	\$ 7,486,664	\$ 7,999,542
Unrealized gains	365,719	(1,676,991)
Realized losses	(553,160)	96,110
Purchases	8,920,000	1,072,000
Sales	(2,708,376)	—
Earnings	196,007	(3,997)
Transfers in and out of Level 3	—	—
Fair value, end of year	<u>\$ 13,706,854</u>	<u>\$ 7,486,664</u>

The amount of total losses for the period attributable to the unrealized losses for financial instruments within Level 3 held for the years ended June 30, 2010 and 2009, is \$135,000 and \$1,677,000, respectively. The Foundation had outstanding commitments to invest in various alternative investments at June 30, 2010 and 2009, amounting to approximately \$5,900,000 and \$6,100,000, respectively.

Assets held in charitable remainder trust principally consist of corporate stocks and corporate bonds and debentures. Unrealized gains (losses) amounted to approximately \$197,000 and \$(337,000) at June 30, 2010 and 2009, respectively, and realized losses of approximately \$39,000 and \$114,000 were recognized for the years ended June 30, 2010 and 2009, respectively.

Certain investment securities are held by independent custodial and management agents. Custodial and management fees paid approximated \$185,000 and \$188,000 in 2010 and 2009, respectively, and are reported as reductions to interest and dividends in the accompanying statements of activities.

# The Bowling Green State University Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements (continued)

### 4. Life Insurance Policies

The Foundation is owner and beneficiary of certain life insurance policies, which have a total face value of approximately \$8,245,000 at June 30, 2010, and \$7,830,000 at June 30, 2009. Premiums on these policies are generally paid by the insured individuals. The cash surrender value of such policies approximated \$1,428,000 at June 30, 2010, and \$1,374,000 at June 30, 2009, and is recorded in the accompanying statements of financial position.

### 5. Other Revenue

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

### 6. Restricted Net Assets

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

	<u>2010</u>	<u>2009</u>
General support of colleges and departments	\$ 20,863,147	\$ 18,155,575
Student aid	7,747,918	7,735,105
Property and equipment	2,480,609	5,847,024
Endowed chairs and professorships	1,287,326	1,955,138
Research	701,726	654,149
Fellowship	131,997	335,254
Faculty and staff	381,393	—
Total temporarily restricted net assets	<u>\$ 33,594,116</u>	<u>\$ 34,682,245</u>

The Bowling Green State University Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

**6. Restricted Net Assets (continued)**

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

	<u>2010</u>	<u>2009</u>
General support of colleges and departments	\$ 4,582,403	\$ 6,596,670
Property and equipment	5,350,656	3,880,928
Student aid	1,813,335	942,442
Fellowship	169,393	70,590
Faculty and staff	96,004	51,706
Research	78,049	133,235
Endowed chairs and professorships	29,000	(133,801)
Total net assets released from restrictions	<u>\$ 12,118,840</u>	<u>\$ 11,541,770</u>

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

	<u>2010</u>	<u>2009</u>
Student aid	\$ 42,036,581	\$ 38,473,184
General support of colleges and departments	16,063,136	16,807,378
Endowed chairs and professorships	8,919,460	8,770,730
Property and equipment	1,805,648	1,710,142
Faculty and staff	1,582,991	1,551,216
Research	1,130,540	1,130,515
Fellowship	189,334	189,334
Total permanently restricted net assets	<u>\$ 71,727,690</u>	<u>\$ 68,632,499</u>

**7. Transfers of Net Assets**

During 2010 and 2009, certain funds that originally had been reported as temporarily restricted became fully endowed funds once the fund's balance exceeded \$25,000. As a result, approximately \$450,000 and \$191,000 of net assets have been reclassified as of June 30, 2010 and 2009, respectively, to reflect such balances as permanently restricted net assets.

# The Bowling Green State University Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements (continued)

### 8. Unrestricted Balances

The unrestricted net deficit consists of the following:

	<u>2010</u>	<u>2009</u>
Operating	\$ 1,788,727	\$ 1,961,498
Transfer of endowment deficiencies ( <i>Note 9</i> )	(2,052,961)	(5,614,034)
Unrealized investment losses	(492,777)	(2,528,596)
Total unrestricted net deficit	<u>\$ (757,011)</u>	<u>\$(6,181,132)</u>

### 9. Endowment Balances

The Foundation's endowment consists of approximately 830 individual funds established for a variety of purposes. The endowment includes donor-restricted endowment funds. Net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Governing board restrictions are reported in unrestricted net assets.

The governing board of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently net restricted assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

# The Bowling Green State University Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements (continued)

### 9. Endowment Balances (continued)

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

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

The Foundation has its investment and spending policies for endowment assets such that it attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specific period(s). Under this policy, as approved by the governing board, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs over the long term. Actual returns in any given year may vary.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based and alternative investments to achieve its long-term objective within prudent risk constraints.

The Foundation records the annual income of the endowment as temporarily restricted and appropriated for expenditure upon meeting donor stipulations. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns.



The Bowling Green State University Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

**9. Endowment Balances (continued)**

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 3.00% to 7.00% of the three-year rolling average market value of endowed fund balances, with the Board of Directors approving 3.00% for 2010 and 2009.

The Foundation has adopted a policy of charging an administrative fee on all endowed funds, unless prohibited by the guidelines of the fund. The Board of Directors approved an administrative fee of 1.2% for the years ended June 30, 2010 and 2009. Starting July 1, 2010, the Board of Directors approved an administration fee of 1.3%. The Board of Directors also approved the charging of such fee on certain non-endowed funds. The fee is based on the prior two-year average market value balance for endowed funds and certain non-endowed funds. The administrative fee amounted to approximately \$1,020,000 in 2010 and \$944,700 in 2009 and is included in unrestricted other revenue.

