

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST  
FLORIDA)**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
UWF Business Enterprises, Inc.  
Pensacola, Florida

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

We have audited the accompanying financial statements of the business-type activities of UWF Business Enterprises, Inc. (BEI), (a component unit of the University of West Florida), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which comprise BEI's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of BEI as of June 30, 2014, and the respective changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Prior Period Financial Statements**

The financial statements of BEI as of June 30, 2013, were audited by other auditors whose report dated September, 30, 2013, expressed an unmodified opinion on those statements.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Schedules I to VIII are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The June 30, 2013, schedules were subjected to the auditing procedures applied in the June 30, 2013, audit of the basic financial statements by other auditors, whose report on such information dated September 30, 2013, stated that it was fairly stated in all material respects in relation to the June 30, 2013, financial statements as a whole.

Board of Directors  
UWF Business Enterprises, Inc.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2014, on our consideration of BEI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BEI's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Orlando, Florida  
September 8, 2014

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014 AND 2013**

This section of UWF Business Enterprises, Inc.'s ("BEI") annual financial report presents our discussion and analysis of the financial performance of BEI for the fiscal year ended June 30, 2014. This discussion has been prepared by management.

Because the information contained in the Management's Discussion and Analysis ("MD&A") is intended to highlight significant transactions, events and conditions, it should be considered in conjunction with the Basic Financial Statements found on pages 11 through 28.

### **Reporting Entity**

At the September 23, 2011, University of West Florida ("the University") Board of Trustees meeting, a motion was passed unanimously by Board members to establish a new Direct Support Organization of the University under Section 1004.28, Florida Statutes and University Regulation 5.016. BEI was to be established as a Florida not-for-profit corporation.

On October 18, 2011, BEI's Articles of Incorporation were filed under the laws of the State of Florida and were certified by the Florida Department of State, Division of Corporations on October 19, 2011.

BEI received official notice from the IRS of tax-exempt status under Section 501(c)(3) of the Internal Revenue Code on April 17, 2012. UWF Business Enterprises Inc. received tax exempt status under code section 170(b)(1)(A)(v) as a governmental unit political subdivision.

BEI was established to build and manage public-private partnerships, create new services and businesses to support the University campus community, and enhance current auxiliaries and businesses to increase alternate sources of revenue for the University.

BEI is focused on entrepreneurial ideas that will enhance academic training and enhance university-community life, allow the University to continue to develop and grow, and increase revenue from alternate sources to further the University's strategic priorities.

Subsequent to June 30, 2012, the CEO of BEI resigned from his position with the University and cited February 2, 2013, as his last day. The University has appointed Dr. James Barnett as interim CEO.

### **Overview of the Financial Statements**

The basic financial statements presented herein include all activities of BEI, as prescribed by statements of the Governmental Accounting Standards Board ("GASB"). BEI is a component unit of the University, from inception on October 18, 2011, through period end June 30, 2014.

The statement of net position presents information on all of BEI's assets and liabilities. Assets less liabilities equal the organization's net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of BEI is improving or deteriorating.

**UWF BUSINESS ENTERPRISES, INC.**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014 AND 2013**  
**(CONTINUED)**

The statement of revenues, expenses, and changes in net position presents information showing how BEI's net position changed during the most recent period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The statement of cash flows presents information about the cash receipts and cash payments of BEI from July 1, 2013 through June 30, 2014. It provides insight into the reasons for differences between operating income and associated cash receipts and payments; and the effects on BEI's financial position of its cash and its noncash investing, capital, and related financing transactions during the year.

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in BEI's basic financial statements. The notes are included immediately following the basic financial statements within this report.

Schedules I through VIII provide supplementary information of expenses by BEI activity/category reported on the statement of revenues, expenses, and changes in net position. The schedules follow the notes to the basic financial statements.

**Summary of Financial Condition**

As noted earlier, net position may serve over time as a useful indicator of BEI's financial position.

**BEI'S CONDENSED STATEMENT OF NET POSITION**

	2014	2013
<b>ASSETS</b>		
Total Assets, Excluding Capital Assets	\$ 1,853,148	\$ 1,345,644
Capital Assets, Net	2,928,421	2,544,681
<b>Total Assets</b>	<b>\$ 4,781,569</b>	<b>\$ 3,890,325</b>
<b>LIABILITIES</b>		
Current Liabilities	\$ 1,542,149	\$ 1,036,954
Long Term Liabilities	2,781,011	3,174,699
<b>Total Liabilities</b>	4,323,160	4,211,653
<b>NET POSITION</b>		
Net Investment in Capital Assets	1,597,385	1,478,919
Unrestricted Deficit	(1,138,976)	(1,800,247)
Total Net Position	458,409	(321,328)
<b>Total Liabilities and Net Position</b>	<b>\$ 4,781,569</b>	<b>\$ 3,890,325</b>

