

UWF BUSINESS ENTERPRISES, INC.
**(A COMPONENT UNIT OF THE UNIVERSITY OF WEST
FLORIDA)**
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

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 years ended June 30, 2015 and 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits 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, 2015 and 2014, and the respective changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 12 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 audits 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.

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 October 23, 2015, 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.



CliftonLarsonAllen LLP

Orlando, Florida
October 23, 2015

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015 AND 2014

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 years ended June 30, 2015, 2014 and 2013. 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 13 through 30.

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 appointed Dr. James Barnett as interim CEO. On September 1, 2015, Dr. Steven D. Cunningham, incoming Vice President for Administrative Services became the CEO of BEI.

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, 2015.

The statements of net position present 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.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015 AND 2014

The statements of revenues, expenses, and changes in net position present 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 statements of cash flows present information about the cash receipts and cash payments of BEI from July 01, 2013 through June 30, 2014 and July 01, 2014 through June 30, 2015. 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 statements 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 STATEMENTS OF NET POSITION

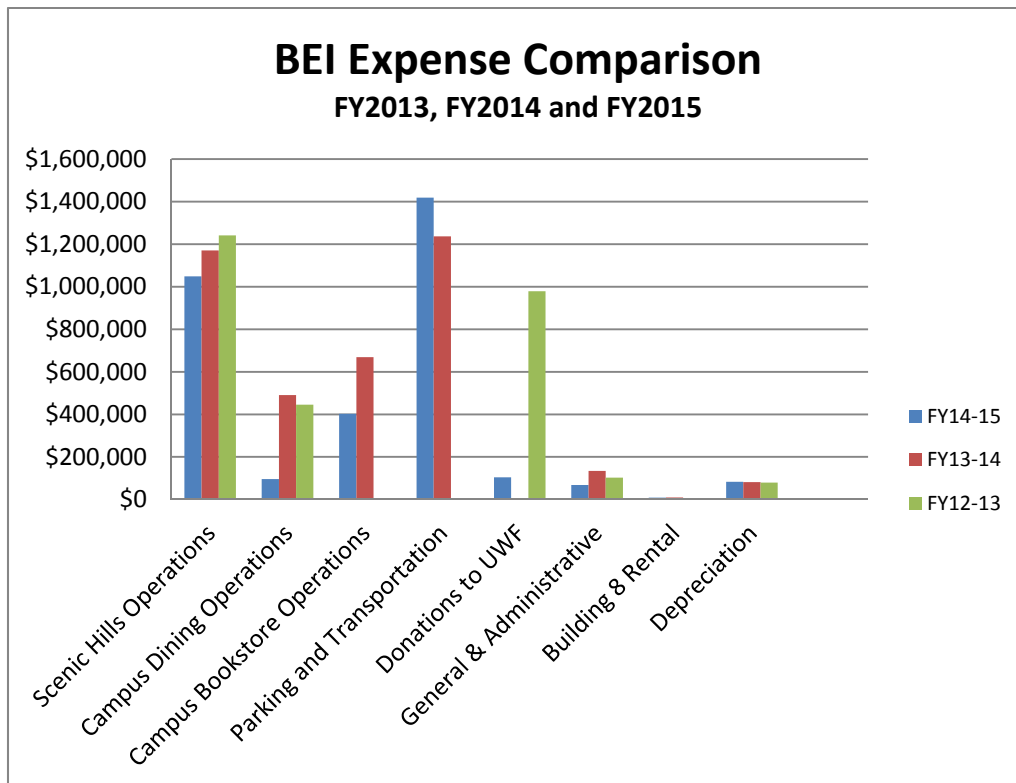
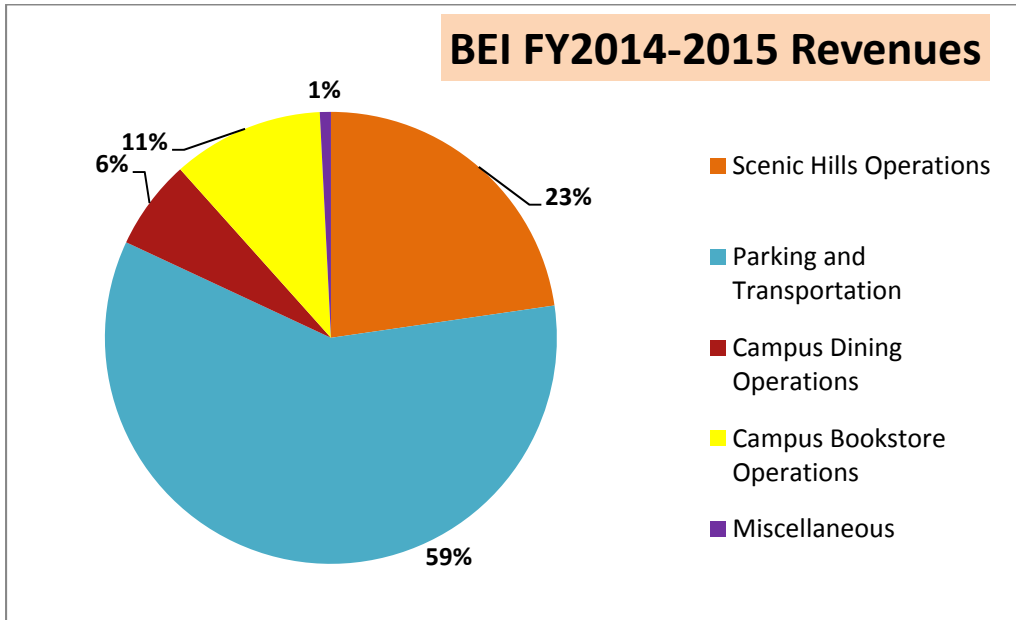
| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|----------------------|---------------------|---------------------|
| ASSETS | | | |
| Total Assets, Excluding Capital Assets | \$ 2,695,266 | \$ 1,853,148 | \$ 1,345,644 |
| Capital Assets, Net | <u>7,600,712</u> | <u>2,928,421</u> | <u>2,544,681</u> |
| Total Assets | <u>\$ 10,295,978</u> | <u>\$ 4,781,569</u> | <u>\$ 3,890,325</u> |
| LIABILITIES | | | |
| Current Liabilities | \$ 1,293,989 | \$ 1,542,149 | \$ 1,036,954 |
| Long Term Liabilities | <u>7,596,831</u> | <u>2,781,011</u> | <u>3,174,699</u> |
| Total Liabilities | <u>8,890,820</u> | <u>4,323,160</u> | <u>4,211,653</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | 2,069,558 | 1,597,385 | 1,478,919 |
| Unrestricted Deficit | <u>(664,400)</u> | <u>(1,138,976)</u> | <u>(1,800,247)</u> |
| Total Net Position | <u>1,405,158</u> | <u>458,409</u> | <u>(321,328)</u> |
| Total Liabilities and Net Position | <u>\$ 10,295,978</u> | <u>\$ 4,781,569</u> | <u>\$ 3,890,325</u> |