The following table shows the changes in permanently restricted assets during the year:

	<u>Permanently Restricted</u>
June 30, 2009	\$ 68,632,499
Contributions	2,593,497
Other cash receipts	51,375
Other changes:	
Transfers:	
Divested funds	—
Reinvest excess spendable funds	—
Fees (admin and bank)	—
Miscellaneous inter transfers	—
Distributions	—
Temporary accounts to permanent	450,319
Permanent accounts to temporary	—
Total transfers	<u>450,319</u>
June 30, 2010	<u>\$ 71,727,690</u>

# The Bowling Green State University Foundation, Inc. and Subsidiary

## Notes to Consolidated Financial Statements (continued)

### **9. Endowment Balances (continued)**

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. These deficiencies resulted from unfavorable market fluctuations that occurred during the year. There were approximately \$2,000,000 of such deficiencies as of June 30, 2010, and approximately \$5,600,000 as of June 30, 2009. In accordance with ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements* (formerly FSP FAS 117-1), these deficiencies are reflected in unrestricted net assets rather than in temporarily restricted net assets by reclassing these deficiencies from temporarily restricted net assets to unrestricted net assets and are reported as realized and unrealized losses in the accompanying statements of activities. As the financial markets recover and the value of such funds exceeds historical costs, such amounts will be reclassified from unrestricted funds and continue to be recorded as temporarily restricted net assets. Approximately \$3,600,000 of such funds were reclassified from unrestricted funds to temporarily restricted net assets as of June 30, 2010. No such funds were reclassified as of June 30, 2009.

## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the financial statements of The Bowling Green State University Foundation, Inc. and Subsidiary (collectively, the Foundation) as of and for the year ended June 30, 2010, and have issued our report thereon dated October 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



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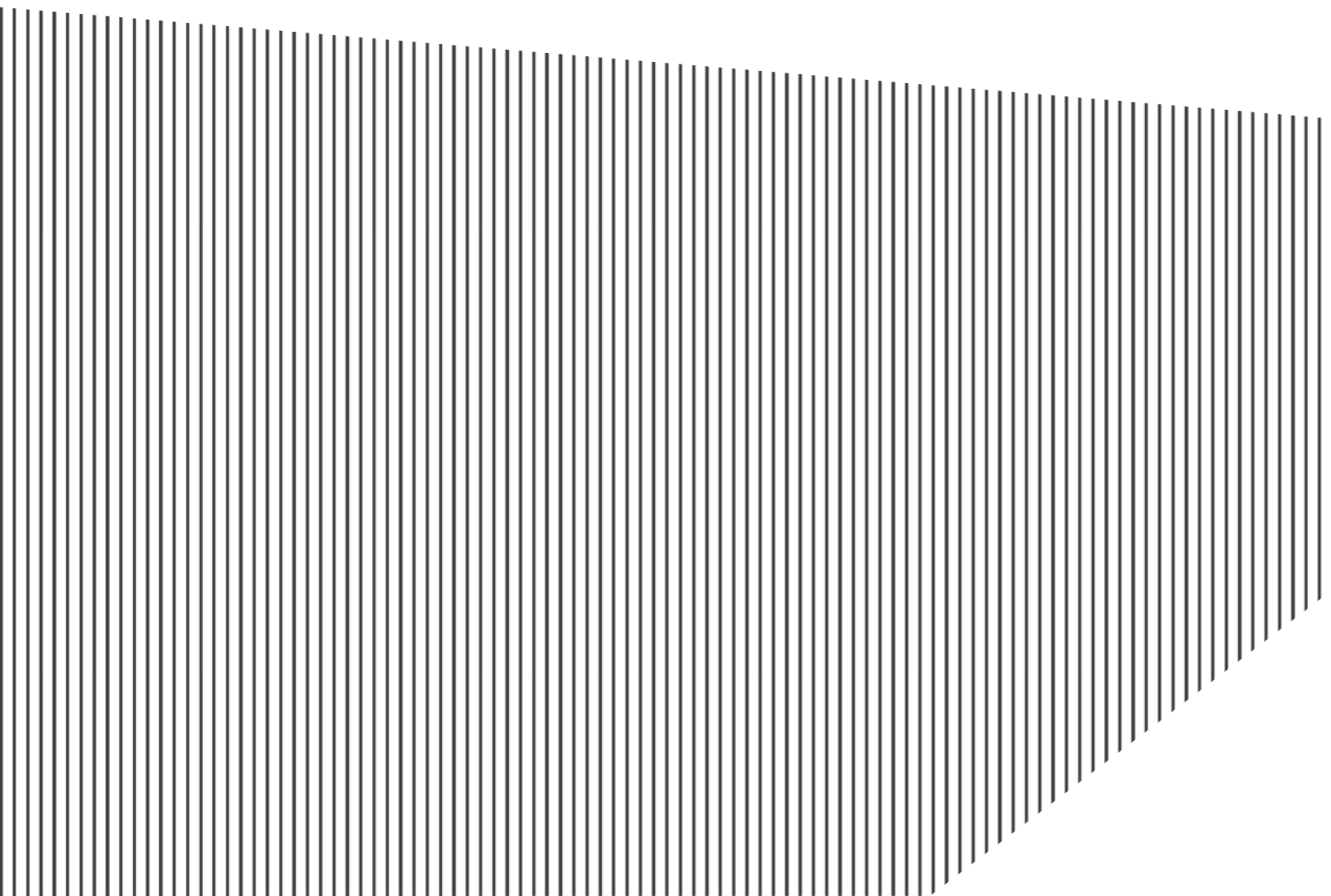
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**Mary Taylor, CPA**  
Auditor of State

**BOWLING GREEN STATE UNIVERSITY FOUNDATION INC AND SUBSIDIARY**

**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 7, 2010**