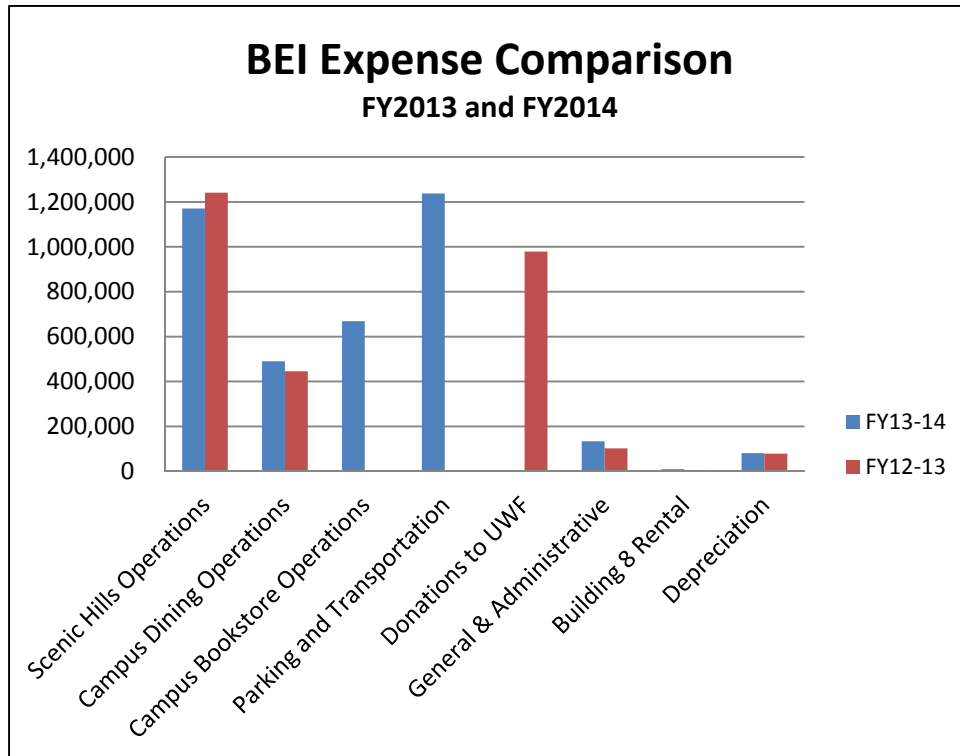
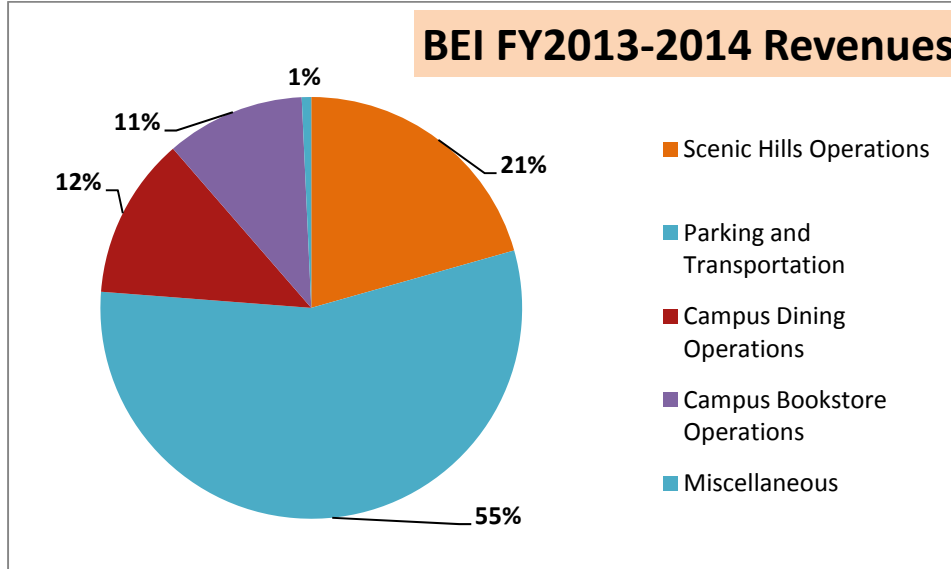
**UWF BUSINESS ENTERPRISES, INC.**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014 AND 2013**  
**(CONTINUED)**

**BEI'S CONDENSED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION**

	2014	2013
<b>REVENUES</b>		
Golf Course Sales	\$ 948,517	\$ 1,242,825
Food Service Commissions	440,720	643,117
Bookstore Commissions	430,424	229,645
Revenues from Service and Management		
Arrangement Income	190,041	190,909
Parking and Transportation	2,558,700	-
Building Eight Rent	20,310	-
Contributions In-Kind	7,160	4,332
Miscellaneous	6,000	6,000
Total Revenues	4,601,872	2,316,828
<b>EXPENSES</b>		
Golf Course Operations	1,107,186	1,122,495
Golf Course Pro Shop Cost of Sales	63,439	118,736
Food Service Management	490,363	445,522
Bookstore Management	668,953	-
Parking and Transportation Service		
(inclusive of bad debt)	1,237,236	-
General and Administrative	133,985	102,703
Donations to the University of West Florida	-	978,950
Building Eight	9,596	6,310
Depreciation	81,220	79,165
Total Expenses	3,791,978	2,853,881
<b>NONOPERATING EXPENSES</b>	(30,157)	(3,089)
Change in net position	779,737	(540,142)
Net Position - July 1, 2013	(321,328)	218,814
<b>NET POSITION - JUNE 30, 2014</b>	\$ 458,409	\$ (321,328)



**UWF BUSINESS ENTERPRISES, INC.**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014 AND 2013**  
**(CONTINUED)**



**UWF BUSINESS ENTERPRISES, INC.**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014 AND 2013**  
**(CONTINUED)**

**Financial Highlights**

Parking and Transportation Services and the rental of Building 8 are new sources of revenue for BEI in FY13-14. Scenic Hills Country Club (SHCC) overall costs are lower in FY13-14 compared to FY12-13. Cost savings have been realized with utilities and administrative expenses. Cost of Sales in FY12-13 included food and beverage purchases for the 1st quarter, prior to outsourcing. Campus dining and bookstore operations expenses are higher in FY13-14 as a result of accounting adjustments related to the contracted services with the University for performance of daily operations. BEI General and Administrative costs are higher in FY13-14 from the purchase of insurance and additional University support.

**Scenic Hills Country Club**

SHCC launched a successful Introductory Membership campaign in the spring of 2014. The number of introductory memberships sold totaled 650, which includes 62 Student Introductory Memberships.

SHCC was purchased by BEI with \$1.1 million cash on hand and a \$1.1 million bank loan at 3.95% interest, amortized over 20 years with a balloon payment due in the third year. The bank loan principal balance is \$1,025,199 as of June 30, 2014. The outstanding principal balance is due on June 29, 2015. The \$1.1 million cash spent to purchase SHCC was from a signing incentive paid to BEI from a vendor as part of the dining and event services agreement.

<b>Scenic Hills Country Club Key Facts</b>	<b>FY2013-2014</b>	<b>FY2012-2013</b>
UWF Events/Meetings held	25	26
UWF Fundraisers held	5	3
Capital Investments	\$20,753	\$38,367
Memberships – Golf	102	128
Memberships – Social	29	21
Member Events/Meetings Held	27	24
Rain (Inclement Weather) Days	98	80

To increase efficiency at SHCC, staff took several measures during this fiscal year. The following are just a few of those activities.

- Point of sale software conversion: Converted POS software from IBS to JONAS. Enhanced reporting, security and customer service capabilities; allows for remote access for the accounting team.
- Copy machine replacement: Replaced copy machine and accompanying lease payment with a no charge copy machine. Resulted in savings of \$6,300 on an annual basis.