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015 AND 2014

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

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|----------------------------|--------------------------|----------------------------|
| REVENUES | | | |
| Golf Course Sales | \$ 984,057 | \$ 948,517 | \$ 1,242,825 |
| Food Service Commissions | 117,833 | 440,720 | 643,117 |
| Bookstore Commissions | 409,197 | 430,424 | 229,645 |
| Revenues from Service and Management | | | |
| Arrangement Income | 221,182 | 190,041 | 190,909 |
| Parking and Transportation | 2,567,007 | 2,558,700 | - |
| Building Eight Rent | 20,310 | 20,310 | - |
| Contributions In-Kind | 6,794 | 7,160 | 4,332 |
| Miscellaneous | 6,905 | 6,000 | 6,000 |
| Total Revenues | <u>4,333,285</u> | <u>4,601,872</u> | <u>2,316,828</u> |
| EXPENSES | | | |
| Golf Course Operations | 997,174 | 1,107,186 | 1,122,495 |
| Golf Course Pro Shop Cost of Sales | 51,676 | 63,439 | 118,736 |
| Food Service Management | 95,789 | 490,363 | 445,522 |
| Bookstore Management | 402,449 | 668,953 | - |
| Parking and Transportation Service (inclusive of bad debt) | 1,418,908 | 1,237,236 | - |
| General and Administrative | 68,028 | 133,985 | 102,703 |
| Donations to the University of West Florida | 104,202 | - | 978,950 |
| Building Eight | 8,651 | 9,596 | 6,310 |
| Depreciation | 82,949 | 81,220 | 79,165 |
| Total Expenses | <u>3,229,826</u> | <u>3,791,978</u> | <u>2,853,881</u> |
| NONOPERATING EXPENSES | <u>(156,710)</u> | <u>(30,157)</u> | <u>(3,089)</u> |
| Change in net position | 946,749 | 779,737 | (540,142) |
| Net Position - July 1 | <u>458,409</u> | <u>(321,328)</u> | <u>218,814</u> |
| NET POSITION - JUNE 30 | <u><u>\$ 1,405,158</u></u> | <u><u>\$ 458,409</u></u> | <u><u>\$ (321,328)</u></u> |

UWF BUSINESS ENTERPRISES, INC.
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015 AND 2014



UWF BUSINESS ENTERPRISES, INC.
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015 AND 2014

Financial Highlights

X Clean Services began dry cleaning drop-off operations on UWF's campus on May 26, 2015. The campus digital signage was expanded to include a monument sign at the East Campus/Argonaut Village. BEI received a small amount of income from the mobile laundry and dry cleaning services and digital signs this fiscal year. East Campus/Argonaut Village opened Starbucks on June 16, 2015; this facility is part of the dining services operation, and the revenues generated will factor into the commissions BEI receives from its dining services vendor. Scenic Hills Country Club (SHCC) overall costs are lower in FY14-15 compared to FY13-14 and FY12-13. Cost savings have been realized in the areas of course maintenance 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 contractual services are lower in FY14-15 as a result of reduced commission income. BEI General and Administrative costs were reduced in FY14-15. BEI reclassified the developmental costs incurred for University Park in FY12-13 and FY13-14 from construction in progress, since the project was transferred to the University this fiscal year. Parking and Transportation Services payments increased in FY14-15 because of increased administrative and operating costs and the implementation of a new software system (T2 / Flex).

Scenic Hills Country Club

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 June 2015. The bank loan was renegotiated and is now a five year \$997,206 bank loan at 4.75% interest, amortized over 17 years with a balloon payment due June 30, 2020. The 2015 appraised value of SHCC was \$2.2 million. 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. In June 2015, Scenic Hills Country Club was awarded Pensacola News Journal's Best of the Bay 2015 readers' choice award for best golf club.

| Scenic Hills Country Club Key Facts | FY 2014-15 | FY 2013-14 | FY 2012-13 |
|--|-------------------|-------------------|-------------------|
| UWF Events/Meetings held | 15 | 25 | 26 |
| UWF Fundraisers held | 5 | 5 | 3 |
| Capital Investments | \$0 | \$20,753 | \$38,367 |
| Memberships – Golf | 108 | 102 | 128 |
| Memberships - Social | 24 | 29 | 21 |
| Member Events/Meetings Held | 25 | 27 | 24 |
| Rain (Inclement Weather) Days | 85 | 98 | 80 |

Storm damage from the April 29, 2014 rain event resulted in damage to holes 13 and 17. Erosion control measures were made in March 2015 to hole 13 at a cost of approximately \$10,000.

In the spring of 2014, SHCC launched a successful Introductory Membership campaign, selling 650 introductory memberships which included 62 student memberships, and increased revenues from cart rentals.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015 AND 2014

To increase efficiency, SHCC staff took several measures during FY13-14 and FY14-15. The following are some examples.

- Terminated Professional Services Contract for Turf Consultant: SHCC brought the responsibility for turf planning and maintenance in-house, which resulted in an immediate savings and future cost avoidance annually of \$36,000 using the same annualized management task and frequency maintenance plan.
- 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.
- 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.
- Continued to review and reduce administrative and operating costs such as insurance, services, and course maintenance.
- 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.

Campus Bookstore and Dining

The dining and event services agreement between BEI and the dining services vendor, originally executed in July 2013, was amended for the second time in FY14-15. Both amendments to the original agreement have provided clarification on capital investments to be made at the East Campus/Argonaut Village restaurant parcel and on the manner in which BEI will be compensated with regard to restaurants housed in the East Campus/Argonaut Village. 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.

In June 2015, a Development Agreement and a Lease Agreement were executed between BEI and the dining services vendor in connection with the East Campus/Argonaut Village. The Development Agreement outlined the scope of work to be performed at the East Campus under the agreement and distinguished between work accomplished for the University and work accomplished for BEI. The Lease Agreement identified BEI as landlord and the dining services vendor as the tenant. The term of the Lease Agreement coincides with the term of the Main Campus Dining Agreement between the dining services vendor and BEI, currently extended until 2035. Under the Lease Agreement, BEI is to receive a \$100,000 lease payment in July of each year, with a pro rata calculation for the first year of operation. East Campus/Argonaut Village is still under construction and expected to be completed in early fall of 2015.

UWF BUSINESS ENTERPRISES, INC.
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015 AND 2014

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 capital investments completed and placed into service, BEI's Statements of Revenues, Expenses, and Changes in Net Position reported a donation from BEI to the University of \$104,202, \$0 and \$978,950 for the years ended June 30, 2015, 2014 and 2013, respectively. There were no capital investments made by vendors completed and placed into service with title transfer to the University during FY13-14. Capital investments made by the dining services vendor in FY14-15 included \$50,000 for furniture renewal at SHCC.

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, \$396,796, \$418,840, and \$440,884 remained unearned as of June 30, 2015, 2014 and 2013, respectively.

In FY14-15, the UWF Bookstore text rental program continued to expand. The program generated \$255,800 in savings to students over purchasing new textbooks compared to \$251,200 in FY13-14, an increase of \$4,600 in savings. The program generated \$218,000 in savings to students in FY12-13.

UWF Bookstore digital course material was also expanded during this fiscal year. The availability of digital course material was increased by more than 100 units over last year. In FY14-15, the digital text option provided more than \$27,880 in savings to students over purchasing new printed textbooks, compared to \$24,000 in FY13-14, an increase of \$3,880 in savings. The program provided \$15,000 in savings to students in FY12-13.

Follett Discover was implemented in May 2015 creating a new adoption tool for faculty to use to review and select course materials. Follett Discover makes it easy for instructors to seek, evaluate and adopt course materials.

The Bookstore partnered with UWF Intercollegiate Athletics and the Licensing Office to assist in the launch of the 2016 Inaugural Football logo and was the exclusive provider of these logo items for the kick-off period.

Parking and Transportation

On June 21, 2013, the University President 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.

In FY13-14, a new "remote lot" permit was approved by the Board of Trustees as a lower cost parking option. The lot was resealed and restriped and signage was added for the lot to become operational at the beginning of the fall 2014 semester.

The GPS trolley tracking app purchased in FY13-14 was named ArgoTracker and became operational at the beginning of the fall 2014 semester. The app allows riders to access trolley location and wait times in real time on smart-phones and other mobile devices.