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- Installation of boxes around thermostats: Installed protective boxes around all thermostats in building to eliminate random changing of temperatures. Maintain cool at 74 and heat at 68. Resulted in annual utilities savings of \$13,200.
- Renegotiated Brinks Armored Transportation Services agreement: Worked with contractor to consolidate pickup and deliveries and reduce fuel surcharge. Estimated annual savings of \$2,020.

### **Campus Bookstore and Dining**

The dining and event services agreement between BEI and the dining services vendor was amended in FY13-14. The amended agreement includes provisions for additional capital investment to be made by the vendor of which a significant portion will be for the development of the East Campus restaurant parcel. The signing incentive received and all capital improvements made under the prior agreement along with all capital investment to be made under the amended agreement are recorded as unearned income and amortized to revenue over the remaining life of the amended agreement.

Certain capital investments made by the dining services and bookstore services vendors under the respective agreements with BEI ultimately become the property of the University. In recognition of this transfer of ownership for capital investments completed and placed into service in FY12-13, BEI's Statement of Revenues, Expenses, and Changes in Net Position reported a donation from BEI to the University of \$978,950 for the year ended June 30, 2013. There were no capital investments made by vendors completed and placed into service with title transfer to the University during FY13-14.

BEI receives commissions based on sales from both the dining services and bookstore services vendors for campus operations. Of the \$1 million advance commission paid to BEI in June 2012 under the original dining and event services agreement, \$418,840 remained unearned as of June 30, 2014.

In FY13-14, the UWF Bookstore text rental program expanded. The program generated \$251,200 in savings to students over purchasing new texts compared to \$218,000 in FY12-13, an increase of \$33,200 in savings.

UWF Bookstore digital course material was also expanded during this fiscal year. The availability of digital course material was increased by more than 200 units over last year. In FY13-14, the digital text option provided more than \$24,000 in savings to students over purchasing new printed textbooks, compared to \$15,000 in FY12-13, an increase of \$9,000 in savings.

### **Parking and Transportation**

On June 21, 2013, the President of the University granted approval for BEI to "accept and administer Parking and Transportation Services" for the University. BEI contracts with the University for continued seamless daily operations.

Long-term planning, capital investment, and construction of new parking and transportation facilities are handled by BEI.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**(CONTINUED)**

During FY2014, the Board of Trustees approved a proposed lower cost parking option. A new "remote lot" permit is priced at one-half of the lowest automobile permit price and will be valid for specific locations on the east side of campus. Shuttles will deliver students and staff from the remote lot to the core of campus. A benefit to the new option is that it will increase efficiency by opening parking spaces in the high traffic locations.

Parking and Transportation purchased a GPS trolley tracking application this year. The app will allow riders to access trolley location and wait times in real time on smart-phones and other mobile devices. The app will allow for better planning and safety. Increased use of the trolley will create more efficient use of available parking spaces.

Parking and Transportation increased the use of public transportation with bus pass policy through improved communications and providing a second location for bus pass pick-up. With better communication, students were able to learn about the complimentary bus passes available to currently enrolled students while classes are in session. During FY13-14, 5,834 bus passes were distributed to students, compared to 2,152 in FY12-13, an increase of 3,682 or 171%. Encouraging students to use public transportation helps to reduce the number of single occupancy vehicles on campus and helps to improve parking efficiency.

### **Investments**

BEI made investments in a new Point of Sales software system for SHCC and project development costs associated with the East Campus project and the University Park project.

The East Campus project is under construction. As part of the capital improvements under the amended Dining Services agreement, the food service provider will design and construct over 11,000 square feet of mixed use commercial and restaurant buildings at the east entrance of campus. Upon completion, BEI intends to lease the space to the vendor for operation. The vendor will be responsible for sub-leasing and managing both the property and the commercial tenants. The site is expected to be occupied in late spring 2015.

BEI engaged a hotel consultant in the spring of 2014 to complete an updated study on the viability of a hotel and conference center at the east entrance. The study affirmed the demand for a hotel and conference center. BEI will advertise a Request for Proposal (RFP) in the fall of 2014 for a hotel with 75-100 rooms and a conference center of approximately 5,000 square feet.

### **Requests for Information**

Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the following address:

UWF Business Enterprises, Inc.  
11000 University Parkway  
Building 10 Room 118  
Pensacola, FL 32514

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2014 AND 2013**

	2014	2013
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,667,280	\$ 805,138
Accounts Receivable, Net	130,271	116,947
Due from the University of West Florida	-	330,281
Inventory	51,192	66,695
Prepaid Expenses	4,405	6,426
Total Current Assets	1,853,148	1,325,487
<b>CAPITAL ASSETS</b>	2,928,421	2,544,681
<b>OTHER ASSETS</b>		
Loan Costs	-	20,157
Total Assets	\$ 4,781,569	\$ 3,890,325
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 125,458	\$ 252,913
Accrued Liabilities	42,344	48,052
Due to the University of West Florida	52,973	-
Note Payable - Current Portion	1,025,199	38,148
Capital Lease Obligation - Current Portion	4,790	2,415
Deferred Membership Dues - Current Portion	77,160	-
Unearned Commission Income - Current Portion	22,044	440,884
Unearned Service and Management Arrangement Income - Current Portion	192,181	254,542
Total Current Liabilities	1,542,149	1,036,954
<b>LONG-TERM LIABILITIES</b>		
Note Payable - Less Current Portion	-	1,025,199
Capital Lease Obligation - Less Current Portion	14,025	-
Deferred Membership Dues - Less Current Portion	48,460	-
Unearned Commission Income - Less Current Portion	396,796	-
Unearned Service and Management Arrangement Income - Less Current Portion	2,321,730	2,149,500
Total Long-Term Liabilities	2,781,011	3,174,699
Total Liabilities	4,323,160	4,211,653
<b>NET POSITION</b>		
Net Investment in Capital Assets	1,597,385	1,478,919
Unrestricted Deficit	(1,138,976)	(1,800,247)
Total Net Position	458,409	(321,328)
Total Liabilities and Net Position	\$ 4,781,569	\$ 3,890,325

See accompanying Notes to Financial Statements.