UWF BUSINESS ENTERPRISES, INC.
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015 AND 2014

A second location for bus pass pick-up was added in FY13-14. The additional location has proven to be very convenient to students and has become the primary bus pass pick-up location. Parking and Transportation increased the use of public transportation by distributing 9,846 bus passes in FY14-15 compared to 5,834 in FY13-14 and 2,152 in FY12-13. Encouraging students to use public transportation helps to reduce the number of single occupancy vehicles on campus and helps to improve parking efficiency.

The following projects were undertaken during the 14-15 academic year:

- Trolley Amenities: Traffic modifications have been added to parking lots to accommodate students visiting the East Campus.
- Motorcycle Spaces: 14 motorcycle spaces were added across campus.
- Bus Shelters and Benches: Four shelters and eleven benches were installed along the shuttle route. The shelters will provide relief from inclement weather.
- Crosswalk Safety Program: A safety standard was developed for the campus crosswalk network. Improvements are slated to be installed in phases with Phase One beginning in the summer of 2015. Phase One will include pavement markings, signage and traffic calming devices. Subsequent phases will include lighting and new crosswalks.
- An 85 space parking lot was added at the East Campus/Argonaut Village. BEI will reimburse up to \$600,000 of the construction costs. The parking lot is still under construction and expected to be completed in early FY15-16.

Investments

BEI invested in a new Point of Sales software system for SHCC in FY13-14 and project development costs associated with the East Campus project and the University Park project in FY12-13 and FY13-14.

The East Campus/Argonaut Village development project continues in progress and nearing completion with the expected build-out for tenants to be completed in early fall of 2015. As part of the capital improvements required under the two amendments to the dining and event services agreement executed in July 2013, the dining services vendor has invested \$3.85 million to date to develop and construct over 13,100 square feet of mixed use commercial and restaurant buildings at the east entrance of campus. The Lease Agreement has been executed between BEI and the dining services vendor to sub-lease the space to various businesses for operation. The vendor shall act as Property Manager on behalf of BEI, the Landlord, and will be responsible for sub-leasing and managing both the property and the commercial tenants. The first tenant began operations in June 2015, and currently, almost 8,800 square feet have been either leased or in the various internal review and approval stages of the lease process.

UWF BUSINESS ENTERPRISES, INC.
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015 AND 2014

Other Items

In July 2014, the University Park project was re-engineered and transitioned from BEI to the University of West Florida. The external master developer working with BEI to develop the original project as a public/private partnership withdrew from the project, and BEI was not in a position to pursue the project under an alternative funding plan. BEI had \$111,000 in developmental costs that did not provide a benefit to the revised project and thus were not transferable to the University. Presently, University Park, Phase IA is being constructed; it will encompass a competition field, site work, infrastructure, and temporary trailers. This construction is in support of UWF's fledgling football program and is funded from University monies.

In December 2014, BEI placed the following projects on hold in order to focus strategically on the East Campus/Argonaut Village development and SHCC: hotel and conference center, townhouse and zero-lot line leased residences, electric vehicle pilot program, and west campus retirement village. A total of \$78,218 has been spent to date toward these projects.

On May 4, 2015, BEI held its first strategic planning session to help refine and focus future activities of BEI. As a result of this session, a workgroup has been charged to review and evaluate options for the future of SHCC.

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, 2015 AND 2014

| ASSETS | <u>2015</u> | <u>2014</u> |
|--|-----------------------------|----------------------------|
| CURRENT ASSETS | | |
| Cash | \$ 741,270 | \$ 1,667,280 |
| Accounts Receivable, Net | 219,138 | 130,271 |
| Due from the University of West Florida, Net | 1,676,389 | - |
| Inventory | 51,121 | 51,192 |
| Prepaid Expenses | 7,348 | 4,405 |
| Total Current Assets | <u>2,695,266</u> | <u>1,853,148</u> |
| CAPITAL ASSETS | | |
| | <u>7,600,712</u> | <u>2,928,421</u> |
| Total Assets | <u><u>\$ 10,295,978</u></u> | <u><u>\$ 4,781,569</u></u> |
| LIABILITIES AND NET POSITION | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 98,172 | \$ 125,458 |
| Accrued Liabilities | 668,017 | 42,344 |
| Due to the University of West Florida, Net | - | 52,973 |
| Note Payable - Current Portion | 38,743 | 1,025,199 |
| Capital Lease Obligation - Current Portion | 4,790 | 4,790 |
| Deferred Membership Dues - Current Portion | 48,874 | 77,160 |
| Unearned Commission Income - Current Portion | 22,044 | 22,044 |
| Unearned Service and Management Arrangement Income - Current Portion | <u>413,349</u> | <u>192,181</u> |
| Total Current Liabilities | <u>1,293,989</u> | <u>1,542,149</u> |
| LONG-TERM LIABILITIES | | |
| Note Payable - Less Current Portion | 958,463 | - |
| Capital Lease Obligation - Less Current Portion | 9,235 | 14,025 |
| Deferred Membership Dues - Less Current Portion | - | 48,460 |
| Unearned Commission Income - Less Current Portion | 374,752 | 396,796 |
| Unearned Service and Management Arrangement Income - Less Current Portion | <u>6,254,381</u> | <u>2,321,730</u> |
| Total Long-Term Liabilities | <u>7,596,831</u> | <u>2,781,011</u> |
| Total Liabilities | <u>8,890,820</u> | <u>4,323,160</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | 2,069,558 | 1,597,385 |
| Unrestricted Deficit | <u>(664,400)</u> | <u>(1,138,976)</u> |
| Total Net Position | <u>1,405,158</u> | <u>458,409</u> |
| Total Liabilities and Net Position | <u><u>\$ 10,295,978</u></u> | <u><u>\$ 4,781,569</u></u> |