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
<b>REVENUES</b>		
Golf Course Sales	\$ 948,517	\$ 1,242,825
Food Service Commissions	440,720	643,117
Bookstore Commissions	430,424	229,645
Revenues from Service and Management Arrangements	190,041	190,909
Parking and Transportation	2,558,700	-
Building Eight Rent	20,310	-
Contributions and In-Kind	7,160	4,332
Miscellaneous Income	6,000	6,000
Total Revenues	4,601,872	2,316,828
<b>EXPENSES</b>		
Golf Course Operations	1,107,186	1,122,495
Golf Course Pro Shop Cost of Sales	63,439	118,736
Food Service Management	490,363	445,522
Bookstore Management	668,953	-
Parking and Transportation Service	1,237,236	-
General and Administrative	133,985	102,703
Donations to the University of West Florida	-	978,950
Building Eight	9,596	6,310
Depreciation	81,220	79,165
Total Expenses	3,791,978	2,853,881
<b>NET OPERATING INCOME (LOSS)</b>	809,894	(537,053)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Gain on Disposal of Capital Assets	-	40,427
Other Gains/Losses	13,155	-
Interest Expense	(43,312)	(43,516)
Total Nonoperating Revenues (Expenses), Net	(30,157)	(3,089)
<b>CHANGE IN NET POSITION</b>	779,737	(540,142)
Net Position - July 1	(321,328)	218,814
<b>NET POSITION - JUNE 30</b>	\$ 458,409	\$ (321,328)

See accompanying Notes to Financial Statements.

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers and Others	\$ 4,411,535	\$ 2,628,638
Cash Paid to Leased Employees for Services	(473,520)	(515,463)
Cash Paid to Suppliers and Others	(2,845,853)	(2,020,864)
Net Cash Provided by Operating Activities	1,092,162	92,311
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of Capital Assets	(141,009)	(66,002)
Principal Paid on Capital Debt	(38,148)	(59,269)
Interest Paid on Capital Debt	(43,312)	(43,516)
Repayments of Obligations Under Capital Leases	(7,551)	-
Net Cash Used in Capital and Related Financing activities	(230,020)	(168,787)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	862,142	(76,476)
Cash and Cash Equivalents - Beginning of Year	805,138	881,614
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,667,280	\$ 805,138
<b>RECONCILIATION OF CHANGE IN NET OPERATING INCOME (LOSS) PROVIDED BY OPERATIONS</b>		
Change in Net Operating Income (Loss)	\$ 809,894	\$ (537,053)
Adjustments to Reconcile Change in Net Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	81,220	79,165
Amortization	20,157	10,079
Bad Debt Provision	98,777	-
Changes in:		
Accounts Receivable	(112,101)	(102,838)
Due to/from the University of West Florida	383,254	(330,280)
Inventory	15,503	25,803
Prepaid Expenses	2,021	(1,556)
Accounts Payable	(127,455)	209,965
Accrued Liabilities	7,447	(5,900)
Unearned Commission Income	(22,044)	(559,116)
Deferred Membership Dues	125,620	-
Unearned Service and Management Arrangement Income	(190,131)	1,304,042
Net Cash Provided by Operating Activities	\$ 1,092,162	\$ 92,311

See accompanying Notes to Financial Statements.

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>	<u>2014</u>	<u>2013</u>
Equipment Acquired by Capital Lease	<u>\$ 20,753</u>	<u>\$ 20,775</u>
Release of Sublease Liability	<u>\$ -</u>	<u>\$ 62,260</u>
Release of Capital Lease Liability	<u>\$ -</u>	<u>\$ 17,795</u>
Release of Tax Liability	<u>\$ 13,155</u>	<u>\$ -</u>
Construction in Process Acquired from Service and Management Arrangements	<u>\$ 300,000</u>	<u>\$ -</u>



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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Operations**

UWF Business Enterprises, Inc. (BEI) was formed in 2011 as a Florida corporation, organized as a direct support organization of the University of West Florida (the University or UWF) under Section 1004.28, Florida Statutes, and Rule 6C-9.011, Florida Administrative Code, and therefore is considered a component unit of the University. BEI was organized for the explicit purpose of supporting the University of West Florida by the development of properties and facilities used or useful in the University's educational endeavors, to lessen the burdens of government and provide assistance to the faculty, staff and students of the University. BEI is a public charity under section 501(c)(3) of the Internal Revenue Code.

BEI owns an office building located on UWF campus and owns and operates Scenic Hills Country Club (SHCC) effective July 1, 2012. Both are used to support the University's educational activities. BEI also has entered into contracts which will provide dining, bookstore, parking and transportation, and Laundry/dry-cleaning services, and any other assigned functions to University students and personnel.

**Basis of Presentation and Accounting**

Basis of accounting refers to when revenues, expenses and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurements focus applied.

The accompanying financial statements of the business-type activities of BEI have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. BEI applies all applicable GASB pronouncements.

BEI uses enterprise fund accounting. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

For the purposes of reporting cash flows, BEI considers all cash accounts and certificates of deposit with original maturities of three months or less to be cash or cash equivalents.

The Company maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits; however BEI has not experienced any losses in these accounts.

**Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable are stated net of an allowance for doubtful accounts. BEI estimates for doubtful accounts based on an analysis of certain customers taking into consideration the age of the past due accounts and an assessment of the customer's ability to pay. Accounts are considered past due when the payments due are not made within certain designated timeframes.

A summary of the changes in the allowance for doubtful accounts follows:

	2014	2013
Beginning Balance	\$ 2,654	\$ 2,654
Current Year Provision	98,777	-
Write Offs of Accounts	(8,319)	-
Ending Balance	<u>\$ 93,112</u>	<u>\$ 2,654</u>

**Inventory**

Inventory consists of merchandise held for resale and maintenance inventory held at SHCC. Inventory is recorded at the lower of cost or market value. The first-in, first-out (FIFO) and average cost cost-flow assumption methods are utilized.

**Capital Assets**

Capital assets consist of land, buildings, golf course improvements, equipment, furniture and fixtures, exterior sign, and construction in progress. Assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of donations. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. BEI has a capitalization threshold of \$50,000 for buildings, building improvements, infrastructure, infrastructure improvements, and leasehold improvements and a \$5,000 capitalization threshold for tangible personal property. Depreciation is calculated on the straight-line basis over the following estimated useful lives of the related assets:

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets (Continued)**

Buildings	40 Years
Golf Course Improvements	20 Years
Maintenance Equipment	7 - 10 Years
Furniture and Fixtures	7 Years
Office Equipment	5 Years
Software	5 Years
Exterior Sign	7 Years

**Loan Costs**

During the year ended June 30, 2014, BEI adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which requires write off of loan costs when incurred. Prior to adoption of GASB 65, loan costs were capitalized and amortized over the life of the loan. See note 13 for a further understanding of GASB Statement No. 65.

**Unearned Commission Income**

As discussed in Note 7, BEI received \$1,000,000 in FY 2012 in unearned advance commissions in connection with a contract with a food service provider. The unearned balance as of June 30, 2013, is being amortized on a straight line basis from July 2013 through June 2033.

**Unearned Service and Management Arrangement Income**

BEI received \$1.1 million as a signing incentive in FY 2012 in connection with a dining services contract with the same food service vendor, which is being amortized on a straight line basis through June 2033. Effective October 2012, BEI also assumed the unamortized balance of the vendor's investment under the prior dining services contract between the University and the vendor, which is being amortized on a straight line basis through June 2023. Capital improvements made and to be made by the vendor under the contract are recorded as unearned income and are amortized on a straight line basis from October 2012, or date of completion in the case of capital improvements, through June 2033.

BEI received as part of a service and management arrangement an initial contribution of \$600,000 from the vendor for the operation of the bookstore. This unearned income is being amortized on a straight line basis from October 2012 through November 2022.

**Net Position**

Equity is classified as net position and is further classified into the following components:

Net investment in capital assets - Consists of all capital assets, reduced by outstanding debt that is attributable to the acquisition of those assets.

Unrestricted - Consists of all other assets and liabilities not included in the above category.

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

BEI was established as a direct support organization of the University and has been granted tax exempt status under Section 501(c)(3) of the Internal Revenue Code.

BEI evaluates its tax positions for uncertainties on a regular basis and has determined it has no material uncertain tax positions as of June 30, 2014. BEI recognizes accrued interest and penalties, if any, associated with uncertain tax positions in "expenses" in the accompanying financial statements.

As of the date the financial statements were available for issue, BEI is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with generally accepted accounting principles.

**Operating Revenues and Expenses**

Operating revenues and expenses generally result from providing services in connection with BEI's SHCC, Dining Services, Bookstore Services, and Parking and Transportation Services. Operating revenues are from golf course sales, commissions, parking and transportation fees, service and management arrangements, and contributions in kind. Operating expenses are primarily from golf course operations, food and bookstore management, management of parking and transportation services, donations to the University, general and administrative, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Reclassifications**

Certain items in the June 30, 2013, financial statements have been reclassified to conform to classifications adopted at June 30, 2014. The reclassifications had no material effect on the accompanying financial statements.

**Subsequent Events**

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through September 8, 2014, the date the financial statements were available to be issued.

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**NOTE 2 CAPITAL ASSETS**

Capital assets consisted of the following at June 30, 2014:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 393,162	\$ -	\$ -	\$ 393,162
Buildings	1,701,870	-	-	1,701,870
Golf Course Improvements	344,808	-	-	344,808
Maintenance Equipment	2,239	-	-	2,239
Maintenance Equipment, under Capital Lease	20,775	-	-	20,775
Furniture and Fixtures	88,132	-	-	88,132
Office Equipment	8,013	-	-	8,013
Exterior Sign	11,392	-	-	11,392
Software, under capital lease	-	20,753	-	20,753
Construction in Progress	51,310	444,207	-	495,517
	<u>2,621,701</u>	<u>464,960</u>	<u>-</u>	<u>3,086,661</u>
Less: Accumulated Depreciation	(77,020)	(81,220)	-	(158,240)
Total	<u>\$ 2,544,681</u>	<u>\$ 383,740</u>	<u>\$ -</u>	<u>\$ 2,928,421</u>

Capital assets consisted of the following at June 30, 2013:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 393,162	\$ -	\$ -	\$ 393,162
Buildings	1,701,870	-	-	1,701,870
Golf Course Improvements	344,808	-	-	344,808
Maintenance Equipment	35,712	-	33,473	2,239
Maintenance Equipment, under Capital Lease	-	20,775	-	20,775
Furniture and Fixtures	88,132	-	-	88,132
Office Equipment	13,013	-	5,000	8,013
Exterior Sign	-	11,392	-	11,392
Construction in Progress	-	51,310	-	51,310
	<u>2,576,697</u>	<u>83,477</u>	<u>38,473</u>	<u>2,621,701</u>
Less: Accumulated Depreciation	-	(79,165)	2,145	(77,020)
Total	<u>\$ 2,576,697</u>	<u>\$ 4,312</u>	<u>\$ 36,328</u>	<u>\$ 2,544,681</u>

Depreciation expense amounted to \$81,220 and \$79,165 for the years ended June 30, 2014 and 2013, respectively, and includes amortization expense of \$5,389 and \$1,731, respectively, for the above equipment under capital leases.

At June 30, 2014, Construction in Progress includes \$100,000 receivable from the food service provider pursuant to the dining services contract discussed in Note 7 which will be used to make capital improvements.

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**NOTE 3 LONG-TERM LIABILITIES**

Changes in long-term liabilities were as follows at June 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Note Payable	\$1,063,347	\$ -	\$ 38,148	\$1,025,199	\$1,025,199
Capital Lease Obligations	2,415	23,951	7,551	18,815	4,790
Deferred Membership Dues	-	141,168	15,548	125,620	77,160
Unearned Commission Income	440,884	-	22,044	418,840	22,044
Unearned Service and Management Arrangement Income	2,404,042	300,000	190,131	2,513,911	192,181
	<u>\$3,910,688</u>	<u>\$ 465,119</u>	<u>\$ 273,422</u>	<u>\$4,102,385</u>	<u>\$1,321,374</u>

Changes in long-term liabilities were as follows at June 30, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Note Payable	\$1,100,000	\$ -	\$ 36,653	\$1,063,347	\$ 38,148
Capital Lease Obligations	-	20,775	18,360	2,415	2,415
Sublease Liability	84,311	-	84,311	-	-
Unearned Commission Income	-	1,000,000	559,116	440,884	440,884
Unearned Service and Management Arrangement Income	1,100,000	1,494,950	190,908	2,404,042	254,542
	<u>\$2,284,311</u>	<u>\$2,515,725</u>	<u>\$ 889,348</u>	<u>\$3,910,688</u>	<u>\$ 735,989</u>

The note payable consists of a bank loan with an original principal balance of \$1.1 million at 3.95% interest, amortized over 20 years with a three year balloon payment. The monthly payment is \$6,670 and is secured by the real property of SHCC. Aggregate future principal and interest payments under the note payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	<u>\$ 1,025,199</u>	<u>\$ 40,337</u>	<u>\$ 1,065,536</u>
	<u>\$ 1,025,199</u>	<u>\$ 40,337</u>	<u>\$ 1,065,536</u>

BEI is party to capital lease agreements for golf course equipment and software which expires in 2014 and 2018, respectively. As of June 30, 2014 and 2013, the cost of the equipment under capital lease was \$44,726 and \$20,775 and related accumulated amortization was \$7,120 and \$1,731, respectively.