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, 2015 AND 2014

| | 2015 | 2014 |
|---|--------------|------------|
| REVENUES | | |
| Golf Course Sales | \$ 984,057 | \$ 948,517 |
| Food Service Commissions | 117,833 | 440,720 |
| Bookstore Commissions | 409,197 | 430,424 |
| Revenues from Service and Management Arrangements | 221,182 | 190,041 |
| Parking and Transportation | 2,567,007 | 2,558,700 |
| Building Eight Rent | 20,310 | 20,310 |
| Contributions and In-Kind | 6,794 | 7,160 |
| Miscellaneous Income | 6,905 | 6,000 |
| Total Revenues | 4,333,285 | 4,601,872 |
| EXPENSES | | |
| Golf Course Operations | 997,174 | 1,107,186 |
| Golf Course Pro Shop Cost of Sales | 51,676 | 63,439 |
| Food Service Management | 95,789 | 490,363 |
| Bookstore Management | 402,449 | 668,953 |
| Parking and Transportation Service | 1,418,908 | 1,237,236 |
| General and Administrative | 68,028 | 133,985 |
| Donations to the University of West Florida | 104,202 | - |
| Building Eight | 8,651 | 9,596 |
| Depreciation | 82,949 | 81,220 |
| Total Expenses | 3,229,826 | 3,791,978 |
| NET OPERATING INCOME | 1,103,459 | 809,894 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Write off of Construction in Progress | (111,099) | - |
| Loss on Disposal of Capital Assets | (3,943) | - |
| Other Gains/Losses | - | 13,155 |
| Interest Expense | (41,668) | (43,312) |
| Total Nonoperating Revenues (Expenses), Net | (156,710) | (30,157) |
| CHANGE IN NET POSITION | 946,749 | 779,737 |
| Net Position - July 1 | 458,409 | (321,328) |
| NET POSITION - JUNE 30 | \$ 1,405,158 | \$ 458,409 |

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, 2015 AND 2014

| | 2015 | 2014 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received from Customers and Others | \$ 2,207,623 | \$ 4,411,535 |
| Cash Paid to Leased Employees for Services | (482,610) | (473,520) |
| Cash Paid to Suppliers and Others | (2,568,617) | (2,845,853) |
| Net Cash Provided (Used) by Operating Activities | (843,604) | 1,092,162 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Purchases of Capital Assets | - | (141,009) |
| Principal Paid on Capital Debt | (36,464) | (38,148) |
| Interest Paid on Capital Debt | (41,668) | (43,312) |
| Repayments of Obligations Under Capital Leases | (4,790) | (7,551) |
| Proceeds on Sale of Capital Assets | 516 | - |
| Net Cash Used in Capital and Related Financing Activities | (82,406) | (230,020) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (926,010) | 862,142 |
| Cash and Cash Equivalents - Beginning of Year | 1,667,280 | 805,138 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 741,270 | \$ 1,667,280 |
| RECONCILIATION OF CHANGE IN NET OPERATING INCOME PROVIDED BY OPERATIONS | | |
| Change in Net Operating Income | \$ 1,103,459 | \$ 809,894 |
| Adjustments to Reconcile Change in Net Operating Income to Net Cash Provided by Operating Activities: | | |
| Depreciation | 82,949 | 81,220 |
| Amortization | - | 20,157 |
| Noncash loan costs | 8,471 | - |
| Bad Debt Provision | 89,400 | 98,777 |
| Donation of Assets | 104,202 | - |
| Changes in: | | |
| Accounts Receivable | (178,267) | (112,101) |
| Due to/from the University of West Florida | (1,729,362) | 383,254 |
| Inventory | 71 | 15,503 |
| Prepaid Expenses | (2,943) | 2,021 |
| Accounts Payable | (27,286) | (127,455) |
| Accrued Liabilities | 25,673 | 7,447 |
| Unearned Commission Income | (22,044) | (22,044) |
| Deferred Membership Dues | (76,746) | 125,620 |
| Unearned Service and Management Arrangement Income | (221,181) | (190,131) |
| Net Cash Provided by Operating Activities | \$ (843,604) | \$ 1,092,162 |

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, 2015 AND 2014

| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | <u>2015</u> | <u>2014</u> |
|---|---------------------|-------------------|
| Equipment Acquired by Capital Lease | <u>\$ -</u> | <u>\$ 20,753</u> |
| Release of Tax Liability | <u>\$ -</u> | <u>\$ 13,155</u> |
| Construction in Process Acquired from Service and Management Arrangements | <u>\$ 4,975,000</u> | <u>\$ 300,000</u> |

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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's 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 has also 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.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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:

| | 2015 | 2014 |
|------------------------|------------------|------------------|
| Beginning Balance | \$ 93,112 | \$ 2,654 |
| Current Year Provision | 89,400 | 98,777 |
| Write Offs of Accounts | (101,938) | (8,319) |
| Ending Balance | <u>\$ 80,574</u> | <u>\$ 93,112</u> |

Due from the University of West Florida, Net

Due from the University of West Florida, Net includes BEI cash held in a University account (Agency or Auxiliary) which may be withdrawn by BEI at any time (no funds access restrictions).