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**NOTE 3 LONG-TERM LIABILITIES (CONTINUED)**

The following is a schedule of future minimum lease payments pursuant to the capital lease together with the present value of the net minimum lease payments.

<u>Year Ending June 30,</u>		
2015	\$	6,067
2016		6,067
2017		6,067
2018		<u>5,675</u>
Total Lease Payments		<u>23,876</u>
Less: Amount Representing Interest		<u>(5,061)</u>
Present Value of Minimum Lease Payments		18,815
Less: Current Maturity		<u>(4,790)</u>
Net Noncurrent Portion	<u>\$</u>	<u>14,025</u>

**NOTE 4 OPERATING LEASES**

The Company is party to noncancellable operating lease agreements for certain restaurant equipment and golf course carts. Future minimum lease payments under these agreements are as follows:

<u>Year Ending June 30,</u>		
2015	\$	82,272
2016		81,848
2017		34,546
Total	<u>\$</u>	<u>198,666</u>

Total rent expense of \$84,398 and \$50,181 for the years ended June 30, 2014 and 2013, respectively, includes amounts related to the above lease agreements and additional amounts for short-term equipment rentals.

**NOTE 5 UNEARNED SERVICE AND MANAGEMENT ARRANGEMENT INCOME**

As discussed in Note 7, BEI received \$1.1 million as a signing incentive during fiscal year 2012 in connection with a dining services contract with a food service provider. Effective October 2012, BEI also assumed the unamortized balance of the vendor's investment under the prior dining services contract between the University and the vendor. During fiscal year 2014, an additional \$300,000 was due for certain capital investments as stipulated in the contract signed with the food service provider, of which \$100,000 was receivable as of June 30, 2014.

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**NOTE 5 UNEARNED SERVICE AND MANAGEMENT ARRANGEMENT INCOME (CONTINUED)**

The payments received and capital improvements made and to be made by the food service provider under the contract are recorded as unearned income and are amortized on a straight line basis from October 2012, or date of completion in the case of capital improvements, through June 2033.

As discussed in Note 8, BEI received as part of a service and management arrangement an initial contribution of \$600,000 from the vendor for the operation of the bookstore. This unearned income is being amortized on a straight line basis from October 2012 through November 2022.

Unearned service and management arrangement income consisted of the following June 30:

	<u>2014</u>	<u>2013</u>
Unamortized Unearned Income from Dining Services Agreement - Note 7	\$ 2,018,911	\$ 1,849,042
Unamortized Unearned Income from Bookstore Services Agreement - Note 8	<u>495,000</u>	<u>555,000</u>
Total Unearned Income from Service and Management Arrangements	<u>\$ 2,513,911</u>	<u>\$ 2,404,042</u>

**NOTE 6 MANAGEMENT AGREEMENT WITH UNIVERSITY OF WEST FLORIDA**

On December 9, 2011, BEI and the University entered into a Master Management Agreement (the Agreement) which authorizes the President of the University to assign management and operation of certain University facilities and programs (Assigned Functions) to BEI. The Agreement requires BEI to use any excess funds to support University operations. However, BEI may retain funds (operating capital) which are necessary for the purposes of future projects and programs.

During the year ended June 30, 2013, BEI and the University jointly determined an amount for BEI to deposit with the University in an agency fund to be used to pay expenses for the fiscal year related to the management of the Assigned Functions. At June 30, 2013, the cash balance held by the University in agency was \$330,281, including deposits in transit in the amount of \$32,840. During the year ended June 30, 2014, the Agreement with the University was rewritten to eliminate the agency fund and funds are now paid to an auxiliary fund in which the University has rights and custody. The balance of the agency funds were expensed during the year ended June 30, 2014, and deposited into the Auxiliary fund of the University.



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**NOTE 7 ASSIGNMENT OF DINING SERVICES**

On June 11, 2012, the President of the University granted approval, under the Agreement, for BEI to accept and administer dining services for the University. BEI entered into an agreement in June 2012 with a food service provider who will provide all retail and catering food services on the University's main campus, SHCC and concession services at athletic, recreational and special events at the University's main campus.

The contract with the food service provider is effective July 1, 2013, and extends through June 30, 2033. The contract can be extended for one year periods upon mutual agreement. Either party may terminate the amended agreement during the contract period due to financial hardship and with proper notice. The contract was amended in April 2014 to extend the original contract length through June 30, 2033.

In fiscal year 2012, the food service provider paid a signing incentive of \$1.1 million to BEI under the original agreement. The food service provider has also agreed to purchase \$5,634,964 of capital improvements on behalf of BEI in exchange for contract terms including exclusive rights to provide services. The majority of the capital improvements will be purchased through fiscal year 2015. The \$1.1 million signing incentive has been recorded as unearned income and is being amortized to revenue on a straight line basis from October 2012 through June 2033. Capital improvements made under the prior and amended contract are recorded as completed, and corresponding unearned income is recognized and amortized over the remaining life of the contract. The amortization period for capital improvements was changed from June 2032 to June 2033 in accordance with the extended term of the amended agreement. As the University, under the terms of the amended contract, holds title to certain assets funded through the capital investment, the transfer of those assets to the University by BEI will be recognized as donations to the University.

Included in the food service provider total capital investment is the unamortized balance of the food service provider's investment under the contract between the University and the food service provider in existence immediately prior to the effective date of the initial agreement with BEI. BEI reported this amount as donations to the University last fiscal year and unearned income to be amortized on a straight line basis over the period October 2012 to June 2023 per the amended agreement.

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**NOTE 7 ASSIGNMENT OF DINING SERVICES (CONTINUED)**

As of June 30, 2014 and 2013, BEI has recognized \$130,041 and \$145,908, respectively in earned revenue from the vendor investments. During the years ended June 30, 2014 and 2013, BEI recognized \$0 and \$978,951, respectively, in donations to the University related to dining services. The following is a rollforward of the Unearned Service and Management Arrangement Income for the years ended June 30:

	2014	2013
Unearned Service and Management Arrangement Income - Beginning of Year:	\$ 1,849,042	\$ 1,100,000
Add: Capital Improvements under Service and Management Arrangements	300,000	309,964
Less: Adjustment in Amended Agreement – Assumption of Unamortized Capital Investment from Prior Contract with UWF	(90)	-
Add: Assumption of Unamortized Capital Investment from Prior Contract	-	584,986
Amortization of Unearned Income	(130,041)	(145,908)
Unearned Service and Management Arrangement Income - End of Year:	\$ 2,018,911	\$ 1,849,042

The amended contract also calls for commissions to be paid to BEI based upon sales by the food service provider on a sliding scale from 2.25% on the first \$7.5 million of sales to 4.25% for sales in excess of \$11 million. Under the original contract, an advance commission payment of \$1 million was paid upon the signing of the contract during fiscal year 2012. The balance of unearned commission is \$418,840 and \$440,884 at June 30, 2014 and 2013, respectively.

**NOTE 8 ASSIGNMENT OF BOOKSTORE OPERATIONS**

On October 15, 2012, the President of the University granted approval, under the Agreement, for BEI to accept and administer bookstore services for the University.

On August 18, 2009, the University and a bookstore operations vendor entered into a Bookstore Operating Agreement pertaining to the operation of the University's bookstore facilities and certain bookstore upgrades. Bookstore services became an Assigned Function of BEI on October 15, 2012, and the Bookstore Operating Agreement was amended on this date to substitute BEI as party to the agreement in lieu of the University. The amendment additionally extended the contract between BEI and the bookstore operations vendor through September 2022.

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**NOTE 8 ASSIGNMENT OF BOOKSTORE OPERATIONS (CONTINUED)**

Under the contract, a \$600,000 initial contribution was provided to BEI by the bookstore operations vendor. This initial contribution was recorded as unearned income and is being amortized on a straight line basis over the 10 year contract period. The bookstore operations vendor has also agreed to invest up to an additional \$300,000 for furniture, fixtures and equipment upon construction of a new bookstore facility on or about December 1, 2015, or soon thereafter.

All equipment, fixtures and furniture included as store upgrades from the capital investments of the bookstore operations vendor or from future capital investments for the new bookstore facility will remain the property of the bookstore operations vendor until the investment is fully amortized, over a five year period commencing on the date of the first disbursement of funds, at which time the upgrades will become property of the University. As of June 30, 2014 and 2013, there were no fully amortized store upgrades. Upon such time that store upgrade titles are transferred to the University, the fair value of the assets will be recognized as donations to the University and income by BEI.

BEI assumed a contingent liability in the amount of \$46,875 as of October 15, 2012, resulting from the ability of BEI to cancel the contract. This is the unamortized balance of the bookstore operations vendor's investment under the original agreement between the University and the bookstore operations vendor in existence immediately prior to the effective date of the contract amendment with BEI. This will be fully amortized in August 2014. Since BEI considers the likelihood of cancelation to be remote, no contingent liability is recorded as of June 30, 2014 and 2013.

As of June 30, 2014 and 2013, BEI has recognized \$60,000 and \$45,000, respectively, in bookstore contract revenue. The following is a rollforward of the Unearned Service and Management Arrangement Income for the years ended June 30:

	2014	2013
Unearned Service and Management Arrangement		
Income - Beginning of Fiscal Year:	\$ 555,000	\$ -
Add: Initial Bookstore Contribution	-	600,000
Less: Amortization of Unearned Income	(60,000)	(45,000)
Unearned Service and Management Arrangement		
Income - End of Year:	\$ 495,000	\$ 555,000

The contract amendment also calls for commissions to be paid to BEI based upon sales by the bookstore operations vendor on a sliding scale from 10.25% on the first \$5 million of sales to 12.25% for sales in excess of \$7.5 million with a minimum annual guarantee of \$425,000 for fiscal years ended June 30, 2013 (which includes commissions earned from July 1, 2012 until the effective date of the contract amendment) and June 30, 2014. For the fiscal years commencing July 1, 2014 and beyond, the minimum annual guarantee shall be equal to 90% of the previous year's calculated commission amount.

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**NOTE 9 ASSIGNMENT OF PARKING OPERATIONS**

On June 21, 2013, the President of the University granted approval, under the Agreement, for BEI to accept and administer Parking and Transportation Services (PATS) for the University. The assignment was effective July 1, 2013.

The revenues and expenses for the PATS assigned function are the responsibility of BEI. BEI contracts with the University to collect revenues and to perform the day-to-day operations of the parking function on behalf of BEI.

Cash reserves held by the University specifically for the PATS assigned function will remain the property of the University and will be held for planned and unscheduled needs and for the design and construction of parking, transportation, and related facilities as required. BEI is responsible for the long-term planning, capital investment, and construction of new parking and transportation facilities.

**NOTE 10 MOBILE LAUNDRY AND DRY CLEANING SERVICES**

A license agreement was entered into by BEI and a vendor on August 1, 2014, to provide mobile laundry and dry cleaning services for UWF students, faculty, and staff. The vendor will install a prefabricated structure on the main campus of the University for customers to drop off and pick up laundry. The vendor will pay a monthly license fee to BEI equal to 10% of gross revenues of the vendor in connection with the license agreement. The vendor is responsible for all costs associated with the terms of the license agreement, other than the costs for establishing the utilities connection.

**NOTE 11 BUILDING LEASE AND RENTAL INCOME**

On June 14, 2013, BEI entered into a lease agreement with the UWF Small Business Development Center, a component of the University, to rent Building Eight which was transferred to BEI in 2012. The annual rent shall be \$20,310 and the rental period began on July 1, 2013 and continues through June 30, 2016.