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:

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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 15 for a further understanding of GASB Statement No. 65.

Unearned Commission Income

BEI received \$1,000,000 in fiscal year 2012 in unearned advance commissions in connection with a contract with a food service provider as discussed in Note 7. The unearned balance 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 fiscal year 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 2035.

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.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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, 2015 and 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.

Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through October 23, 2015, the date the financial statements were available to be issued.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 2 CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2015:

| | Beginning Balance | Additions | Disposals | Reclassify | 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 | - | - | 20,775 | 23,014 |
| Maintenance Equipment, under Capital Lease | 20,775 | - | - | (20,775) | - |
| Furniture and Fixtures | 88,132 | - | 6,816 | 50,000 | 131,316 |
| Office Equipment | 8,013 | - | 1,407 | - | 6,606 |
| Exterior Sign | 11,392 | - | - | - | 11,392 |
| Software, under Capital Lease | 20,753 | - | - | - | 20,753 |
| Construction in Progress | 495,517 | 4,975,000 | 215,301 | (50,000) | 5,205,216 |
| | <u>3,086,661</u> | <u>4,975,000</u> | <u>223,524</u> | <u>-</u> | <u>7,838,137</u> |
| Less: Accumulated Depreciation | (158,240) | (82,949) | 3,764 | - | (237,425) |
| Total | <u>\$ 2,928,421</u> | <u>\$ 4,892,051</u> | <u>\$ 219,760</u> | <u>\$ -</u> | <u>\$ 7,600,712</u> |

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

| | Beginning Balance | Additions | Disposals | Reclassify | 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>-</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>\$ -</u> | <u>\$ 2,928,421</u> |

Depreciation expense amounted to \$82,949 and \$81,220 for the years ended June 30, 2015 and 2014, respectively, and includes amortization expense of \$4,151 and \$5,389, respectively, for the above equipment under capital leases.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 2 CAPITAL ASSETS (CONTINUED)

At June 30, 2014, Construction in Progress included a \$100,000 receivable from the food service provider pursuant to the dining services contract discussed in Note 7 which was used for related capital improvements during the year ended June 30, 2015.

NOTE 3 LONG-TERM LIABILITIES

Changes in long-term liabilities were as follows at June 30, 2015:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|--|----------------------|---------------------|-------------------|---------------------|-----------------------------------|
| Note Payable | \$ 1,025,199 | \$ 8,471 | \$ 36,464 | \$ 997,206 | \$ 38,743 |
| Capital Lease Obligations | 18,815 | - | 4,790 | 14,025 | 4,790 |
| Deferred Membership Dues | 125,620 | - | 76,746 | 48,874 | 48,874 |
| Unearned Commission Income | 418,840 | - | 22,044 | 396,796 | 22,044 |
| Unearned Service and Management Arrangement Income | 2,513,911 | 4,375,001 | 221,182 | 6,667,730 | 413,349 |
| | <u>\$ 4,102,385</u> | <u>\$ 4,383,472</u> | <u>\$ 361,226</u> | <u>\$ 8,124,631</u> | <u>\$ 527,800</u> |

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 3 LONG-TERM LIABILITIES (CONTINUED)

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> |

The note payable consisted 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 was \$6,670 and was secured by the real property of SHCC. This note was refinanced on June 30, 2015, with a new principal balance of \$997,206 at 4.75% interest, amortized over 17 years with a five year balloon payment. The note payable requires monthly payment of \$7,171 and is secured as well 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 |
|----------------------|-------------------|-------------------|---------------------|
| 2016 | \$ 38,743 | \$ 47,307 | \$ 86,050 |
| 2017 | 40,782 | 45,268 | 86,050 |
| 2018 | 42,789 | 43,261 | 86,050 |
| 2019 | 44,896 | 41,154 | 86,050 |
| 2020 | 829,996 | 39,051 | 869,047 |
| | <u>\$ 997,206</u> | <u>\$ 216,041</u> | <u>\$ 1,213,247</u> |

BEI is party to a capital lease agreement for software which expires in 2018. As of June 30, 2015 and 2014, the cost of the equipment under capital lease was \$20,753 and \$41,527 and related accumulated amortization was \$6,572 and \$7,120, respectively.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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> | | |
|---|----|---------|
| 2016 | \$ | 6,067 |
| 2017 | | 6,067 |
| 2018 | | 5,675 |
| Total Lease Payments | | 17,809 |
| Less: Amount Representing Interest | | (3,784) |
| Present Value of Minimum Lease Payments | | 14,025 |
| Less: Current Maturity | | (4,790) |
| Net Noncurrent Portion | \$ | 9,235 |