**NOTE 12 RISK MANAGEMENT**

BEI is exposed to various levels of loss including, but not limited to, losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. BEI is insured for these risks. There were no insurance losses related to these risks for the years ended June 30, 2014 and 2013. BEI is not aware of any liabilities related to these risks as of June 30, 2014.

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**NOTE 12 RISK MANAGEMENT (CONTINUED)**

BEI has established a Low Value Asset Policy to manage and account for certain property items which are portable and susceptible to theft or loss. No low value assets have been identified as missing as of June 30, 2014 and 2013.

**NOTE 13 NEW ACCOUNTING STANDARD**

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* became effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Statement No. 65 will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

**NOTE 14 IN-KIND CONTRIBUTIONS**

Certain donated services which require specific expertise or enhance an asset are required to be recorded in the financial statements at their fair market value. For the years ended June 30, 2014 and 2013, \$1,667 and \$1,363, respectively, was recorded for contributions from BEI's volunteer board members. Rent for space utilized by BEI and owned by the University was recorded for \$1,606 for each of the years ended June 30, 2014 and 2013. In addition, \$3,846 and \$1,363 was recorded for food and beverage services donated to BEI for the years ended June 30, 2014 and 2013, respectively.

Each state university board of trustees is authorized to permit the use of property, facilities, and personal services at any state university by any university direct support organization per Section 1004.28, Florida Statutes. Administrative and fiscal services, office space, and other miscellaneous support services are provided to the University direct support organizations by the University at no cost. Estimated fair values are recorded if determinable. No value is assigned to administrative and fiscal services in the accompanying statement of revenues, expenses, and changes in net position, since there is no objective basis for determining the value.

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 15 RELATED PARTIES**

The University provides administrative, managerial and facilities support for BEI. BEI reimbursed the University \$87,573 and \$51,770 for services and costs during the year ended June 30, 2014 and 2013. For the years ended June 30, 2014 and 2013, BEI disbursed \$490,363 and \$445,522, respectively, to the University for food service management pursuant to the Agreement discussed in Note 7. For the year ended June 30, 2014 and 2013, BEI disbursed \$668,953 and \$0, respectively, to the University for bookstore management pursuant to the Agreement discussed in Note 8. For the year ended June 30, 2014, BEI disbursed \$1,147,000 to the University for parking and transportation management pursuant to the Agreement discussed in Note 9. Parking and transportation was not an assigned function during fiscal 2013.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
UWF Business Enterprises, Inc.  
Pensacola, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of UWF Business Enterprises, Inc. (BEI) (a component unit of the University of West Florida), as of June 30, 2014, and the related notes to the financial statements, which collectively comprise BEI's basic financial statements, and have issued our report thereon dated September 8, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered BEI's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BEI's internal control. Accordingly, we do not express an opinion on the effectiveness of BEI's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether BEI's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of BEI's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BEI's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Orlando, Florida  
September 8, 2014



**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE I – SCENIC HILLS COUNTRY CLUB EXPENSES**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Administrative Expenses	\$ 13,325	\$ 28,373
Advertising and Promotion	26,530	5,046
Amortization	20,157	2,940
Armored Truck Charges	7,098	6,386
Bank Service Charges	16,060	18,377
Carts Expense	85,472	72,182
Computer	20,793	7,877
Course Maintenance	137,881	172,093
Dues and Subscriptions	1,899	1,120
Insurance	53,028	47,358
Marketing Expense	48,111	24,897
Miscellaneous	-	1,977
Office Supplies	966	2,742
Postage	1,089	3,513
Pro Shop Expenses	3,602	4,452
Professional Fees	44,183	13,950
Repairs and Maintenance	20,040	28,549
Restaurant Expense	1,678	11,384
Staff Leasing	473,520	515,464
Taxes and Licenses	6,483	22,983
Travel and Entertainment	29	2,437
Utilities	116,701	128,395
Bad Debt Provision	8,541	-
Total	<u>\$ 1,107,186</u>	<u>\$ 1,122,495</u>

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE II – FOOD SERVICE MANAGEMENT EXPENSES**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Auxiliary Administrative Overhead	\$ -	\$ 68,000
Concession Commissions	-	885
Contractual Services - UWF	490,363	-
Credit Card Fees	-	25,788
Materials and Supplies	-	6,430
Miscellaneous	-	5,175
Nautilus Card Fees	-	48,613
Repairs and Maintenance	-	117,006
Repairs and Replacement	-	50,000
Utilities	-	123,625
Total	<u>\$ 490,363</u>	<u>\$ 445,522</u>

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE III – DONATIONS TO THE UNIVERSITY OF WEST FLORIDA**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Catering Kitchen (Design)	\$ -	\$ 24,534
Dining Services Auxiliary	-	84,000
Dining Services Capital Improvements	-	584,986
Food Truck	-	285,430
Total	<u>\$ -</u>	<u>\$ 978,950</u>

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE IV – GENERAL AND ADMINISTRATIVE EXPENSES**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Administrative Expenses	\$ 17,814	\$ 4,333
Advertising and Promotion	1,312	909
Amortization	-	7,139
Computer	7,017	7,631
Equipment	397	238
Miscellaneous	745	599
Office Supplies	1,016	2,152
Other University Support	47,385	14,112
Postage	252	290
Professional Fees	56,227	60,647
Taxes and Licenses	61	369
Travel and Entertainment	1,362	4,203
Utilities	397	81
Total	<u>\$ 133,985</u>	<u>\$ 102,703</u>

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE V – PARKING AND TRANSPORTATION MANAGEMENT EXPENSES**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
Bad Debt Expense	\$ 90,236	\$ -
Contractual Services-UWF	1,147,000	-
Total	\$ 1,237,236	\$ -

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE VI – BOOKSTORE MANAGEMENT EXPENSES**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
Contractual Services-UWF	\$ 668,953	\$ -
Total	\$ 668,953	\$ -

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE VII – BUILDING EIGHT EXPENSES**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Insurance	\$ 2,522	\$ 2,713
Repairs and Maintenance	3,800	3,597
Utilities	3,274	-
Total	<u>\$ 9,596</u>	<u>\$ 6,310</u>

**UWF BUSINESS ENTERPRISES, INC.**  
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)**  
**SCHEDULE VIII – DEPRECIATION EXPENSES**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
Building Eight	\$ 3,593	\$ 3,593
Scenic Hills Country Club	77,627	75,572
Total	\$ 81,220	\$ 79,165