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> | | |
|-----------------------------|----|---------|
| 2016 | \$ | 104,202 |
| 2017 | | 58,663 |
| 2018 | | 24,466 |
| 2019 | | 24,466 |
| 2020 | | 22,428 |
| Total | \$ | 234,225 |

Total rent expense of \$82,124 and \$84,398 for the years ended June 30, 2015 and 2014, 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. During fiscal year 2015, an additional \$4,375,000 was invested by the vendor as stipulated in the contract signed with the food service provider.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| Unamortized Unearned Income from Dining Services Agreement - Note 7 | \$ 6,232,730 | \$ 2,018,911 |
| Unamortized Unearned Income from Bookstore Services Agreement - Note 8 | <u>435,000</u> | <u>495,000</u> |
| Total Unearned Income from Service and Management Arrangements | <u>\$ 6,667,730</u> | <u>\$ 2,513,911</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, 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.

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.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 7 ASSIGNMENT OF DINING SERVICES (CONTINUED)

The contract with the food service provider became 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 December 2014 to extend the original contract length through June 30, 2035.

In fiscal year 2012, the food service provider paid a signing incentive of \$1.1 million to BEI under the original agreement. Under the agreement, as amended, the food service provider has also agreed to purchase \$7,964,850 of capital improvements on behalf of BEI in exchange for contract terms including the exclusive right to provide services. 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 2035 in accordance with the extended term of the amended agreement. Under the terms of the amended contract the University holds title to certain assets funded through the capital investment; therefore 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 during fiscal year 2013 and unearned income to be amortized on a straight line basis over the period October 2012 to June 2023 per the amended agreement.

During the year ended June 30, 2015, \$104,202 of the food service provider investments were donated to the University in accordance with the agreement. The unearned income related to those investments will be amortized on a straight line basis over the period of December 2013 through June 2033 per the amended agreement.

During the year ended June 30, 2015, the food service provider continued construction on the East Campus Restaurant Development project to provide various retail establishments. Effective July 1, 2015, BEI entered into a lease agreement with the food service provider whereby the food service provider leases the East Campus Restaurant Development for an annual base rent of \$100,000, inclusive of sales tax. The agreement expires June 30, 2035.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 7 ASSIGNMENT OF DINING SERVICES (CONTINUED)

As of June 30, 2015 and 2014, BEI has recognized \$161,182 and \$130,041, respectively in earned revenue from the vendor investments. During the years ended June 30, 2015 and 2014, BEI recognized \$104,202 and \$0, 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:

| | 2015 | 2014 |
|---|--------------|--------------|
| Unearned Service and Management Arrangement | | |
| Income - Beginning of Year | \$ 2,018,911 | \$ 1,849,042 |
| Add: Capital Improvements under Service and Management Arrangements | 4,375,001 | 300,000 |
| Less: Adjustment in Amended Agreement – Assumption of Unamortized Capital Investment from Prior Contract with UWF | - | (90) |
| Amortization of Unearned Income | (161,182) | (130,041) |
| Unearned Service and Management Arrangement Income - End of Year | \$ 6,232,730 | \$ 2,018,911 |

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 \$396,796 and \$418,840 at June 30, 2015 and 2014, 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.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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, 2015 and 2014, 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 was fully amortized in August 2014.

During each of the years ended June 30, 2015 and 2014, BEI has recognized \$60,000 in bookstore contract revenue. The following is a rollforward of the Unearned Service and Management Arrangement Income for the years ended June 30:

| | 2015 | 2014 |
|---|------------|------------|
| Unearned Service and Management Arrangement | | |
| Income - Beginning of Fiscal Year | \$ 495,000 | \$ 555,000 |
| Less: Amortization of Unearned Income | (60,000) | (60,000) |
| Unearned Service and Management Arrangement | | |
| Income - End of Year | \$ 435,000 | \$ 495,000 |

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. During the year ended June 30, 2015, commissions were larger than 90% of the prior fiscal year; total commissions amounted to \$409,197 and are presented in the accompanying statement of activities.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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 installed a prefabricated structure on the main campus of the University for customers to drop off and pick up laundry. The vendor pays 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 related to 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, 2015 and 2014. BEI is not aware of any liabilities related to these risks as of June 30, 2015.

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, 2015 and 2014.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 13 IN-KIND CONTRIBUTIONS

Rent for space utilized by BEI and owned by the University was recorded for \$2,544 and \$1,606, respectively, for each of the years ended June 30, 2015 and 2014. In addition, \$4,250 and \$3,846, respectively, was recorded for food and beverage services donated to BEI for the years ended June 30, 2015 and 2014.

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 statements of revenues, expenses, and changes in net position since there is no objective basis for determining the value.

NOTE 14 RELATED PARTIES

The University provides administrative, managerial and facilities support for BEI. BEI reimbursed the University \$50,227 and \$87,573 for services and costs during the year ended June 30, 2015 and 2014. For the years ended June 30, 2015 and 2014, BEI disbursed \$95,789 and \$490,363, respectively, to the University for food service management pursuant to the Agreement discussed in Note 7. For the years ended June 30, 2015 and 2014, BEI disbursed \$402,449 and \$668,953, respectively, to the University for bookstore management pursuant to the Agreement discussed in Note 8. For the years ended June 30, 2015 and 2014, BEI incurred expenses totaling \$1,332,162 and \$1,147,000, respectively, to the University for parking and transportation management pursuant to the Agreement discussed in Note 9.

NOTE 15 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.

**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, 2015, and the related notes to the financial statements, which collectively comprise BEI's basic financial statements, and have issued our report thereon dated October 23, 2015.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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
October 23, 2015

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
SCHEDULE I – SCENIC HILLS COUNTRY CLUB EXPENSES
YEARS ENDED JUNE 30, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|---------------------------|-------------------|---------------------|
| Administrative Expenses | \$ 11,684 | \$ 13,325 |
| Advertising and Promotion | 7,630 | 26,530 |
| Amortization | - | 20,157 |
| Armored Truck Charges | 4,004 | 7,098 |
| Bad Debt Provision | 2,654 | 8,541 |
| Bank Service Charges | 14,380 | 16,060 |
| Carts Expense | 88,677 | 85,472 |
| Computer | 7,870 | 20,793 |
| Course Maintenance | 108,131 | 137,881 |
| Equipment Expense | 2,296 | - |
| Dues and Subscriptions | 2,002 | 1,899 |
| Insurance | 43,595 | 53,028 |
| Loan Costs | 8,471 | - |
| Marketing Expense | 18,526 | 48,111 |
| Office Supplies | 944 | 966 |
| Postage | 718 | 1,089 |
| Pro Shop Expenses | 4,029 | 3,602 |
| Professional Fees | 22,367 | 44,183 |
| Repairs and Maintenance | 25,968 | 20,040 |
| Restaurant Expense | 124 | 1,678 |
| Staff Leasing | 482,610 | 473,520 |
| Taxes and Licenses | 9,302 | 6,483 |
| Travel and Entertainment | - | 29 |
| Utilities | 131,192 | 116,701 |
| Total | <u>\$ 997,174</u> | <u>\$ 1,107,186</u> |

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
SCHEDULE II – FOOD SERVICE MANAGEMENT EXPENSES
YEARS ENDED JUNE 30, 2015 AND 2014

| | 2015 | 2014 |
|----------------------------|-----------|------------|
| Contractual Services - UWF | \$ 95,789 | \$ 490,363 |
| Total | \$ 95,789 | \$ 490,363 |

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, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|--------------------------------------|-------------------|-------------|
| Dining Services Capital Improvements | \$ 104,202 | \$ - |
| Total | <u>\$ 104,202</u> | <u>\$ -</u> |

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
SCHEDULE IV – GENERAL AND ADMINISTRATIVE EXPENSES
YEARS ENDED JUNE 30, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|---------------------------|------------------|-------------------|
| Administrative Expenses | \$ 3,936 | \$ 17,814 |
| Advertising and Promotion | 745 | 1,312 |
| Computer | 5,515 | 7,017 |
| Equipment | 922 | 397 |
| Miscellaneous | 20 | 745 |
| Office Supplies | 2,814 | 1,016 |
| Other University Support | 24,416 | 47,385 |
| Postage | 238 | 252 |
| Professional Fees | 27,722 | 56,227 |
| Taxes and Licenses | 70 | 61 |
| Travel and Entertainment | 1,544 | 1,362 |
| Utilities | 86 | 397 |
| Total | <u>\$ 68,028</u> | <u>\$ 133,985</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, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|--------------------------|---------------------|---------------------|
| Bad Debt Expense | \$ 86,746 | \$ 90,236 |
| Contractual Services-UWF | <u>1,332,162</u> | <u>1,147,000</u> |
| Total | <u>\$ 1,418,908</u> | <u>\$ 1,237,236</u> |

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
SCHEDULE VI – BOOKSTORE MANAGEMENT EXPENSES
YEARS ENDED JUNE 30, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|--------------------------|--------------------------|--------------------------|
| Contractual Services-UWF | <u>\$ 402,449</u> | <u>\$ 668,953</u> |
| Total | <u><u>\$ 402,449</u></u> | <u><u>\$ 668,953</u></u> |

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
SCHEDULE VII – BUILDING EIGHT EXPENSES
YEARS ENDED JUNE 30, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|-------------------------|-----------------|-----------------|
| Insurance | \$ 2,837 | \$ 2,522 |
| Repairs and Maintenance | 246 | 3,800 |
| Utilities | <u>5,568</u> | <u>3,274</u> |
| Total | <u>\$ 8,651</u> | <u>\$ 9,596</u> |

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
SCHEDULE VIII – DEPRECIATION EXPENSES
YEARS ENDED JUNE 30, 2015 AND 2014

| | 2015 | 2014 |
|---------------------------|-----------|-----------|
| Building Eight | \$ 3,593 | \$ 3,593 |
| Scenic Hills Country Club | 79,356 | 77,627 |
| Total | \$ 82,949 | \$ 81,220 |